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Management Report

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Deutsche Bank

The Group at a glance

	2011	2010
Share price at period end[1]	€ 29.44	€ 39.10
Share price high[1]	€ 48.70	€ 55.11
Share price low[1]	€ 20.79	€ 35.93
Basic earnings per share[2]	€ 4.45	€ 3.07
Diluted earnings per share[2]	€ 4.30	€ 2.92
Average shares outstanding, in m., basic[2]	928	753
Average shares outstanding, in m., diluted[2]	957	791
Return on average shareholders' equity (post-tax)	8.2 %	5.5 %
Pre-tax return on average shareholders' equity	10.2 %	9.5 %
Pre-tax return on average active equity[3]	10.3 %	9.6 %
Book value per basic share outstanding	€ 58.11	€ 52.38
Cost/income ratio	78.2 %	81.6 %
Compensation ratio	39.5 %	44.4 %
Noncompensation ratio	38.7 %	37.3 %
	in € m.	in € m.
Total net revenues	33,228	28,567
Provision for credit losses	1,839	1,274
Total noninterest expenses	25,999	23,318
Income before income taxes	5,390	3,975
Net income	4,326	2,330
	Dec 31, 2011 in € bn.	Dec 31, 2010 in € bn.
Total assets	2,164	1,906
Shareholders' equity	53.4	48.8
Core Tier 1 capital ratio[4]	9.5 %	8.7 %
Tier 1 capital ratio[4]	12.9 %	12.3 %
	Number	Number
Branches	3,078	3,083
thereof in Germany	2,039	2,087
Employees (full-time equivalent)[5]	100,996	102,062
thereof in Germany	47,323	49,265
Long-term rating		
Moody's Investors Service	Aa3	Aa3
Standard & Poor's	A+	A+
Fitch Ratings	A+	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 We calculate this adjusted measure of our return on average shareholders' equity to make it easier to compare us to our competitors. We refer to this adjusted measure as our "Pre-tax return on average active equity". However, this is not a measure of performance under IFRS and you should not compare our ratio based on average active equity to other companies' ratios without considering the differences in the calculation of the ratio. The items for which we adjust the average shareholders' equity of € 50,547 million for 2011 and € 41,712 million for 2010 are average accumulated other comprehensive income excluding foreign currency translation (all components net of applicable taxes) of € (519) million for 2011 and € (102) million for 2010, as well as average dividends of € 617 million in 2011 and € 461 million in 2010, for which a proposal is accrued on a quarterly basis and which are paid after the approval by the Annual General Meeting following each year. Tax rates applied in the calculation of average active equity are those used in the financial statements for the individual items and not an average overall tax rate.
4 Capital ratios for December 31, 2011 are based upon Basel 2.5 rules; prior periods are based upon Basel 2. 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.
5 Deutsche Postbank aligned its FTE definition to Deutsche Bank which reduced the Group number as of December 31, 2011 by 260 (prior periods not restated).

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.

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, 2011 and 2010 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 € 2,164 billion as of December 31, 2011. As of that date, we employed 100,996 people on a full-time equivalent basis and operated in 72 countries out of 3,078 branches worldwide, of which 66 % 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). AM provides retail clients across the globe with mutual fund products through our DWS franchise. It also offers institutional clients, including pension funds and insurance companies, a broad range of services from traditional to alternative investment products. On November 22, 2011, we announced that we will be reviewing our global Asset Management division. The strategic review is part of our continual effort to maintain an optimal business mix and be among the market leaders in each of our businesses. The strategic review is focusing in particular on the impact of recent regulatory changes on our division and its growth prospects. This also includes analyses of changes in the cost structure and changes in the competitive landscape associated with aforementioned regulatory changes. The review covers all of the Asset Management division globally except for the DWS franchise in Germany, Europe and Asia, which we have already determined is a core part of our retail offering in those markets. 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

The global economy was impacted by several negative factors in 2011: rising commodity prices, mounting inflation, natural and nuclear disasters in Japan, political unrest in North Africa, debates on the debt ceiling in the U.S. and downgrading by rating agencies – but especially the sovereign debt crisis in Europe.

In 2011, the global economic growth slowed to an estimated 3.5 % after a solid growth of 5 % in 2010 that was driven by catch-up effects in the wake of the global economic crisis. The slowdown took place predominantly in the industrial countries, while growth continued nearly unabated in the emerging markets. The problems of structural adjustment in the industrial countries had apparently been masked in many cases by the massive monetary and fiscal policy measures introduced in 2008 and 2009, some of which only developed their full effect in 2010. As the economic stimulus measures expired, structural problems returned.

The U.S. economy, where continuing problems in the real estate and job markets slowed growth down from 3 % in 2010 to around 1.75 % in 2011, demonstrated this notably. In the wake of the tsunami last March and the nuclear catastrophe it unleashed in Fukushima, Japan's economy was temporarily thrown into a recession by a negative supply shock and decreased on an annualized basis by around 0.75 %. The eurozone slid into a recession towards the end of the year due to the increasing uncertainty on the future development of the debt crisis and the retarding effects of the fiscal consolidation programs that were launched in many countries. As an annualized average, growth declined from 1.9 % in 2010 to around 1.5 % in 2011. Only the German economy grew strongly again at 3 %, versus 3.6 % in 2010. However, the sentiment clearly dampened here over the course of the year, in particular, due to the waning momentum in foreign trade.

The Banking Industry

In 2011, the economic environment for the banking industry was marked by a favorable first half and from summer onwards by a significant downturn as the European sovereign debt crisis worsened and economic activity declined more than expected.

Capital market businesses initially saw stable earnings and healthy client demand. This changed with the sovereign debt crisis in Europe spreading to Italy, Spain and other core countries during the third quarter. The uncertainty over debt sustainability, the magnitude of the economic downturn and worries about banks' excessive exposure to countries affected by the crisis paralyzed not only issuance activities, corporate acquisitions and trading in Europe but also the willingness of investors to provide long-term financing to the banking sector. Outside Europe, investment banking performance and banks' term funding remained largely satisfactory. For the year as a whole, the global volume of equity issuance decreased significantly, while debt issuance was down only moderately compared to 2010; the market for M&A picked up slightly, and the syndicated loans business continued to recover.

European banks responded to the widespread drying-up of long-term refinancing sources and of the interbank market by accelerating the restructuring of investment banking activities, reducing risk positions, partially withdrawing from foreign markets and seeking greater recourse to funds made available by the European Central Bank. The change in the refinancing and liquidity situation manifested itself at year-end in the European Central Bank's first-ever three-year tender operation with full allotment. In addition, the European Banking Authority also sought to restore confidence in the industry via two stress tests, increased capital requirements and improved disclosure of risk exposures in the countries affected by the crisis.

Asset management initially benefited in 2011 from the favorable market environment before revenues started to come under pressure with the decline of equity markets in August and higher volatility in the subsequent months. Investors reduced their holdings of equities and debt instruments perceived as relatively risky in favor of, for example, U.S. Treasuries and German Bunds in view of their reputation as safe havens. Banks' commissions and fee income benefited from generally higher trading volumes which was offset by investors' preference for rather low-margin products.

In line with the macroeconomic trends, lending volumes to private and business clients in the eurozone increased moderately in the first two quarters before leveling off towards year-end. Overall, lending volumes increased only insignificantly compared to the prior year. In the U.S., lending to private individuals stabilized in 2011, while corporate lending clearly returned to positive territory in the course of the year. Net interest income suffered from persistently very low interest rates in nearly all the industrialized countries. At the same time, loan loss provisions started to rise again in Europe; by contrast, they continued to fall in the U.S. As a result, banks in the eurozone (unlike U.S. banks) recently began to tighten their lending standards again.

Furthermore, European and U.S. banks posted contrasting profit performances: while banks in the U.S. continued to register sizeable gains and in fact approached the record levels of the pre-crisis period, the banks in Europe experienced declines in net income on an already only moderate performance in the prior year. A few major banks sustained (further) losses in this still relatively favorable economic environment.

The past year provided greater visibility on the new legal architecture for the financial markets. Initiatives were launched in the European Union and the U.S. to transpose the provisions of Basel 3 into national law. In Europe, banks were required for the first time to comply with the requirements of Basel 2.5, as set out in the adapted Capital Requirements Directive ("CRD III"), in particular with its higher risk weights for re-securitizations and trading assets. Furthermore, the global banking supervisors released a draft document detailing the implementation of higher capital requirements for systemically relevant banks as well as a list of the institutions concerned including Deutsche Bank. In the U.S., the various financial regulators – in particular the Federal Reserve, the FDIC, the SEC and the CFTC – introduced rules which cast the underlying legislation of the Dodd-Frank Act adopted in 2010 in concrete regulations for the financial industry. The United Kingdom ventured into new territory with the Vickers Commission's proposals on the organizational separation of lending and deposit-taking businesses with private and business clients from the rest of a bank's activities. Finally, the discussion about the introduction of a financial transaction tax intensified at the European level.

In 2011 the German legislator amended the Securities Trading Act with a view to strengthen investor protection and market transparency and the European Commission proposed an overhaul of the Markets in Financial Instruments Directive to enhance investment advice to retail customers, market transparency and the organization of securities services providers.

Deutsche Bank

The market environment in 2011 was very difficult. A favourable development of the markets in the first six months was followed by very challenging circumstances in the second half of 2011. The sovereign debt crisis in Europe led to mounting uncertainty in markets around the world and to reluctance to do business among clients, above all in Europe, but it also and most recently had an impact on the economy in several countries.

Despite this challenging environment, we achieved solid results in 2011, generating a net income of € 4.3 billion (2010: € 2.3 billion) and income before income taxes of € 5.4 billion compared with € 4.0 billion in 2010 (which included a € 2.3 billion charge related to the Postbank acquisition). In our business segments within CIB and PCAM, we achieved an income before income taxes of € 6.6 billion. This compares to our original target of € 10 billion, which was based on certain assumptions about the operating environment, not all of which have materialized in 2011.

While our CB&S business showed a very strong performance in the first half of 2011, it could not achieve its full-year target as market conditions clearly deteriorated as a result of the continued European sovereign debt crisis and growing macroeconomic concerns in the second half of 2011. In addition, CB&S had to absorb € 1.0 billion of specific charges related to litigation and operational risks. On the other hand, our GTB and PCAM businesses achieved record results and, in aggregate, exceeded their targets. This performance included positive impacts from recent acquisitions, notably the full-year consolidation of Postbank, which also contributed to a more balanced earnings mix in the current year. In addition, the results in PBC reflect a € 0.2 billion net negative impact resulting from write-downs on Greek government bonds (€ 0.5 billion), partly offset by a one-time positive impact related to our investment in Hua Xia Bank (€ 0.3 billion).

Our 2011 results were also impacted by other significant factors. Firstly, we recognized impairments of approximately € 0.6 billion in relation to certain investments in CI. Secondly, our performance-related compensation expenses were significantly lower in 2011 reflecting lower results, especially in CB&S. Thirdly, we realized incremental efficiency savings of more than € 0.5 billion in 2011 through the execution of our Complexity Reduction Program, bringing the total efficiency savings of this program, compared with the respective 2009 cost base, to € 1.1 billion by year-end 2011. Moreover, we have achieved additional savings from the further integration of CIB.

Overall, we considerably strengthened our capital position, liquidity reserves and refinancing sources and, thus, should be well prepared for further potential challenges caused by market turbulences and stricter regulatory rules. After applying the new rules of Basel 2.5 for the first time, our Tier 1 capital ratio was 12.9 % and our Core Tier 1 capital ratio was 9.5 % as of December 31, 2011. Risk-weighted assets at year-end 2011 were € 381 billion, versus € 346 billion at year-end 2010, largely due to an increase of € 54 billion attributable to the first-time implementation of the Basel 2.5 rules partly offset by management actions aimed at de-risking our business, mainly in CB&S. As of December 31, 2011, we also exceeded the capitalization requirements of the European Banking Authority, both in terms of the implementation date and our capitalization levels. Our liquidity reserves (excluding Postbank) were € 219 billion as of December 31, 2011 (December 31, 2010: € 150 billion).

The following table presents our condensed consolidated statement of income for 2011 and 2010.

in € m. (unless stated otherwise)	2011	2010	2011 increase (decrease) from 2010 in € m.	2011 increase (decrease) from 2010 in %
Net interest income	17,445	15,583	1,862	12
Provision for credit losses	1,839	1,274	565	44
Net interest income after provision for credit losses	15,606	14,309	1,297	9
Commissions and fee income	11,544	10,669	875	8
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,058	3,354	(296)	(9)
Net gains (losses) on financial assets available for sale	123	201	(78)	(39)
Net income (loss) from equity method investments	(264)	(2,004)	1,740	(87)
Other income (loss)	1,322	764	558	73
Total noninterest income	15,783	12,984	2,799	22
Total net revenues[1]	31,389	27,293	4,096	15
Compensation and benefits	13,135	12,671	464	4
General and administrative expenses	12,657	10,133	2,524	25
Policyholder benefits and claims	207	485	(278)	(57)
Impairment of intangible assets	–	29	(29)	N/M
Restructuring activities	–	–	–	N/M
Total noninterest expenses	25,999	23,318	2,681	11
Income before income taxes	5,390	3,975	1,415	36
Income tax expense	1,064	1,645	(581)	(35)
Net income	4,326	2,330	1,996	86
Net income (loss) attributable to noncontrolling interests	194	20	174	N/M
Net income (loss) attributable to Deutsche Bank shareholders	4,132	2,310	1,822	79

N/M – Not meaningful
[1] After provision for credit losses.

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)	2011	2010	2011 increase (decrease) from 2010 in € m.	in %
Total interest and similar income	34,878	28,779	6,099	21
Total interest expenses	17,433	13,196	4,237	32
Net interest income	**17,445**	**15,583**	**1,862**	**12**
Average interest-earning assets[1]	1,174,201	993,780	180,421	18
Average interest-bearing liabilities[1]	1,078,721	933,537	145,184	16
Gross interest yield[2]	2.97 %	2.90 %	0.07 ppt	2
Gross interest rate paid[3]	1.62 %	1.41 %	0.21 ppt	15
Net interest spread[4]	1.35 %	1.48 %	(0.13) ppt	(9)
Net interest margin[5]	1.49 %	1.57 %	(0.08) ppt	(5)

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 2011 was € 17.4 billion, an increase of € 1.9 billion, or 12 %, versus 2010. The improvement was primarily driven by the consolidation of Postbank. The Postbank consolidation was also the main contributor to the increase in average interest-earning assets and average interest-bearing liabilities, resulting in substantially higher interest income and expenses. Excluding Postbank, net interest income in 2011 was down versus 2010. The decrease was mainly driven by CB&S, predominantly due to increased costs of funding due to higher spreads and lower net interest income on trading positions. These developments resulted in a tightening of our net interest spread by 13 basis points and of our net interest margin by 8 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)	2011	2010	2011 increase (decrease) from 2010 in € m.	in %
CIB – Sales & Trading (equity)	412	451	(39)	(9)
CIB – Sales & Trading (debt and other products)	2,640	3,046	(406)	(13)
Other	6	(144)	150	N/M
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,058	3,354	(296)	(9)

N/M – Not meaningful

Net gains on financial assets/liabilities at fair value through profit or loss decreased by € 296 million. In Sales & Trading (debt and other products), net gains on financial assets/liabilities at fair value through profit or loss were € 2.6 billion in 2011, compared to € 3.0 billion in 2010. This decrease was mainly driven by significantly lower revenues in Flow Credit, reflecting weakened credit markets and lower client volumes across the industry. In Sales & Trading (equity), net gains on financial assets/liabilities at fair value through profit or loss were almost unchanged. In other product categories, net gains on financial assets/liabilities at fair value through profit or loss in 2011 were € 6 million, compared to negative € 144 million in 2010. The increase was mainly driven by the absence of mark-to-market losses on new loans and loan commitments held at fair value from Loan Products in CIB, which were recorded in 2010.

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)	2011	2010	2011 increase (decrease) from 2010 in € m.	 in %
Net interest income	17,445	15,583	1,862	12
Total net gains (losses) on financial assets/ liabilities at fair value through profit or loss	3,058	3,354	(296)	(9)
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	20,503	18,937	1,566	8
Breakdown by Group Division/CIB product:[1]				
Sales & Trading (equity)	1,589	2,266	(676)	(30)
Sales & Trading (debt and other products)	7,826	9,339	(1,513)	(16)
Total Sales & Trading	9,415	11,604	(2,189)	(19)
Loan products[2]	701	672	29	4
Transaction services	1,788	1,451	337	23
Remaining products[3]	589	353	235	67
Total Corporate & Investment Bank	12,493	14,081	(1,588)	(11)
Private Clients and Asset Management	7,914	4,609	3,305	72
Corporate Investments	137	(86)	223	N/M
Consolidation & Adjustments	(40)	333	(373)	N/M
Total net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	20,503	18,937	1,566	8

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 revenues from net interest income and from net gains (losses) on financial assets/ liabilities at fair value through profit or loss from Sales & Trading were € 9.4 billion in 2011, compared to € 11.6 billion in 2010. In Sales & Trading (debt and other products) the main drivers for the decrease were significantly lower revenues in Flow Credit, reflecting weakened credit markets and lower client volumes across the industry. In Sales & Trading (equity) these revenues were lower than 2010, mainly in Cash Trading, which was negatively impacted by the deterioration in equity markets during 2011, and in Equity Derivatives, due to a more challenging environment and lower client activity. Combined revenues from net interest income and from net gains (losses) on financial assets/ liabilities at fair value through profit or loss from Loan products were virtually unchanged, while in Transaction services, these revenues increased by € 337 million. The increase was attributable to all businesses in Global Transaction Banking, and included effects from the acquisition of commercial banking activities from ABN AMRO in the Netherlands. The increase of € 235 million in remaining products was driven by several items, including positive effects from derivatives not qualifying for hedge accounting.

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 € 7.9 billion in 2011, an increase of € 3.3 billion, or 72 %, compared to 2010. The increase was mainly driven by the first-time consolidation of Postbank. In addition, the increase included higher net interest income from Deposits and Payment services, resulting from increased deposit volumes, partly offset by decreases in net interest income from Credit Products.

Corporate Investments (CI). Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were € 137 million in 2011, compared to negative € 86 million in 2010. The main driver for the increase was the transfer of the exposure in Actavis Group from CB&S to CI at the beginning of 2011.

Consolidation & Adjustments. Combined net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss were negative € 40 million in 2011, compared to € 333 million in 2010. The decrease mainly resulted from positions which were measured at fair value for management reporting purposes and measured at amortized cost under IFRS. Partly offsetting was higher net interest income on non-divisionalized assets and liabilities, including taxes.

Provision for Credit Losses

Provision for credit losses was € 1.8 billion for the full year 2011 versus € 1.3 billion in 2010. The increase was mainly attributable to Postbank, which contributed € 761 million for the year. This number excludes releases from Postbank related loan loss allowances recorded prior to consolidation of € 402 million. The impact of such releases is reported as net interest income on the group level. Excluding Postbank, provisions were down € 139 million primarily reflecting improved performance in the Private & Business Clients Advisory Banking Germany and Advisory Banking International.

Remaining Noninterest Income

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

in € m. (unless stated otherwise)	2011	2010	2011 increase (decrease) from 2010 in € m.	in %
Commissions and fee income[1]	11,544	10,669	875	8
Net gains (losses) on financial assets available for sale	123	201	(78)	(39)
Net income (loss) from equity method investments	(264)	(2,004)	1,740	(87)
Other income (loss)	1,322	764	558	73
Total remaining noninterest income	12,725	9,630	3,095	32

[1] includes:

	2011	2010	in € m.	in %
Commissions and fees from fiduciary activities:				
Commissions for administration	491	491	–	–
Commissions for assets under management	2,760	2,833	(73)	(3)
Commissions for other securities business	207	205	2	1
Total	3,458	3,529	(71)	(2)
Commissions, broker's fees, mark-ups on securities underwriting and other securities activities:				
Underwriting and advisory fees	1,783	2,148	(365)	(17)
Brokerage fees	1,882	1,725	157	9
Total	3,665	3,873	(208)	(5)
Fees for other customer services[2]	4,421	3,267	1,154	35
Total commissions and fee income	11,544	10,669	875	8

[2] The increase from 2010 to 2011 includes commissions related to nonbanking activities of Postbank.

Commissions and fee income. Total commissions and fee income was € 11.5 billion in 2011, an increase of € 875 million, or 8 %, compared to 2010. This development was primarily driven by the consolidation of Postbank, which mainly impacted fees for other customer services (up by € 1.2 billion, or 35 %) and brokerage fees (up by € 157 million, or 9 %). Underwriting and advisory fees decreased by € 365 million, or 17 %, mainly in CB&S, related to a reduced number of deals resulting from the challenging market conditions. Commissions and fees from fiduciary activities remained essentially unchanged compared to the prior year.

Net gains (losses) on financial assets available for sale. Net gains on financial assets available for sale were € 123 million in 2011, versus € 201 million in 2010. The net gains in 2011 mainly included disposal gains of approximately € 485 million and a one-time positive impact of € 263 million related to our stake in Hua Xia Bank, driven by the application of equity method accounting upon receiving all substantive regulatory approvals to increase our stake, partly offset by impairments of € 527 million on Greek government bonds. The net gains in 2010 resulted essentially 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.

Net income (loss) from equity method investments. Net loss from equity method investments was € 264 million in 2011 versus a net loss of € 2.0 billion in 2010. The net loss in 2011 included an impairment charge of € 457 million related to Actavis Group, partly offset by a positive equity pick-up related to our stake in Hua Xia Bank. The net loss in 2010 included a charge of € 2.3 billion related to our investment in Postbank.

Other income (loss). Total Other income (loss) was a gain of € 1.3 billion in 2011 versus a gain of € 764 million in 2010. Other income in 2011 included significant results from derivatives qualifying for hedge accounting, increased revenues related to The Cosmopolitan of Las Vegas (which commenced its activities in December 2010) and was influenced by the consolidation of Postbank. In 2010, other income included a gain representing negative goodwill related to the commercial banking activities acquired from ABN AMRO in the Netherlands as well as an impairment charge on The Cosmopolitan of Las Vegas.

Noninterest Expenses

The following table sets forth information on our noninterest expenses.

in € m.			2011 increase (decrease) from 2010	
(unless stated otherwise)	2011	2010	in € m.	in %
Compensation and benefits	13,135	12,671	464	4
General and administrative expenses[1]	12,657	10,133	2,524	25
Policyholder benefits and claims	207	485	(278)	(57)
Impairment of intangible assets	–	29	(29)	N/M
Restructuring activities	–	–	–	N/M
Total noninterest expenses	25,999	23,318	2,681	11

N/M – Not meaningful

[1] includes:

	2011	2010	in € m.	in %
IT costs	2,194	2,274	(80)	(4)
Occupancy, furniture and equipment expenses	2,072	1,679	393	23
Professional service fees	1,632	1,616	16	1
Communication and data services	849	785	64	8
Travel and representation expenses	539	554	(15)	(3)
Payment, clearing and custodian services	504	418	86	21
Marketing expenses	410	335	75	22
Consolidated investments	652	390	262	67
Other expenses	3,805	2,082	1,723	83
Total general and administrative expenses	12,657	10,133	2,524	25

Compensation and benefits. In the full year 2011, compensation and benefits were up by € 464 million, or 4 %, compared to 2010. The increase included € 1.4 billion related to our acquisitions, partly offset by significantly lower performance related compensation and lower severance payments.

General and administrative expenses. General and administrative expenses increased by € 2.5 billion versus 2010, reflecting € 1.4 billion from our acquisitions. Also contributing to the increase were specific charges in CB&S (€ 655 million litigation-related expenses and a specific charge of € 310 million relating to the impairment of a German VAT claim). In addition, general and administrative expenses increased due to higher costs related to our consolidated investments, mainly The Cosmopolitan of Las Vegas (including an impairment charge on the property of € 135 million), and the first time consideration of € 247 million for bank levies, predominantly in Germany and the UK. These increases were partly offset by savings resulting from the complexity reduction program and from the further integration of CIB, including lower IT costs in comparison to 2010.

Policyholder benefits and claims. Policyholder benefits and claims in 2011 were € 207 million, a decrease of € 278 million compared to the prior year, resulting primarily from our Abbey Life business. These insurance-related charges are offsetting related net gains on financial assets/liabilities at fair value through profit or loss.

Impairment of intangible assets. There was no charge for impairment of intangible assets in 2011. 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.

Income Tax Expense

In 2011, the income tax expense was € 1.1 billion, which led to an effective tax rate of 20 % compared to an income tax expense of € 1.6 billion and an effective tax rate of 41 % in 2010. The current year's effective tax rate primarily benefited from changes in the recognition and measurement of deferred taxes, a favorable geographic mix of income and the partial tax exemption of net gains related to our stake in Hua Xia Bank. The prior year's effective tax rate of 41 % was impacted by a Postbank related charge of € 2.3 billion which did not result in a tax benefit.

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, 2011. Segment results were prepared in accordance with our management reporting systems.

2011 in € m. (unless stated otherwise)	Corporate & Investment Bank	Private Clients and Asset Management	Corporate Investments	Total Management Reporting	Consolidation & Adjustments	Total Consolidated
Net revenues	18,493	14,379	394	33,266	(38)	33,228
Provision for credit losses	462	1,364	14	1,840	(1)	1,839
Total noninterest expenses	13,977	10,277	1,492	25,746	253	25,999
therein:						
Policyholder benefits and claims	207	0	–	207	–	207
Impairment of intangible assets	–	–	–	–	–	–
Restructuring activities	–	–	–	–	–	–
Noncontrolling interests	27	189	(2)	213	(213)	–
Income (loss) before income taxes [1]	4,028	2,549	(1,111)	5,466	(77)	5,390
Cost/income ratio	76 %	71 %	N/M	77 %	N/M	78 %
Assets [2]	1,796,954	394,094	25,203	2,152,949	11,154	2,164,103
Average active equity [3]	20,561	16,563	1,130	38,254	12,195	50,449
Pre-tax return on average active equity [4]	20 %	15 %	(98) %	14 %	N/M	10 %

N/M – Not meaningful
1 The Group also uses an adjusted income (loss) before income taxes (IBIT) for the calculation of its pre-tax return on average active equity (target definition). IBIT is adjusted to exclude a net positive impact of € 236 million related to the stake in Hua Xia Bank (PBC).
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 useful lives are explicitly assigned to the respective divisions. Starting 2011, the Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their regulatory capital requirements, which comprises of the regulatory capital required to support risk weighted assets and certain capital deduction items, goodwill and unamortized other intangible assets. Prior periods were adjusted accordingly.
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 10 %.

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]	9,810	(1,796) [2]	28,944	(377)	28,567
Provision for credit losses	488	785	(0)	1,273	0	1,274
Total noninterest expenses	14,422	7,919	967	23,308	10	23,318
therein:						
Policyholder benefits and claims	486	0	–	486	(0)	485
Impairment of intangible assets	29	–	–	29	–	29
Restructuring activities	–	–	–	–	–	–
Noncontrolling interests	20	6	(2)	24	(24)	–
Income (loss) before income taxes	5,999	1,100	(2,760)	4,339	(363)	3,975
Cost/income ratio	69 %	81 %	N/M	81 %	N/M	82 %
Assets [3]	1,519,983	400,110	30,138	1,894,282	11,348	1,905,630
Average active equity [4]	21,357	9,906	2,243	33,505	7,848	41,353
Pre-tax return on average active equity [5]	28 %	11 %	(123) %	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 useful lives are explicitly assigned to the respective divisions. Starting 2011, the Group's average active equity is allocated to the business segments and to Consolidation & Adjustments in proportion to their regulatory capital requirements, which comprises of the regulatory capital required to support risk weighted assets and certain capital deduction items, goodwill and unamortized other intangible assets. Prior periods were adjusted accordingly.
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 %.

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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues:		
Sales & Trading (debt and other products)	8,579	9,925
Sales & Trading (equity)	2,422	3,108
Origination (debt)	1,056	1,200
Origination (equity)	559	706
Advisory	621	573
Loan products	1,510	1,588
Transaction services	3,608	3,163
Other products	138	665
Total net revenues	18,493	20,929
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	12,493	14,081
Provision for credit losses	462	488
Total noninterest expenses	13,977	14,422
therein:		
Policyholder benefits and claims	207	486
Impairment of intangible assets	–	29
Restructuring activities	–	–
Noncontrolling interests	27	20
Income (loss) before income taxes	4,028	5,999
Cost/income ratio	76 %	69 %
Assets	1,796,954	1,519,983
Average active equity[1]	20,561	21,357
Pre-tax return on average active equity	20 %	28 %

[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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues:		
Sales & Trading (debt and other products)	8,579	9,925
Sales & Trading (equity)	2,422	3,108
Origination (debt)	1,056	1,200
Origination (equity)	559	706
Advisory	621	573
Loan products	1,510	1,588
Other products	138	449
Total net revenues	14,885	17,551
Provision for credit losses	304	375
Total noninterest expenses	11,650	12,122
therein:		
Policyholder benefits and claims	207	486
Impairment of intangible assets	–	–
Restructuring activities	–	–
Noncontrolling interests	27	20
Income (loss) before income taxes	2,905	5,033
Cost/income ratio	78 %	69 %
Assets	1,727,156	1,461,495
Average active equity[1]	18,113	18,941
Pre-tax return on average active equity	16 %	27 %

[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 € 8.6 billion, a decrease of € 1.3 billion, or 14 %, compared to the full year 2010 which included charges related to Ocala Funding LLC of approximately € 360 million. Revenues in Credit were significantly lower than the prior year, predominantly in Flow Credit, reflecting weakened credit markets, lower client volumes across the industry, and reduced liquidity especially in the latter half of the year. However absolute performance in client solutions was strong reflecting demand for restructuring capabilities. Deutsche Bank was voted Credit Derivatives House of the Year by IFR and Risk magazines. Rates and Emerging Markets revenues were lower than the prior year primarily due to lower flow client volumes as a result of market uncertainty, although we were ranked number one in Interest Rate Derivatives globally for the second consecutive year (source: Greenwich Associates) and were awarded Interest Rate Derivatives House of the Year by Risk magazine. RMBS revenues were significantly higher than the prior year as a result of successful business realignment and the absence of prior year losses. Money Markets revenues were higher than the prior year, driven by strong client activity and volatile markets. Foreign Exchange revenues were very strong, with record annual client volumes offsetting lower margins and we were ranked number one by the Euromoney FX Survey by market share for the seventh consecutive year. Commodities delivered record annual revenues despite a challenging environment, reflecting successful strategic investment, and we were awarded Most Innovative Commodity House by The Banker magazine. During 2011, we were also ranked number one in Global and U.S. Fixed Income for the second consecutive year (source: Greenwich Associates).

Sales & Trading (equity) generated revenues of € 2.4 billion, a decrease of € 686 million, or 22 %, compared to 2010. This development reflects a more difficult market environment, with higher volatility and declining markets impacting client sentiment and activity, especially in Europe, which accounts for a high proportion of our business. Cash Trading revenues were lower than 2010 due to the impact of the deterioration in equity markets during 2011 and lower client activity in Europe. We increased our cash equities market share in the U.S. according to Greenwich Associates, which is a result of strategic investments, and we were ranked number one in European Research (source: Institutional Investor). Equity Derivatives revenues were lower as a result of a more challenging environment and lower client activity, although record revenues were achieved in the U.S.. Prime Finance revenues were slightly lower reflecting reduced levels of client leverage, partially offset by our strong market position. During 2011, we were ranked number one Global Prime Broker (source: Global Custodian) for the fourth consecutive year.

Origination and Advisory generated revenues of € 2.2 billion in 2011, a decrease of € 244 million, or 10 %, compared to full year 2010. We ended the year ranked number six globally according to Dealogic, very close to the number five ranked firm, and ranked the clear number one in EMEA for a second consecutive year. We were also ranked number four in Asia, up from number six in the prior year. Advisory revenues were € 621 million, an increase of € 48 million, or 8 %, compared to 2010, and we ranked number two in EMEA and number four in crossborder M&A. Debt Origination revenues were € 1.1 billion, a decrease of € 144 million, or 12 %, compared to 2010. We were ranked number three in High Yield and number two in the All International Bonds league table (source: Thomson Reuters). Equity Origination revenues were € 559 million, a decrease of € 147 million, or 21 %, compared to 2010 and we were ranked number one in EMEA. All ranks sourced from Dealogic unless stated otherwise.

Loan products revenues were € 1.5 billion in 2011, a decrease of € 78 million, or 5 %, from last year. The decrease was mainly driven by the transfer of the exposure in Actavis Group to Corporate Investments at the beginning of 2011.

Net revenues from other products were € 138 million in 2011, compared to € 449 million in 2010. The decrease was mainly driven by lower mark-to-market gains on investments held to back insurance policyholder claims in Abbey Life, which are offset in noninterest expenses.

In provision for credit losses, CB&S recorded a net charge of € 304 million in 2011, compared to a net charge of € 375 million in 2010.

Noninterest expenses were € 11.7 billion in 2011, a decrease of € 472 million compared to 2010. This decrease was primarily driven by lower performance-related compensation expenses, efficiency savings and the impact of the aforementioned effects from Abbey Life, partly offset by € 655 million of specific charges, mainly related to litigation and a specific charge of € 310 million relating to the impairment of a German VAT claim.

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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues:		
Transaction services	3,608	3,163
Other products	–	216
Total net revenues	3,608	3,379
Provision for credit losses	158	113
Total noninterest expenses	2,327	2,300
therein:		
Restructuring activities	–	–
Impairment on intangible assets	–	29
Noncontrolling interests	–	–
Income (loss) before income taxes	1,123	965
Cost/income ratio	64 %	68 %
Assets	96,404	79,202
Average active equity[1]	2,448	2,416
Pre-tax return on average active equity	46 %	40 %

[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 € 3.6 billion, an increase of 7 %, or € 229 million, compared to 2010 which included € 216 million related to negative goodwill from the acquisition of commercial banking activities in the Netherlands. This increase was driven by a performance on record levels across all businesses with growth in fee and interest income. Trust & Securities Services profited from improved market conditions in the custody and depositary receipt business. Trade Finance further capitalized on high demand for international trade products and financing. In Cash Management, revenues increased on the basis of higher fees from strong payment volumes as well as higher net interest income mainly driven by slightly improved interest rate levels in Asia and the euro area compared to the prior year period.

Provision for credit losses was € 158 million. The net increase of € 45 million versus 2010 was mainly related to the commercial banking activities acquired in the Netherlands.

Noninterest expenses were € 2.3 billion, a slight increase compared to 2010. The increase was driven by the aforementioned acquisition in the second quarter 2010 including higher expenses related to the amortization of an upfront premium paid for credit protection received and higher insurance-related expenses. These factors were partially offset by the non-recurrence of significant severance charges which related to specific measures associated with the realignment of infrastructure areas and sales units in 2010. The prior year included the impact of an impairment of intangible assets.

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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues:		
Discretionary portfolio/fund management	2,354	2,491
Advisory/brokerage	1,735	1,717
Credit products	2,585	2,628
Deposits and payment services	2,244	2,102
Other products	5,460	872
Total net revenues	14,379	9,810
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	7,914	4,609
Provision for credit losses	1,364	785
Total noninterest expenses	10,277	7,919
therein:		
Policyholder benefits and claims	–	–
Impairment of intangible assets	–	–
Restructuring activities	–	–
Noncontrolling interests	189	6
Income (loss) before income taxes	2,549	1,100
Cost/income ratio	71 %	81 %
Assets	394,094	400,110
Average active equity[1]	16,563	9,906
Pre-tax return on average active equity	15 %	11 %
Invested assets (in € bn.)[2]	1,116	1,131

[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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues:		
Discretionary portfolio/fund management (AM)	1,686	1,733
Discretionary portfolio/fund management (PWM)	418	446
Total discretionary portfolio/fund management	2,104	2,178
Advisory/brokerage (PWM)	821	830
Credit products (PWM)	378	376
Deposits and payment services (PWM)	157	138
Other products (AM)	58	(26)
Other products (PWM)	244	179
Total other products	302	152
Total net revenues	3,762	3,674
Provision for credit losses	55	39
Total noninterest expenses	2,941	3,426
therein:		
Policyholder benefits and claims	0	0
Impairment of intangible assets	–	–
Restructuring activities	–	–
Noncontrolling interests	(1)	(1)
Income (loss) before income taxes	767	210
Cost/income ratio	78 %	93 %
Assets	58,601	53,141
Average active equity[1]	5,289	5,314
Pre-tax return on average active equity	15 %	4 %
Invested assets (in € bn.)[2]	813	825

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 2011, AWM reported net revenues of € 3.8 billion, an increase of € 88 million, or 2 %, versus 2010. In PWM, revenues increased by € 51 million. Revenues from other products were € 244 million in 2011 compared to € 179 million in the previous year. This increase mainly resulted from effects related to the wind-down of various non-core businesses in Sal. Oppenheim in 2010. Revenues from deposits and payment services were up € 19 million versus 2010, mainly due to higher deposit volumes driven by dedicated product initiatives. Discretionary portfolio management/fund management revenues decreased by € 28 million driven by reduced asset based fees and lower performance fees resulting from negative market conditions in the second half of 2011. PWM’s revenues from advisory/brokerage and from credit products were essentially unchanged versus the previous year. In AM, revenues increased by € 37 million, primarily driven by € 83 million gains on sales in 2011, mainly related to RREEF investments reported in revenues from other products. Partly offsetting were lower revenues from discretionary portfolio management/fund management driven by weak market conditions and flows.

Provision for credit losses was € 55 million, up € 16 million compared to 2010, primarily attributable to Sal. Oppenheim.

Noninterest expenses in 2011 were € 2.9 billion, a decrease of € 485 million, or 14 %, compared to 2010. In PWM, noninterest expenses decreased by € 344 million, mainly driven by benefits in 2011 resulting from the successful integration of Sal. Oppenheim. In AM, non-interest expenses declined by € 141 million mainly reflecting the impact of measures to improve platform efficiency.

Invested assets in AWM were € 813 billion at December 31, 2011, a decrease of € 13 billion, thereof € 7 billion in PWM and € 6 billion in AM. The decline in PWM included an impact of € 13 billion due to market depreciation, partly offset by € 4 billion net new assets, mainly in Asia and Germany. The decrease in AM included € 13 billion net outflows. Outflows in the cash and equity business, reflecting investor uncertainty, were partly offset by inflows in higher margin products. Foreign currency movements of € 7 billion partly compensated for the overall net outflows in AM.

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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues:		
Discretionary portfolio/fund management	251	313
Advisory/brokerage	914	887
Credit products	2,207	2,253
Deposits and payment services	2,087	1,964
Other products[1]	5,158	720
Total net revenues	10,617	6,136
Provision for credit losses	1,309	746
Total noninterest expenses	7,336	4,493
therein:		
Restructuring activities	–	–
Noncontrolling interests	190	8
Income (loss) before income taxes	1,782	890
Cost/income ratio	69 %	73 %
Assets	335,516	346,998
Average active equity[2]	11,274	4,592
Pre-tax return on average active equity	16 %	19 %
Invested assets (in € bn.)[3]	304	306
Loan volume (in € bn.)	206	202[4]
Deposit volume (in € bn.)	235	229

1 The increase from 2010 to 2011 includes € 4.2 bn from the consolidation of Postbank.
2 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.
3 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.
4 Prior year amount has been adjusted.

Net revenues were € 10.6 billion, up € 4.5 billion, or 73 %, versus 2010. This development was mainly attributable to the consolidation of Postbank, which began on December 3, 2010, and contributed revenues of € 4.6 billion in 2011, compared to € 414 million in 2010. PBC's revenues from other products were impacted by € 527 million impairments on Greek government bonds, of which € 465 million were in Postbank and € 62 million were in Advisory Banking Germany. PBC's revenues from other products also included a one-time positive impact of € 263 million related to our stake in Hua Xia Bank, driven by the application of equity method accounting upon receiving all substantive regulatory approvals to increase our stake. PBC's revenues from deposits and payment services revenues increased by € 124 million, or 6 %, largely driven by higher volumes, in Advisory Banking Germany. Advisory/brokerage revenues increased by € 27 million, or 3 %. PBC's revenues from discretionary portfolio management/fund management revenues decreased by € 62 million, or 20 %, mainly in Advisory Banking Germany due to the challenging environment. Credit products revenues were down by € 46 million or 2 %, with negative effects from lower margins overcompensating revenue increases due to higher volumes in both Advisory Banking Germany and Advisory Banking International.

Provision for credit losses was € 1.3 billion, of which € 761 million related to Postbank. This number excludes releases from Postbank-related loan loss allowance recorded prior to consolidation of € 402 million. The impact of such releases is reported as net interest income. Excluding Postbank, provisions for credit losses were € 548 million, down € 142 million compared to 2010. The decrease was driven by both Advisory Banking Germany as well as Advisory Banking International, mainly Poland.

Noninterest expenses were € 7.3 billion, an increase of € 2.8 billion, or 63 %, compared to 2010. The increase was predominantly driven by the consolidation of Postbank. Excluding the Postbank related increase, noninterest expenses were down by € 64 million, mainly resulting from measures to reduce complexity and to improve platform efficiency.

Invested assets remained virtually unchanged at € 304 billion. This was mainly driven by € 9 billion due to market depreciation, partly offset by € 8 billion net inflows, mainly in deposits.

PBC's total number of clients was 28.6 million, of which 14.1 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, 2011 and 2010, in accordance with our management reporting systems.

in € m. (unless stated otherwise)	2011	2010
Net revenues	394	(1,796)
therein:		
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	137	(86)
Provision for credit losses	14	(0)
Total noninterest expenses	1,492	967
therein		
Impairment of intangible assets	–	–
Restructuring activities	–	–
Noncontrolling interests	(2)	(2)
Income (loss) before income taxes	(1,111)	(2,760)
Cost/income ratio	N/M	N/M
Assets	25,203	30,138
Average active equity[1]	1,130	2,243
Pre-tax return on average active equity	(98) %	(123) %

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 € 394 million, versus negative € 1.8 billion compared to 2010. In 2011, net revenues mainly consisted of recurring revenues from our exposure in Actavis Group and our investments in BHF-BANK, Maher Terminals and The Cosmopolitan of Las Vegas which were partly reduced by impairment charges of € 457 million related to Actavis Group. Net revenues in 2010 were mainly impacted by a charge of € 2.3 billion on our investment in Postbank in the third quarter.

Noninterest expenses were € 1.5 billion in 2011 versus € 967 million in the prior year. The increase was essentially due to The Cosmopolitan of Las Vegas, mainly related to the start of its operations at the end of 2010 and to a lesser extent resulting from an impairment charge of € 135 million on the property. Also contributing to the increase was our investment in BHF-BANK, including special items of € 97 million which mainly relates to severance payments.

For the full year 2011, loss before income taxes amounted to € 1.1 billion compared to a loss before income taxes of € 2.8 billion in the prior year.

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, 2011	Dec 31, 2010
Cash and due from banks	15,928	17,157
Interest-earning deposits with banks	162,000	92,377
Central bank funds sold, securities purchased under resale agreements and securities borrowed	57,110	49,281
Trading assets	240,924	271,291
Positive market values from derivative financial instruments	859,582	657,780
Financial assets designated at fair value through profit or loss[1]	180,293	171,926
Loans	412,514	407,729
Brokerage and securities related receivables	122,810	103,423
Remaining assets	112,942	134,666
Total assets	2,164,103	1,905,630
Deposits	601,730	533,984
Central bank funds purchased, securities sold under repurchase agreements and securities loaned	43,401	31,198
Trading liabilities	63,886	68,859
Negative market values from derivative financial instruments	838,817	647,195
Financial liabilities designated at fair value through profit or loss[2]	118,318	130,154
Other short-term borrowings	65,356	64,990
Long-term debt	163,416	169,660
Brokerage and securities related payables	139,733	116,146
Remaining liabilities	74,786	93,076
Total liabilities	2,109,443	1,855,262
Total equity	54,660	50,368

1 Includes securities purchased under resale agreements designated at fair value through profit or loss of € 117,284 million and € 108,912 million and securities borrowed designated at fair value through profit or loss of € 27,261 million and € 27,887 million as of December 31, 2011 and December 31, 2010, respectively.
2 Includes securities sold under repurchase agreements designated at fair value through profit or loss of € 93,606 million and € 107,999 million as of December 31, 2011 and December 31, 2010, respectively.

Movements in Assets

As of December 31, 2011, total assets were € 2,164 billion. The increase of € 258 billion or 14 % compared to December 31, 2010, was primarily related to derivatives as well as interest-earning deposits with banks. The shift in foreign exchange rates, and in particular between the U.S. dollar and the euro contributed € 43 billion to the overall increase of our balance sheet during 2011.

The increase of positive market values from derivatives by € 202 billion was primarily driven by changing U.S. dollar, euro and pound sterling yield curves as well as € 19 billion relating to currency translation effects.

Interest-earning deposits with banks increased by € 70 billion from € 92 billion as at year-end 2010 to € 162 billion as at year-end 2011, primarily to strengthen our liquidity reserve.

Non-derivative trading assets have decreased by € 30 billion during 2011, with debt securities contributing to more than half of the decrease.

Our loan book has slightly increased by € 5 billion during the year, from € 408 billion as at December 31, 2010 to € 413 billion at year-end 2011.

Movements in Liabilities
Total liabilities were up by € 254 billion to € 2,109 billion as of December 31, 2011.

The increase in total liabilities occurred mainly in negative market values from derivatives, which were up by € 192 billion, mainly driven by changing yield curves and currency translation effects, similar to positive market values from derivatives.

Also, deposits increased significantly by € 68 billion, with 70 % relating to deposits from banks and 30 % to deposits from non-bank customers.

Equity
As of December 31, 2011, total equity was € 54.7 billion, an increase of € 4.3 billion or 9 %, compared to € 50.4 billion as of December 31, 2010. The main factors contributing to this development were net income attributable to Deutsche Bank shareholders of € 4.1 billion, actuarial gains of € 666 million and net gains recognized in accumulated other comprehensive income of € 620 million, partly offset by cash dividends paid of € 691 million, an increase in our treasury shares of € 373 million which are deducted from equity and a decrease in the noncontrolling interests of € 279 million. 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), partly offset by an increase in unrealized losses on financial assets available for sale of € 504 million.

Regulatory Capital
Starting with December 31, 2011, the calculation of the Group's regulatory capital incorporates the amended capital requirements for trading book and securitization positions following Capital Requirements Directive 3, also known as “Basel 2.5”. Total regulatory capital (Tier 1 and Tier 2 capital) reported under Basel 2.5 was € 55.2 billion at the end of 2011 compared to € 48.7 billion at the end of 2010 reported under Basel 2. Tier 1 capital reported under Basel 2.5 increased to € 49.0 billion at the end of 2011 versus € 42.6 billion at the end of 2010 as reported under Basel 2, reflecting primarily the retained earnings of 2011, the development of foreign currency rates and reduced capital deduction items. As of December 31, 2011, Core Tier 1 capital reported under Basel 2.5 increased to € 36.3 billion from € 30.0 billion at the end of 2010 as reported under Basel 2.

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.

As of December 31, 2011 and December 31, 2010 the carrying value of reclassified assets was € 22.9 billion and € 26.7 billion, respectively, compared with a fair value of € 20.2 billion and € 23.7 billion as of December 31, 2011 and December 31, 2010, respectively. These assets are predominantly held in CB&S.

Please refer to Note 13 "Amendments to IAS 39 and IFRS 7, 'Reclassification of Financial Assets'" for additional information on the impact of reclassification.

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.

For information on our Commercial Real Estate and Leveraged Finance exposures, please see "Risk Report – Credit Exposure from Lending" and – "Credit Exposure from Nonderivative Trading Assets".

Mortgage Related Exposure: The following table presents certain mortgage related exposures from the trading 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.

Certain mortgage related exposure in our trading businesses			Dec 31, 2011			Dec 31, 2010
in € m.	Gross exposure	Hedges and other protection purchased	Net exposure	Gross exposure	Hedges and other protection purchased	Net exposure
U.S. subprime and Alt-A RMBS and CDO[1,2]	2,421	2,567	(146)	3,848	3,228	620
European RMBS	162	–	162	169	–	169

[1] Included within U.S. RMBS and CDO exposure is CDO subprime trading exposure of € 169 million gross (€ 29 million net of hedges) as at December 31, 2011 and € 420 million gross (€ 345 million net of hedges) as at December 31, 2010.
[2] The reserves included within 'U.S. subprime and Alt-A RMBS and CDO' factor in a counterparty credit risk valuation adjustment related to U.S. RMBS, which is intended to better reflect the fair value of the instruments underlying this exposure. This adjustment resulted in a reduction in the net exposure of € 401 million for December 31, 2011 and € 320 million for December 31, 2010.

The net exposure to U.S. RMBS and CDO is composed of € (457) million Alt-A, € 5 million Subprime, € 19 million Other, € 29 million CDO and € 258 million Trading-related net positions as of December 31, 2011 and € (267) million Alt-A, € 10 million Subprime, € 52 million Other, € 345 million CDO and € 480 million Trading-related net positions as of December 31, 2010. 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. 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.

In the aforementioned 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 aforementioned table 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, 2011 of € 1.6 billion (which includes European residential mortgage exposure of € 971 million, Other U.S. residential mortgage exposure of € 286 million, CDO subprime exposure – Trading of € 323 million) and 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).

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.

In addition to these CB&S positions, at December 31, 2011, Postbank had exposure to European commercial mortgage-backed securities of € 101 million as well as residential mortgage-backed securities of € 233 million (thereof € 231 million in Europe). At December 31, 2010, Postbank had exposure to European commercial mortgage-backed securities of € 192 million as well as residential mortgage-backed securities of € 428 million (which included € 398 million in Europe, € 27 million in U.S.).

Furthermore, Postbank has exposure to non-corporate CDOs of € 35 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. At December 31, 2010, Postbank had exposure to non-corporate CDOs of € 69 million.

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, 2011, the total notional value of the commercial paper issued by Ocala which was held by the Group was € 928 million, with a fair value of € 132 million. Fair value losses of € 56 million and € 360 million were recorded in 2011 and 2010 respectively, resulting from ongoing information we have obtained on the TBW estate.

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. For monolines with actively traded CDS, the CVA is calculated using a full CDS-based valuation model. For monolines without actively traded CDS, a model-based approach is used with various input factors, including relevant market driven default probabilities, the likelihood of an event (either a restructuring or an 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 monoline CVA methodology is reviewed on a quarterly basis by management; since the second quarter of 2011 market based spreads have been used more extensively in the CVA assessment.

The ratings in the tables below are the lowest of Standard & Poor's, Moody's or our own internal credit ratings as of December 31, 2011 and December 31, 2010.

Monoline exposure related to U.S. residential mortgages				Dec 31, 2011				Dec 31, 2010
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	124	65	(20)	45	139	60	(6)	54
Alt-A	3,662	1,608	(353)	1,255	4,069	1,539	(308)	1,231
Total AA Monolines	3,786	1,673	(373)	1,300	4,208	1,599	(314)	1,285

Other Monoline exposure				Dec 31, 2011				Dec 31, 2010
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	2,721	786	(201)	585	2,988	837	(84)	753
CMBS	1,113	26	(3)	23	1,084	12	(1)	11
Corporate single name/Corporate CDO	–	–	–	–	602	(1)	–	(1)
Student loans	303	56	(13)	43	295	19	(2)	17
Other	922	305	(111)	194	925	226	(23)	203
Total AA Monolines	5,059	1,173	(328)	845	5,894	1,093	(110)	983
Non Investment Grade Monolines:								
TPS-CLO	547	199	(89)	110	917	215	(49)	166
CMBS	3,539	211	(42)	169	6,024	547	(273)	274
Corporate single name/Corporate CDO	2,062	2	–	2	2,180	12	(6)	6
Student loans	1,325	587	(189)	398	1,308	597	(340)	257
Other	1,076	213	(89)	124	1,807	226	(94)	132
Total Non Investment Grade Monolines	8,549	1,212	(409)	803	12,236	1,597	(762)	835
Total	13,608	2,385	(737)	1,648	18,130	2,690	(872)	1,818

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, 2011 and December 31, 2010, the exposure on wrapped bonds related to U.S. residential mortgages was € 52 million and € 67 million, respectively, and the exposure on wrapped bonds other than those related to U.S. residential mortgages was € 46 million and € 58 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, 2011 and December 31, 2010 the total credit valuation adjustment held against monoline insurers was € 1,109 million and € 1,186 million respectively.

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 details about the assets (after consolidation eliminations) in our consolidated SPEs and our maximum unfunded exposure remaining to certain non-consolidated SPEs.

Total Assets in Consolidated SPEs

Dec 31, 2011						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	–	39	10,998	1	33	11,071
Group sponsored securitizations	2,044	191	1,169	3	48	3,455
Third party sponsored securitizations	–	–	493	14	156	663
Repackaging and investment products	5,032	971	207	606	409	7,225
Mutual funds	3,973	–	–	1,934	566	6,473
Structured transactions	2,425	43	3,748	22	334	6,572
Operating entities	2,116	3,879	3,228	102	3,439	12,764
Other	114	239	329	84	548	1,314
Total	15,704	5,362	20,172	2,766	5,533	49,537

1 Fair value of derivative positions is € 580 million.

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	5,278[2]	1,053	206	2,160[2]	664	9,361[2]
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	17,178	5,953	26,447	3,664	5,685	58,927

1 Fair value of derivative positions is € 158 million.
2 Prior period has been adjusted

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 € 11.6 billion and € 16.3 billion as of December 31, 2011 and December 31, 2010, of which we held € 2.5 billion and € 2.2 billion, respectively.

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. The collateral in the conduits has decreased due to the repayment and maturity of certain transactions 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, 2011 and December 31, 2010 was € 3.1 billion and € 3.2 billion, respectively. The decrease in the total assets of these SPEs is mainly due to mark to market movements during the period.

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, 2011 and December 31, 2010 the fair value of our retained exposure in these securitizations was € 0.6 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 inherent in the repackaging entity. Risks and rewards inherent in the repackaging entity may include price movements of the underlying asset for equity, credit, interest rate and other risks and the potential variability arising from those risks. Our consolidation assessment considers the exposures that both Deutsche Bank and the investor(s) have in relation to the repackaging entity via derivatives and other instruments. The decrease in the total assets is mainly driven by the maturity and termination of certain trades during the period. In addition to the assets of consolidated repackaging vehicles shown in the table the nominal value of the total assets in non-consolidated repackaging vehicles was € 35 billion and € 33 billion as December 31, 2011 and December 31, 2010 respectively. 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.

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 2011 or 2010. During 2011 the amount of assets held in consolidated funds increased by € 1.2 billion. This movement was predominantly due to cash inflows 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. The total assets decreased by € 2.3 billion during 2011 due to the unwinding of certain trades and sales.

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. The total assets amount includes € 1.3 billion at December 31, 2011 and € 1.4 billion at December 31, 2010 due to the consolidation of Postbank.

Exposure to Non-consolidated SPEs

in € bn.	Dec 31, 2011	Dec 31, 2010
Maximum unfunded exposure by category:		
Group sponsored ABCP conduits	1.2	2.5
Third party ABCP conduits	1.9	2.4
Third party sponsored securitizations		
U.S.	1.6	1.5
non-U.S.	1.4	1.2
Guaranteed mutual funds[1]	9.8	10.7
Real estate leasing funds	0.7	0.8

[1] Notional amount of the guarantees.

Group Sponsored ABCP Conduits

We sponsor and administer four 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, 2011 and December 31, 2010 they had assets totaling € 1.0 billion and € 1.9 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 € 1.2 billion as of December 31, 2011 and € 2.5 billion as of December 31, 2010. None of these facilities have been drawn. The decrease in the liquidity facilities has been due to the maturity and reduction of certain facilities during the period. 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, 2011 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, 2011 and 2010, the notional amount of undrawn facilities provided by us was € 1.9 billion and € 2.4 billion, respectively. The decrease during the period is due to the drawdown of certain facilities. 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, 2011 and December 31, 2010 was € 8.2 billion and € 7.0 billion, respectively, of which € 5.2 billion and € 4.3 billion had been drawn and € 3.0 billion and € 2.7 billion were still available to be drawn as detailed in the table. The increase in the total notional during the period was largely due to the issuance of new 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 immaterial at December 31, 2011 and December 31, 2010. As of December 31, 2011, these non-consolidated funds had € 10.6 billion assets under management and provided guarantees of € 9.8 billion. As of December 31, 2010, assets of € 12.0 billion and guarantees of € 10.7 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, 2011 and December 31, 2010 the notional amount of the guarantees was € 501 million and € 514 million respectively, and the notional of the put options was € 239 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 37 “Regulatory Capital” to our consolidated financial statements.

Long-term Credit Ratings

We believe that maintaining a strong credit quality is a fundamental value driver for our clients, bondholders and shareholders. 2011 was a year of many dislocations in the capital markets. In this context, many banks worldwide have been downgraded by the rating agencies. Deutsche Bank was also impacted by this trend.

On December 15, 2011, Fitch Ratings downgraded the long-term credit rating of Deutsche Bank from AA- to A+. The rating action occurred in context of an industry-wide downgrading action reflecting Fitch’s expectation that the difficult and uncertain environment will put global trading and universal bank’s earnings under pressure.

On November 29, 2011, Standard & Poor’s – after applying their new bank rating methodology on 37 top global banks – affirmed Deutsche Bank’s A+ long-term credit rating. However, the respective rating outlook was moved from stable to negative as Deutsche Bank’s Risk Adjusted Capital (RAC) ratio, as calculated by Standard & Poor’s, was below the required level of 7 %, a level which the rating agency considers as “adequate”. Standard & Poor’s expects that Deutsche Bank will be able to increase its RAC ratio to levels above 7 % within the next 18 months. Once achieved, the negative outlook could be removed.

	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Moody’s Investors Service, New York[1]	Aa3	Aa3	Aa1
Standard & Poor’s, New York[2]	A+	A+	A+
Fitch Ratings, New York[3]	A+	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 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. The plus indicates a ranking in the higher end of the A category.
[3] Fitch Ratings defines it’s A rating as high credit quality. Fitch Ratings uses the A rating to denote expectations of low default risk. According to Fitch Ratings, A ratings indicate a strong capacity for payment of financial commitments. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than higher ratings. The plus indicates a ranking in the higher end of the A 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, 2011.

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[1]	189,326	34,845	46,389	35,521	72,571
Trust preferred securities[1]	15,664	3,330	2,769	3,197	6,368
Long-term financial liabilities designated at fair value through profit or loss[2]	15,690	4,933	4,084	2,188	4,485
Finance lease obligations	53	10	35	4	4
Operating lease obligations	5,709	891	1,491	1,081	2,246
Purchase obligations	2,929	759	1,471	646	53
Long-term deposits[1]	37,728	–	14,716	7,014	15,998
Other long-term liabilities	8,717	196	1,089	2,327	5,105
Total	275,816	44,964	72,044	51,978	106,830

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

Figures above do not include the revenues of noncancelable sublease rentals of € 204 million on operating leases. Purchase obligations for goods and services include future payments for, among other things, facility management, information technology and security settlement 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 06 “Net Interest Income and Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss”, Note 23 “Leases”, Note 27 “Deposits” and Note 31 “Long-Term Debt and Trust Preferred Securities”.

Events after the Reporting Date

On February 27, 2012, we have exchanged the Mandatory Exchangeable Bond (MEB) in 60 million Postbank shares (27.4 %) and on February 28, 2012, Deutsche Post AG has exercised its option to put 26.4 million shares (12.1 %). As a result, we own an additional 86.4 million Postbank shares (39.5 %), leading to a total Postbank holding of 204.9 million shares (93.7 %). The settlement of MEB and put option has no impact on Deutsche Bank's regulatory capital and liquidity position. See Note 04 "Acquisitions and Dispositions" for further details.

On February 28, 2012, we announced that we are in exclusive negotiations with Guggenheim Partners on the sale of our Asset Management businesses that are subject to a previously-announced strategic review. The businesses include DWS Americas, the Americas mutual fund business; DB Advisors, the global institutional asset management business; Deutsche Insurance Asset Management, the global insurance asset management business; and RREEF, the global alternative asset management business. These negotiations are not yet finalized and we cannot reliably assess the financial effects of a potential sale.

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.

The sections on qualitative and quantitative risk disclosures provide a comprehensive view on the risk profile of Deutsche Bank Group. The quantitative information generally reflects Deutsche Bank Group including Postbank for the reporting dates December 31, 2011 and December 31, 2010, or for the respective reporting periods starting 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 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. Substantial progress was made during 2011 to align risk assessment, measurement and control procedures between Postbank and Deutsche Bank Group.

Risk Management Executive Summary

The overall focus of Risk and Capital Management in 2011 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

- Adherence to our core credit principles of proactive and prudent risk management in 2011 has enabled the bank to manage a volatile macro-economic credit environment and contain the level of loan losses, which includes a full year charge for Postbank in 2011. This has been achieved by application of our existing risk management philosophy of underwriting standards, active concentration risk management and risk mitigation strategies including collateral, hedging, netting and credit support arrangements.
- Our provision for credit losses in 2011 was € 1.8 billion versus € 1.3 billion in 2010. The increase was mainly attributable to the full year consolidation of Postbank, which contributed € 0.8 billion for the year. This excludes € 0.4 billion releases from Postbank related loan loss allowances recorded prior to consolidation. Excluding Postbank, provisions were down € 139 million primarily reflecting improved performance in the Private & Business Clients Advisory Banking Germany and International. Taking into consideration full 2010 Postbank provisions (given official year-end figures only account for one month for Postbank), the overall combined provisioning level in 2011 would be lower in comparison to 2010.
- The loan portfolio grew by 1 % or € 6 billion mainly due to shifts in foreign exchange rates, while adhering to strict risk-return requirements. Increase was mainly attributed to lower risk buckets while reducing medium and high-risk portfolios.

- The portion of our corporate credit portfolio book carrying an investment-grade rating declined from 73 % at December 31, 2010 to 72 % at December 31, 2011, remaining stable despite challenging macro-economic environment.
- Even though our gross credit exposure increased during 2011, our credit risk profile as measured by the economic capital usage for credit risk totaled € 12.8 billion at year-end 2011 and remained principally unchanged compared to € 12.8 billion at year-end 2010. The € 27 million increase, principally reflects an off-setting effect of exposure reduction and model recalibrations resulting from the ongoing integration of Postbank as well as further de-risking activities and regular parameter reviews especially in light of the current market environment.

Market Risk

- Nontrading market risk economic capital usage totaled € 7.3 billion as of December 31, 2011, which is € 0.5 billion, or 8 % above our economic capital usage at year-end 2010.
- The economic capital usage for trading market risk totaled € 4.7 billion at year-end 2011 compared with € 6.4 billion at year-end 2010. The decrease was driven by broad risk reduction as well as defensive positioning across all asset classes.
- The average value-at-risk of our Corporate & Investment Bank Group Division was € 71.8 million in 2011, compared to € 95.6 million per 2010. The decrease in average value-at-risk in 2011 was driven primarily by broad risk reduction.

Operational Risk

- The economic capital usage for operational risk increased by € 1.2 billion, or 32 %, to € 4.8 billion as of December 31, 2011. The increase is primarily due to the implementation of a new safety margin applied in our AMA model, intended to cover unforeseen legal risks from the current financial crisis.

Liquidity Risk

- Liquidity Reserves (excluding Postbank) increased year-on-year by € 69 billion to € 219 billion as of December 31, 2011.
- 2011 issuance activities (excluding Postbank) amounted to € 22.5 billion as compared to a planned volume of € 19 billion.
- 59 % of the bank's overall funding came from the most stable funding sources including long-term issuance, retail and transaction banking deposits.

Capital Management

- The Core Tier 1 capital ratio, which excludes hybrid instruments, was 9.5 % at the end of 2011 (subsequent to introduction of Basel 2.5 framework), above the European Banking Authority (EBA) threshold of 9 % required by June 30, 2012, and was 8.7 % at year-end 2010. The later was calculated under Basel 2 regulation and the comparative Core Tier 1 capital ratio for year-end 2011 would have been 10.8 %.
- The internal capital adequacy ratio, signifying whether the total capital supply is sufficient to cover the capital demand determined by our risk positions, increased to 159 % as of December 31, 2011, compared to 147 % as of December 31, 2010.

- Risk-weighted assets increased by € 35 billion to € 381 billion at the end of 2011, mainly driven by an increase of € 54 billion due to the introduction of Basel 2.5, and a € 13 billion increase in risk weighted assets from operational risk. These increases were partially offset by reductions in credit and market risk-weighted assets, principally as a result of our de-risking efforts.

Balance Sheet Management

- As of December 31, 2011, our leverage ratio according to our target definition was 21, decreased from 23 at the end of 2010, and below our target leverage ratio of 25.

Risk Management Principles

We actively take risks in connection with our business and as such the following principles underpin risk management within our group:

- Risk is taken within a defined risk appetite.
- Every risk taken needs to be approved within the risk management framework.
- Risk taken needs to be adequately compensated.
- Risk should be continuously monitored and
- A strong risk management culture helps reinforcing Deutsche Bank's resilience.

We expect our employees to behave in a manner that maintains a strong risk culture by taking a holistic approach to managing risk and return and by effectively managing the Bank's risk, capital and reputational profile. The consideration of risk is consequently inherent in our compensation philosophy and is monitored on an ongoing basis, as detailed in our "Remuneration Report".

Risk Management Framework

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 operate as an integrated group through our divisions, business units and infrastructure functions. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions and business units:

- Our Management Board provides overall risk & capital management supervision for the consolidated Group.
- We operate a three-line of defence risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy and risk appetite are defined based on the Group's strategic plans in order to align risk, capital, and performance targets.
- Reviews will be conducted across the Group to verify that sound risk management practices and a holistic awareness of risk exists across the organisation and to help each business manage the balance between their risk appetite and reward.

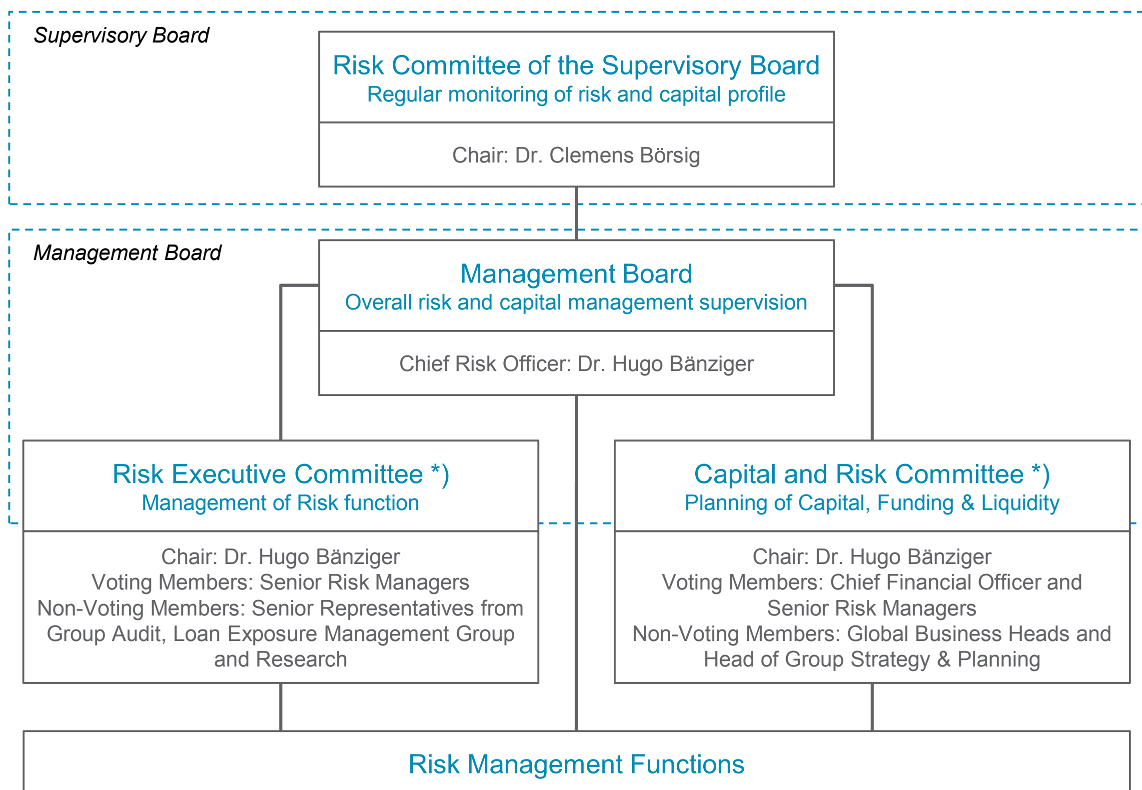
- All major risk classes are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and risk concentrations.
- Where applicable modelling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.
- Effective systems, processes and policies are a critical component of our risk management capability.

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

Risk Governance

The following chart provides an 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

The Risk Committee of the Supervisory Board regularly monitors the risk and capital profile of the Group.

The Management Board is responsible for independently managing the company with the objective of creating sustainable value in the interest of its shareholders, employees and other stakeholders. The Board has exclusive responsibility for the day-to-day management of Deutsche Bank Group. It is responsible for defining and implementing comprehensive and aligned business and risk strategies for the Group, as well as establishing well-defined risk management functions and guidelines. The Management Board has delegated certain functions and responsibilities to relevant governance committees, in particular the Risk Executive Committee (Risk ExCo) and Capital and Risk Committee (CaR) chaired by our Chief Risk Officer.

Our Chief Risk Officer (CRO), who is a member of the Management Board, and is responsible for the identification, assessment, management and reporting of risks arising within operations across all businesses and risk types. The below functional committees are central to the Risk function.

- The Capital and Risk Committee oversees and controls integrated planning and monitoring of our risk profile and capital capacity, ensuring an alignment of risk appetite, capitalisation requirements and funding needs with the Group, divisional and sub-divisional business strategies.
- Our Risk Executive Committee identifies controls and manages all risks including risk concentrations at the 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 Cross Risk Review Committee supports the Risk Executive Committee and the Capital and Risk Committee with particular emphasis on the management of Group wide risk patterns. The Cross Risk Review Committee, under a delegation of authority from the Capital and Risk Committee has responsibility for the day-to-day oversight and control of Deutsche Bank Group's Internal Capital Adequacy Assessment Process ("ICAAP") ensuring compliance with respective regulatory requirements and policy setting for local ICAAPs.

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 Risk 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 Risk 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.

An Enterprise-wide Risk Management ("ERM") unit plays a role in monitoring the portfolio of risk against the appetite articulated in the Group's capital plan and manages cross-risk initiatives in the Group. The objectives of the ERM unit are to:

- Develop a comprehensive view of the risks across the businesses in the bank and to focus on cross-risk concentrations and risk-reward "hotspots";
- Provide a strategic and forward-looking perspective on the key risk issues for discussion at senior levels within the bank (risk appetite, stress testing framework);
- Strengthen risk culture in the bank; and
- Foster the implementation of consistent risk management standards across our local entities.

Our Finance and Audit departments operate independently of both the group divisions and of the Risk 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.

A joint Deutsche Bank and Postbank forum was established in 2011 to align both entities on critical risk-return decision, to exchange risk and portfolio related expertise and to address regulatory topics. This regular forum, in particular facilitates alignment on risk management and control process on a Group level. In addition Postbank's Group wide risk management organization independently measures and evaluates all key risks and their drivers. Postbank's Chief Risk Officer role has been established at its Management Board level since March 1, 2011.

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, 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 Reporting and Measurement Systems

The Group has centralized risk data and systems supporting regulatory reporting and external disclosures, as well as internal management reporting for credit, market, operational and liquidity risk. The risk infrastructure incorporates the relevant legal entities and business divisions and provides the basis for tailor-made reporting on risk positions, capital adequacy and limit utilization to the relevant functions on a regular and ad-hoc basis. Established units within Finance and Risk assume responsibility for measurement, analysis and reporting of risk while ensuring sufficient quality and integrity of risk-related data.

The main reports on risk and capital management that are used to provide the central governance bodies with information relating to Group risk exposures are the following:

— Our Risk & Capital Profile which is presented monthly to the CaR and the Management Board by the CRO. It comprises an overview of the current risk, capital and liquidity situation of the Group incorporating information on regulatory capital and economic capital adequacy.
— An overview of our capital, liquidity and funding is presented to the CaR by the Group Treasurer every month. It comprises information on key developments and metrics across the aforementioned topics.
— Group-wide macro stress tests are performed quarterly and reported to the CaR. These are supplemented, as required, by ad-hoc stress tests at the Group level.

The above reports are complemented by several other standard and ad-hoc management reports of Risk and Finance, which are presented to several different senior committees responsible for risk and capital management at Group level.

Postbank continues to have an own reporting framework that substantially follows the same principles as outlined above.

Risk Strategy and Appetite

Our risk strategy statement is expressed as follows:

— balanced performance across business units;
— positive development of earnings quality;
— compliance with regulatory capital requirements;
— capital adequacy; and
— stable funding and strategic liquidity allowing for business planning within the liquidity risk tolerance and regulatory requirements.

We define our risk strategy and risk appetite on the basis of the strategic plans to ensure alignment of risk, capital and performance targets.

We conduct an annual strategic planning process which considers our future strategic direction, decisions on key initiatives and the allocation of resources to the businesses. Our plan comprises profit and loss, capital supply and capital demand, other resources, such as headcount, and business-specific key performance indicators. This process is performed at the business division and business unit level covering the next three years, projected onto a five-year period for purposes of the goodwill impairment test. In addition, the first year is detailed on a month by month basis (operative plan). Group Strategy & Planning and Finance coordinate the strategic planning process and present the resulting strategic plan to the Group Executive Committee and Management Board for discussion and final approval. The final plan is also presented to the Supervisory Board at the beginning of each year.

Our strategic plans include the Risk & Capital Plan and risk appetite, which allows the Group to:

— set capital adequacy goals with respect to risk, considering our strategic focus and business plans;
— assess our risk-bearing capacity with regard to internal and external requirements (i.e. regulatory and economic capital); and
— apply stress testing to assess the impact on the capital demand, capital base and liquidity position.

Risk appetite is an expression of the maximum level of risk that we are prepared to accept in order to deliver our business objectives. The Group's risk appetite statement defines the Group-level risk tolerance that is translated into financial targets for business divisions and risk limits, targets or measures for major risk categories throughout the Group. The setting of the risk appetite thus ensures that risk is proactively managed to the level desired by the Management Board and shareholders and is congruent with our overall risk appetite statement. The Management Board reviews and approves the risk appetite on an annual basis to ensure that it is consistent with the Group strategy, business environment and stakeholder requirements. Risk appetite tolerance levels are set at different trigger levels, with clearly defined escalation and action schemes. In cases where the tolerance levels are breached, it is the responsibility of the Enterprise-wide Risk Management unit to bring it to the attention of respective risk committees, and ultimately the Chief Risk Officer.

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. Postbank's Management Board is responsible for Postbank's risk profile and risk strategy, and regularly reporting thereon to the Supervisory Board of Postbank. During 2011, Postbank's capital demand, capital planning procedures and risk strategy processes have been aligned with those of Deutsche Bank.

Risk Inventory

As part of our business activities, we face a variety of risks, the most significant of which are described further in dedicated sections below. 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, outside of liquidity risk.

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 below in the more detailed section Credit Risk). 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).

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 non-residents 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 is 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 and market implied default probabilities. We differentiate between three substantially different types of market risk:

- Trading market risk arises primarily through the market-making activities of the Corporate & Investment Bank Group Division. This involves taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.
- Traded default risk arising from defaults and rating migrations.
- Nontrading market risk arises in various forms. Equity risk arises primarily from non-consolidated strategic investments, alternative asset investments and equity compensation. Interest rate risk stems from our nontrading asset and liability positions. Structural foreign exchange risk exposure arises from capital and retained earnings in non euro currencies in certain subsidiaries, and represents the bulk of foreign exchange risk in our nontrading portfolio. Other nontrading market risk elements are risks arising from asset management and fund related activities as well as model risks in Private Business Clients (“PBC”), Global Transaction Banking (“GTB”) and Private Wealth Management (“PWM”), which are derived by stressing assumptions of client behavior in combination with interest rate movements. In Deutsche Bank, excluding Postbank, these risks are part of nontrading market risk.

Operational Risk

Operational risk is the potential for failure (including from legal risk) in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. Operational risk 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.

In addition to the above risks, we face a number of other types of 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 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.
- 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.

Risk Concentration

Risk Concentrations are not an isolated risk type but are integrated in the management of the individual risk types and at a cross risk level through Enterprise-wide Risk Management. 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, businesses, regions/countries, legal entities, industries and products, impacting the aforementioned risks.

We have established a comprehensive approach to managing risk concentrations that primarily encompasses the following key elements:
- Intra-risk category reviews, generally undertaken by the Portfolio Management areas, are used to identify and understand the drivers of concentrations within a risk category.
- Reviews of business units and legal entities may identify risk concentrations which are discussed and dependent on materiality escalated up to the Management Board level.
- Expert panels, using qualitative instruments, which focus on intra-risk and enterprise-wide risk issues, concentrations and portfolios of overlapping risk characteristics such as – but not limited to – interdependencies between credit, market, liquidity and operational risks, as well as ensuring that the Group's risk profile remains in-line with the overall risk strategy, risk appetite and capital plans.
- Quantitative instruments such as regulatory or economic capital (overall risk measurement) and stress tests; and
- Comprehensive monitoring and reporting.

The most senior governance body for the oversight of risk concentrations is the Cross Risk Review Committee.

Risk Management Tools

We use a comprehensive range of quantitative and qualitative methodologies for assessing 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 advanced internal 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. We use economic capital to show an aggregated view of our risk position from individual business lines up to our consolidated Group level. 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. Postbank uses the same tool and methodology to calculate credit economic capital. See "Overall Risk Position" below for a quantitative sum-

mary of our economic capital usage.
Using 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.
Postbank applies a similar concept.

— 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.

— Stress testing. Credit, market and operational risk as well as liquidity risk are subject to a program of regular stress tests. The Cross Risk Review Committee oversees the inventory of stress tests used for managing the Group's risk appetite, reviews the results and proposes management action, if required. The Cross Risk Review Committee monitors the effectiveness of the stress test process and drives continuous improvement of our stress testing framework. It is supported by a dedicated Stress Testing Oversight Committee which has the responsibility for the definition of the Group-wide stress test scenarios, ensuring common standards and consistent scenarios across risk types, and reviewing the Group-wide stress test results. The stress testing framework at Group level comprises regular group-wide stress based on a consistent macroeconomic global downturn scenario, annual reverse and capital plan relevant stress test as well as ad-hoc scenarios.

We also supplement our risk type specific 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 historic volatile market conditions and proved to be 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.
At Postbank all material and actively managed risk categories (credit, market, liquidity and operational risks) are subject to defined stress tests. Postbank was also integrated into Deutsche Bank group wide capital stress test during 2011.

— Regulatory risk assessment. German banking regulators assess our capacity to assume risk in several ways, which are described in more detail in Note 37 “Regulatory Capital” of the consolidated financial statements.

ICAAP (Internal Capital Adequacy Assessment Process)

ICAAP requires banks to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to ensure adequate capitalization on an ongoing basis, i.e. internal capital supply to exceed internal capital demand (figures are described in more detail in the section “Internal Capital Adequacy”).

We, at a group level, maintain compliance with the Internal Capital Adequacy Assessment Process as required under Pillar 2 of Basel 2 and its local implementation in Germany, the Minimum Requirements for Risk Management (MaRisk), through its risk management and governance framework, methodologies, processes and infrastructure, as described above. The Group’s legal entity ICAAP frameworks are designed to be in compliance with local regulatory requirements and, where possible, are consistent with the structure and principles as described in this document.

In line with MaRisk and Basel 2 requirements, the key instruments to ensure adequate capitalization on an ongoing and forward looking basis for the Group are:

— A strategic planning process and continuous monitoring process against approved risk and capital targets set;
— A frequent risk and capital reporting to management;
— An economic capital and stress testing framework.

More information on risk management organized by major risk category can be found below.

Credit Risk

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

— The key principle of credit risk management is client credit due diligence, which is aligned with our country and industry portfolio strategies. Prudent client selection is achieved in collaboration with our business line counterparts who stand as a first line of defense. In each of our group divisions credit decision standards, processes and principles are consistently applied.
— We actively aim to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified 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 business 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 applicable Basel 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 purchased or 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 2. 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.

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 CIB 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 and approval processes 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 generally 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. These downgrading provisions in CSAs and master agreements usually apply to both parties but may apply to us only. We analyze and monitor our potential contingent payment obligations resulting from a rating downgrade in our stress testing approach for liquidity risk on an ongoing basis. For an assessment of the quantitative impact of a downgrading of the Group's credit rating please refer to table "Stress Testing Results" in the section "Liquidity Risk".

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 net positive fair value of its derivatives transactions and the regulatory add-ons.

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 credit risk units in close cooperation with the business which acts as first line of defence, dedicated rating analysis teams and 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) or economic area (i.e. emerging markets). 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 supports a comprehensive assessment of concentrations within our credit risk portfolio for potential subsequent risk mitigating actions.

Managing industry and country risk are key components of our overall concentration risk management approach for non-Postbank portfolios. In 2011 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, country, regions, product 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 regularly 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 non-guaranteed 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 non-residents (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 Deutsche Bank 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 Cross Risk Review Committee, a sub-committee of our Risk Executive Committee and Capital and Risk Committee. Deutsche Bank's country risk research group also reviews, at least semi-annually, 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 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, pursuant to delegated authority.

In 2011 we established an additional limit framework for certain European countries, in particular, Greece, Ireland, Italy, Portugal and Spain, with a focus to further avoid undue concentrations.

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 Risk Operations and our finance function. The Cross Risk Review 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 honour 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 contractual obligation.

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. Since 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.

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 modelled 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 modelled 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 modelled by applying our own alpha factor determined for our use of the Basel 2 internal models method. This alpha factor has been set at the minimum level of 1.2 both as of December 31, 2011, and December 31, 2010. We allocate expected losses and economic capital derived from loss distributions down to transaction level to enable management on transaction, customer and business level.

For internal purposes, Postbank employs a similar approach and calculates a credit value-at-risk (“CVaR”) at 99.93 % confidence over a one year time horizon for all of its 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 like 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 fulfil their contractual payment obligations.

Maximum Exposure to Credit Risk

The following tables present our maximum exposure to credit risk and associated collateral held and other credit enhancements (netting and hedges) that do not qualify for offset in our financial statements for the periods specified. The netting credit enhancement component includes the effects of legally enforceable netting agreements as well as the offset of negative mark-to-markets from derivatives against pledged cash collateral. The collateral credit enhancement component mainly includes real estate, collateral in the form of cash as well as securities related collateral. In relation to collateral we apply internally determined haircuts and cap all collateral at the level of the respective exposure.

					Dec 31, 2011
		Credit Enhancements			
in € m.[1]	Maximum exposure to credit risk[2]	Netting	Collateral	Guarantees and Credit derivatives[3]	Total credit enhancements
Due from banks	15,928	–	1	–	1
Interest-earning deposits with banks	162,000	–	3	147	150
Central bank funds sold and securities purchased under resale agreements	25,773	–	25,232	–	25,232
Securities borrowed	31,337	–	30,107	–	30,107
Financial assets at fair value through profit or loss[4]	1,204,412	724,194	205,210	5,732	935,136
Financial assets available for sale[4]	42,296	–	2,392	1,265	3,657
Loans[5]	416,676	–	203,364	42,535	245,899
Other assets subject to credit risk	88,221	65,616	9,995	2	75,613
Financial guarantees and other credit related contingent liabilities[6]	73,653	–	5,524	7,521	13,045
Irrevocable lending commitments and other credit related commitments[6]	127,995	–	715	6,386	7,101
Maximum exposure to credit risk	2,188,291	789,810	482,543	63,588	1,335,941

1 All amounts at carrying value unless otherwise indicated.
2 Does not include credit derivative notional sold and credit derivative notional bought protection. Interest-earning deposits with banks mainly relate to liquidity reserves.
3 Credit derivatives are reflected with the notional of the underlying.
4 Excludes equities, other equity interests and commodities.
5 Gross loans less (deferred expense)/unearned income before deductions of allowance for loan losses.
6 Financial guarantees, other credit related contingent liabilities and irrevocable lending commitments (including commitments designated under the fair value option) are reflected at notional amounts.

in € m.[1]	Maximum exposure to credit risk[2]	Netting	Collateral	Guarantees and Credit derivatives[3]	Total credit enhancements
					Dec 31, 2010
		Credit Enhancements			
Due from banks	17,157	–	–	–	–
Interest-earning deposits with banks	92,377	–	304	13	317
Central bank funds sold and securities purchased under resale agreements	20,365	–	19,982	–	19,982
Securities borrowed	28,916	–	28,257	–	28,257
Financial assets at fair value through profit or loss[4]	1,026,494	555,121	183,379	5,355	743,855
Financial assets available for sale[4]	48,587	–	1,736	1,113	2,849
Loans[5]	411,025	–	189,137	39,326	228,463
Other assets subject to credit risk	61,441	44,783	11,327	2	56,112
Financial guarantees and other credit related contingent liabilities[6]	68,055	–	5,681	9,368	15,049
Irrevocable lending commitments and other credit related commitments[6]	123,881	–	2,966	21,929	24,895
Maximum exposure to credit risk	1,898,298	599,904	442,769	77,106	1,119,779

1 All amounts at carrying value unless otherwise indicated.
2 Does not include credit derivative notional sold and credit derivative notional bought protection. Interest-earning deposits with banks mainly relate to liquidity reserves.
3 Credit derivatives are reflected with the notional of the underlying.
4 Excludes equities, other equity interests and commodities.
5 Gross loans less (deferred expense)/unearned income before deductions of allowance for loan losses.
6 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, 2011, were € 117 billion of securities purchased under resale agreements (€ 109 billion as of December 31, 2010) and € 27 billion of securities borrowed (€ 28 billion as of December 31, 2010), both with limited net credit risk as a result of very high levels of collateral, as well as debt securities of € 154 billion (€ 171 billion as of December 31, 2010) that are over 84 % investment grade (over 83 % as of December 31, 2010). The above mentioned financial assets available for sale category primarily reflected debt securities of which more than 93 % were investment grade (more than 83 % as of December 31, 2010).

The increase in maximum exposure to credit risk for December 31, 2011 was predominantly driven by positive market values from derivatives (in financial assets at fair value through profit or loss) which increased by € 202 billion to € 860 billion as of December 31, 2011 and interest-earning deposits with banks, which increased by € 70 billion and accounted for € 162 billion exposure as of December 31, 2011.

Credit Quality of Financial Instruments neither past due nor impaired

The following tables present the credit quality of financial instruments neither past due nor impaired for the periods specified, which are generally derived from internal ratings.

							Dec 31, 2011
in € m.[1]	AAA-AA	A	BBB	BB	B	CCC and below	Total
Due from banks	12,851	1,021	791	1,187	78	–	15,928
Interest-earning deposits with banks	149,285	7,982	1,692	2,747	145	149	162,000
Central bank funds sold and securities purchased under resale agreements	9,010	11,604	3,994	1,097	60	8	25,773
Securities borrowed	25,323	3,697	1,613	566	138	–	31,337
Financial assets at fair value through profit or loss[2]	503,403	492,467	107,143	73,098	14,953	13,348	1,204,412
Financial assets available for sale[2]	22,824	8,673	5,407	2,955	528	1,357	41,744
Loans[3]	66,830	59,737	97,118	119,643	37,931	19,304	400,563
Other assets subject to credit risk	13,980	22,998	8,100	42,200	556	387	88,221
Financial guarantees and other credit related contingent liabilities	6,535	24,409	21,003	13,986	6,051	1,669	73,653
Irrevocable lending commitments and other credit related commitments[4]	21,152	37,895	36,659	21,066	9,152	2,071	127,995
Total	831,193	670,483	283,520	278,545	69,592	38,293	2,171,626

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.

							Dec 31, 2010
in € m.[1]	AAA-AA	A	BBB	BB	B	CCC and below	Total
Due from banks	13,098	1,998	702	1,319	40	–	17,157
Interest-earning deposits with banks	78,378	10,261	1,086	2,211	101	340	92,377
Central bank funds sold and securities purchased under resale agreements	6,067	7,231	4,599	2,176	245	47	20,365
Securities borrowed	22,480	3,354	2,251	695	136	–	28,916
Financial assets at fair value through profit or loss[2]	417,675	397,714	80,282	106,238	14,252	10,333	1,026,494
Financial assets available for sale[2]	28,306	7,626	5,544	4,733	709	1,454	48,372
Loans[3]	73,576	62,564	90,332	122,379	30,132	19,348	398,331
Other assets subject to credit risk	10,546	13,456	2,194	32,642	2,450	153	61,441
Financial guarantees and other credit related contingent liabilities	7,334	21,318	20,391	11,547	5,453	2,012	68,055
Irrevocable lending commitments and other credit related commitments[4]	23,069	31,945	36,542	22,083	7,775	2,467	123,881
Total	680,529	557,467	243,923	306,023	61,293	36,154	1,885,389

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.

Our counterparty ratings are monitored and updated by dedicated analysts on an ongoing basis so as to reflect the impact of the changing economic environment and where necessary, internal counterparty ratings are amended immediately. We review the effectiveness of our rating methodologies on an annual basis.

Main Credit Exposure Categories

Our credit lending activities are governed by our Principles for Managing Country and Credit Risk. These principles define our general risk philosophy for credit and country risk and its methods to actively manage this risk. The principles define key organizational requirements, roles and responsibilities as well as process principles for credit and country risk management and are applicable to all lending activities undertaken by the Group. Key elements of the principles with relation to the underwriting process include:

- Independence of our credit risk management function from our business divisions.
- The internal rating of each borrower, as the rating is an essential part of our underwriting and credit process and builds the basis for correct risk appetite determination and adequate pricing of transactions. Ratings must always be kept up-to-date and documented.
- Credit approvals are based on credit authority which is assigned to individuals based on personal and professional qualification and experience. Authorities are reviewed annually and are valid until withdrawn.
- Credit approvals are documented by the signing of the credit report by the respective credit authority holders and retained for future reference.

Our various business divisions require individual and customized credit processes performed by independent credit risk units in order to assess and determine the underling risks most appropriately. While this approach is designed to ensure high quality and tailor-made risk management, consistency of approach demands that all divisional credit risk units must follow the same fundamental credit risk management principles described above to ensure consistency of approach. Underwriting standards for our credit units are embodied within credit policies, guidelines and portfolio strategies for each appropriate loan category and are reviewed at least annually. The respective loan portfolios are also subject to frequent monitoring and reporting. For the major loan categories the process applied together with portfolio characteristics are highlighted below.

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

- "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 financial assets at fair value through profit or loss or, for derivatives qualifying for hedge accounting, in other assets, in either case, before netting and cash collateral received.
— "Debt securities available for sale" include debentures, bonds, deposits, notes or commercial paper, which are issued for a fixed term and redeemable by the issuer, which we have classified as available for sale.

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

						Dec 31, 2011
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
Banks and insurance	35,308	22,553	17,668	50,657	15,887	142,073
Fund management activities	24,952	4,931	2,432	8,943	1,127	42,385
Manufacturing	22,754	31,297	19,608	3,279	697	77,635
Wholesale and retail trade	15,045	8,412	5,527	610	251	29,845
Households	174,188	10,613	2,706	1,082	–	188,589
Commercial real estate activities	46,143	2,877	2,348	2,187	53	53,608
Public sector	16,412	1,479	104	8,625	18,872	45,492
Other	81,874[4]	45,833	23,260	4,241	2,494	157,702
Total	416,676	127,995	73,653	79,624	39,381	737,329

1 Includes impaired loans amounting to € 9.4 billion as of December 31, 2011.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 9.2 billion as of December 31, 2011.
3 Includes the effect of netting agreements and cash collateral received where applicable. Excludes derivatives qualifying for hedge accounting.
4 Loan exposures for Other include lease financing.

						Dec 31, 2010
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
Banks and insurance	38,798	22,241	17,801	32,315	19,943	131,098
Fund management activities	27,964	6,435	2,392	9,318	–	46,109
Manufacturing	20,748	31,560	18,793	3,270	2,536	76,907
Wholesale and retail trade	13,637	7,369	5,022	517	51	26,596
Households	167,352	9,573	2,537	842	–	180,304
Commercial real estate activities	44,119	3,210	2,196	1,577	70	51,172
Public sector	24,113	858	57	6,510	19,115	50,653
Other	74,294[4]	42,635	19,257	7,956	4,499	148,641
Total	411,025	123,881	68,055	62,305	46,214	711,480

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

Our credit risk profile composition by industry sector remained largely unchanged on a year on year comparison.

Loan exposures to the industry sectors banks and insurance, fund management activities, manufacturing and public sector comprise predominantly investment grade variable rate loans which are held to maturity. The portfolio is subject to the same credit underwriting requirements stipulated in our Principles for Managing Country and Credit risk, including various controls according to single name, country, industry and product-specific concentration. Material transactions, such as loans underwritten with the intention to syndicate, are subject to review by senior credit risk management professionals and (depending upon size) a credit committee and/or the Management Board. High emphasis is placed on structuring such transactions to ensure de-risking is achieved in a timely and cost effective manner. Exposures within these categories are mostly to good quality borrowers and also subject to further risk mitigation as outlined on the description of our Loan Exposure Management Group's activities on page 79 and therefore, they are categorised as lower risk.

Within the category household, our loan exposure of € 174 billion as of December 31, 2011 (€ 167 billion as of December 2010) contained € 136 billion of mortgages, of which € 108 billion were in Germany. The € 39 billion of non-mortgage household lending related primarily to Consumer Finance comprising instalment loans, credit lines and credit cards as well as Private Wealth Management lending.

Our household loans are principally associated with our Private & Business Clients (PBC) portfolio comprising predominantly mortgage and to a lesser extent consumer finance business. Given the homogenous nature of this portfolio counterparty credit worthiness and ratings are derived by utilising an automated decision engine. The engine incorporates quantitative aspects (e.g. financial figures), behavioral aspects, credit bureau information (SCHUFA in Germany) and general customer data. These input factors are used by the decision engine to determine the credit worthiness of the borrower and after consideration of collateral evaluation, specific business rules, personal credit authority and in certain mortgage cases external and/or internal real estate appraisers the ultimate credit decision is made.

Mortgage business is principally the financing of owner occupied properties sold by various business channels in Europe, primarily in Germany but also in Spain, Italy and Poland, with exposure normally not exceeding liquidation value (after appropriate haircuts). Consumer Finance is divided into personal instalment loans, credit lines and credit cards. Various lending requirements are stipulated, including (but not limited to) maximum loan amounts and maximum tenors and are adapted to regional conditions and/or circumstances of the borrower (e.g., for consumer loans a maximum loan amount taking into account household net income). Interest rates are mostly fixed over a certain period of time, especially in Germany. Second lien loans are not actively pursued.

The level of credit risk of the mortgage loan portfolio is determined by assessing the quality of the client and the underlying collateral. The loan amounts are generally larger than consumer finance loans and they are extended for longer time horizons. Consumer Finance loan risk depends on client quality. Given that they are uncollateralized, compared to mortgages they are also smaller in value and are extended for shorter time. Based on our underwriting criteria and processes, diversified portfolio (customers/properties) and low loan to value ratios, the mortgage portfolio is categorised as lower risk and consumer finance medium risk.

Our commercial real estate loans are generally originated for distribution as securities (CMBS) or in the bank syndication market and accounted for as financial assets at fair value through profit and loss. Loans are generally secured by first mortgages on the underlying real property, and follow the credit underwriting requirements stipulated in the Principles for Managing Country and Credit risk noted above (i.e. rating followed by credit approval based on assigned credit authority) and are subject to additional underwriting and policy guidelines such as loan-to-value ratios of generally less than 75 %. Additionally given the significance of the underlying collateral independent external appraisals are commissioned for all secured loans by our valuation team (part of the independent Credit Risk Management function). Our valuation team is responsible for reviewing and challenging the reported real estate values. Excluding legacy exposures, the Commercial Real Estate Group does not retain mezzanine or other junior tranches of debt; Postbank holds an insignificant sub-portfolio of junior tranches, which is being held to maturity. Loans originated for securitization are carefully monitored under a € 3.25 billion pipeline limit. Securitized loan positions are entirely sold (except where regulation requires retention of economic risk), while we frequently retain a portion of syndicated bank loans. This hold portfolio, which is held at amortised cost, is also subject to the aforementioned principles and policy guidelines. Postbank loans are generally held to maturity and not sold in the secondary market. We also participate in conservatively underwritten unsecured lines of credit to well-capitalized real estate investment trusts and other public companies (generally investment grade). In addition, sub-performing and non-performing loans and pools of loans are generally acquired from other financial institutions at substantial discounts to both the notional amounts and current collateral values. The underwriting process is stringent and the exposure is managed under a separate € 3.5 billion portfolio limit. We provide both fixed rate (generally securitized product) and floating rate loans, with interest rate exposure subject to hedging arrangements. In addition, new Deutsche Bank unsecured exposure is de-risked via LEMG. Commercial real estate property valuations and rental incomes can be significantly impacted by macro-economic conditions and underlying properties to idiosyncratic events. Accordingly, the portfolio is categorised as higher risk and hence subject to the aforementioned tight restrictions on concentration.

The category Other loans, with exposure of € 82 billion as of December 31, 2011 (€ 74 billion as of December 31, 2010), relates to numerous smaller industry sectors with no individual sector greater than 5 % of total loans. The largest of these smaller industry sectors relates to financial intermediation, other business activities and transportation.

Our loans, irrevocable lending commitments, contingent liabilities and OTC derivatives-related credit exposure to our ten largest counterparties accounted for 4 % of our aggregated total credit exposure in these categories as of December 31, 2011 compared to 5 % as of December 31, 2010. Our top ten counterparty exposures were primarily with well-rated counterparties or otherwise related to structured trades which show high levels of risk mitigation, with the exception of one counterparty relationship.

The following tables break down several of our main credit exposure categories by geographical region. For these tables, 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.

						Dec 31, 2011
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
Germany	199,442	24,448	15,408	5,148	7,848	252,294
Western Europe (excluding Germany)	115,782	32,399	19,460	35,932	24,910	228,483
Eastern Europe	9,387	1,357	1,682	135	369	12,930
North America	54,962	63,318	23,884	28,070	5,523	175,757
Central and South America	4,775	852	1,803	396	79	7,905
Asia/Pacific	30,291	4,791	10,425	9,011	628	55,146
Africa	1,502	598	991	888	7	3,986
Other	535[4]	232	–	44	17	828
Total	416,676	127,995	73,653	79,624	39,381	737,329

1 Includes impaired loans amounting to € 9.4 billion as of December 31, 2011.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 9.2 billion as of December 31, 2011.
3 Includes the effect of netting agreements and cash collateral received where applicable. Excludes derivatives qualifying for hedge accounting.
4 Loan exposures for Other include lease financing.

						Dec 31, 2010
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
Germany	207,129	24,273	15,758	3,018	7,135	257,313
Western Europe (excluding Germany)	110,930	30,239	18,019	22,213	30,310	211,711
Eastern Europe	8,103	1,844	1,319	836	410	12,512
North America	54,887	59,506	22,063	26,765	6,464	169,685
Central and South America	4,121	575	1,427	1,792	61	7,976
Asia/Pacific	23,562	6,651	8,532	7,247	1,783	47,775
Africa	961	419	911	421	5	2,717
Other	1,332[4]	374	26	13	46	1,791
Total	411,025	123,881	68,055	62,305	46,214	711,480

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

Our overall loan book was relatively unchanged as of December 31, 2011, rising to € 417 billion versus € 411 billion as of December 31, 2010.

Our largest concentrations of credit risk within loans from a regional perspective were in Western Europe with a significant share in households, and North America. 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.

In addition Postbank monitors credit risk concentrations to specific European Countries as well as to the structured credit portfolio.

Credit Risk Exposure to Certain European Countries.

Certain European countries are presented within the tables below due to their heightened sovereign default risk caused by the wider European sovereign debt crisis. This heightened risk is driven by a number of factors impacting the associated sovereign including large public debt levels, limited access to capital markets, high credit default swap spreads, proximity of debt repayment dates, poor economic fundamentals and outlook (including low gross domestic product growth, high unemployment and the necessity to implement various austerity measures) and the fact that some of these countries have accepted "bail out" packages. The latest of these packages is the agreement of February 21, 2012 on Greece that is conditional on certain Greek actions and ratification by the parties involved.

The following tables provide an overview of our aggregate gross and net credit risk exposure to counterparties with a country of domicile in or, in relation to credit default swaps, underlying reference asset from, certain European countries. It should be noted that on this basis we may include borrowers (in particular financial institutions) domiciled in these countries whose group parent is located outside of these countries or exposures to special purpose entities whose underlying assets are from entities domiciled in other countries. We also monitor other European countries very closely given their associated exposures to these certain countries as well as to their recent rating downgrades while their observed risk factors currently do not warrant inclusion in this disclosure.

Our gross position to certain European countries reflects our net credit risk exposure grossed up for the net credit derivative protection purchased, collateral held and allowances for credit losses.

	Dec 31, 2011					
in € m.	Sovereign[1]	Financial Institutions	Corporates	Retail	Other	Total[2]
Greece	448	576	1,287	8	–	2,319
Ireland	420	3,472	8,436	61	6,484[3]	18,873
Italy	1,811	5,198	9,449	19,842	373	36,673
Portugal	165	880	1,502	2,415	36	4,998
Spain	1,322	7,198	10,199	11,487	182	30,388
Total	4,166	17,324	30,873	33,813	7,075	93,251

1 Includes impaired available for sale sovereign debt positions in relation to Greece. There are no other sovereign related impaired exposures included.
2 Approximately 50 % of the overall exposure will mature within the next 5 years.
3 Other exposures to Ireland include exposures to counterparties where the domicile of the group parent is located outside of Ireland as well as exposures to special purpose entities whose underlying assets are from entities domiciled in other countries.

The table below provides an overview of our aggregate net credit risk exposure to counterparties with a country of domicile in certain European countries. Exposures are presented after effects of collateral held, guarantees received and further risk mitigation. Loan exposures held at amortized cost are presented after deduction of allowance for loan losses.

						Dec 31, 2011
in € m.	Sovereign[1]	Financial Institutions	Corporates	Retail	Others	Total[2]
Greece	448	105	324	2	–	879
Ireland	181	1,755	6,593	9	5,084[3]	13,622
Italy	1,767	2,296	6,670	8,480	173	19,386
Portugal	(45)	519	727	364	36	1,601
Spain	1,318	5,740	7,152	2,018	93	16,321
Total	3,669	10,415	21,466	10,873	5,386	51,809

1 Includes impaired available for sale sovereign debt positions in relation to Greece. There are no other sovereign related impaired exposures included.
2 Approximately 50 % of the overall exposure will mature within the next 5 years.
3 Other exposures to Ireland include exposures to counterparties where the domicile of the group parent is located outside of Ireland as well as exposures to special purpose entities whose underlying assets are from entities domiciled in other countries.

In arriving at our net exposure the principal cause of the reduction from the gross position is the application of collateral held, in particular with respect to the retail category, but also for financial institutions, predominantly in relation to derivative margining arrangements, as well as for corporates. Other adjustments to arrive at our net exposure include credit derivatives with underlying reference assets domiciled in one of the above countries as well as allowance for credit losses.

The table below provides an overview of our aggregate net credit risk exposure to counterparties with a country of domicile in certain European countries broken down by type of financial instrument. Exposures are presented after effects of collateral held, guarantees received and further risk mitigation but excluding net notional amounts of credit derivatives for protection sold/(bought). Loan exposures held at amortized cost are presented before and after deduction of allowance for loan losses.

	Financial assets carried at amortized cost			Financial assets measured at fair value	Financial instruments at fair value through profit or loss		Dec 31, 2011
in € m.	Loans before loan loss allowance	Loans after loan loss allowance	Other[1]	Financial assets available for sale[2]	Derivatives	Other	Total[3]
Greece	214	200	38	211	100	255	804
Ireland	4,601	4,592	3,022	1,250	2,693	3,242	14,799
Italy	12,834	12,275	3,712	1,243	3,414	(1,787)	18,857
Portugal	1,227	1,206	223	209	243	439	2,320
Spain	7,346	6,910	3,052	3,371	1,936	1,201	16,470
Total	26,222	25,183	10,047	6,284	8,386	3,350	53,250

1 Primarily includes contingent liabilities and undrawn lending commitments.
2 Excludes equities and other equity interests.
3 After loan loss allowances.

The following table provides an overview of our credit derivative exposure with sovereign and non-sovereign underlying assets domiciled in these European countries. The table presents the notional amounts for protection sold and protection bought on a gross level as well as the resulting net notional position and its fair value.

			Notional amounts	Dec 31, 2011
in € m.	Protection sold	Protection bought	Net protection sold/(bought)	Net fair value
Greece	8,284	(8,209)	75	(75)
Ireland	11,203	(12,380)	(1,177)	51
Italy	59,890	(59,361)	529	32
Portugal	12,744	(13,463)	(719)	36
Spain	35,267	(35,416)	(149)	68
Total	127,388	(128,829)	(1,441)	112

In line with common industry practice, we use credit default swaps (CDS) as one important instrument to manage credit risk in order to avoid any undue concentrations in the credit portfolio. CDS contracts are governed by standard ISDA documentation which defines trigger events which result in settlement payouts. Examples of these triggers include bankruptcy of the reference entity, failure of reference entity to meeting contractual obligations (e.g. interest or principal repayment) and debt restructuring of the reference entity. These triggers also apply to credit default protection contracts sold. Our purchased credit default swap protection acting as a risk mitigant is predominantly issued by highly rated financial institutions governed under collateral agreements. It is important to note that we also keep control on gross positions before CDS hedging for any potential undue concentrations. While we clearly focus on net risk including hedging/collateral we also very intensively review our gross positions before any CDS hedging in reflection of the potential risk that a CDS trigger event does not occur as expected. Please note that the significant reduction in sovereign risk in relation to certain European countries we achieved in 2011 was not driven by CDS hedging.

For credit protection purposes we strive to avoid any maturity mismatches. However, this depends on the availability of required hedging instruments in the market. Where maturity mismatches cannot be avoided, these positions are tightly monitored. We take into account the sensitivities of hedging instrument and underlying asset to neutralize the maturity mismatch.

The aforementioned tables provided on our overall gross and net exposures to certain European countries do not include credit derivative tranches and credit derivatives in relation to our correlation business which, by design, is structured to be credit risk neutral. Additionally the tranched and correlated nature of these positions does not lend itself to a disaggregated notional presentation by country, e.g. as identical notional exposures represent different levels of risk for different tranche levels.

The table below provides an overview of our aggregate undrawn exposure to counterparties with a country of domicile in certain European countries. Terms and conditions related to any potential limitations of the counterparty being able to draw down on available facilities are included within the specific contractual documentation.

	Dec 31, 2011					
in € m.	Sovereign	Financial Institutions	Corporates	Retail	Others	Total
Greece	–	5	121	2	–	128
Ireland	–	4	1,130	3	340	1,477
Italy	2	637	3,581	308	–	4,528
Portugal	–	33	130	30	–	193
Spain	–	313	3,257	593	–	4,163
Total	2	992	8,219	936	340	10,489

In contrast to the above, from a risk management perspective we consider the domicile of the group parent, thereby reflecting the one obligor principle. Also, in our risk management we classify exposure to special purpose entities based on the domicile of the underlying assets as opposed the domicile of the special purpose entities. The following table provides our net exposure from a risk management perspective.

in € m.	Dec 31, 2011
Greece	840
Ireland	1,570
Italy	18,064
Portugal	1,733
Spain	12,750
Total	34,957

Our above exposure is principally to highly diversified, low risk retail portfolios and small and medium enterprises in Italy and Spain, as well as stronger corporates and diversified mid cap clients, while our financial institutions exposure is predominantly geared towards Tier 1 banks with very limited single name concentration. Sovereign exposure is moderate and principally in Italy, and there driven by our flow derivatives and market making activities.

The exposures associated with the countries noted above are managed and monitored using the credit process noted within the previous credit risk section including detailed counterparty ratings, ongoing counterparty monitoring as well as our framework for managing concentration risk as documented within our country risk and industry risk sections. In 2011, we established an additional limit framework for the above countries in focus to further avoid undue concentrations. This framework has been complemented by regular management reporting including targeted portfolio reviews of these countries, portfolio de-risking initiatives and stress testing.

In addition to the risks associated with direct exposure to these countries the risk of potential contagion also exists indirectly (e.g. impact on the Western European banking sector and wider economic contraction in the corporate sector). To manage the implications of these indirect exposures, credit risk management undertakes targeted portfolio reviews and undertakes targeted stress testing for these countries which feed into our wider Group stress testing framework. The results of these exercises are reported to senior management to determine appropriate mitigating actions. The stress testing undertaken on our global portfolio provides us with the ability to simulate the impact of developments on our potential credit losses, rating migrations and capital demands.

Sovereign Credit Risk Exposure to certain European Countries

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

	Dec 31, 2011				Dec 31, 2010			
in € m.	Direct Sovereign exposure[1]	Net Notional of CDS referencing sovereign debt	Net sovereign exposure	Memo Item: Net fair value of CDS referencing sovereign debt[2]	Direct Sovereign exposure[1]	Net Notional of CDS referencing sovereign debt	Net sovereign exposure	Memo Item: Net fair value of CDS referencing sovereign debt[2]
Greece	433	15	448	(50)	1,510	91	1,601	(69)
Ireland	208	(27)	181	(21)	353	(116)	237	(53)
Italy	176	1,591	1,767	1	3,482	4,529	8,011	(12)
Portugal	116	(161)	(45)	16	111	(123)	(12)	(32)
Spain	1,026	292	1,318	(13)	2,109	174	2,283	(75)
Total	1,959	1,710	3,669	(67)	7,565	4,555	12,120	(241)

[1] Includes debt classified as financial assets/liabilities at fair value through profit or loss, available for sale and loans carried at amortized cost.
[2] The amounts reflect the net fair value (i.e. counterparty credit risk) in relation to credit default swaps referencing sovereign debt of the respective country.

The above shown amounts reflect a net “accounting view” of our sovereign exposure. The reductions compared to year-end 2010 reflect targeted risk reductions, paydowns and fair value changes from market price movements within 2011.

The above mentioned direct sovereign exposure included the carrying value of positions held at amortized cost which, as of December 31, 2011, amounted to € 0 million for Greece, € 546 million for Italy and € 752 million for Spain and, as for December 31, 2010 amounted to € 162 million for Greece, € 864 million for Italy and € 969 million for Spain.

The following table provides an overview of the fair value of our sovereign credit risk exposure to certain European countries classified as financial assets at fair value through profit or loss.

	Dec 31, 2011			Dec 31, 2010		
in € m.	Fair value of sovereign debt	Fair value of derivatives with sovereign counterparties (net position)[1]	Total fair value of sovereign exposures	Fair value of sovereign debt	Fair value of derivatives with sovereign counterparties (net position)[1]	Total fair value of sovereign exposures
Greece	197	25	222	233	–	233
Ireland	(32)	7	(25)	135	–	135
Italy	(3,325)[2]	2,332	(993)	(3,415)[2]	1,970	(1,445)
Portugal	81	4	85	(52)	113	61
Spain	52	28	80	136	24	160
Total	(3,027)	2,396	(631)	(2,963)	2,107	(856)

1 Includes the impact of master netting and collateral arrangements.
2 Short sovereign debt position for Italy predominantly related to structured trades with corresponding credit derivatives offset.

The following table provides an overview of our sovereign credit risk exposure to certain European countries classified as financial assets available for sale.

	Dec 31, 2011			Dec 31, 2010		
in € m.	Fair value of sovereign debt	Original carrying amount	Accumulated impairment losses recognized in net income (after tax)	Fair value of sovereign debt	Original carrying amount[1]	Accumulated impairment losses recognized in net income
Greece	211	494	(368)	1,115	1,114	–
Ireland	232	213	–	218	218	–
Italy	625	724	–	4,063	4,074	–
Portugal	31	46	–	51	51	–
Spain	193	194	–	979	937	–
Total	1,292	1,671	(368)	6,426	6,394	–

1 For positions acquired as part of the acquisition of Postbank on December 3, 2010, the original carrying amount reflects the fair value of those positions at that date.

Credit Exposure from Lending

Our lending businesses are subject to credit risk management processes, both at origination and on an ongoing basis. For an overview of these processes see pages 55 to 62 within the credit risk section of this report.

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, 2011	Dec 31, 2010[1]
Lower risk bucket:		
PBC Mortgages	146,253	140,727
Investment Grade / German Mid-Cap	48,412	57,002
GTB	57,876	45,977
PWM	28,813	24,468
PBC small corporates	18,553	17,550
Government collateralized / structured transactions	5,117	9,074
Corporate Investments	6,707[2]	7,966
Sub-total lower risk bucket	311,731	302,764
Moderate risk bucket		
PBC Consumer Finance	18,815	18,902
Asset Finance (Deutsche Bank sponsored conduits)	17,282	18,465
Collateralized hedged structured transactions	16,949	17,724
Financing of pipeline assets[3]	6,619	8,050
Sub-total moderate risk bucket	59,665	63,141
Higher risk bucket		
Commercial Real Estate[4]	28,398	29,024
Leveraged Finance	4,888[5]	6,472
Other[6]	11,994	9,624
Sub-total higher risk bucket	45,280	45,120
Total loan book	416,676	411,025

1 Amounts for December 31, 2010, reflect the new business division structure established in 2011.
2 Includes loans amounting to € 3.8 billion in relation to one non-investment grade counterparty relationship.
3 Thereof vendor financing on loans sold in Leveraged Finance amounting to € 5.0 billion and in Commercial Real Estate amounting to € 1.6 billion as of December 31, 2011 (€ 5.9 billion and € 2.2 billion as of December 31, 2010, respectively).
4 Includes loans from CMBS securitizations.
5 Includes loans from LEMG amounting to € 3.7 billion and from Corporate Finance amounting to € 1.2 billion.
6 Includes financial assets which have been reclassified in accordance with IAS 39 into the loans classification as well as other smaller loans predominately in our Corporate Banking & Securities corporate division.

The majority of our low risk exposures is associated with our Private & Business Client retail banking activities. 75 % of our loan book at December 31, 2011 was in the low risk category, in line with the prior year end.

Our higher risk bucket was predominantly driven by our commercial real estate exposures. Our credit risk management approach puts 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 overall commercial real estate exposures were consistent with the levels reported at December 31, 2010.

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

	Dec 31, 2011		Dec 31, 2010	
in € m.	Impaired loans	Allowance for loan losses	Impaired loans	Allowance for loan losses
Commercial Real Estate	2,086	354	421	297
Leveraged Finance	158	149	336	180
Other	887	626	798	466
Total	3,131	1,129	1,555	943

The above increase in impaired loans in our higher risk loan bucket was driven by commercial real estate loans in relation to Postbank as well as two counterparts with small impairment charges. The relatively moderate increase in allowance for loan losses, in particular in relation to commercial real estate, is a reflection of the below mentioned effects on loans consolidated in relation to Postbank as well as relatively high levels of collateral.

At consolidation, all loans classified as impaired by Postbank were classified as performing by Deutsche Bank and also recorded at fair value. Subsequent increases in provisions at the Postbank level result in an impairment of the full loan from a Deutsche Bank consolidated perspective, but with an allowance being built for only the incremental provision.

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.

						Dec 31, 2011
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
AAA-AA	51,321	21,152	6,535	37,569	22,753	139,330
A	45,085	37,894	24,410	17,039	8,581	133,009
BBB	59,496	36,659	21,002	12,899	5,109	135,165
BB	50,236	21,067	13,986	7,478	2,303	95,070
B	17,650	9,152	6,051	3,007	263	36,123
CCC and below	18,148	2,071	1,669	1,632	371	23,891
Total	241,936	127,995	73,653	79,624	39,380	562,588

1 Includes impaired loans mainly in category CCC and below amounting to € 6.0 billion as of December 31, 2011.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 9.2 billion as of December 31, 2011.
3 Includes the effect of netting agreements and cash collateral received where applicable.

						Dec 31, 2010
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
AAA-AA	62,603	23,068	7,334	23,967	28,881	145,853
A	48,467	31,945	21,318	16,724	7,789	126,243
BBB	56,096	36,542	20,391	8,408	5,128	126,565
BB	44,809	22,084	11,546	7,905	2,390	88,734
B	12,594	7,775	5,454	2,960	632	29,415
CCC and below	17,425	2,467	2,012	2,341	1,394	25,639
Total	241,994	123,881	68,055	62,305	46,214	542,449

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

The size of the corporate loan book and level of irrevocable lending commitments and contingent liabilities remained materially consistent with December 31, 2010. The portion of our corporate credit exposure carrying an investment-grade rating decreased from 73 % as of December 31, 2010 to 72 % as of December 31, 2011, remaining stable despite challenging macroeconomic environment. 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 increase in our OTC derivatives exposure, primarily took place in relation to investment grade counterparties. 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 debt securities available for sale decreased in relation to December 31, 2010, reflecting risk reduction in particular with respect to sovereign exposures.

Risk Mitigation for the Corporate Credit Exposure

Our Loan Exposure Management Group ("LEMG") helps mitigate the risk of our corporate credit exposures. The notional amount of LEMG's risk reduction activities increased by 1 % from € 54.9 billion as of December 31, 2010, to € 55.3 billion as of December 31, 2011.

As of year-end 2011, LEMG held credit derivatives with an underlying notional amount of € 37.6 billion. The position totaled € 34.6 billion as of December 31, 2010. The credit derivatives used for our portfolio management activities are accounted for at fair value.

LEMG also mitigated the credit risk of € 17.7 billion of loans and lending-related commitments as of December 31, 2011, through 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 € 20.3 billion as of December 31, 2010.

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 decreased during the year to € 48.3 billion as of December 31, 2011, from € 53.4 billion as of December 31, 2010. 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 following table 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.		90 days or more past due as a % of total exposure[1]		Net credit costs as a % of total exposure[2]	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Consumer credit exposure Germany:	135,069	130,317	0.95 %	0.83 %	0.49 %	0.56 %
Consumer and small business financing	19,805	19,055	1.88 %	2.11 %	1.55 %	1.92 %
Mortgage lending	115,264	111,262	0.79 %	0.61 %	0.31 %	0.20 %
Consumer credit exposure outside Germany	39,672	38,713	3.93 %	3.27 %	0.61 %	0.86 %
Consumer and small business financing	13,878	13,361	7.22 %	6.39 %	1.31 %	1.96 %
Mortgage lending	25,794	25,352	2.15 %	1.63 %	0.23 %	0.13 %
Total consumer credit exposure[3]	174,741	169,030	1.63 %	1.39 %	0.52 %	0.66 %

1 As the acquired Postbank loans were initially consolidated at their fair values with a new cash flow expectation, the contractual past due status of acquired loans is not considered for disclosure purposes. Accordingly, the overall 90 days or more past due ratio reduced when calculated for the combined portfolio as disclosed in 2010, compared to past due ratios for Deutsche Bank excluding Postbank. As a result of this disclosure practice, the combine past due ration in 2011 increased compared to 2010, predominantly because Postbank loans becoming 90 days or more past due since acquisition are not offset by acquired past due Postbank loans with an improved past due status. For Deutsche Bank excluding Postbank, the 90 days or more past due ratio for the total consumer credit exposure remained flat.

2 Ratios per December 31, 2010 refer to Deutsche Bank Group excluding immaterial provisions at Postbank since consolidation, while ratios for December 31, 2011 refer to Deutsche Bank Group including Postbank. Increases in the present value of acquired loans, representing releases of allowances for credit losses established prior to their consolidation at the consolidated entities, are not included but recorded through net interest income (for detailed description see next section “IFRS Impaired Loans”. Taking such amounts into account, the net credit costs as a percentage of total exposure would amount to 0.42 % as of December 31, 2011.

3 Includes impaired loans amounting to € 3.4 billion as of December 31, 2011 and € 2.7 billion as of December 31, 2010.

The volume of our total consumer credit exposure increased by € 5.7 billion, or 3.4 % from year-end 2010 to December 31, 2011. This increase included net exposure increases of € 2.1 billion at Postbank, where increases of € 3.2 billion in Germany were partially offset by reductions of € 1.1 billion outside Germany mainly driven by a portfolio sale. The increase in Germany principally reflected a changed allocation of exposures from corporate to consumer credit exposure within Postbank. The increase of the 90 days or more past due ratio in Germany is driven by the Postbank consolidation. In 2010, the acquired Postbank loans were consolidated with no exposure past due reflecting their status as performing assets at consolidation, which significantly reduced the 90 days or more past due ratio of the combined portfolios that year. This year, the ratio increased compared to 2010 as Postbank loans becoming 90 days or more past due since acquisition are not offset by acquired Postbank loans with an improved past due status. Overall the portfolio quality in Germany improved further, as also evidenced by the improvement in the 90 days or more past due ratio excluding above Postbank effect from 1.77 % in 2010 to 1.58 % this year.

The increase in this ratio in our consumer credit exposure outside Germany is also due to the above consolidation effect, in addition to the effect of changes in charge-off criteria in 2009 which increases the time to full charge-off for certain portfolios. This effect will continue to increase the 90 days or more past due ratio until the portfolio will reach its steady state again, approximately 5 years after the change in charge-off criteria.

The volume of our consumer credit exposure excluding Postbank rose by € 3.6 billion, or 3.9 %, from year-end 2010 to December 31, 2011, mainly driven by our mortgage lending activities. The increase results from volume growth of our portfolio in Germany (up € 1.6 billion) as well as outside Germany (up € 2.0 billion) with strong growth in Italy (up € 981 million), Portugal (up € 491 million) and Poland (up € 420 million). Despite the volume growth, previously initiated measures, e.g. alignments of credit approval parameters and restructuring of collection activities, led to a reduction of net credit costs in all regions, especially in Germany and Poland. In addition Germany was positively impacted by a portfolio sale in the first quarter 2011. This improvement in portfolio quality is reflected in the reduction of the net credit costs as percentage of total exposure excluding Postbank from 0.66 % at year-end 2010 to 0.45 % at December 31, 2011.

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, 2011. The table below includes Postbank OTC and exchange-traded derivative contracts which have a negligible impact on the overall totals.

Dec 31, 2011	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	17,946,681	17,288,349	12,014,092	47,249,122	595,127	574,791	20,336
Exchange-traded products	635,771	179,024	6,282	821,077	101	50	51
Sub-total	18,582,452	17,467,373	12,020,374	48,070,199	595,228	574,841	20,387
Currency-related transactions:							
OTC products	4,357,876	1,201,265	415,234	5,974,375	112,784	116,134	(3,350)
Exchange-traded products	7,521	663	7	8,191	140	24	116
Sub-total	4,365,397	1,201,928	415,241	5,982,566	112,924	116,158	(3,234)
Equity/index-related transactions:							
OTC products	294,563	334,739	88,739	718,041	29,682	35,686	(6,004)
Exchange-traded products	206,953	71,092	2,310	280,355	5,764	2,000	3,764
Sub-total	501,516	405,831	91,049	998,396	35,446	37,686	(2,240)
Credit derivatives	673,814	2,473,620	537,723	3,685,157	101,115	92,988	8,127
Other transactions:							
OTC products	162,255	151,375	7,643	321,273	19,465	18,972	493
Exchange-traded products	92,025	45,134	695	137,854	2,965	2,959	6
Sub-total	254,280	196,509	8,338	459,127	22,430	21,931	499
Total OTC business	23,435,189	21,449,348	13,063,431	57,947,968	858,173	838,571	19,602
Total exchange-traded business	942,270	295,913	9,294	1,247,477	8,970	5,033	3,937
Total	24,377,459	21,745,261	13,072,725	59,195,445	867,143	843,604	23,539
Positive market values including the effect of netting and cash collateral received					84,272		

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 expected 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 for uncollateralized portfolios and over an appropriate unwind period for collateralized portfolios, respectively. 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, 2011	Dec 31, 2010
Government paper & agencies	95,336	92,866
Financial institutions & corporates	56,442	73,711
Equities	59,754	66,868
Traded loans	18,039	23,080
Other	11,353	14,766
Total nonderivative trading assets	240,924	271,291

Traded credit products such as bonds in our 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.

As of December 31, 2011 traded loans included commercial real estate whole loans of € 2.3 billion and leveraged finance loans of € 967 million (€ 3.0 billion and € 1.5 billion as of December 31, 2010, respectively). In addition to these exposures, the Group had related exposures to irrevocable lending commitments in the leveraged finance business of € 633 million as of December 31, 2011 (€ 755 million as of December 31, 2010).

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.

Past Due Loans

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, 2011	Dec 31, 2010
Loans less than 30 days past due	4,394	4,092
Loans 30 or more but less than 60 days past due	958	973
Loans 60 or more but less than 90 days past due	420	384
Loans 90 days or more past due	907	981
Total loans past due but not impaired	6,678	6,430

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, 2011	Dec 31, 2010
Financial and other collateral	3,973	3,484
Guarantees received	158	244
Total collateral held for loans past due but not impaired	4,131	3,728

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 Risk senior management.

Within consolidations we acquired certain loans for which an impairment had been established beforehand by the consolidated entities. 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 loans.

Impairment Loss and Allowance for Loan Losses

If there is evidence of impairment the impairment loss is generally calculated on the basis of discounted expected cash flows using the original effective interest rate of the loan. If the terms of a loan are renegotiated or otherwise modified because of financial difficulties of the borrower without qualifying for a derecognition of the loan, the impairment loss is measured using the original effective interest rate before modification of terms. We reduce the carrying amount of the impaired loan by the use of an allowance account and recognize the amount of the loss in the consolidated statement of income as a component of the provision for credit 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.

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 acquired loans prior to their consolidation, have not been consolidated into our stock of loan loss allowances. Instead, we have considered these loan loss allowances in determining the fair value representing the cost basis of the newly consolidated loans. We reflect subsequent improvements in the credit quality of these loans as an appreciation in their carrying value with a corresponding gain recognized in net interest income. Loan loss allowances we establish for acquired loans after their consolidation, however, are included in our provision for credit losses and loan loss allowances.

When it is considered that there is no realistic prospect of recovery and all collateral has been realized or transferred to us, the loan and any associated allowance for loan losses is charged off (the loan and the related allowance for loan losses are removed from the balance sheet). Individually significant loans where specific allowance for loan losses is in place are evaluated at least quarterly on a case-by-case basis. For this category of loans, the number of days past due is an indicator for a charge off but is not a determining factor. A charge off will only take place after considering all relevant information, such as the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation, or the proceeds from the collateral are insufficient to completely satisfy the current carrying amount of the loan.

For collectively assessed loans, which are primarily mortgages and consumer finance loans, the timing of a charge off depends on whether there is any underlying collateral and our estimate of the amount collectible. For mortgage loans, the portion of the loan which is uncollateralised is charged off when the mortgage becomes 840 days past due, at the latest. For consumer finance loans, we write off any portion of the balance which we do not expect to collect at 180 days past due, for credit card receivables, and 270 days past due, for other consumer finance 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, 2011	Impaired Loans			Loan loss allowance			
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Impaired loan coverage ratio in %
Germany	1,750	1,474	3,224	832	821	1,653	51
Western Europe (excluding Germany)	2,910	1,675	4,585	841	955	1,796	39
Eastern Europe	52	189	241	36	182	218	90
North America	999	75	1,074	193	153	345	32
Central and South America	40	0	40	28	6	35	86
Asia/Pacific	267	3	270	81	25	106	39
Africa	0	0	0	0	3	3	–
Other	–	0	0	–	6	6	–
Total	6,018	3,416	9,434	2,011	2,150	4,162	44

Dec 31, 2010	Impaired Loans			Loan loss allowance			
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Impaired loan 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

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, 2011	Impaired Loans			Loan loss allowance			
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Impaired loan coverage ratio in %
Banks and insurance	91	0	91	98	16	114	126
Fund management activities	917	0	917	322	211	533	58
Manufacturing	616	162	778	364	158	522	67
Wholesale and retail trade	324	138	462	164	108	272	59
Households	394	2,616	3,010	155	1,409	1,565	52
Commercial real estate activities	2,582	224	2,806	424	68	492	18
Public sector	–	0	0	–	1	1	–
Other	1,094	276	1,370	484	179	663	48
Total	6,018	3,416	9,434	2,011	2,150	4,162	44

Dec 31, 2010	Impaired Loans			Loan loss allowance			
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total	Impaired loan coverage ratio in %
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

Total impaired loans increased in 2011 by € 3.2 billion or 51 % mainly due to € 1.8 billion new impaired loans from Postbank and two commercial real estate cases in Western Europe (excluding Germany) for which we had to record only small impairment losses.

These movements led to gross increases of € 3.0 billion individually assessed impaired loans, mainly in the commercial real estate sector, partially offset by charge-offs of € 553 million. Our collectively assessed impaired loans showed gross increases of € 1.2 billion mainly driven by retail portfolios at Postbank as well as increases in our portfolios in Western Europe and U.S., partially offset by € 512 million charge-offs.

Our impaired loans included € 1.5 billion among the loans reclassified to loans and receivables in accordance with IAS 39. For these loans we recorded € 467 million gross increases in impaired loans, partially offset by charge-offs of € 224 million.

Our commitments to lend additional funds to debtors with impaired loans amounted to € 168 million as of December 31, 2011 and € 123 million as of December 31, 2010.

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, 2011	Dec 31, 2010
Financial and other collateral	3,714	1,502
Guarantees received	349	77
Total collateral held for impaired loans	4,063	1,579

The increase in our total collateral held for impaired loans in 2011 of € 2.5 billion was primarily driven by Postbank and one commercial real estate case, leading to a higher coverage of impaired loans by collateral and allowance for loan losses of 87 % as of December 31, 2011 compared to 78 % as of December 31, 2010.

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.	Dec 31, 2011	Dec 31, 2010
Commercial real estate	89	32
Residential real estate	40	47
Other	0	1
Total collateral obtained during the reporting period	129	80

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 2011 refers to our U.S. and Spain exposures.

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 € 20 million for December 31, 2011 and € 25 million for December 31, 2010.

Movements in the Allowance for Loan Losses

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

	2011			2010		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	1,643	1,653	3,296	2,029	1,313	3,343
Provision for loan losses	907	925	1,832	562	751	1,313
Net charge-offs:	(512)	(385)	(897)	(896)	(404)	(1,300)
Charge-offs	(553)	(512)	(1,065)	(934)	(509)	(1,443)
Recoveries	41	127	168	38	104	143
Changes in the group of consolidated companies	–	(0)	(0)	–	–	–
Exchange rate changes/other	(26)	(43)	(69)	(53)	(6)	(60)
Balance, end of year	2,011	2,150	4,162	1,643	1,653	3,296

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)	2011	2010
Balance, beginning of year	3,296	3,343
Charge-offs:		
German:		
Banks and insurance	(2)	(5)
Fund management activities	–	–
Manufacturing	(93)	(43)
Wholesale and retail trade	(26)	(32)
Households (excluding mortgages)	(273)	(338)
Households – mortgages	(26)	(26)
Commercial real estate activities	(13)	(22)
Public sector	(0)	–
Other	(112)	(49)
German total	(546)	(515)
Non-German total	(519)	(928)
Total charge-offs	(1,065)	(1,443)
Recoveries:		
German:		
Banks and insurance	1	1
Fund management activities	–	–
Manufacturing	18	14
Wholesale and retail trade	8	6
Households (excluding mortgages)	93	63
Households – mortgages	1	4
Commercial real estate activities	3	4
Public sector	0	–
Other	17	20
German total	142	112
Non-German total	26	31
Total recoveries	168	143
Net charge-offs	(897)	(1,300)
Provision for loan losses	1,832	1,313
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(69)	(60)
Balance, end of year	4,162	3,296
Percentage of total net charge-offs to average loans for the year	0.22 %	0.45 %

In a weakening economic environment our credit standards kept new provision for loan losses well under control. This included a pro-active management of the homogeneous retail portfolios as well as strict underwriting standards in Corporate Banking & Securities avoiding undue risk concentrations. While focusing on strong quality of our credit portfolio, we have continued the de-risking of higher risk assets.

Our allowance for loan losses as of December 31, 2011 was € 4.2 billion, a 26 % increase from prior year end. The increase in our allowance was principally due to increased new provisions following the first full year consolidation of Postbank and lower net charge-offs compared to the prior year.

Our net charge-offs amounted to € 897 million in 2011. Of the charge-offs for 2011, € 512 million were related to our corporate credit exposure, of which € 224 million were related to assets which had been reclassified in accordance with IAS 39 in our North America and United Kingdom portfolios, and € 385 million to our consumer credit exposure, mainly driven by our German portfolios.

Our provision for loan losses in 2011 was € 1.8 billion, principally driven by € 907 million for our corporate credit exposures, of which € 188 million of new provisions were established relating to assets which had been reclassified in accordance with IAS 39 in Markets and Corporate Finance. The remaining increase reflected impairment charges taken on a number of exposures in the Americas and in Europe in an overall challenging global economic credit environment. Loan loss provisions in our collectively assessed exposure amounted to € 925 million, a 23 % increase from prior year end. This increase in our provisions for loan losses was driven by Postbank, which's risk cost are for the first time reflected for a full year in our Group accounts. Excluding Postbank, the loan loss provisions in our collectively assessed exposure was reduced due to our retail business in Germany which contributed lower provisions, despite the challenging economic environment.

Our individually assessed loan loss allowance was € 2.0 billion as of December 31, 2011. The € 368 million increase in 2011 comprises net provisions of € 907 million (including the aforementioned impact from IAS 39 reclassifications), net charge-offs of € 512 million and a € 26 million decrease from currency translation and unwinding effects.

Our collectively assessed loan loss allowance totaled € 2.2 billion as of December 31, 2011, representing an increase of € 497 million against the level reported for the end of 2010 (€ 1.7 billion). Movements in this component comprised a € 925 million provision, being partially offset by € 385 million net charge-offs and a € 43 million net decrease from currency translation and unwinding effects.

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 predominantly 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 € 53 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 € 6 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, 2011, 60 % of our total allowance was attributable to non-German clients compared to 69 % as of December 31, 2010.

in € m.	2011	2010
Balance, beginning of year	2,284	2,391
Provision for loan losses	751	820
Net charge-offs	(493)	(897)
Charge-offs	(519)	(928)
Recoveries	26	31
Other changes (e.g. exchange rate changes, changes in the group of consolidated companies)	(33)	(30)
Balance, end of year	2,509	2,284

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.

			2011			2010
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	108	110	218	83	124	207
Provision for off-balance sheet positions	19	(12)	7	(18)	(21)	(39)
Usage	–	–	–	–	–	–
Changes in the group of consolidated companies	(0)	0	0	42	–	42
Exchange rate changes	(0)	0	0	1	7	8
Balance, end of year	127	98	225	108	110	218

Our allowance for off-balance sheet positions was slightly increased by € 7 million to € 225 million as of December 31, 2011. 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 any master netting agreements, expected loss given default and the credit risk for each counterparty based on market evidence, which may include default levels implied from historic information, fundamental analysis of financial information, and CDS spreads.

The credit valuation adjustments are significant for certain monoline counterparties. For monolines with actively traded CDS, the CVA is calculated using a full CDS-based valuation model. For monolines without actively traded CDS a model based approach is used with various input factors, including relevant market driven default probabilities, the likelihood of an event (either a restructuring or an 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 monoline CVA methodology is reviewed on a quarterly basis by management; since the second quarter of 2011 market based spreads have been used more extensively in the CVA assessment.

We recorded € 1.1 billion in credit valuation adjustments against our aggregate monoline exposures as of December 31, 2011, compared to € 1.2 billion as of December 31, 2010.

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 and market implied default probabilities.

Market risk arising from Postbank has been included in our reporting since 2010. Postbank conducts its own day-to-day risk management. We have a detailed understanding of Postbank's activities and receive information regarding the types and amounts of market risks.

The primary objective of Market Risk Management, a part of our independent Risk function, is to ensure that our business units optimize the risk-reward relationship and do not expose us 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.

We differentiate between three substantially different types of market risk:

— Trading market risk arises primarily through the market-making activities of the Corporate & Investment Bank Group Division. This involves taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.
— Traded default risk arising from defaults and rating migrations.
— Nontrading market risk arises in various forms. Equity risk arises primarily from non-consolidated strategic investments, alternative asset investments and equity compensation. Interest rate risk stems from our nontrading asset and liability positions. Structural foreign exchange risk exposure arises from capital and retained earnings in non euro currencies in certain subsidiaries, and represents the bulk of foreign exchange risk in our nontrading portfolio. Other nontrading market risk elements are risks arising from asset management and fund related activities as well as model risks in Private Business Clients ("PBC"), Global Transaction Banking ("GTB") and Private Wealth Management ("PWM"), which are derived by stressing assumptions of client behavior in combination with interest rate movements.

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

Our primary instrument to manage trading market risk is the limit setting process. Our Management Board supported by Market Risk Management, 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 units within Corporate & Investment Bank Group division (e.g. Global Rates, Equity, etc.) based on anticipated business plans and risk appetite. Within the individual business units, the business heads establish business limits, by sub-allocating the overall limit down to individual portfolios or geographical regions.

In practice, Market Risk Management sets key limits, which tend to be global in nature, necessary to capture an exposure to a particular risk factor. Business limits are specific to various factors, including a particular geographical region or specific portfolio.

Value-at-risk and economic capital limits are used for managing all types of market risk at an overall portfolio level. As an additional and complementary tool for managing certain portfolios or risk types, Market Risk Management sets sensitivity and concentration/liquidity limits.

Business units are responsible for adhering to the limits against which exposures are monitored and reported. The market risk limits set by Market Risk Management are monitored on a daily, weekly and monthly basis. Where limits are exceeded, Market Risk Management is responsible for identifying and escalating those excesses, on a timely basis. The Management Board receives daily market risk reports on value-at-risk and limit usage and economic capital.

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

— Portfolio management: Risk diversification arises in portfolios which consist of a variety of positions. Since 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.

Trading Market Risk Management Framework at Postbank

Postbank's trading market risk is managed centrally by the Financial Markets division, based on defined risk limits. Aggregate limits are set by the Management Board of Postbank and allocated by the Market Risk Committee to the individual operating business units as sub-limits. The allocation mechanism for market risk limits at Postbank is similar to our economic capital approach. The risk economic capital limits allocated to specific business activities define the level of market risk that is reasonable and desirable for Postbank from an earnings perspective.

Market risk at Postbank is monitored on a daily basis using a system of limits based on value-at-risk. In addition, Postbank's Market Risk Committee has defined sensitivity limits for the trading and banking book as well as for key sub-portfolios.

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. 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 one day holding period. 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 one year of historical market data to calculate value-at-risk. The calculation employs a Monte Carlo Simulation technique, and we assume that changes in risk factors follow a well-defined distribution, e.g. normal, lognormal, or non-normal (T, skew-T, Skew-Normal). To determine our aggregated value-at-risk, we use observed correlations between the risk factors during this one year 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 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. 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 partially or not captured by the value-at-risk model.

We continually analyze potential weaknesses of our value-at-risk model using statistical techniques, such as back-testing, and also rely on risk management 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.

The Global Back-testing Committee, with participation from Market Risk Management, Market Risk Operations, Risk Analytics and Instruments, and Finance, meets on a regular basis to review back-testing results of the Group as a whole and of individual businesses. The committee analyzes performance fluctuations and assesses the predictive power of our value-at-risk model, which 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. During 2011, improvements were made to the value-at-risk calculation, including:

— Index-to-constituent basis risk for credit default swaps (CDS);
— Event risk for equities; and
— Volatility skew for FX and commodities.

We have further developed and improved our process of systematically capturing and evaluating risks currently not captured in our value-at-risk model.

Market Risk Management validates front office models to assist in the risk management of positions. Front office quantitative risk models are subject to model risk. Market Risk Management has developed a model review process to understand, review and improve quantitative models. Market Risk Management assesses the accuracy and transparency of model risk in the quantitative pricing models used for market risk activities, including the valuation of instrument types.

The model approval and review process is performed on an annual basis and involves:

— Ensuring newly designed or recently enhanced models align to design objectives and are fit for intended business purpose;
— Verifying the mathematical integrity of the models and their implementation;
— Reviewing performance of all existing models, discussing any changes in model use;
— Reviewing results of ongoing calibration processes and testing, and approval of any proposed changes to the calibration process, instruments or parameter value ranges;
— Discussing inconsistent use of models for similar/same products across businesses and establish consistent measures; and
— Establishing strict governance around model controls and escalation to senior management of materially relevant model risk related issues in a timely fashion.

New Basel 2.5 Regulatory Trading Market Risk Requirements

In December 2011 we received model approvals, from the BaFin, for the stressed value-at-risk, incremental risk charge and comprehensive risk measure models. These are additional methods we use to measure market risk exposures.

— Stressed Value-at-Risk: calculates a stressed value-at-risk measure based on a continuous 1 year period of significant market stress.
— Incremental Risk Charge: captures default and migration risks in addition to the risks already captured in value-at-risk for credit-sensitive positions in the trading book.
— Comprehensive Risk Measure: captures incremental risk for the credit correlation trading portfolio calculated using an internal model subject to qualitative minimum requirements as well as stress testing requirements.
— Market Risk Standardized Approach (MRSA): calculates regulatory capital for securitisations and nth-to-default credit derivatives.

Stressed value-at-risk, incremental risk charge and the comprehensive risk measure are calculated for all relevant portfolios. The results from the models are used in the day-to-day risk management of the bank, as well as for defining regulatory capital.

Stressed Value-at-Risk

We calculate a stressed value-at-risk measure using a 99 % confidence level and a holding period of one day. For regulatory purposes, the holding period is ten days. Our calculation of stressed value-at-risk utilizes the same systems, trade information and processes as those used for the calculation of value-at-risk. The only difference is that historical market data from a period of significant financial stress (i.e. characterised by high volatilities) is used as an input for the Monte Carlo Simulation.

Incremental Risk Charge (“IRC”)

The incremental risk charge is based on our own internal model and is intended to complement the value-at-risk modeling framework. It represents an estimate of the default and migration risks of unsecuritized credit products over a one-year capital horizon at a 99.9 % confidence level, taking into account the liquidity horizons of individual positions or sets of positions. We use a Monte Carlo Simulation for calculating incremental risk charge as the 99.9 % quantile of the portfolio loss distribution over a one-year horizon and for allocating contributory incremental risk charge to individual positions. The model captures the default and migration risk in an accurate and consistent quantitative approach for all portfolios.

We calculate the incremental risk charge on a weekly basis. The charge is determined as the higher of the most recent 12 week average of incremental risk charge and the most recent incremental risk charge. The market and position data are collected from front office systems and are subject to strict quality control. The incremental risk charge figures are closely monitored and play a significant role in the management of the portfolios covered by the incremental risk charge calculation. Additionally, the incremental risk charge provides information on the effectiveness of the hedging positions which is reviewed by the risk managers.

The contributory incremental risk charge of individual positions, which is calculated by allocation, provides the basis for identifying risk concentrations in the portfolio and designing strategies to reduce the overall portfolio risk.

We use our credit portfolio model, a core piece of our economic capital methodology, to calculate the incremental risk charge. Important parameters for the incremental risk charge calculation are exposures, recovery rates and default probabilities, ratings migrations, maturity, and liquidity horizons of individual positions.

Liquidity horizon settings are set to the time required to sell the position or to hedge all material relevant price risks in a stressed market. Liquidity horizons reflect our actual practice and experience during periods of systematic and idiosyncratic stresses. We have defined the sets of positions used for applying liquidity horizons in a way that meaningfully reflects the differences in liquidity for each set. Risk managers who specialize in each product area have made liquidity determinations based on market conditions for each area, both currently and under periods of stress.

To quantify a loss due to rating migration, a revaluation of a position is performed under the new rating. The probability of joint rating downgrades and defaults is determined by the migration and rating correlations of the incremental risk charge model. These correlations are specified through systematic factors that represent geographical regions and industries. The simulation process incorporates a rollover strategy that is based on the assumption of a constant level of risk. This assumption implies that positions that have experienced default or rating migration over their liquidity horizon are re-balanced at the end of their liquidity horizon to attain the initial level of risk. Correlations between positions with different liquidity horizons are implicitly specified by the dependence structure of the underlying systematic and idiosyncratic risk factors, ensuring that portfolio concentrations are identified across liquidity horizons. In particular, differences between liquidity horizons and maturities of hedges and hedged positions are recognized.

Direct validation of the incremental risk charge through back-testing methods is not possible. The incremental risk charge is subject to validation principles such as the evaluation of conceptual soundness, ongoing monitoring, process verification and benchmarking and outcome analysis. The validation of the incremental risk charge methodology is embedded in the validation process for our credit portfolio model, with particular focus on the incremental risk charge specific aspects. The incremental risk charge model validation relies more on indirect methods including stress tests and sensitivity analyses. The incremental risk charge relevant parameters are included in the annual validation cycle established in the current regulatory framework. The incremental risk charge is part of the quarterly Group Wide Stress Test (GWST) using the stress testing functionality within our credit engine. Stressed incremental risk charge figures are reported on group level and submitted to the Stress Testing Oversight Committee (STOC) and Cross Risk Review Committee (CRRC).

Comprehensive Risk Measure (“CRM”)

The comprehensive risk measure for the correlation trading portfolio is based on our own internal model. We calculate the comprehensive risk measure based on a Monte Carlo Simulation technique to a 99.9 % confidence level and a capital horizon of 1 year. The calculation also employs certain distribution assumptions for the underlying risk factors used. Our comprehensive risk measure model is applied to the eligible correlation trading positions and their hedges, and is designed to take into account the following risk factors: interest rates, credit spreads, recovery rates, counterparty defaults, foreign exchange rates and base correlations, index-to-constituent and base correlation basis risks. Typical products are collateralised debt obligations, nth-to-default credit default swaps (“CDS”), and index- and single-name CDS. The model incorporates concentrations of the portfolio and nonlinear effects via a full revaluation approach.

Comprehensive risk measure is calculated on a weekly basis. It is determined as the higher of the latest weekly comprehensive risk measure charge from the model, the 12 week average comprehensive risk measure charge, and 8 % of the standardised approach charge for the credit correlation portfolio (comprehensive risk measure floor).

The market and position data are collected from front office systems and are subject to strict quality control. The comprehensive risk measure figures are closely monitored and play a significant role in the management of the correlation trading portfolio. We use historical market data to estimate the risk drivers to the comprehensive risk measure, with an equally-weighted trading day history of up to 3 years, depending on the risk driver.

Liquidity horizon settings are set to the time required to sell the position or to hedge all material relevant price risks in a stressed market. Liquidity horizons reflect our actual practice and experience during periods of systematic and idiosyncratic stresses.

We have defined the sets of positions used for applying liquidity horizons in a way that meaningfully reflects the differences in liquidity for each set. Risk managers who specialize in each product area have made liquidity determinations based on market conditions for each area, both currently and under periods of stress.

We continually analyze the potential weaknesses of our comprehensive risk measure model using statistical techniques such as a monthly back-testing process and a quarterly re-calibration of market data. We also rely on risk management experience and expert opinion. As additional validation, a series of stress tests have been defined on the correlation trading portfolio where the shock sizes link into historical distressed market conditions.

Market Risk Standardised Approach (MRSA)

The specific market risk standardised approach is used to determine the regulatory capital charge for the non-correlation trading portfolio securitisation products and nth-to-default credit swaps. Market Risk Management monitors exposures and addresses risk issues and concentrations.

Longevity risk is the risk of adverse changes in life expectancies resulting in a loss in value on longevity linked policies and transactions. Regulatory capital charge for longevity risk is determined using the Market Risk Standardised Approach as set out in SolvV regulations. For risk management purposes, stress testing and economic capital allocations are also used to monitor and manage longevity risk.

Value-at-Risk at Postbank

Postbank also uses the value-at-risk concept to quantify and monitor the market risk it assumes. Value-at-risk is calculated using a Monte Carlo Simulation. The risk factors taken into account in the value-at-risk include interest rates, 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 equally-weighted historical data.

Postbank's trading book value-at-risk is currently not consolidated into the value-at-risk of the remaining Group. However, it is shown separately in the internal value-at-risk report for the Group.

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

Economic Capital for Market Risk

Economic capital for market risk measures the amount of capital needed 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 % of the aggregated unexpected losses within one year. The market risks from Postbank have been included in 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.

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 stress tests are augmented by expert assessments.

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.

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. Additionally, risk managers use their expert judgment to define worst case scenarios based upon the knowledge of past extreme market moves. It is possible however, for our market risk positions to lose more value than our economic capital estimates since all downside scenarios cannot be predicted and simulated.

Value-at-Risk of Trading Units of Our Corporate & Investment Bank Group Division (excluding Postbank)

The following table shows the value-at-risk of the trading units of our Corporate & Investment Bank Group Division calculated with a 99 % confidence level and a one-day holding period. Our trading market risk outside of these units is immaterial.

in € m.	Dec 31, 2011	Dec 31, 2010
Interest rate risk	53.8	77.4
Equity price risk	13.6	21.3
Foreign exchange risk	25.7	29.0
Commodity price risk	21.0	13.3
Diversification effect	(64.1)	(70.1)
Total value-at-risk of trading units	50.0	70.9

"Diversification effect" reflects the fact that the total value-at-risk on a given day will be lower than the sum of the value-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.

The following table shows the average, maximum, and minimum 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.

	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Average	71.8	95.6	(66.3)	(48.6)	70.8	86.8	20.5	21.9	32.5	22.9	14.2	12.7
Maximum	94.3	126.4	(88.6)	(88.5)	109.0	113.0	37.6	33.6	64.9	46.4	24.3	21.2
Minimum	44.9	67.5	(41.9)	(26.4)	45.6	65.8	12.7	13.6	14.3	10.8	7.0	6.2

The € 23.8 million or 25 % decrease in average value-at-risk observed in 2011 compared to the prior year was driven primarily by broad risk reduction, particularly in interest rate and credit asset classes.

New Basel 2.5 Regulatory Trading Market Risk Measures

As discussed under "New Basel 2.5 Regulatory Trading Market Risk Requirements", the following table shows the stressed 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.

in € m.	Dec 31, 2011
Interest rate risk	117.3
Equity price risk	23.0
Foreign exchange risk	51.8
Commodity price risk	34.2
Diversification effect	(114.5)
Total stressed value-at-risk of trading units	111.7

The following table shows the average, maximum, and minimum stressed 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.

			2011
in € m.	Average[1]	Maximum[1]	Minimum[1]
Interest rate risk	130.8	163.5	106.2
Equity price risk	22.5	64.7	15.2
Foreign exchange risk	51.3	105.4	23.0
Commodity price risk	29.2	35.8	19.6
Diversification effect	(109.4)	(152.3)	(77.8)
Total stressed value-at-risk of trading units	124.4	169.5	103.8

[1] Average, Maximum and Minimum have been calculated for the period from October 1, 2011 to December 31, 2011.

The following table shows the incremental risk charge (with a 99.9 % confidence level and one-year capital horizon) of the trading units of our Corporate & Investment Bank Group Division.

in € m.	Dec 31, 2011
Global Finance and Foreign Exchange	83.8
Global Rates	292.7
Global Credit Trading	222.0
Emerging Markets - Debt	140.9
Other	(1.4)
Total incremental risk charge of trading units	738.0

The following table shows the average, maximum, and minimum of the incremental risk charge (with a 99.9 % confidence level and one-year capital horizon) of the trading units of our Corporate & Investment Bank Group Division.

				2011
in € m.	Weighted average liquidity horizon in month	Average[1]	Maximum[1]	Minimum[1]
Global Finance and Foreign Exchange	6.0	48.0	83.8	6.5
Global Rates	6.0	318.6	358.4	284.7
Global Credit Trading	6.0	302.7	423.3	221.9
Emerging Markets – Debt	6.0	90.0	140.9	23.9
Other	6.0	(1.3)	2.2	(5.5)
Total incremental risk charge of trading units	6.0	758.0	846.3	697.1

[1] Average, Maximum and Minimum have been calculated for the period from October 1, 2011 to December 31, 2011.

The following table shows the comprehensive risk measure (with a 99.9 % confidence level and one-year capital horizon) of the trading units of our Corporate & Investment Bank Group Division.

in € m.	Dec 31, 2011
Correlation trading	855.7

The following table shows the maximum, minimum and average of the comprehensive risk measure (with a 99.9 % confidence level and one-year capital horizon) of the trading units of our Corporate & Investment Bank Group Division.

	2011			
in € m.	Weighted average liquidity horizon in month	Average[1]	Maximum[1]	Minimum[1]
Correlation trading	6.0	937.9	1,007.5	848.3

[1] Average, Maximum and Minimum have been calculated for the period from October 1, 2011 to December 31, 2011.

As at December 31, 2011, the securitization positions using the market risk standardized approach generated risk weighted assets of € 5.0 billion and capital deduction items of € 2.2 billion.

As at December 31, 2011, the capital charge for longevity risk was € 32.1 million corresponding to risk weighted assets of € 400.9 million.

Value-at-Risk at Postbank

The following table shows the value-at-risk of Postbank's trading book (calculated with a 99 % confidence level and a one-day holding period).

in € m.	Dec 31, 2011	Dec 31, 2010
Interest rate risk	3.9	1.8
Equity price risk	–	0.2
Foreign exchange risk	0.0	0.0
Commodity price risk	–	–
Diversification effect	(0.0)	(0.0)
Total value-at-risk of Postbank's trading book	3.9	2.0

The increase in Postbank's value-at-risk from € 2.0 million at year end 2010 to € 3.9 million as of December 31, 2011 is largely due to the increase of a long position in the short end of the yield curve within the repo book. "Diversification effect" reflects the fact that the total value-at-risk on a given day will be lower than the sum of the value-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.

The following table shows the average, maximum, and minimum value-at-risk (with a 99 % confidence level and a one-day holding period) of the trading book of Postbank.

	Total	Diversification effect	Interest rate risk	Equity price risk	Foreign exchange risk	Commodity price risk
in € m.	2011	2011	2011	2011	2011	2011
Average[1]	3.2	(0.2)	3.2	0.1	0.1	–
Maximum[1]	8.2	(0.0)	8.1	0.4	0.5	–
Minimum[1]	1.1	(0.8)	1.1	0.0	0.0	–

[1] In 2010 the average, maximum and minimum value-at-risk had no material variance for the period since consolidation of Postbank.

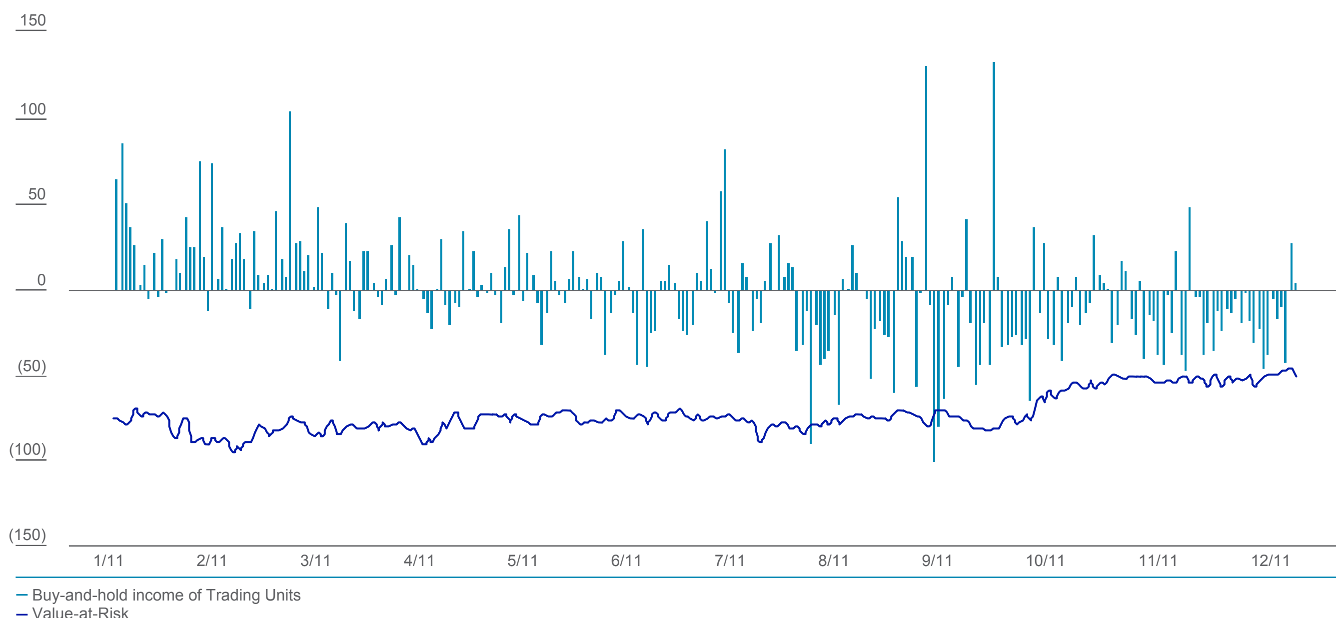
Regulatory Back-testing of Trading Market Risk

Back-testing 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 2011, we observed three global outliers compared to two in 2010. The outliers occurred between August and September following increased market volatility. We continue to believe that 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 for the trading days of the reporting period. Figures are shown in millions of euro and exclude contributions from Postbank's trading book which is calculated on a stand-alone basis.

Buy-and-hold income of Trading Units and Value-at-Risk in 2011

in € m.

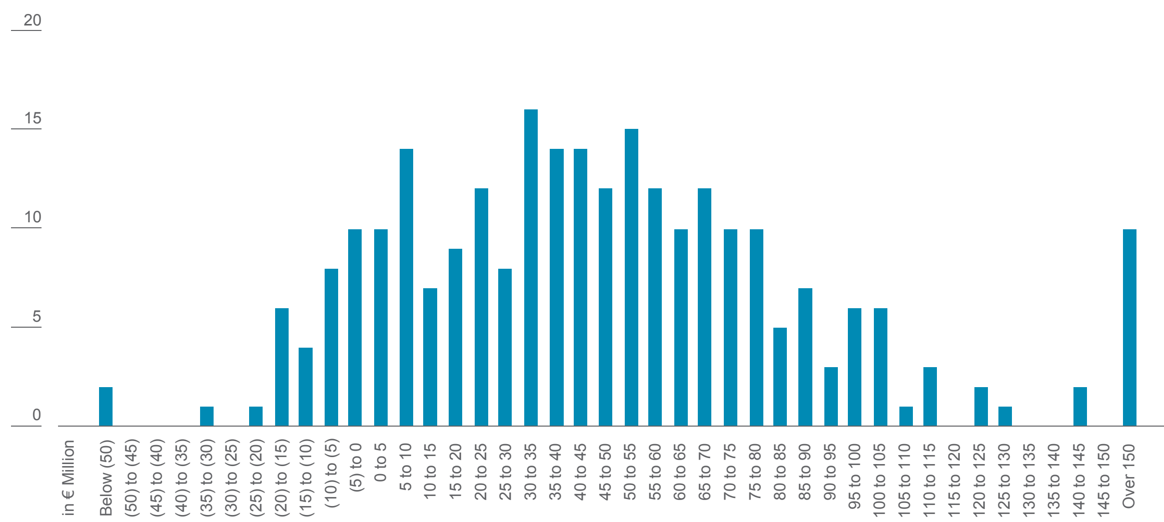


Daily Income of our Trading Units

The following histogram shows the distribution of daily income of our trading units in 2011 (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 2011

Days



Our trading units achieved a positive actual income for 88 % of the trading days in 2011 (versus 92 % in 2010).

Economic Capital Usage for our Trading Market Risk

The economic capital usage for market risk arising from the trading units totaled € 4.7 billion at year-end 2011 compared € 6.4 billion at year-end 2010.

Traded market risk decreased by € 0.7 billion and the traded default risk decreased by € 1.0 billion. Both were driven by broad risk reduction as well as defensive positioning across all asset classes as the European sovereign crisis worsened. Postbank's contribution to our economic capital usage for our trading market risk was minimal.

Economic capital for traded default risk represents an estimate of the default and migration risks of credit products at a 99.98 % confidence level, taking into account the liquidity horizons of the respective sub-portfolios. It covers the following positions:

— Fair value assets in the banking book;
— Unsecuritized credit products in the trading book excluding correlation trading portfolio;
— Securitized products in the trading book excluding correlation trading portfolio;
— Correlation trading portfolio.

The traded default risk economic capital for the correlation trading portfolio is derived by scaling its regulatory capital under the comprehensive risk measure to the economic capital confidence level. The scaling is performed by employing Extreme Value Theory.

For all other positions traded default risk economic capital is calculated with our credit portfolio model. In order to capture diversification and concentration effects we perform a joint calculation for traded default risk economic capital and credit risk economic capital. Important parameters for traded default risk are exposures, recovery rates and default probabilities as well as maturities. Exposures, recovery rates and default probabilities are derived from market information and external ratings for the trading book and internal assessments for the banking book as for credit risk economic capital. Rating migrations are governed by migration matrices, which are obtained from historical rating time series from rating agencies and internal observations. The probability of joint rating downgrades and defaults is determined by the default and rating correlations of the portfolio model. These correlations are specified through systematic factors that represent countries, geographical regions and industries.

Nontrading Market Risk Management

Nontrading Market Risk Management oversees a number of risk exposures resulting from various business activities and initiatives. Due to the variety of risk characteristics, nontrading market risk management is split into three areas:

— Nontrading Market Risk core team – covering market risks in Private and Business Clients, Global Transaction Banking, Private Wealth Management and Corporate Investments as well as structural foreign exchange risks, equity compensation risks and pension risks.
— Principal Investments – specializing in the risk-related aspects of our nontrading alternative asset activities and performing regular reviews of the risk profile of the nontrading alternative asset portfolios.
— Asset Management Risk – specializing in risk-related aspects of our asset and fund management business. Key risks in this area arise, from performance and/or principal guarantees and reputational risk related to managing client funds.

The majority of the interest rate and foreign exchange risks arising from Deutsche Bank's nontrading asset and liability positions, excluding Postbank, have been transferred through internal hedges to trading books within Corporate & Investment Bank and are therefore 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 so 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.

Structural foreign exchange risk 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, the Nontrading Market Risk Management team 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 Private and Business Clients, Global Transaction Banking and Private Wealth Management businesses are subject to model risk with regard to client deposits as well as savings and loan products. This risk materializes if client behavior in response to interest rate movements deviates substantially from historical observed values.

The Risk Executive Committee and the Capital and Risk Committee supervise 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 & Risk Executive Committee are also members of the Group Investment Committee, ensuring a close link between these committees.

Assessment of Market Risk in Nontrading Portfolios (excluding Postbank)

Market risk is quantified through the use of stress testing procedures. We use stress tests that are specific to each risk class and which consider, among other factors, large historically observed market moves, the liquidity of each asset class, and changes in client behavior in relation to deposit products. This assessment forms the basis of the economic capital calculations which enable us to actively monitor and manage our nontrading market risk.

Assessment of Market Risk in the Nontrading Portfolios at Postbank

Postbank uses the value-at-risk concept to quantify and monitor the market risk it assumes in the banking book. Value-at-risk is calculated using a Monte Carlo Simulation method. The risk factors taken into account in value-at-risk include interest rates, 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 equally-weighted historical data.

Deutsche Bank does not use Postbank's value-at-risk measure for its nontrading market risks. The risks from Postbank are however, integrated into the Group's economic capital results.

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

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

in € m.	Dec 31, 2011	Dec 31, 2010
CIB	972	1,351
PCAM	3,376	3,524
Corporate Investments	1,418	1,051
Consolidation & Adjustments	1,512	814
Total	7,278	6,740

Nontrading market risk economic capital usage totaled € 7.3 billion as of December 31, 2011, which is € 0.5 billion, or 8 %, above our economic capital usage at year-end 2010.

The decrease in Corporate and Investment Bank ("CIB") nontrading market risk economic capital of € 379 million was mainly driven by the transfer of a subordinated loan to Corporate Investments, and various sales within Corporate and Investment Bank's investment portfolio.

Economic capital usage for Private Clients and Asset Management ("PCAM") decreased by €148 million in 2011. The decrease was mainly caused by lower economic capital usage of Asset Management's Guaranteed Funds portfolio (decreased by € 504 million), caused by changes to the fund population, portfolio composition and by optimized maturity profiles. Asset sales within the Sal.Oppenheim portfolio further reduced economic capital by € 150 million. These exposure reductions were partly offset by the additional economic capital usage for our increased stake in Hua Xia Bank Company Limited (€ 619 million).

The increase in Corporate Investments ("CI") economic capital of € 367 million was mainly triggered by the above mentioned transfer of a subordinated loan and increased exposure in various other assets with an economic capital increase of € 194 million. The major change in Consolidation & Adjustments was driven by an increase of structural foreign exchange risk of € 533 million.

Carrying Value and Economic Capital Usage for Nontrading Market Risk Portfolios

In 2011, the classification of the major categories was redefined for our nontrading portfolios closely aligning them to the internal risk management and governance process.

The table below shows the carrying values and economic capital usage separately for our nontrading portfolios for 2011 and the respective 2010 using the same categorization.

	Carrying value		Economic capital usage	
in € bn.	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Strategic Investments	2.9	2.1	1.2	0.6
Alternative Assets[1]	6.9	8.7	2.2	2.5
Principal Investments	2.6	3.7	0.9	1.0
Other Non Strategic Investment Assets	4.3	5.0	1.3	1.5
Other nontrading market risks[2]	N/A	N/A	3.9	3.6
Total	9.8	10.8	7.3	6.7

1 Includes investments held by Postbank with carrying value of € 1.5 billion (2010: € 1.9 billion) and EC of € 0.0 billion (2010: € 0.1 billion).
2 N/A indicates that the risk is mostly related to off-balance sheet and liabilities items; includes EC of € 0.9 billion (2010: € 0.9 billion) related to Postbank.

The 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.

— Strategic Investments. Economic capital usage of € 1.2 billion as of December 31, 2011 was mainly driven by our participations in Hua Xia Bank Company Limited and Abbey Life Assurance Company.
— Alternative assets. The 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. Total economic capital usage for this portfolio was € 2.2 billion as of December 31, 2011.
— Other nontrading market risks:
  — Interest Rate Risk. Besides the allocation of economic capital to outright interest rate risk in the nontrading market risk portfolio, a main component in this category is the 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. Behavioral and economic characteristics are taken into account when calculating the effective duration and optional exposures from our mortgages business. In total the economic capital usage was € 1.5 billion for interest rate risk as of December 31, 2011 mainly driven by Private Business Clients including Postbank, BHW and DB Bauspar.
  — Equity Compensation Risk. Risk arising from structural short position in our own share price arising from restricted equity units. The economic capital usage was € (101) million as of December 31, 2011, 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. Economic capital usage, excluding Postbank, was € 141 million as of December 31, 2011. The economic capital charge allocated at Deutsche Bank Group level for respective pension risks of Postbank amounted to € 50 million.
- Structural Foreign Exchange Risk. Our foreign exchange exposure arising from unhedged capital and retained earnings in non-euro currencies in certain subsidiaries. The economic capital usage was € 1.5 billion as of December 31, 2011 on a diversified basis.
- Guaranteed Funds. Economic capital usage was € 931 million as of December 31, 2011.

Value-at-Risk of the Banking Book at Postbank

The following table shows the value-at-risk of Postbank's banking book (calculated with a 99 % confidence level and a one-day holding period). The calculation incorporates all substantial market risk-bearing positions in the banking book, with the majority of the exposure arising from interest rate and credit spread risks.

in € m.	Dec 31, 2011	Dec 31, 2010
Average[1]	109.1	–
Maximum[1]	139.7	–
Minimum[1]	77.7	–
Period-end	139.7	121.6
Limit at period-end	165.0	152.3

[1] In 2010 the average, maximum and minimum value-at-risk had no material variance for the period since consolidation of Postbank.

Operational Risk

Definition of Operational Risk

"Operational risk is the potential for failure (incl. the legal component) in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships."

Operational risk excludes business and reputational 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 we ensure close monitoring and high awareness of operational risk.

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 monitor the operational risk profile and alert the organization to impending problems in a timely fashion. They allow via our tool “dbScore” the monitoring of the bank’s control culture and business environment and trigger risk mitigating actions. KRIs facilitate the forward looking management of operational risk based on early warning signals returned by the KRIs and as such an allocation of capital via the qualitative adjustment.
- In our bottom-up self assessment process, which is conducted at least annually, areas with high risk potential are highlighted and risk mitigating measures to resolve issues are identified. In general, it is performed in our tool “dbSAT”. On a regular basis we conduct risk workshops aiming to evaluate risks specific to countries and local legal entities we are operating in and take appropriate risk mitigating actions.
- In addition to internal and external loss information scenarios are utilized and actions are derived from them. The set of scenarios consists of relevant external scenarios provided by a public database and internal scenarios. The latter are derived to achieve full coverage of the risks.
- 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 and approve the impact of changes to the Group's risk profile as a result of new products, outsourcings, strategic initiatives and acquisitions and divestments.
- Once operational risks are identified, mitigation is required following the "as low as reasonably practicable (ALARP)" principle by balancing the cost of mitigation with the benefits thereof and formally accepting the residual risk. Risks which contravene applicable national or international regulations and legislation cannot be accepted; once identified, such risks must always be mitigated.
- Within our tracking tool "dbTrack" we monitor risk mitigating measures identified via Operational Risk Management techniques for resolution. Higher than important residual operational risks need to be accepted by the ORMC.
- 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.
- A standardised quality assurance process is applied to quality review risk management decisions and model inputs.

Measuring Our Operational Risks

The increase in economic capital is primarily explained by the implementation of a new safety margin applied in our AMA model, intended to cover unforeseen legal risks from the current financial crisis.

in € m.	Dec 31, 2011	Dec 31, 2010
CIB	3.873	2.735
PCAM	917	939
CI	56	8
Total economic capital usage for operational risk	4.846	3.682

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 % percentile 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 % percentile. 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 external scenarios from a public database), plus internal 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 self assessment scores 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

We conduct stress testing on a regular basis and isolated from our AMA methodology to analyze the impact of extreme situations on our capital and the profit-and-loss account. In 2011 we introduced a quarterly stress test which is based on impact assessments related to three different stress scenarios with gradually increasing intensity. Additionally, we perform complementary sensitivity analysis and contribute to firm wide stress tests including reverse stress testing.

Our AMA Model Validation and Quality Assurance Concept

We independently validate all our AMA model components such as but not limited to scenario analysis, KRIs and risk assessments, expected loss and internal loss data individually. The results of the validation exercise are summarized in validation reports and issues identified followed up for resolution. By this a permanent enhancement of the methodologies is ensured. Quality Assurance reviews are performed for AMA model components which require data input provided by Business Divisions and result in capital impact. The data and information is challenged and compared across Business Divisions to ensure consistency and adequacy for any capital reduction or add-on.

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 € 491 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 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 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 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 2011.

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 are approved by the Management Board according to internal governance, express our maximum tolerance for liquidity risk. These limits apply to the respective cumulative global cash outflows as well as the total volume of unsecured wholesale funding 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.

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 2011 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. Discretionary wholesale funding comprises a range of products e.g. CD, CP as well as term, call and overnight deposits across tenors up to one year. The acquisition of Postbank significantly increased the volume of our core funding sources. Postbank's status as a regulated bank and publicly traded company, however, limits our access to its liquidity.

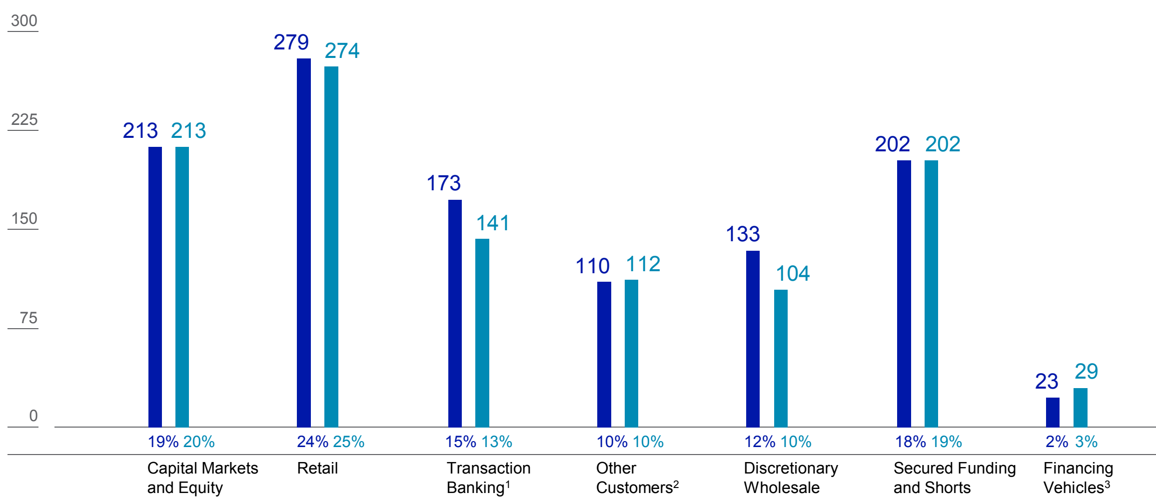
The overall volume of discretionary wholesale funding and secured funding fluctuated between reporting dates based on our underlying business activities. Higher volumes, primarily in secured funding transactions, are largely driven by increased client related securities financing activities as well as intra quarter growth in liquid trading inventories. The growth in discretionary wholesale funding during the year 2011 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 including the contribution from Postbank) that contribute to the liquidity risk position as of December 31, 2011 and December 31, 2010, both in euro billion and as a percentage of our total external funding sources.

Composition of external funding sources

In € bn.



December 31, 2011: total € 1,133 billion
December 31, 2010: total € 1,075 billion

1 Sponsored loans (e.g. from Kreditanstalt für Wiederaufbau and European Investment Bank) in the amount of € 4 billion, which were included in Capital Markets and Equity for December 31, 2010, have been reflected under Other Customers. Following a revised allocation of Postbank liabilities to funding during second quarter 2011, € 5 billion and € 6 billion were reallocated from Capital Markets and Equity and Retail, respectively, to Transaction Banking. Values for December 31, 2010, shown above have been adjusted accordingly.

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

3 Includes ABCP-Conduits.

Reference: Reconciliation to total balance sheet: Derivatives & settlement balances € 899 billion (€ 706 billion), add-back for netting effect for Margin & Prime Brokerage cash balances (shown on a net basis) € 73 billion (€ 61 billion), other non-funding liabilities € 59 billion (€ 63 billion) for December 31, 2011 and December 31, 2010 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 (mortgage loans and retail deposits) that show a behavior of being renewed or prolonged regardless of capital market conditions 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 Management Board the capital market issuance plan establishes issuing targets for securities by tenor, volume and instrument. As of the year-end 2011, we were long funded in each of the annual time buckets of the funding matrix (2 – 10 years).

Funding and Issuance

2011 can be divided into two halves which were dominated by the evolution of the eurozone sovereign crisis: a fairly stable first six months during which our five year CDS traded in a tight range of 82 – 132 bps, averaging 98 bps and, in contrast, a volatile second six months during which our CDS traded in range of 99 – 316 bps, averaging 184 bps over the period. Although the spreads of our bonds did not exhibit the same level of volatility, a similar contrast between first six months and second half six months could be observed.

Nonetheless, we issued in benchmark format in both six-month periods. By the end of first six months 2011, we raised € 13.3 billion of our yearly requirement of € 19 billion. Over the course of the second half year 2011, we raised a further € 9.2 billion, taking the total to € 22.5 billion for the year, € 3.5 billion more than originally planned. Particularly noteworthy was a € 1.5 billion 2 year note, issued in September 2011. With our second Pfandbrief issuance of € 1 billion in March 2011 we further demonstrated our market access to an alternative, cost efficient funding source.

The average spread of our issuance over the relevant floating index (e.g. Libor) was 65 bps for the full year without material differences between the first half year and the second half year. In response to the weaker market in second half year however, we shortened the average tenor of our issuance from approximately 5 years in the first half year to approximately 4 years in the second half year, resulting in an average of 4.3 years for our issuance for the full year.

In 2012, we have modest refinancing needs of € 15 – 20 billion. We remain confident in our ability to raise private market funding through a variety of channels including benchmark issuances, private placements, covered bonds as well as retail networks and believe we are not overly dependent on any one market segment.

For information regarding the maturity profile of our long-term debt, please refer to Note 31 “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 pricing 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. Those scenarios are subject to regular reviews and reappraisal.

Under each of these scenarios we assume a high degree of roll-overs of maturing loans to non-wholesale customers 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 available cash and cash equivalents (over and above cash balances which form an integral part of our existing clearing and settlement activities), as well as asset liquidity from unencumbered securities.

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.

The most immediately liquid and highest quality items within the above categories are aggregated and separately identified as our liquidity reserves. These reserves comprise available cash and cash equivalents, highly liquid securities as well as other unencumbered central bank eligible assets. The volume of the liquidity reserves is a function of expected stress result. These reserves are held across the major currencies and locations on which the bank is active. Size and composition are subject to regular senior management review.

The following table presents the composition of our liquidity reserves for the dates specified.

in € bn.	Dec 31, 2011	Dec 31, 2010
Available cash and cash equivalents (held primarily at central banks)	136	66
Highly liquid securities (includes government, government guaranteed and agency securities)	65	52
Other unencumbered central bank eligible securities	18	32
Total liquidity reserves	219	150

Stress testing is fully integrated in our liquidity risk management framework. For this purpose we use the contractual wholesale 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, 2011. 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.

in € bn.	Funding Gap[1]	Gap Closure[2]	Net Liquidity Position
Systemic market risk	45	226	181
Emerging markets	18	232	215
1 notch downgrade (DB specific)	45	233	188
Downgrade to A-2/P-2 (DB specific)	168	246	78
Combined[3]	190	241	51

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.

Liquidity Risk at Postbank

In general, Postbank's Financial Markets division is responsible for the centralized operational management of liquidity risk. BHW Bausparkasse AG and its foreign subsidiaries in New York and Luxembourg 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 its 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 refinancing 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 highly liquid and ECB-eligible securities is held that can be used to obtain liquidity rapidly through private markets or via regular central bank operations. 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 Liquidity Risk Controlling (until September 30, 2011, Market Risk Controlling) assesses the liquidity status of Postbank each business day on the basis of liquidity gap analyses 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 management, in addition to regular Postbank's Group-wide liquidity and issue planning and also includes regular stress testing. The stress test results as of year-end 2011 support the comfortable liquidity position of Postbank Group. Even under the combined stress impact of the extreme scenario a comfortable liquidity surplus can be observed. This is not least due to the stability of 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, 2011, and 2010.

Dec 31, 2011

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	99,047	–	–	–	–
Interest bearing deposits	163,620	277,462	30,600	21,736	16,008
Trading liabilities[1]	63,886	–	–	–	–
Negative market values from derivative financial instruments[1]	838,817	–	–	–	–
Financial liabilities designated at fair value through profit or loss	99,182	45,211	6,204	6,695	9,189
Investment contract liabilities[2]	–	604	840	1,338	4,643
Negative market values from derivative financial instruments qualifying for hedge accounting[3]	452	135	11	1,018	3,170
Central bank funds purchased	2,866	2,050	–	–	–
Securities sold under repurchase agreements	24,781	4,975	1,022	–	19
Securities loaned	7,643	38	–	–	451
Other short-term borrowings	48,879	15,471	1,330	–	–
Long-term debt	3,608	9,691	26,100	83,610	68,256
Trust preferred securities	–	167	3,163	5,966	6,359
Other financial liabilities	143,375	3,788	345	660	47
Off-balance sheet loan commitments	87,433	–	–	–	–
Financial guarantees	23,684	–	–	–	–
Total[4]	1,607,273	359,592	69,615	121,025	108,142

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 40 "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.

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[1]	120,154	253,772	31,725	26,178	13,087
Trading liabilities[2]	68,859	–	–	–	–
Negative market values from derivative financial instruments[2,3]	647,195	–	–	–	–
Financial liabilities designated at fair value through profit or loss	94,948[4,5]	65,093[5]	8,348[5]	8,057	3,736
Investment contract liabilities[6]	–	572	888	1,367	5,071
Negative market values from derivative financial instruments qualifying for hedge accounting[7]	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	79,522[4]	–	–	–	–
Financial guarantees	23,272[4]	–	–	–	–
Total[8]	1,305,026	367,298	65,351	124,011	89,881

1 The maturity split for building saving deposits included in interest bearing deposits was adjusted to reflect the earliest contractual maturity or first call. Previously the maturity split was based on expected maturities.
2 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.
3 The initial acquisition accounting for ABN AMRO, which was finalized at March 31, 2011, resulted in a retrospective reduction of € 24 million in the acquisition date fair value of net assets acquired. For more information please refer to Note 04 "Acquisitions and Dispositions".
4 Prior year numbers have been restated by € 20.8 billion due to the notional amount of some FVO loan commitments which were included in off-balance sheet loan commitments. Furthermore they were adjusted by € 5.7 billion due to the notional amount of some FVO financial guarantees which were included in financial guarantees. Now they are correctly included within financial liabilities designated at fair value through profit and loss.
5 Prior year numbers have been restated. The amounts for certain FVO securities sold under repurchase agreement were moved from the time buckets "due within 3 months" and "due between 3 and 12 months" to "on demand".
6 These are investment contracts where the policy terms and conditions result in their redemption value equalling fair value. See Note 40 "Insurance and Investment Contracts" for more detail on these contracts.
7 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.
8 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 the Group's 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.

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.

Our core currencies are euro, U.S. dollar and pound sterling. Treasury manages the sensitivity of our capital ratios against swings in core currencies. The capital invested into our foreign subsidiaries and branches in non-core currencies is largely hedged against foreign exchange swings, except for the Chinese yuan which we currently do not hedge. Treasury determines which currencies are to be hedged, develops suitable hedging strategies and finally executes these hedges.

Treasury is represented on the investment committee of the largest Deutsche Bank pension fund which sets the investment guidelines. This representation ensures that pension assets are aligned with pension liabilities, thus protecting the bank's capital base.

Treasury constantly monitors the market for liability management trades. Such trades represent an anticyclical opportunity to create Core Tier 1 capital by buying back Deutsche Bank's issuances below par.

The Core Tier 1 capital ratio amounted to 9.5 % at year-end 2011. It is already above the 9 % level proposed by the European Banking Authority (EBA) and agreed by the European Council for the EU-Wide Capital Exercise, ahead of the June 30, 2012 deadline. It also covers the shortfall of € 388 million in relation to European Economic Area sovereign exposure which was determined as at September 30, 2011 solely for the purposes of the EU-Wide Capital Exercise. We will strive to adhere to the 9 % threshold by June 30, 2012.

In the first quarter 2011, we changed the methodology used for allocating average active equity to the business segments and to Consolidation & Adjustments in proportion to their regulatory requirements. Under the new methodology economic capital as basis for allocation is substituted by risk weighted assets and certain regulatory capital deduction items. All other items of the capital allocation framework remain unchanged. The total amount allocated continues to be determined based on the higher of our overall economic risk exposure or regulatory capital demand. In 2011, we derive our internal demand for regulatory capital assuming a Tier 1 ratio of 10.0 %. If our average active equity exceeds the higher of the overall economic risk exposure or the regulatory capital demand, this surplus is assigned to Consolidation & Adjustments.

During the period from the 2010 Annual General Meeting (May 27, 2010) until the 2011 Annual General Meeting (May 26, 2011), 28.5 million shares were purchased, of which 0.5 million were purchased via sold put options which were executed by the counterparty at maturity date. 22.0 million of the shares purchased were

used for equity compensation purposes and 6.5 million shares were used to increase the Group's Treasury position for future equity compensation. 9.8 million shares were purchased from January 1, 2011 until May 26, 2011, none of which via sold put options. In addition, 10.0 million physically settled call options were purchased in first quarter 2011 to hedge existing equity compensation awards. These call options have a remaining maturity of more than 18 months and were purchased under the above mentioned authorization from the Annual General Meeting to buy back shares by using derivatives. In second quarter 2011, the Group restructured 15.3 million existing call options in order to allow physical settlement according to the above mentioned authorization. These call options have a remaining maturity below 18 months. As of the 2011 Annual General Meeting, the number of shares held in Treasury from buybacks totaled 7.6 million.

The 2011 Annual General Meeting granted the Group's management board the authority to buy back up to 92.9 million shares before the end of November 2015. Thereof 46.5 million shares can be purchased by using derivatives. These authorizations replaced the authorizations of the 2010 Annual General Meeting. During the period from the 2011 Annual General Meeting until December 31, 2011, 27.4 million shares were purchased, thereof 10.9 million of the shares purchased were used for equity compensation purposes and 16.5 million shares were used to increase the Group's Treasury position for future equity compensation. As of December 31, 2011, the number of shares held in Treasury from buybacks totaled 24.1 million.

To take advantage of Deutsche Bank's low share price in the third quarter 2011, Treasury unwound the 10.0 million physically settled call options purchased in first quarter 2011 and entered into new 10.0 million physically settled call options with significant lower strike prices. These call options were purchased under the authorization by the 2011 Annual General Meeting. From the 10.0 million call options, 6.0 million have a remaining maturity of more than 18 months. In addition to these 10 million call options, Treasury restructured additional call options to further hedge the Group's obligation to deliver shares for equity compensation purposes.

Total outstanding hybrid Tier 1 capital (substantially all noncumulative trust preferred securities) as of December 31, 2011, amounted to € 12.7 billion compared to € 12.6 billion as of December 31, 2010. This increase was mainly due to the foreign exchange effects of the strengthened U.S. dollar to the U.S. dollar denominated hybrid Tier 1 capital. In 2011, the Group neither raised nor redeemed any hybrid Tier 1 capital.

In 2011, the Group did not issue any lower Tier 2 capital (qualified subordinated liabilities). Profit participation rights amounted to € 1.2 billion as of December 31, 2011, unchanged to December 31, 2010. Total lower Tier 2 capital as of December 31, 2011, amounted to € 9.4 billion compared to € 10.7 billion as of December 31, 2010. Cumulative preferred securities amounted to € 0.3 billion as of December 31, 2011, unchanged to December 31, 2010.

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 multiyear plan.

The regulatory and economic capital demand is continously 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.

Leverage Ratio (Target Definition): We calculate our leverage ratio as a non-GAAP financial measure by dividing total assets by total equity. We disclose an adjusted leverage ratio, which is calculated using a target definition, for which the following adjustments are made to the reported IFRS assets and equity:

— Total assets under IFRS are adjusted to reflect additional netting provisions to obtain total assets adjusted. Under IFRS offsetting of financial assets and financial liabilities is required when an entity, (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. IFRS specifically focuses on the intention to settle net in the ordinary course of business, irrespective of the rights in default. As most derivative contracts covered by a master netting agreement do not settle net in the ordinary course of business they must be presented gross under IFRS. Repurchase and reverse repurchase agreements are also presented gross, as they also do not settle net in the ordinary course of business, even when covered by a master netting agreement. It has been industry practice in the U.S. to net the receivables and payables on unsettled regular way trades. This is not permitted under IFRS. We make the netting adjustments described above in calculating the target definition of the leverage ratio.

— Total equity under IFRS is adjusted to reflect pro-forma fair value gains and losses on our own debt (post-tax, estimate assuming that substantially all of our own debt was designated at fair value), to obtain total equity adjusted. The tax rate applied for this calculation is a blended uniform tax rate of 35 %.

We apply these adjustments in calculating the leverage ratio according to the target definition to improve comparability with competitors. The target definition of the leverage ratio is used consistently throughout the Group in managing the business. There will still be differences in the way competitors calculate their leverage ratios compared to our target definition of the leverage ratio. Therefore our adjusted leverage ratio should not be compared to other companies' leverage ratios without considering the differences in the calculation. Our leverage ratio according to our target definition is not likely to be identical to, nor necessarily indicative of, what our leverage ratio would be under any current or future bank regulatory leverage ratio requirement.

The following table presents the adjustments made in calculating our leverage ratio according to the target definition.

in € bn.	Dec 31, 2011	Dec 31, 2010
Total assets (IFRS)	2,164	1,906
Adjustment for additional derivatives netting	(782)	(601)
Adjustment for additional pending settlements netting	(105)	(86)
Adjustment for additional reverse repo netting	(10)	(8)
Total assets (adjusted)	1,267	1,211
Total equity (IFRS)	54.7	50.4
Adjustment for pro-forma fair value gains (losses) on the Group's own debt (post-tax)[1]	4.5	2.0
Total equity (adjusted)	59.2	52.4
Leverage ratio based on total equity		
According to IFRS	40	38
According to target definition	21	23

1 The estimated cumulative tax effect on pro-forma fair value gains (losses) on such own debt was € (2.4) billion and € (1.1) billion at December 31, 2011 and December 31, 2010, respectively.

As of December 31, 2011, on a consolidated basis our leverage ratio according to our target definition of 21 has further reduced compared to the prior year-end, and is well below our leverage ratio target of 25. Our leverage ratio calculated as the ratio of total assets under IFRS to total equity under IFRS was 40 as of December 31, 2011, a slight increase compared to 38 at the end of 2010.

Overall Risk Position

Economic Capital

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, 2011	Dec 31, 2010
Economic capital usage		
Credit risk	12,812	12,785
Market Risk	12,003	13,160
Trading market risk	4,724	6,420
Nontrading market risk	7,278	6,740
Operational risk	4,846	3,682
Diversification benefit across credit, market and operational risk	(4,264)	(3,534)
Sub-total credit, market and operational risk	25,397	26,093
Business risk	980	1,085
Total economic capital usage	26,377	27,178

As of December 31, 2011, our economic capital usage totaled € 26.4 billion, which is € 801 million, or 3 %, below the € 27.2 billion economic capital usage as of December 31, 2010. The lower overall risk position was mainly driven by decreases in trading market risk economic capital reflecting risk reductions as well as defensive positioning, off-set by higher operational risk economic capital principally reflecting a new safety margin intended to cover unforeseen legal risks from the current financial crisis.

As of December 31, 2011, the economic capital usage included € 4.3 billion in relation to Postbank, which is € 259 million or 6 % lower than the € 4.6 billion economic capital as at December 31, 2010. This decrease reflects de-risking effects, resulting in a credit risk economic capital reduction of € 1.3 billion, which was partially offset by parameter and model alignment related increases, also in credit risk related economic capital, of € 947 million.

Our economic capital usage for credit risk totaled € 12.8 billion as of December 31, 2011. The increase of € 27 million, a change below 1 %, primarily reflects the effects from our risk reduction initiatives, compensated by the impact from regular recalibrations of the credit risk parameters and other refinements of the credit risk model mainly in relation to Postbank.

Our economic capital usage for market risk decreased by € 1.2 billion, or 9 %, to € 12.0 billion as of December 31, 2011. The reduction was driven by trading market risk, which decreased by € 1.7 billion, or 26 %, primarily driven by the above mentioned risk reductions and defensive positioning resulting in a lower market risk profile. Non trading market risk economic capital usage increased by € 538 million, or 8 %, primarily reflecting the increase in strategic investment and structural FX positions, which was partially offset by lower economic capital for our Guaranteed Funds portfolio as well as asset sales.

Our economic capital usage for operational risk increased by € 1.2 billion, or 32 %, to € 4.8 billion as of December 31, 2011. The increase is primarily due to the implementation of a new safety margin applied in our AMA model, intended to cover unforeseen legal risks from the current financial crisis.

Business risk economic capital usage, consisting of a strategic risk and a tax risk component, totaled € 980 million as of December 31, 2011 reflecting a moderate reduction of € 105 million or 10 % in comparison to an economic capital usage of 1.1 billion as of December 2010.

The diversification effect of the economic capital usage across credit, market and operational risk increased by € 729 million, or 21 %, as of December 31, 2011 mainly reflecting changes in risk classes as outlined above and the relatively low correlation of operational risk economic capital with both credit and market risk economic capital.

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

in € m.	Dec 31, 2011	Dec 31, 2010
Corporate & Investment Bank	14,469	16,119
Corporate Banking & Securities	13,175	14,828
Global Transaction Banking	1,294	1,291
Private Clients and Asset Management	8,897	9,394
Asset and Wealth Management	1,703	2,717
Private & Business Clients	7,193	6,677
Corporate Investments	1,618	902
Consolidation & Adjustments	1,393	762
Total economic capital requirement	26,377	27,178

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

Internal Capital Adequacy

As the primary measure of our Internal Capital Adequacy Assessment Process (ICAAP) we assess our internal capital adequacy based on our "gone concern approach" as the ratio of our total capital supply divided by our total capital demand as shown in the table below. During 2011 we tightened our capital supply definition for deferred tax assets, fair value adjustments and noncontrolling interests in accordance with regulatory guidance. The prior year comparison information has been adjusted accordingly.

in € m. (unless stated otherwise)	Dec 31, 2011	Dec 31, 2010
Capital Supply		
Adjusted Active Book Equity[1]	52,818	48,304
Deferred Tax Assets	(8,737)	(8,341)
Fair Value adjustments[2]	(3,323)	(3,612)
Dividend accruals	697	697
Noncontrolling Interests[3]	694	590
Hybrid Tier 1 capital instruments	12,734	12,593
Tier 2 capital instruments[4]	12,044	12,610
Capital Supply	66,927	62,841
Capital Demand		
Economic Capital Requirement	26,377	27,178
Intangibles	15,802	15,594
Capital Demand	42,179	42,772
Internal Capital Adequacy Ratio	159 %	147 %

1 Active Book Equity adjusted for unrealized net gains (losses) on financial assets available for sale, net of applicable tax, and fair value gains on own credit-effect on own liabilities.
2 Includes fair value adjustments for assets reclassified in accordance with IAS 39 and for banking book assets where no matched funding is available.
3 Includes noncontrolling interest up to the economic capital requirement for each subsidiary.
4 Tier 2 capital instruments excluding items to be partly deducted from Tier 2 capital pursuant to Section 10 (6) and (6a) KWG, unrealized gains on listed securities (45 % eligible) and certain haircut-amounts that only apply under regulatory capital assessment.

A ratio of more than 100 % signifies that the total capital supply is sufficient to cover the capital demand determined by the risk positions. This ratio was 159 % as of December 31, 2011, compared to 147 % as of December 31, 2010. This increase was driven by higher adjusted active book equity and the decrease in capital demand as explained in the above section "Overall Risk Position", which both developed in favor of the ratio.

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 do not present a true and fair view due to inadvertent or intentional errors (fraud) or the publication of financial statements is not done on a timely basis. These risks may reduce investor confidence or cause reputational damage and may have legal consequences including banking regulatory interventions. 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 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

Controls within the system of ICOFR are performed by all business functions and infrastructure functions with an involvement in assuring the reliability of these books and records that underlie the financial statements. As a result, the operation of ICOFR involves a large number of staff based mainly in the following functions: Finance, Group Technology and Operations, Risk, 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. 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 Reporting – responsible for Group-wide activities which include the preparation of group financial and management information, forecasting and planning, and risk reporting. Finance-Group Reporting sets the reporting timetables, performs the consolidation and aggregation processes, effects the elimination entries for inter and intra group activities, controls the period end and adjustment processes, compiles the Group financial statements, and considers and incorporates comments as to content and presentation made by senior management and external advisors.
- Accounting Policy and Advisory Group (“APAG”) – responsible for developing the Group’s interpretation of International Financial Reporting 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, providing related implementation guidance when undertaking valuation control work, and challenging and validating valuation control results. They act as the single point of contact on valuation topics for external parties (such as regulators and external auditors).

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

— Group Technology and Operations (“GTO”) – responsible for confirming transactions with counterparties, and 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.
— Risk – responsible for developing policies and standards for managing credit, market, legal, liquidity and operational risks. Risk identifies and assesses the adequacy of credit and operational provisions.
— Group Tax – responsible for producing income tax related financial data in conjunction 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 reporting 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 are integrated into the operating process and 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 preparation 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 combination of individual controls encompasses all of the following aspects of the system of ICOFR:

- Accounting policy – design and implementation. Controls to ensure the consistent recording and reporting of the Group's business activities on a global basis in accordance with authorized accounting policies.
- Reference data. Controls over reference data in relation to the general ledger and on and off-balance sheet transactions including product reference data.
- Transaction approval, capture and confirmation. Controls to ensure the completeness and accuracy of recorded transactions as well as appropriate authorization. Such 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 the independent price verification process ("IPV"). Finance performs IPV controls at least monthly, in order to gain comfort as to the reasonableness of the front office valuation. The results of the IPV processes 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 that tax calculations are performed properly and that tax balances are appropriately recorded in the financial statements.
- Reserving and judgmental adjustments. Controls to ensure reserving and other judgmentally based adjustments are authorized and reported in accordance with the approved accounting policies.
- Balance Sheet substantiation. Controls relating to the substantiation of balance sheet accounts to ensure the integrity of 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. Controls over compilation of the financial statements themselves including preparation of disclosure checklists and compliance with the requirements thereof, and review and sign-off of the financial statements by senior Finance management. The financial statements are also subject to approval by the Management Board, and 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 the system of ICOFR. The assessment as of December 31, 2011 encompasses for the first time the ICOFR of Deutsche Postbank AG, which was initially consolidated on December 3, 2010. This evaluation incorporated an assessment of the effectiveness of the control environment as well as the detailed controls which make up the system of ICOFR taking into account:

— The financial misstatement risk of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement.
— The susceptibility of identified controls 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 forms an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings. Such information sources include:

— 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

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 also provide evidence to support the annual evaluation by management of the overall operating effectiveness of the ICOFR.

As a result of the evaluation, management has concluded that ICOFR is appropriately designed and operating effectively as of 31. December, 2011.

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

Structure of the Share Capital

As of December 31, 2011, 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 of the German Stock Corporation Act 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 of the German Stock Corporation Act 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 German Federal Financial Supervisory Authority (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 authorized to increase the share capital by issuing new shares for cash and in some circumstances noncash consideration. As of December 31, 2011, Deutsche Bank AG had authorized but unissued capital of € 1,152,000,000 which may be issued in whole or in part until April 30, 2016. Further details are governed by Section 4 of the Articles of Association.

Autorized capital	Consideration	Pre-emptive rights	Expiration date
€ 230,400,000	Cash	May be excluded pursuant to Section 186 (3) sentence of the Stock Corporation Act	April 30, 2016
€ 230,400,000	Cash or noncash	May be excluded if the capital increase is for noncash consideration with the intent of acquiring a company or holdings in a company	April 30, 2016
€ 691,200,000	Cash	May not be excluded	April 30, 2016

The Management Board is authorized to issue once or more than once, participatory notes that are linked with conversion rights or option rights and/or convertible bonds and/or bonds with warrants. The participatory notes, convertible bonds or bonds with warrants may also be issued by affiliated companies of Deutsche Bank AG. For this purpose share capital was increased conditionally upon exercise of these conversion and/or exchange rights or upon mandatory conversion.

Contingent capital	Expiration date for the issuance of conversion and/or option rights
€ 230,400,000	April 30, 2015
€ 230,400,000	April 30, 2016

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 26, 2011 authorized the Management Board pursuant to Section 71 (1) No. 8 of the Stock Corporation Act to buy, on or before November 30, 2015, 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 26, 2011 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, 2015.

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 provides information on the principles and the amount of the compensation of the Management Board and Supervisory Board members of Deutsche Bank AG. It complies with the requirements of Section 314 (1) No. 6 of the German Commercial Code (HGB), the German Accounting Standard No. 17 "Reporting on Executive Body Remuneration", the German regulation on the supervisory requirements for compensation systems of banks (Instituts-Vergütungsverordnung) as well as the recommendations of the German Corporate Governance Code.

Principles of the Compensation System for Management Board Members

About ten years ago, a system of compensation was established for the members of the Management Board that comprised beside the payment of a base salary also variable compensation components, including some granted as equity-based awards. Since then, we have continued to develop the compensation system further.

In May 2010 the Annual General Meeting approved the compensation system on the basis of the Compensation Report applicable at the time. The compensation system that has been enhanced since then will be submitted again for approval to the Annual General Meeting in May 2012.

Responsibility

The Supervisory Board is responsible for the compensation system and for determining the individual amounts of compensation for the Management Board members. The Chairman's Committee supports the Supervisory Board in the process. It advises the Supervisory Board on all issues in connection with the compensation of the members of the Management Board and prepares all of the resolutions on the compensation system and on the determination of the individual compensation of the individual Management Board members.

The Chairman's Committee of the Supervisory Board comprises a total of four members. Two of them are representatives of the Bank's employees. The Chairman's Committee held regular meetings in 2011, and already at the beginning of 2012. Most recently it also prepared the decision on how the amount of the variable compensation for the members of the Management Board for the financial year 2011 is to be assessed.

Principles

The compensation system for the members of the Management Board takes initially into account the applicable statutory and regulatory requirements. As divergent requirements have been established – around the world – numerous aspects must be considered, and therefore the requirements placed on such a system are extensive and complex. The following presentation focuses on the material and most important criteria of the compensation system and on the process for determining the Management Board members' compensation.

When designing the structure of the compensation system, determining the compensation and structuring its disbursal, we focus on ensuring a close link between the interests of the Management Board members and the interests of the shareholders. This takes place on the one hand on the basis of specific key financial figures which have a connection to the performance of the Deutsche Bank share and on the other hand by granting compensation elements that are equity-based. The equity-based compensation components are directly linked to the performance of the Deutsche Bank share and only become valid for payment over a period of several years. Stock options are not awarded as a compensation component.

The competitiveness compared with other companies in the market is a further important criterion for the structuring and determination of the compensation.

Furthermore, the compensation system is aligned with performance and success targets. Special importance is attached to its long-term focus, as well as appropriateness and sustainability criteria. The members of the Management Board are motivated through the structure of the compensation system to avoid unreasonably high risks, to achieve the objectives set out in the Bank's strategies and to continuously further a positive development of the Bank.

Compensation for the Management Board members is determined on the basis of the compensation system by means of several criteria. These include the overall results of Deutsche Bank as well as the relative performance of the Deutsche Bank share in comparison to selected peer institutions. Within the framework of its discretionary scope, the Supervisory Board takes adequately into account in particular risk aspects and contributions to the Bank's success by the respective organizational unit as well as by the individual Management Board members themselves, which are considered based on financial and non-financial parameters. This procedure also fulfils regulatory requirements by thus going beyond a purely formula-based assessment. Most of the variable compensation components are determined on the basis of a multi-year assessment in order to avoid assessing business performance on the basis of a single year only.

The Supervisory Board regularly reviews the compensation framework for the Management Board members with regard to market trends and changing legal and regulatory requirements. If the Supervisory Board believes a change is required, it will adjust the framework accordingly. In the context of this review and the determination of the variable compensation the Supervisory Board uses the expertise of independent external compensation and, if necessary, legal consultants.

Compensation Structure

The compensation structure approved by the Supervisory Board for the individual Management Board members is reflected in their contractual agreements. The compensation is divided into both non-performance-related and performance-related components.

Non-Performance-Related Components

The non-performance-related components primarily comprise the base salary. It is disbursed in twelve equal monthly payments. The last adjustment to the base salaries took effect as of January 1, 2010.

Furthermore, non-performance-related components include other benefits, which comprise the monetary value of non-cash benefits such as company cars and drivers, 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)

The variable compensation is performance-related. It consists in principal of two components, a bonus and a Long-Term Performance Award. In line with the compensation practice in the investment banking sector generally, a Management Board member with responsibility for the Corporate & Investment Bank Group Division (CIB) also receives an additional division-related compensation component (Division Incentive).

Bonus

The total bonus is determined on the basis of two components (bonus components 1 and 2). Their levels depend on the development of the return on equity (before income tax), which is a key factor influencing the share price performance. The first component of the bonus is determined through a comparison of the planned and actually achieved return on equity. The second component of the bonus is based on the actually achieved return on equity level. The two components are each assessed over a two-year period: the year for which the bonus is determined and the respective preceding year. This ensures that the assessment is based not just on a short-term development of the return on equity.

The total bonus to be granted is calculated on the basis of a total target figure, which is divided in half into the two components specified above (target figures 1 and 2). The individual total target figure is € 1,150,000 for an ordinary Management Board member and € 4,000,000 for the Management Board Chairman. This means that the target figures 1 and 2 each amount to € 575,000 for an ordinary Management Board member and € 2,000,000 each for the Management Board Chairman.

The target figures 1 and 2 are each multiplied with an annually calculated factor (factors 1 and 2) to calculate the respective bonus components 1 and 2.

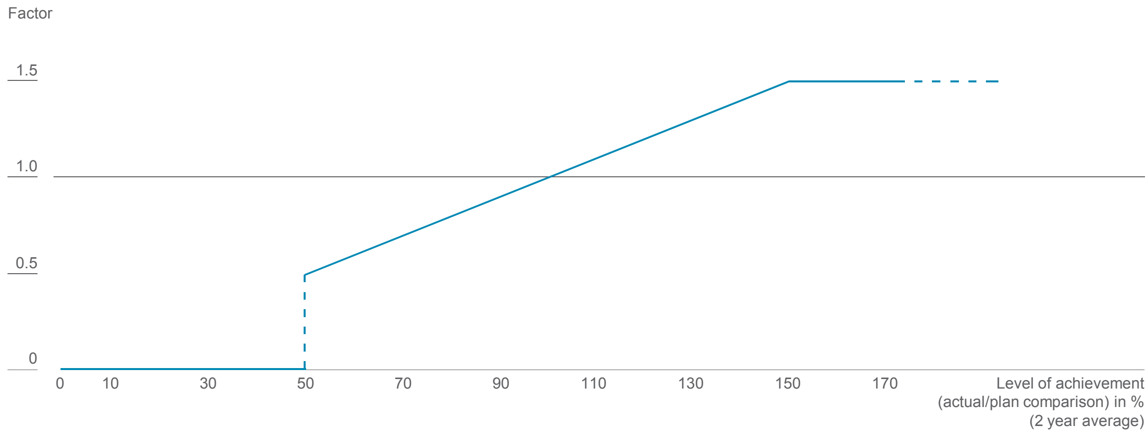
The calculated total bonus is determined as follows.

Total Bonus =	Bonus component 1	+	Bonus component 2
	Target figure 1 x factor 1		Target figure 2 x factor 2

The level of factor 1, which is used for calculating bonus component 1, is determined on the basis of the actually achieved return on equity of a given year as a ratio of the plan figure defined for that year. The ratio resulting from this is the level of achievement, which is calculated as described above for two consecutive years. If the actually achieved return on equity is negative for a given year, the level of achievement for this year is set to zero. Factor 1 is the average of the levels of achievement calculated for the two years. The average of the levels of achievement for the two years being assessed must come to at least 50 %. If it falls below this minimum level, the factor is set to zero and a bonus component 1 is not granted. Bonus component 1 is linked to the level of factor 1, resulting in a corresponding linear increase or decrease starting from the target figure. There is an upper limit that is set at 150 % of the target figure. An average of a level of achievement of more than 150 % therefore does not lead to higher compensation.

The following chart shows the level of factor 1 depending on the level of achievement calculated according to the method described above.

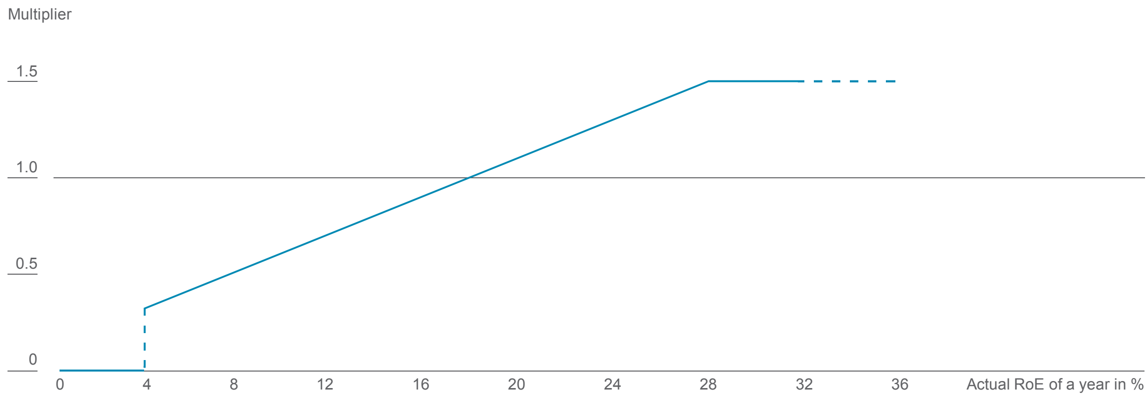
Bonus: Component 1



Factor 2 is determined on the basis of the actually achieved return on equity over a two-year period. The initial basis is an annual return on equity of 18 %. If this figure is achieved, it is linked to a multiplier of 1.0. For each percentage point of deviation, upwards or downwards, the multiplier is increased or reduced in steps of 0.05; in the process, intermediate values are calculated as well. The multiplier can amount to a maximum of 1.5, which corresponds to a return on equity of 28 % or more. In contrast, if the return on equity sinks below a minimum level of 4 %, the multiplier is zero. To determine factor 2, the average is formed from the multipliers of the two assessment years and has to amount to a minimum of 0.5.

The following chart shows the level of the multiplier depending on the actually achieved return on equity for a given year.

Bonus: Component 2



Specific extraordinary effects (e.g., gains for the sale of legacy investments) are not taken into account when determining the return on equity which is the basis for the factors.

The two bonus components are added together, resulting in a total bonus. If, for example, the factors for the two bonus components are 1.0 each, the total bonus amounts to the respective total target figure. The calculated total bonus is capped at 1.5 times the total target figure. If defined minimum levels are not reached for both of the bonus components, no bonus is paid.

Furthermore, the Supervisory Board carries out an additional assessment that can result in an increase or reduction by up to 50 % of the calculated total bonus amount. The objective in this context is to adequately take additional aspects into account, for example, the individual contributions to performance or risk-related factors in light of regulatory requirements. As a result, under the most favorable conditions, the total bonus can amount to a maximum of 2.25 times the total target figure.

Long-Term Performance Award

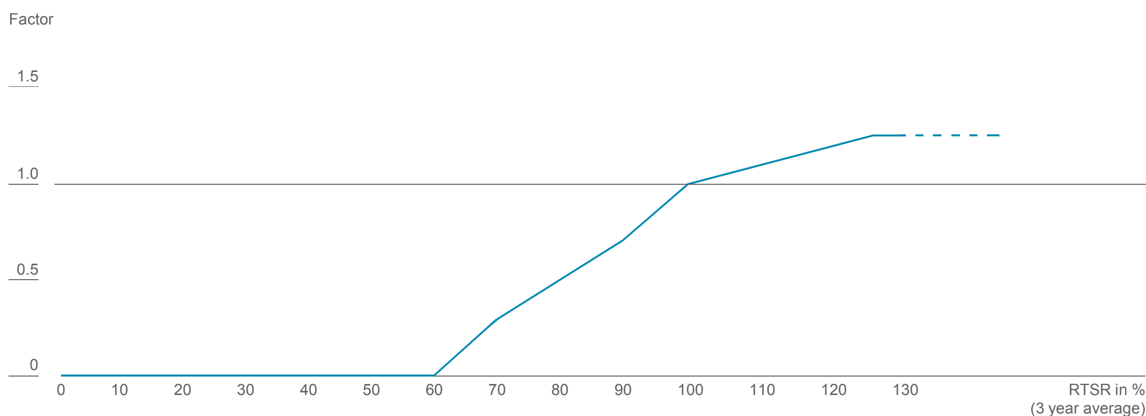
The level of the Long-Term Performance Award (LTPA) is tied to the total shareholder return of Deutsche Bank in relation to the average total shareholder returns of a select group of six comparable leading banks (calculated in euro). The result thereof is the Relative Total Shareholder Return (RTSR). The LTPA is calculated from the average of the annual RTSR for the last three financial years (reporting year and the two preceding years). The criteria used to select the peer group are the generally comparable business activities, the size and the international presence.

The six leading banks are:
— Banco Santander and BNP Paribas (both from the eurozone),
— Barclays and Credit Suisse (both from Europe outside the eurozone), as well as
— JPMorgan Chase and Goldman Sachs (both from the USA).

The LTPA for the Management Board members is in turn determined on the basis of a pre-defined target figure multiplied by a percentage based on the achieved RTSR. The target figure is € 2,175,000 for an ordinary Management Board member and € 4,800,000 for the Management Board Chairman. Like the bonus, the LTPA also has an upper limit (cap). If the three-year average of the RTSR is greater than 100 %, then the value of the LTPA increases proportionately to an upper limit of 125 % of the target figure. If the three-year average of the RTSR is lower than 100 %, however, the value declines disproportionately, as follows. If the RTSR is calculated to be between 90 % and 100 %, the value is reduced for each lower percentage point by 3 percentage points. The value is reduced by another 2 percentage points for each lower percentage point between 70 % and 90 %; and by another 3 percentage points for each percentage point under 70 %. If the three-year average does not exceed 60 %, no LTPA is granted.

This relation can be seen in the following chart.

Long-Term Performance Award



Division Incentive

The previously described Division Incentive, which the Management Board members with responsibility for the CIB Group Division receive, serves to ensure our compensation remains competitive. In determining the Division Incentive, the success of the CIB Group Division is assessed on the basis of income before income taxes and total net revenues as well as the division´s development, also in relation to our competitors and the defined targets. Furthermore, decisive factors also comprise the development and management of costs as well as risk-relevant aspects (e.g., risk-weighted assets, value-at-risk, economic capital). Individual contributions to success of the responsible Management Board members are appropriately taken into account.

Long-Term Incentive/Sustainability

The total amount from the bonus, LTPA and, if applicable, Division Incentive is mostly granted on a deferred basis or spread out over several years. This ensures a long-term incentive effect over a multiannual period of time.

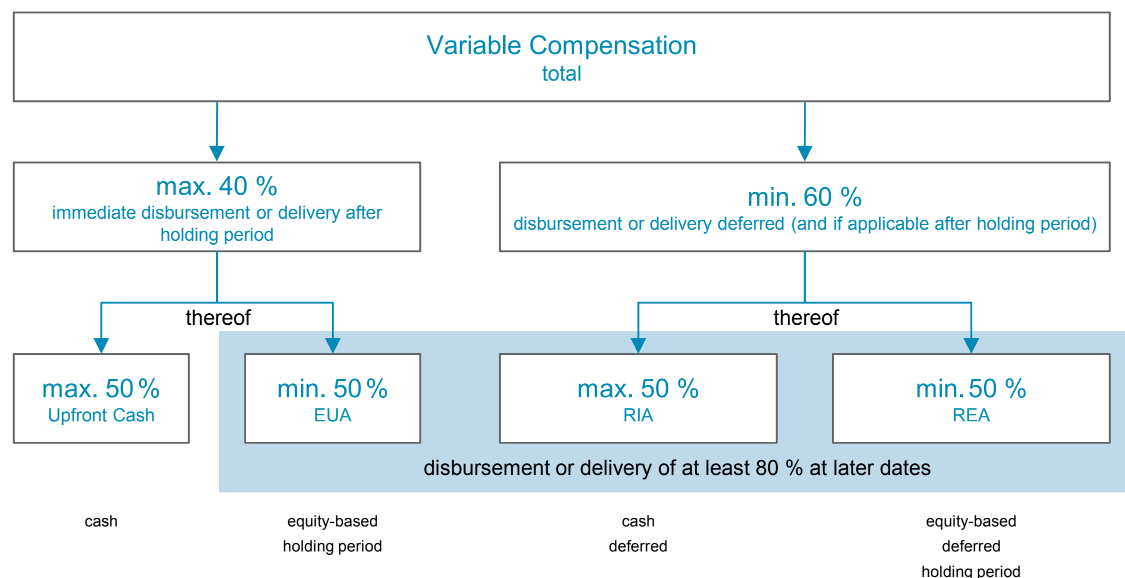
At least 60 % of the total variable compensation is granted on a deferred basis. Not less than half of this deferred portion comprises equity-based compensation components, while the remaining portion is granted as deferred cash compensation. Both compensation components are deferred over a several year period, subsequently followed by holding periods for the equity-based compensation components. During the period until disbursement or delivery, the compensation portions awarded on a deferred basis may be forfeited.

A maximum of 40 % of the total variable compensation is granted on a non-deferred basis. However, at least half of this consists of equity-based compensation components and only the remaining portion is paid out directly in cash. There is a three-years holding period for the portion awarded as equities, which is subject to specific forfeiture conditions.

Of the entire variable compensation, no more than a maximum of 20 % is paid out in cash immediately, while at least 80 % is disbursed or delivered at a later date.

The following chart shows how the variable compensation components are split and structured.

Split / structure of variable compensation



EUA = Equity Upfront Awards
RIA = Restricted Incentive Awards
REA = Restricted Equity Awards

Restricted Equity Awards

The portion of the variable compensation that is equity-based and deferred is granted in the form of conditional entitlements to the future delivery of shares as Restricted Equity Awards. At least 50 % of the deferred variable compensation is comprised of Restricted Equity Awards. These are governed by the Deutsche Bank Equity Plan, which grants the right to receive Deutsche Bank shares after a specified period of time. Restricted Equity Awards vest in four equal tranches. The first tranche vests approximately one and a half years after the granting of the awards. The remaining tranches each subsequently vest in regular intervals of one additional year.

After 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 additional holding period of the first tranche is three years, for the second tranche two years, and for the third and fourth tranche one year. Accordingly, Management Board members are first permitted to dispose of the first three tranches of the Restricted Equity Awards approximately four and a half years after they are granted, and of the fourth tranche after approximately five and a half years.

The value of the Restricted Equity Awards is subject to the performance of the Deutsche Bank share price over the period until the holding periods end and is thus linked to a sustained development of long-term value. Participants in the Deutsche Bank Equity Plan are not entitled to receive dividends until the shares are delivered to them.

Restricted Incentive Awards

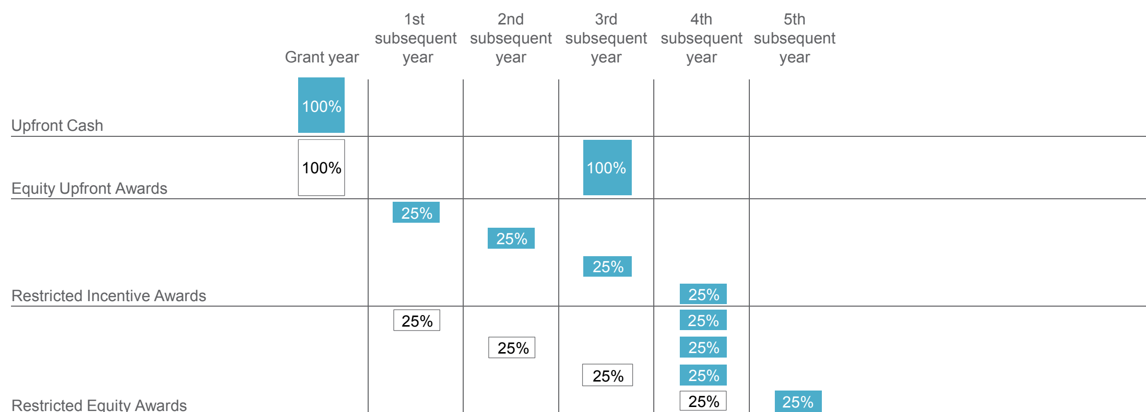
The portion of the deferred compensation that is not equity-based is granted as deferred cash compensation (Restricted Incentive Awards). This comprises a maximum 50 % of the deferred variable compensation. Restricted Incentive Awards are granted on the basis of the Deutsche Bank Restricted Incentive Plan. Like the Restricted Equity Awards, the Restricted Incentive Awards also vest in four equal tranches. The first tranche vests approximately one and a half years after it is granted. The remaining tranches each subsequently vest in intervals of one year. Payment takes place upon vesting. The deferred cash compensation is thus stretched out over a period of approximately four and a half years.

Upfront Awards

The Upfront Awards, as described above, amount to a maximum of 40 % of the total variable compensation. However, no more than half of this is paid out in cash immediately (Upfront Cash). The remaining portion is granted as equity-based compensation in the form of Equity Upfront Awards. Like the Restricted Equity Awards, the Equity Upfront Awards are granted on the basis of the Deutsche Bank Equity Plan. Accordingly, Equity Upfront Awards are conditional entitlements to the future delivery of shares. 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 development of long-term value, as these awards are also linked to the performance of the Deutsche Bank share.

The following chart shows the payment date for the cash compensation and the spread over time for the disbursement or the delivery of the other variable compensation components in the five consecutive years following the grant year.

Timeframe for disbursement or delivery and non-forfeiture



■ Disbursement or delivery (vesting of RIAs at the same time)
□ Vesting followed by a holding period until disbursement or delivery; subject to individual forfeiture conditions during the holding period

As the awards presented in the table above do not bear interest or entitlement to dividends until their disbursement or delivery, a one-time premium is added upon grant (2011: 5 %).

Forfeiture Conditions

Because some of the compensation components are deferred or spread out over several years (Restricted Equity Awards, Restricted Incentive Awards and Equity Upfront Awards) a long-term incentive effect is ensured as they are subject to certain forfeiture conditions until vesting or the end of the holding periods. Awards may be fully or partially forfeited, for example, due to individual misconduct (including a breach of regulations) or to an extraordinary termination, and, with regard to Restricted Equity Awards and Restricted Incentive Awards, also due to a negative Group result or to individual negative contributions to results. The forfeiture conditions make an essential contribution to the long-term nature of the compensation.

Limitations in the event of exceptional developments

In the event of exceptional developments (e.g., sale of large investments), the total compensation for each Management Board member 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.

Hedging of Risk

Members of the Management Board are not permitted to limit or cancel out the risk in connection with their compensation through hedging or other countermeasures.

Management Board Compensation

Base Salary

In 2011, the Management Board members’ annual base salaries remained unchanged to previous year. The ordinary Management Board members´ annual base salary was € 1,150,000 gross each; the annual base salary of the Management Board Chairman was € 1,650,000 gross.

Variable Compensation

The Supervisory Board, based on a proposal of the Chairman’s Committee, determined the variable compensation for the members of the Management Board for the 2011 financial year. The amounts for the bonuses and LTPAs (and where applicable the Division Incentive) were determined for all Management Board members on the basis of the existing compensation system.

Due to the development of the return on equity in the relevant two-year assessment period, the factor in regard to bonus component 1 was about 0.61 while the factor in regard to bonus component 2 was about 0.64.

The Relative Total Shareholder Return as the basis for the calculation of the LTPA in the year 2011 was about 111 % (2010: 93 %; 2009: 99 %). Thus, the average of the last three years (2009 until 2011) was about 101 %. Therefore the payable amount of the LTPA was slightly above the respective target figures.

In exercising its discretionary scope to determine the bonus (and correspondingly the Division Incentive), the Supervisory Board took into account the performance of the bank and the individual divisions in terms of revenues, income, risk, capital strength and liquidity, both in absolute terms and based on the competitive environment. Furthermore, the factors taken into account also comprised the Bank's further strategic development, the expansion of its market position, the progress of integration within the Group as well as the renown gained in the market through national and international awards. The decision was also taken in consideration of the globally difficult economic environment. Further details are provided in the relevant sections of the Operating and Financial Review page 4.

Compensation (collectively and individually)

In accordance with the provisions of German Accounting Standard No. 17, the members of the Management Board received in the 2011 financial year compensation for their service on the Management Board totaling € 26,444,081 (2010: € 32,434,836). Thereof, € 8,550,000 (2010: € 9,412,500) was for base salaries, € 17,194,081 (2010: € 17,816,227) was performance-related components with long-term incentives and € 700,000 (2010: € 5,206,109) was performance-related components without long-term incentives. In addition, there were other benefits amounting to € 879,591 (2010: € 795,338), so that total compensation of the Management Board members was € 27,323,672 (2010: € 33,230,174).

On an individual basis, the Management Board members received the following compensation components for their service on the Management Board for or in the years 2011 and 2010.

Members of the Management Board		Non-performance-related components	Performance-related components				
			without long-term incentives	with long-term incentives			
				non-share-based	share-based		
in €		Base salary	immediately paid out	Restricted Incentive Award(s)	Equity Upfront Award(s) (with holding period)	Restricted Equity Award(s) (deferred with additional holding period)	Total
Dr. Josef Ackermann	2011	1,650,000	100,000	693,139	105,000	3,750,075	6,298,214
	2010	1,650,000	1,034,322	–	1,086,038	2,534,089	6,304,449
Dr. Hugo Bänziger	2011	1,150,000	100,000	96,706	105,000	1,424,884	2,876,590
	2010	1,150,000	523,428	–	549,599	824,399	3,047,426
Michael Cohrs[1]	2010	862,500	577,533	–	606,410	1,350,943	3,397,386
Jürgen Fitschen	2011	1,150,000	100,000	72,530	105,000	1,424,884	2,852,414
	2010	1,150,000	507,790	–	533,180	799,770	2,990,740
Anshuman Jain	2011	1,150,000	100,000	248,885	105,000	4,207,384	5,811,269
	2010	1,150,000	992,752	–	1,042,390	4,367,413	7,552,555
Stefan Krause	2011	1,150,000	100,000	96,706	105,000	1,424,884	2,876,590
	2010	1,150,000	539,066	–	566,019	849,029	3,104,114
Hermann-Josef Lamberti	2011	1,150,000	100,000	96,706	105,000	1,424,884	2,876,590
	2010	1,150,000	507,790	–	533,180	799,770	2,990,740
Rainer Neske	2011	1,150,000	100,000	72,530	105,000	1,424,884	2,852,414
	2010	1,150,000	523,428	–	549,599	824,399	3,047,426
Total	2011	8,550,000	700,000	1,377,202	735,000	15,081,879	26,444,081
Total	2010	9,412,500	5,206,109	–	5,466,415	12,349,812	32,434,836

[1] Member of the Management Board 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 2010 was accelerated prior to maturity and the awards were immediately taxed. 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.

The number of share awards in the form of Equity Upfront Awards (EUA) and Restricted Equity Awards (REA) granted in 2012 for the year 2011 to each member of the Management Board was determined by dividing the respective euro amounts by € 34.04, the XETRA closing price of a Deutsche Bank share on February 1, 2012 (prior year: € 44.42 on February 2, 2011).

As a result, the number of share awards granted was as follows (rounded):

Members of the Management Board

Units	Year	Equity Upfront Award(s) (with holding period)	Restricted Equity Award(s) (deferred with additional holding period)
Dr. Josef Ackermann	2011	3,084	110,166
	2010	24,449	57,048
Dr. Hugo Bänziger	2011	3,084	41,859
	2010	12,372	18,559
Michael Cohrs[1]	2010	13,651	30,412
Jürgen Fitschen	2011	3,084	41,859
	2010	12,003	18,004
Anshuman Jain	2011	3,084	123,601
	2010	23,466	98,320
Stefan Krause	2011	3,084	41,859
	2010	12,742	19,113
Hermann-Josef Lamberti	2011	3,084	41,859
	2010	12,003	18,004
Rainer Neske	2011	3,084	41,859
	2010	12,372	18,559

[1] Member of the Management Board until September 30, 2010.

In the presentation of the compensation amounts, the following should be noted with regard to the Restricted Incentive Awards.

In accordance with German Accounting Standard No. 17, the Restricted Incentive Awards, as a deferred, non-equity-based compensation component subject to certain (forfeiture) conditions, must be recognized in the total compensation for the year of their disbursal (i.e. in the financial year in which the unconditional payment takes place) and not in the year they are originally granted. This means that the total compensation amounts presented above do not include the Restricted Incentive Awards granted by the Supervisory Board to the Management Board members for 2011 amounting to € 15,081,873, but instead include the first tranche of the Restricted Equity Awards (including an adjustment linked to our return on equity) granted in the preceding year (2010 for the financial year 2009) totaling € 1,377,202.

The following table provides details on the Restricted Incentive Awards on an individualized basis awarded to the members in active service on the Management Board in 2011. The information shown presents the amounts paid in the financial year as well as the amounts originally granted along with the respective financial year the amounts were awarded for.

Members of the Management Board

Amounts in €	Year[1]	Allocation over periods/ tranches[2]	Amount awarded	Amount granted (i.e. paid out) in 2011[3]
Dr. Josef Ackermann	2011	2013 to 2016 / 4	3,750,075	–
	2010	2012 to 2015 / 4	2,534,089	–
	2009	2011 to 2013 / 3	1,925,000	693,139
Dr. Hugo Bänziger	2011	2013 to 2016 / 4	1,424,883	–
	2010	2012 to 2015 / 4	824,399	–
	2009	2011 to 2013 / 3	268,575	96,706
Jürgen Fitschen	2011	2013 to 2016 / 4	1,424,883	–
	2010	2012 to 2015 / 4	799,770	–
	2009	2011 to 2013 / 3	201,431	72,530
Anshuman Jain	2011	2013 to 2016 / 4	4,207,383	–
	2010	2012 to 2015 / 4	4,367,413	–
	2009	2011 to 2013 / 3	691,210	248,885
Stefan Krause	2011	2013 to 2016 / 4	1,424,883	–
	2010	2012 to 2015 / 4	849,029	–
	2009	2011 to 2013 / 3	268,575	96,706
Hermann-Josef Lamberti	2011	2013 to 2016 / 4	1,424,883	–
	2010	2012 to 2015 / 4	799,770	–
	2009	2011 to 2013 / 3	268,575	96,706
Rainer Neske	2011	2013 to 2016 / 4	1,424,883	–
	2010	2012 to 2015 / 4	824,399	–
	2009	2011 to 2013 / 3	201,431	72,530
Total	2011		15,081,873	–
	2010		10,998,869	–
	2009		3,824,797	1,377,202

1 Financial year the award was originally issued for (in regard to the service on the Management Board).
2 Number of equal tranches.
3 The Restricted Incentive Awards awarded for the 2009 financial year contain a variable component (RoE-linked adjustment) so that the disbursal, i.e. the amount paid out, in the context of the first tranche differs from the amount originally awarded.

The following table shows the non-performance-related other benefits for the 2011 and 2010 financial years.

Members of the Management Board	Other benefits	
in €	2011	2010
Dr. Josef Ackermann	176,256	148,723
Dr. Hugo Bänziger	50,535	54,833
Michael Cohrs[1]	–	56,218
Jürgen Fitschen	151,700	130,171
Anshuman Jain	63,214	77,671
Stefan Krause	228,878	136,953
Hermann-Josef Lamberti	103,485	91,505
Rainer Neske	105,523	99,264
Total	879,591	795,338

1 Member of the Management Board until September 30, 2010.

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

Pension and transitional benefits

The Supervisory Board generally allocates an entitlement to the Management Board members to pension plan benefits. Only the Management Board members who have functional responsibility for the CIB Group Division and receive a Division Incentive do not receive such an entitlement. These entitlements involve a contribution-oriented pension plan. Under this 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 into this pension account. This annual contribution is calculated using an individual contribution rate on the basis of each member's base salary and total 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 also become due for payment before a regular pension event (age limit, disability or death) has occurred. The pension right is vested from the start.

Based on former contractual commitments Dr. Ackermann and Mr. Lamberti are principally entitled to an additional monthly pension payment of € 29,400 each after they have left the Management Board.

Furthermore, Dr. Ackermann, Dr. Bänziger and Mr. Lamberti are in principle entitled to a transition payment for a period of six months after leaving office. 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, 2011, or on December 31, 2010, was € 2,825,000 for Dr. Ackermann and € 1,150,000 each for Dr. Bänziger and Mr. Lamberti.

In addition, if Dr. Ackermann and Mr. Lamberti leave office after reaching the age of 60, they are each subsequently entitled, in principle, directly after the end of the six-month transition period, to a payment of first 75 % and then 50 % of the sum of salary and total bonus (last total target figure), 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 Management Board member reaches his 65th birthday.

The following table shows the annual service costs for pension benefits and transition payments for the years 2011 and 2010 and the corresponding defined benefit obligations each as of December 31, 2011, and December 31, 2010, for the individual members of the Management Board. The different sizes of the balances are due to the different lengths of service 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 €		Service cost for pension benefits and transition payments, in the year	Present value of the defined benefit obligation for pension benefits and transition payments, end of year
Dr. Josef Ackermann[2]	2011	876,760	18,753,007
	2010	608,720	13,236,187
Dr. Hugo Bänziger	2011	508,011	2,786,879
	2010	573,444	2,161,491
Jürgen Fitschen	2011	222,585	565,984
	2010	226,196	307,348
Stefan Krause	2011	470,827	1,345,800
	2010	500,183	825,181
Hermann-Josef Lamberti	2011	486,920	12,463,973
	2010	532,496	11,177,275
Rainer Neske	2011	462,655	1,066,022
	2010	420,559	575,398

1 Other members of the Management Board are not entitled to such benefits after appointment to the Management Board.
2 Due to Dr Ackermann´s planned departure from the Management Board of Deutsche Bank AG after the end of the regular Annual General Meeting in 2012 instead of his departure, as originally planned, after the end of the Annual General Meeting in 2013, the period for the receipt of the transition payment is extended by another year. Accordingly this extended receipt of payments leads essentially to the increase of obligations as stated in the table before.

Other benefits upon premature termination

The Management Board members are in principle entitled to receive a severance payment upon a premature termination of their appointment at the bank's initiative, if the bank is not 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. The calculation of the compensation is based on the annual compensation for the previous financial year.

If a Management Board member leaves office in connection with a change of control, he is also, under certain conditions, entitled in principle 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 again on the annual compensation for the previous financial year.

The severance payment mentioned above is determined by the Supervisory Board subject to its sole 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 not vested immediately granted for service on the Management Board.

Members of the Management Board	Amount expensed for			
	share-based compensation components		non-share-based compensation components	
in €	2011	2010	2011	2010
Dr. Josef Ackermann	2,020,850	1,743,667	2,152,404	1,078,425
Dr. Hugo Bänziger	440,182	559,896	386,704	150,461
Michael Cohrs[1]	–	1,480,333	–	130,210
Jürgen Fitschen	309,459	286,314	359,601	112,839
Anshuman Jain	1,471,955	1,840,641	1,818,626	387,205
Stefan Krause	364,503	379,403	395,591	150,461
Hermann-Josef Lamberti	434,736	578,987	377,816	150,461
Rainer Neske	314,911	286,314	368,488	112,839

[1] Member of the Management Board until September 30, 2010.

Management Board Share Ownership

As of February 17, 2012 and February 18, 2011, 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	2012	600,534	296,784
	2011	560,589	259,596
Dr. Hugo Bänziger	2012	69,849	115,383
	2011	55,531	100,520
Jürgen Fitschen	2012	181,907	110,978
	2011	169,008	92,671
Anshuman Jain	2012	552,697	346,703
	2011	457,192	414,906
Stefan Krause	2012	–	116,307
	2011	–	71,363
Hermann-Josef Lamberti	2012	139,402	114,459
	2011	125,291	98,626
Rainer Neske	2012	51,088	111,902
	2011	60,509	90,875
Total	2012	1,595,477	1,212,516
Total	2011	1,428,120	1,128,557

[1] Including the share awards Mr. Fitschen, Mr. Jain and Mr. Neske received in connection with their employment prior to their appointments to 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 2017.

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 already 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 as presented in the table above.

The current members of our Management Board held an aggregate of 1,595,477 of our shares on February 17, 2012, amounting to approximately 0.17 % of our shares issued on that date. They 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.

The number of shares delivered in 2011 to the members of the Management Board active in 2011 from deferred compensation awards granted in prior years amounted to 295,902.

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 the Annual General Meeting. Such compensation provisions were last amended at our Annual General Meeting on May 24, 2007.

The following provisions apply to the 2011 financial year: compensation consists of a fixed remuneration 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. Each member of the Supervisory Board also receives annual remuneration linked to our long-term profits of € 100 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 are increased by 100 % for every membership in a committee of the Supervisory Board. Committee chairpersons receive an increase of 200 %. These provisions do not apply to the Mediation Committee formed pursuant to Section 27 (3) of the Co-Determination Act. The Supervisory Board Chairman is paid four times the base compensation of a regular member, and does not receive incremental increases for committee work. The deputy to the Supervisory Board chairman is paid one and a half times the base 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 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 for only part of the year, we pay a portion of the total compensation based on the number of months they served, rounding up to whole months.

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

Supervisory Board Compensation for Fiscal Year 2011

We compensate our Supervisory Board members after the end of each fiscal year. In January 2012, we paid each Supervisory Board member the fixed portion of their remuneration and meeting fees for services in 2011. In addition, we will generally pay each Supervisory Board member remuneration linked to our long-term performance as well as a dividend-based bonus, as defined in our Articles of Association, and expect to do so again for their services in 2011. Assuming that the Annual General Meeting in May 2012 approves the proposed dividend of € 0.75 per share, the Supervisory Board will receive a total remuneration of € 2,608,600 (2010: € 2,453,000).

Individual members of the Supervisory Board received the following compensation for the 2011 financial year (excluding statutory value added tax).

Members of the Supervisory Board	Compensation for fiscal year 2011				Compensation for fiscal year 2010			
in €	Fixed	Variable[7]	Meeting fee	Total	Fixed	Variable	Meeting fee	Total
Dr. Clemens Börsig	240,000	28,800	23,000	291,800	240,000	–	31,000	271,000
Karin Ruck	210,000	25,200	17,000	252,200	210,000	–	25,000	235,000
Wolfgang Böhr	60,000	7,200	6,000	73,200	60,000	–	9,000	69,000
Dr. Karl-Gerhard Eick	180,000	21,600	12,000	213,600	180,000	–	13,000	193,000
Heidrun Förster[1]	–	–	–	–	70,000	–	14,000	84,000
Katherine Garrett-Cox[2]	40,000	4,800	3,000	47,800	–	–	–	–
Alfred Herling	120,000	14,400	11,000	145,400	85,000	–	12,000	97,000
Gerd Herzberg	60,000	7,200	6,000	73,200	60,000	–	9,000	69,000
Sir Peter Job[3]	75,000	12,600	8,000	95,600	180,000	–	14,000	194,000
Prof. Dr. Henning Kagermann	120,000	14,400	12,000	146,400	120,000	–	13,000	133,000
Peter Kazmierczak[4]	50,000	6,000	6,000	62,000	30,000	–	3,000	33,000
Martina Klee	60,000	7,200	6,000	73,200	60,000	–	9,000	69,000
Suzanne Labarge	120,000	14,400	11,000	145,400	120,000	–	13,000	133,000
Maurice Lévy	60,000	7,200	5,000	72,200	60,000	–	7,000	67,000
Henriette Mark	120,000	14,400	12,000	146,400	120,000	–	15,000	135,000
Gabriele Platscher	60,000	7,200	6,000	73,200	60,000	–	9,000	69,000
Dr. Theo Siegert	145,000	17,400	13,000	175,400	120,000	–	12,000	132,000
Dr. Johannes Teyssen	60,000	7,200	6,000	73,200	60,000	–	8,000	68,000
Marlehn Thieme	120,000	14,400	11,000	145,400	120,000	–	13,000	133,000
Tilman Todenhöfer	120,000	14,400	11,000	145,400	120,000	–	18,000	138,000
Stefan Viertel	60,000	7,200	6,000	73,200	25,000	–	2,000	27,000
Renate Voigt[5]	10,000	1,200	–	11,200	–	–	–	–
Werner Wenning	60,000	7,200	6,000	73,200	60,000	–	8,000	68,000
Leo Wunderlich[6]	–	–	–	–	30,000	–	6,000	36,000
Total	2,150,000	261,600	197,000	2,608,600	2,190,000	–	263,000	2,453,000

1 Member until July 31, 2010.
2 Member since May 26, 2011.
3 Member until May 26, 2011.
4 Member until October 25, 2011.
5 Member since November 30, 2011.
6 Member until June 30, 2010.
7 Variable compensation for a regular member of € 7,200 is made up of a dividend-based amount of € 0 and an amount of € 7,200 linked to the long-term performance of the company.

Corporate Social Responsibility

Deutsche Bank must be competitive and financially successful to create value for all stakeholders and our sustainability and corporate citizenship activities aim to ensure that we create lasting value. Integrating sustainability in our core business and investing in society are therefore paramount.

Sustainability

Increasing resource productivity and identifying clean sources for growth are essential in the face of increasing energy demand and resource scarcity as well as the impact of greenhouse gas emissions. In 2011, our Environmental Steering Committee, with the support of the external Climate Change Advisory Board, continued to work with business heads to align our business strategy with these long-term economic trends. This will ensure that Deutsche Bank supports the emerging needs of clients in their transition to a low-carbon, resource-efficient global economy.

We are building on a climate change strategy which identifies three mutually reinforcing roles: our core businesses are supporting investments in energy and resource efficiency; we are using our influence to encourage action on energy and environmental security; and we are reducing our own environmental impacts. Our certified Sustainability Management System proves the envelope for our activities in these areas.

Our approach to managing environmental and social risks was strengthened further in 2011 when we introduced the Environmental and Social Reputational Risk Framework. It is a part of our due diligence process and focuses on activities in sensitive sectors such as Metals and Mining, Oil and Gas as well as agriculture.

The Framework provides guidance on evaluating the risks of transactions, counterparties and business practices and how these risks should be managed and mitigated within the business. Furthermore our new policy on cluster munitions demands to exit existing relationships and not to engage in new business with cluster munitions manufacturers, distributors and companies that produce key components of cluster munitions.

Core business activities

Sustainability provides opportunities in areas including emissions trading, sustainable fund management, and financing and advisory services for clean-tech businesses.

Corporate & Investment Bank

Corporate & Investment Bank is building on its leadership in carbon offsets and emissions trading as well as finance and advisory for clean energy companies and low carbon energy infrastructure.

We maintained our leading role in the international emissions trading market, being involved in more than 85 Clean Development Mechanism and Joint Implementation projects. These projects are expected to generate 215 million emission credits by the end 2012. One notable project was the purchase of Certified Emission Reductions from Henan Province in China that will help finance geothermal heat pump technology in up to 40 million square meters of real estate over five years. Energy Risk magazine recognized Deutsche Bank as “European Emissions House of the Year”.

Despite the challenging market and regulatory environment, we were active throughout the year in advising, arranging or financing nearly 3 gigawatts of renewable energy projects in North America, Europe and the Middle East. An example of our innovative financing was a non-recourse revolving construction finance facility that will allow US-based company SunEdison to expand to 1.1 gigawatts of solar projects across North America. We also played key roles in the first in a series of major wind farm deals in Québec, Canada by financing 373 megawatts of generation capacity - the project Seigneurie de Beaupré was named “PFI 2011 Americas Renewables Deal of the Year”. Deutsche Bank was also named “Best Renewable Energy Finance House - Europe” by Environmental Finance and Carbon Finance magazines for the second consecutive year.

Our ability to help clean-tech companies to raise capital saw several landmark deals over the past year. They included co-advising on the U.S.$ 2.3 billion sale of smart meter company Landis+Gyr to Toshiba and the sale of 60 % of Sunpower to Total for U.S.$ 1.3 billion. Our securities joint venture in China, Zhong De, completed the largest IPO on the Shanghai Stock Exchange with a U.S.$ 1.43 billion deal for Sinovel, one of the leading producers of wind power machinery.

Private Clients and Asset Management

We are integrating environmental, social and governance (ESG) issues in our asset management business. As of December 2011 we managed € 2.52 billion in ESG-related and climate change focused funds, further implemented the ESG policy for European funds and adopted ESG into the proxy voting policy in Germany.

Through these funds, we help finance sustainable energy investments to address climate change globally. Some of these funds also are targeted to improve living conditions in developing countries. We also invest directly in sustainable businesses through RREEF Capital Partners and RREEF Sustainable Advisors – both part of Asset Management's alternatives investment platform. The two will make either public securities or private equity investments in sustainable and climate change-related projects and companies around the world. Launches in 2011 included the € 265 million European Energy Efficiency Fund, sponsored by the European Investment Bank, and the Africa Agriculture and Trade Investment Fund which has € 85 million to invest in enhancing the competitiveness of African export producers and manufacturers, and is sponsored by the German Government and Kreditanstalt für Wiederaufbau (KfW). These funds complement the Global Climate Partnership Fund launched in 2010, which made investments in 2011 in Europe, Asia and Latin America.

DB Advisors was named "Best ESG Asset Manager in Germany" by World Finance magazine, recognizing its leadership in integrating ESG strategies in investment decision making. New institutional product launches included ESG Emerging Markets External Debt and ESG Total Return AAA High Grade Fixed Income.

DWS Investments launched several new retail products, including two closed-end "green" funds. Furthermore it is enhancing consideration of ESG risks in the investment process, including several ESG training workshops and seminars for Asset Management staff in 2011.

Our over 2,800 retail branches worldwide also distribute green credit products and offer sustainable investment opportunities. Loans and credit lines allow private and business clients to finance energy efficient and renewable energy technologies as well as the purchase of low emission vehicles.

For more information on sustainability at our core business please go to www.banking-on-green.com/business.

Eco-efficiency

Minimizing our direct environmental impacts supports our business objectives by increasing energy efficiency and cutting costs. We also benefit by applying the knowledge gained in managing our own properties efficiently to our property investment activities.

We continued the process of reducing our carbon footprint by 20 % per annum. This policy has been in place since 2008 and will achieve carbon neutrality for our operations from 2013. Two-thirds of the energy used in our operations came from renewable sources in 2011 and we purchased 295,000 t carbon offsets to complete the 20 % emissions reduction.

Improved energy efficiency of our buildings is the main way to reduce costs and emissions. Our progress in this area is symbolized by the Deutsche Bank Towers in Frankfurt. We completed the move of Group Headquarters back into the refurbished towers, whose high environmental performance was confirmed by Platinum certification on the international LEED standard. The building's energy consumption will be 55 % lower than previously and with a third of the energy from renewable sources. The US Green Building Council awarded Deutsche Bank its inaugural International Leadership Award, recognizing our industry-leading work in delivering LEED facilities around the world, our advances towards carbon neutrality and our investment in alternative energies and low-carbon technologies.

For more information on eco-efficiency please go to www.banking-on-green.com/greendata.

Corporate Citizenship

Companies should invest in the societies in which they operate. The social capital that comes from this benefits everyone. In 2011, we dedicated € 83.1 million to educational initiatives and social projects, to art and music as well as to corporate volunteering activities.

Education: Enabling talent

Deutsche Bank is committed to promoting equality of opportunity around the world. A key focus of our support is on programs that help talented young people from disadvantaged backgrounds to prepare for a university education. In 2011, the "IntoUniversity" initiative in the United Kingdom was honored as "the best contribution to improving educational performance." Deutsche Bank Foundation supports the initiative STUDIENKOMPASS, which provided support to around 1,400 young people in 2011 in Germany: 90 % of the participants plan to pursue a university degree. 15 Deutsche Bank employees volunteer as mentors in "Fair Talent", a comprehensive long-term educational program that starts as early as at elementary and secondary school-level.

Social Investments: Creating opportunity

We leverage our global presence and develop innovative solutions that create new opportunities to help people put unemployment and poverty behind them. In the US, Deutsche Bank supports projects such as "Living Cities", dedicated to the social and economic stabilization of communities with underdeveloped infrastructures. This commitment has been consistently honored as "outstanding" by the Federal Reserve Bank for the past 20 years. In the UK, we launched the Impact Investment Fund I, which invests in socially beneficial companies with commercially viable business models. As a leader in microfinance, we assist people to set up their own small businesses in developing and emerging market countries. And in the year under review, we gave 20,000 South African children a new chance in life.

Art and Music: Fostering creativity

More than 200,000 visitors in seven Latin American museums over a two-year period – these are the record-breaking numbers of the exhibition “Beuys and Beyond – Teaching as Art”, featuring works of art from the Deutsche Bank Collection. Another success was achieved with “Globe. For Frankfurt and the World”, a series of events took place with 70 international artists in spring 2011 to mark the opening of our modernized Group headquarters in Frankfurt am Main. The conceptual artist Roman Ondák was selected to be “Artist of the Year 2012” – his works will be presented in a solo exhibition in the Deutsche Guggenheim in Berlin.

The long-standing partnership between Deutsche Bank and the Berliner Philharmoniker enabled the orchestra’s innovative Digital Concert Hall that makes classical music accessible to people around the world. The season opening concert alone in 2011 was attended by an audience of 9,000 on db.com. And since 2002, more than 21,000 young people from all parts of society have taken part in the education programme of the Berliner Philharmoniker.

Employee Engagement: Pass on your passion

Deutsche Bank has encouraged its staff members to do volunteer work for more than 20 years. As mentors, as advisors to non-profit organizations or as volunteers in team challenges, they accept responsibility in society at a very personal level. 19 000 employees were corporate volunteers and supported almost 3 000 community partners in 2011 – this represents an increase from 21 % to 24 % of in just one year. In Germany, Hong Kong and Singapore this outstanding commitment was honored via various awards. The objective of “Pass on your passion”, a new initiative launched in 2011, is to inspire other people to make a difference through volunteering and thus build social capital.

Our “Corporate Social Responsibility Report 2011” provides additional information on how we implement our sustainability strategy as well as our corporate citizenship program.

Employees

As of December 31, 2011 we employed a total of 100,996 staff members as compared to 102,062 as of December 31, 2010. 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, 2011, 2010 and 2009.

Employees[1]	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Germany	47,323	49,265	27,321
Europe (outside Germany), Middle East and Africa	24,187	23,806	22,031
Asia/Pacific	18,351	17,779	16,518
North America[2,3]	10,700	10,811	10,815
Central and South America	435	401	368
Total employees[3]	100,996	102,062	77,053

1 Full-time equivalent employees; Deutsche Postbank aligned its FTE definition to Deutsche Bank which reduced the Group number as of December 31, 2011 by 260 (prior periods not restated); 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) have been reclassified to reflect this. In 2011, 257 FTE of Sal Oppenheim Germany have been assigned directly to Austria, Luxembourg and Switzerland (Europe outside Germany).
2 Primarily the United States.
3 The nominal headcount of The Cosmopolitan of Las Vegas is 4,256 as of December 31, 2011 compared to 4,147 as of December 31, 2010. The headcount number is composed of full time and part time employees and is not part of the full time equivalent employees figures.

The number of our employees decreased in 2011 by 1,066 or 1.0 % due to the following factors:

- The number of Corporate & Investment Bank Group Division staff decreased by 429 due to exceptionally tough markets particularly for Corporate Banking & Securities.
- The number of PCAM staff declined by 1,743. This was primarily attributable to progress made in Private & Business Clients with the integration of Deutsche Postbank and the sale of noncore businesses in India.
- In our Infrastructure operations, employee headcount at our service centers in India, the Philippines, the UK and the US continued to grow. Staff numbers at these service centers increased by about 1,255 in 2011. The overall headcount in the other Infrastructure areas remained virtually unchanged against end of 2010.

Post-Employment Benefit Plans

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

In our globally coordinated accounting process covering defined benefit plans with a defined benefit obligation exceeding € 2 million our global actuary reviews the valuations provided by locally appointed actuaries in each country.

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 34 “Employee Benefits” to our consolidated financial statements.

A new culture of performance at Deutsche Bank

Deutsche Bank is committed to ensuring a high performance culture driving our business results. We are building and strengthening our culture based on a set of very clear principles:

— everyone knows what is expected of them
— we differentiate performance
— and everyone knows where they stand

As set out in our Management Agenda we have refocused our senior managers on these principles and updated people processes and training support.

We expect this to be a long-term process involving the entire bank, however it can help us to reach an important milestone on the path to a new performance culture at Deutsche Bank.

Diversity: equal opportunities as the driver of success

In a globalized world, mixed teams have been shown to be more successful, as it is only by integrating different perspectives and experiences that client-oriented solutions can be delivered. Systematic diversity management is therefore of crucial importance in our personnel strategy. Orientation for this is provided by our Diversity Mission Statement, which is a part of Deutsche Bank’s operating policies and which all of our HR measures are designed to comply with.

Deutsche Bank’s global Diversity Mission Statement

We aim to foster an inclusive culture that values the diverse mix of our employees, utilizes their talents and helps them realize their full potential.

Global Priorities

— Accountability and Leadership: Fully integrate diversity and inclusion into the mindset of all employees across the company;
— Gender: Increase female mobility and senior representation at all levels at Deutsche Bank;
— Generational: Create an environment where all generations feel they can progress, succeed, innovative and create value/profit for the company (as defined by them).

Declaration of the DAX 30

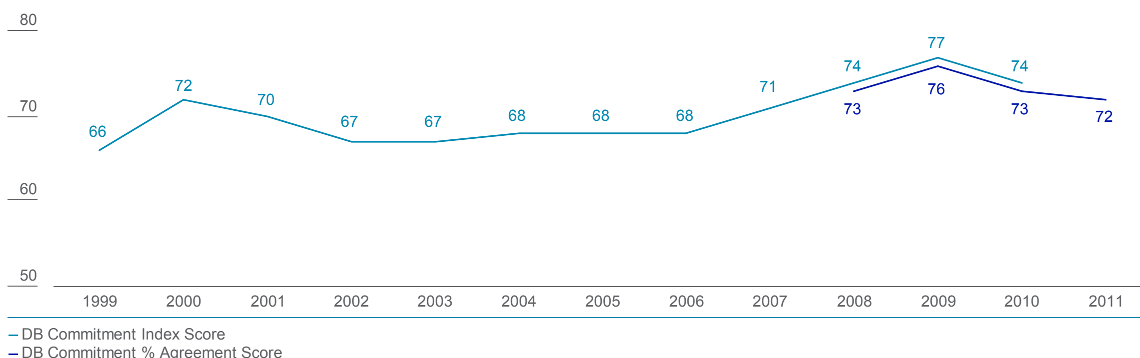
Increasing the percentage of women in senior management positions is a strategic initiative to drive business success. Deutsche Bank along with the other DAX 30 companies in Germany signed the “Dax 30” self commitment. Under the voluntary commitment, Deutsche Bank Group plans to increase the worldwide proportion of its female senior executives at the Managing Director and Director levels to 25 % by the end of 2018 and the proportion of female officers (with the titles Managing Director, Director, Vice President, Assistant Vice President and Associate) to 35 % by the end of 2018, subject to applicable laws. Deutsche Bank met the 2011 senior executive target of 17 % and outperformed the officer target of 29.3 %, by reaching 29.7 %.

DB People Survey 2011: the results

In 2011, as in the previous year, 74 % of the bank’s staff – over 60,000 employees – took part in the Groupwide DB People Survey. For twelve years now, Deutsche Bank has been conducting regular employee surveys to assess employee commitment to the bank and opinions on other aspects of working at the bank such as corporate culture, leadership and strategy. The level of employee participation in the survey has risen since it was launched and remains at a high level, a clear sign that staff values this feedback tool.

Commitment Index

Index ceiling = 100 / %



– DB Commitment Index Score
– DB Commitment % Agreement Score

Note: In 2011 Deutsche Bank moved away from analyzing index scores towards analyzing % agreement scores.

The commitment index (72 %) shows that staff have consistently high levels of loyalty to the company. The bank tracks a variety of other measures in the surveys which show very positive levels for client focus and strategy in particular.

Outlook

The Global Economy

We expect the global economy to decelerate slightly in 2012; however, economic momentum should begin to pick up slowly in the second half of the year. Over the course of 2012, we expect to see an annualized increase in global GDP of 3.25 %. Considering the under-utilized capacities in the industrial nations and the positive basis effects of energy prices, the global inflation rate will decline from nearly 4.5 % in 2011 to around 3.5 % in 2012. Although we project a recovery in global economic growth to 4 % in 2013, the global inflation rate should remain below 3.5 %.

The ongoing slowing of economic growth is originated in the industrial countries, in particular, in the eurozone. We expect that once the stricter budget rules are enacted and their observance is more strictly and institutionally anchored, and once greater success is achieved in the consolidation and reform programs of the countries affected, the sovereign debt crisis in the eurozone will gradually become less severe. Furthermore, the liquidity provided to banks through the three-year tender of the European Central Bank should mitigate the situation at the banks themselves and provide easing ahead of the massive volume of bond refinancing that southern European countries will require this spring. However, the eurozone economy might have slid into a technical recession during the winter period 2011/2012, so that even with a recovery over the course of the year, GDP is likely to decline by 0.5 %. On an annualized basis, Germany will probably be the only larger country within the eurozone that will not shrink, though the economy may stagnate. In contrast, we believe there will be a significant decline in GDP in some of the southern European countries. Driven by external demand and a smaller impact from fiscal consolidation, growth in the eurozone should pick up again in 2013 and reach 1 %, the same rate as in Germany.

For the U.S., we are projecting an increasing growth rate over the course of the year. At 2.5 % annualized, it should be slightly higher than last year. Companies in the non-financial sector continue to be in a very robust financial shape. Furthermore, there were increasing indications at the beginning of the year that the housing market has started to reach a floor, after declining five years. Regarding U.S. unemployment figures, a turnaround became apparent recently, which could at least stabilize consumption at the current relatively moderate rate of expansion. The U.S. economy is likely to continue its expansion in 2013 with an annualized growth rate of 3 %.

Over the course of 2011, as the catch-up effects in world trade tapered off, the growth rate in emerging markets declined only slightly. With the receding risk of inflation, a few Latin American countries and, recently, both China and Israel reacted with an easing of monetary policy. The emerging markets' more robust domestic demand, compared with industrial countries, together with the scope they will probably continue to use for monetary and fiscal policies, should limit the impact industrial countries' weaknesses will have on the emerging markets. In Asia (excluding Japan) GDP growth in 2012 should come to nearly 7 %, which is only slightly below the 7.25 % seen in 2011. With the gradual recovery of the global economy and the reconstruction investments in Japan to rectify the damages caused by the catastrophe last March, the Japanese economy should stabilize and expand on an annualized basis of 0.75 %. Asia (excluding Japan) and Japan will probably contribute to faster global GDP growth in 2013. Growth rates could increase to 7.4 % and 1.1 %, respectively. For Latin America, we expect GDP growth to slow from 4.25 % to 3.75 % in 2012 and again increase to 4.2 % in 2013.

Uncertainties for the economic outlook are primarily due to the political developments in Europe. The rescheduling of Greek debt and the second rescue package for Greece are crucial. However, the markets could lose trust in the reform efforts of other countries, especially if the economic trend continues downwards. The pending decisions on the specific conditions of the eurozone rescue mechanisms imply a significant potential for conflict, which could lead to massive disruptions on the financial markets. Meanwhile, the national debt level in the U.S. has reached 100 % of GDP. Considering the political stalemate there, a renewed escalation with need for a further rising of the debt ceiling is considered possible during the election campaign. Moreover, the current acceleration of the American economy could turn out to be unsustainable. In the Middle East, the conflict in connection with the Iranian nuclear program could become much more severe.

The Banking Industry

The banking business is likely to be heavily influenced again by macroeconomic developments and regulatory changes in the next two years. In Europe the industry would probably face a decline in revenues and profits should the European sovereign crisis continue, whereas in the US a slowdown in growth would impact profitability.

Investment banking industry revenues may decline in 2012, especially in areas heavily impacted by regulatory changes. The strategic withdrawal of several providers – mainly driven by regulatory measures that make certain activities substantially more expensive and less lucrative – should, by contrast, enable well-positioned, well-capitalized banks to win market share. Simultaneously, this may allow these banks to at least partly compensate, via economies of scale, for the generally lower earnings potential. For the investment banking industry as a whole, lower revenues and higher capital requirements are likely to permanently reduce both profitability ratios and employee compensation levels.

Asset management performance will probably once again hinge on the direction taken in the global investment markets and the risk appetite of investors. This is likely to depend first and foremost on whether and how the sovereign debt crisis in Europe can be brought closer to a solution. In a positive scenario, the growth forces in the countries under pressure would be unleashed, credible and successful efforts would be taken to reduce budget deficits and external support would be provided as appropriate. Accordingly, the major risk banks are facing is a further escalation of the debt crisis particularly in Europe, but also in the U.S.

The technical recession in the eurozone expected in winter will probably leave a negative stamp on both lending and deposit volumes in the traditional corporate and retail business in Europe. Client demand for credit is expected to decline. However, credit supply by banks will also decrease due to expected increased defaults and persistently high refinancing costs. Moreover, households' deposits with banks might increase only slowly or possibly even decrease. The countries affected by the crisis will probably be impacted most by these developments, whereas more robust economies such as those in Germany and Scandinavia could easily see further growth. The prolonged low interest rates may cause additional difficulties for the banking industry as they bring further pressure for revenues from maturity transformation and thus for margins. This suggests that net interest income is likely to fall.

Other uncertainties for the banking sector lie in the implementation of already adopted regulations and the introduction of further legislation that is already under discussion in some cases. While the majority of the measures to increase financial stability involve sensible changes to the framework of the industry, their cumulative effect is often underestimated. The same applies to the risks which emerge from substantial variations in the scope and implementation of new regulations, from the potential for regulatory arbitrage and from market fragmentation. Some of the ideas currently being debated – for example, the unilateral introduction of a financial transaction tax only in the eurozone – would not be conductive to the objective of achieving a more robust and resilient financial system. The banks are confronted with the task of significantly reducing their risk-weighted assets, which they must manage without damaging relations with their private and corporate clients.

Overall, the banks face immense challenges over the next two years. In the end, and mostly unintended by policymakers, the disintermediation process of the pre-crisis years may resume as financing activities shift further from banks' balance sheets towards the capital markets and other businesses migrate into the less regulated shadow banking system. Banks will have to build up larger capital buffers and adjust to a much stricter regulatory environment which, in some cases, will demand that they redefine their business models and compel them to adapt to a permanently lower profitability level. Given the external (and presumably sustained) headwinds, many banks are increasingly likely to concentrate more on their strengths in certain market segments and regions, and intensify their focus on cost discipline. These developments will be exacerbated by a prospective slowdown in GDP growth and by the sovereign debt crisis that is casting its shadow over the European banks in particular.

The Deutsche Bank Group

Deutsche Bank like all other financial institutions will continue to be impacted both by the changing competitive landscape and a stricter regulatory environment and it continues to operate in an environment that exposes it to significant litigation risks. Risk management, capital adequacy and balance sheet efficiency will remain increasingly important as competitive differentiators. Deutsche Bank Management has improved our capital, liquidity and refinancing structures, which are crucial for future success. Over the course of 2011 we increased the core Tier 1 capital ratio significantly. We fulfill the requirements of the European Banking Authority and Basel 2.5, and we are well prepared for the Basel 3 requirements. In this context, Deutsche Bank will retain a balanced dividend policy which considers capital requirements and total shareholder return.

Our global business model comprising Corporate Banking & Securities, Global Transaction Banking, Asset and Wealth management and Private & Business Clients with a solid distribution network especially in our German home market should provide long-term profitable opportunities for us. The recalibration within Corporate Banking & Securities significantly improved Deutsche Bank's risk profile. Additionally, we strengthened our earnings by expanding our activities in the GTB and PCAM businesses. In 2012 and beyond, we should be able to further benefit from our strengthened set-up as a global investment bank and as a home market leader with greater stability in revenues and a more balanced earnings mix. Additionally, we are also continuing to focus on our performance and improving efficiency.

Our Corporate Investments group division enhances the bank's portfolio management and risk management capability. It has management responsibility for certain assets and is therefore exposed to the opportunities and risks arising from the holdings in its portfolio. The risks implied are closely monitored and managed.

Overall, Deutsche Bank is strongly positioned to exploit the competitive opportunities in the current environment.

Corporate Banking & Securities

The investment banking environment in 2012 and 2013 will be impacted by new regulation and ongoing macro concerns over Europe's sovereign debt crisis, potential slowdown in Emerging Markets and the sustainability of the U.S. recovery. This means that volatility will remain a constant theme but we believe that capital markets activity will be robust. Corporate Finance fee pools should increase in 2012, subject to normalization of market conditions, as corporate balance sheets remain healthy and financial institutions are likely to further increase funding and capital levels. Trading volumes may increase if investor sentiment improves. However, margins may face downward pressure in products with lower capital requirements (e.g., foreign exchange and cash equities) as competition increases, while more capital intensive structured products may see margins rise as a result of some industry participants scaling back due to the impact of new regulation.

Corporate Banking & Securities is expected to continue to benefit from the further integration of the investment bank. This integration, started in 2010, enables us to better service corporate clients across a broad range of products, eliminate duplication across both front office and support functions, and increase collaboration between all areas of the business. We will continue to focus on both client flows and solutions while maintaining strong asset efficiency (especially given upcoming regulatory changes) and minimizing risk exposures.

In Sales & Trading, we expect revenues from flow products such as foreign exchange, money markets, interest rates and cash equities will be affected by ongoing volatility but should remain robust given our leading client market shares, notwithstanding market conditions. In addition we expect to benefit from our continued investments in electronic trading and direct market access platforms. We will continue to focus on our Prime Finance franchise where we have built up a market leading position. Emerging markets trading and commodities will also remain key growth areas as demand increases.

In 2012 and 2013 and assuming that market conditions stabilize we expect the corporate finance fee pool to increase. Debt issuance is expected to increase driven by M&A related activity and financial disintermediation and as financial institutions seek additional term funding and capital, although there may be pressure on corporate fundamentals if global growth slows. We anticipate equity issuance to increase given the large backlog of deals from the second half of 2011 as recapitalization and privatization deals come to market. M&A activity is expected to be robust as a cyclical recovery continues, subject to the assumption that volatility subsides and stability returns. Deutsche Bank is well positioned to capitalize on all these trends and build further momentum in our corporate finance franchise.

Global Transaction Banking

The outlook for global transaction banking over the next two years will likely be influenced by a number of critical factors. The comparatively low interest rate levels seen in most markets during 2010 and 2011 will persist. Additionally, a slow-down in global growth, a potential recession in Europe and the continuation of the sovereign debt crisis could adversely impact revenues. Furthermore, regulation will continue to pose a challenge to the overall banking industry.

Deutsche Bank's Global Transaction Banking (GTB) business will be impacted by these environmental challenges. 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 certain Emerging Markets. In addition, initiatives to further re-balance our earnings mix to reduce dependency on interest rates continue. The successful integration of parts of ABN AMRO's corporate and commercial banking activities acquired in the Netherlands in 2010 further strengthens 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 continue 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.

Asset and Wealth Management

The outlook for the asset and wealth management business will be influenced by several converse factors in 2012 and beyond. The assumed recovery in markets in 2012 is expected to result in an increase in revenues from commissions and performance fees. 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 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.

In the second half of 2011, global financial markets experienced increased volatility leading to lower investor confidence and outflows across equity and cash products, especially affecting active asset managers such as Deutsche Bank´s Asset Management (AM). While markets showed signs of stabilization towards end of the year, unresolved macroeconomic issues continue to be a major force in the asset management industry.

The adoption and implementation of multiple new reforms continues to be a major challenge for asset managers, especially where uncertainty of the impact exists. New and pending regulation may increase costs and restrictions on asset managers and could impact the competitive landscape and lead to changing business models especially for larger players and bank-owned asset managers. As part of our continual effort to maintain an optimal business mix and be among the market leaders in each of our businesses, we announced on November 22, 2011 that we are conducting a strategic review of our global Asset Management division. The strategic review is focusing in particular on how recent regulatory changes and associated costs and changes in the competitive landscape are impacting the business and its growth prospects on a bank platform. The review covers all of the Asset Management division globally except for the DWS franchise in Germany, Europe and Asia, which we have already determined is a core part of our retail offering in those markets. Results from the strategic review may cause AM to reorganize and refocus operations.

Nevertheless, operating leverage obtained in AM via platform re-engineering and cost efficiency efforts continued through 2011 and complimented by the Complexity Reduction Program, underpin the ability of the business 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.

With operating results now solidly positive, cost base under control, and continued efficiency benefits expected from bank-wide complexity reduction and other initiatives, the outlook for AM for 2012 and 2013 is positive. The business is expected to benefit significantly from continued stabilization and growth of equity markets, growing investor interest in alternative products including real estate, and deployment of sidelined investor capital into higher-growth and higher-fee products to compensate for losses over past few years.

Any further market shocks, prolonged periods of uncertainty or recessionary trends could undermine the ability of Asset Management to meet profit targets.

Private Wealth Management (PWM) expects to benefit of growing wealth markets and maintain or increase market share in the fragmented competitive environment for 2012 and beyond. Clear focus on (Ultra) High Net Worth Individuals and Key Client segment will contribute significant results due to strong leverage of the existing platform within Deutsche Bank Group and close co-operation with Corporate & Investment Banking. PWM's business model with strong coverage of emerging markets will allow balancing challenges in mature markets, increased regulatory framework and political environment. In general, PWM is less exposed to impacts from fiscal policy since its business model focuses on onshore opportunities in already existing large and developed onshore markets.

Fundamental economic downturn during the past months however showed considerable divergence between regions and markets. Within the eurozone PWM will seek to strengthen its home market leadership with its two strong brands of Deutsche Bank and Sal. Oppenheim. PWM's Asia/Pacific growth strategy is aligned to Deutsche Bank's management agenda with organic growth through hiring and intensified co-operation with CIB. In Asia/Pacific as well as in Americas it is planned to further capitalize on organic growth momentum and thereby target top three market position in Asia/Pacific and top five in Americas. In Europe (except home market) productivity is expected to be further improved and top five market position in Middle East and Russia and Eastern Europe (REE) is targeted. The Sal. Oppenheim integration and positioning within Deutsche Bank Group delivered positive results in 2011 and Sal. Oppenheim should perform well in 2012 and beyond. In various regions, IT and process improvements are planned to enable growth initiatives and to improve cost efficiency.

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.

Private & Business Clients

For countries Private & Business Clients (PBC) operates in the overall macro-economic outlook is mixed. GDP growth in the home market Germany has a slightly positive outlook for 2012 and even better outlook for 2013, while the GDP outlook for most of the European countries with PBC presences is rather flat or slightly negative. Asia, however, continues its resilient growth path. A further significant decline in economic growth might result in higher unemployment rates, increasing credit loss provisions and lower business growth.

PBC currently faces further uncertainties in its operating environment with respect to the development of investment product markets, especially depending on further progress of the European sovereign debt crisis. Continued low interest rates in 2012 might also negatively affect revenues in PBC.

The success of Private & Business Clients is based on a solid business model: With the combination of advisory banking and consumer banking PBC has built a leading position in its home market, Germany, accompanied by strong positions in other important European markets, and growth investments in key Asian countries.

In Advisory Banking Germany, we expect to be able to reinforce our market position, continuing our success in deposit gathering and low-risk mortgage production as well as strengthening our investment and insurance product business. With the ongoing organizational realignment we will seek to further enhance our value proposition and improve our delivery on customer preferences.

Postbank will further pursue its growth path in Consumer Banking in Germany while further reducing non-core risk positions. Deutsche Bank and Postbank together are expected to continue their successful realization of synergies on the revenue and cost side. Effects from the exercise of the mandatory exchangeable bond, the put/call option and a potential domination agreement might support the delivery of synergies in 2012.

However, the above mentioned economic risks are also relevant to the intensified 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 expected. These risks are mitigated to the extent possible by a bottom up revalidation of synergy measures with ongoing tracking and reporting to senior management.

Capitalizing on our advisory strength in Europe, we intend to further develop PBC's profitable franchise as an affluent proposition with a focus on wealthy regions. PBC's Asian growth option will be leveraged by the 19.99 % stake in Hua Xia Bank in China coupled with intensified cooperation, as well as further organic growth in India.

PBC is expected to continue on its growth path towards its € 3 billion income before income taxes ambition, envisaged to be realized after the completion of the full integration of Postbank.