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 in €	Other benefits 2011	Other benefits 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).

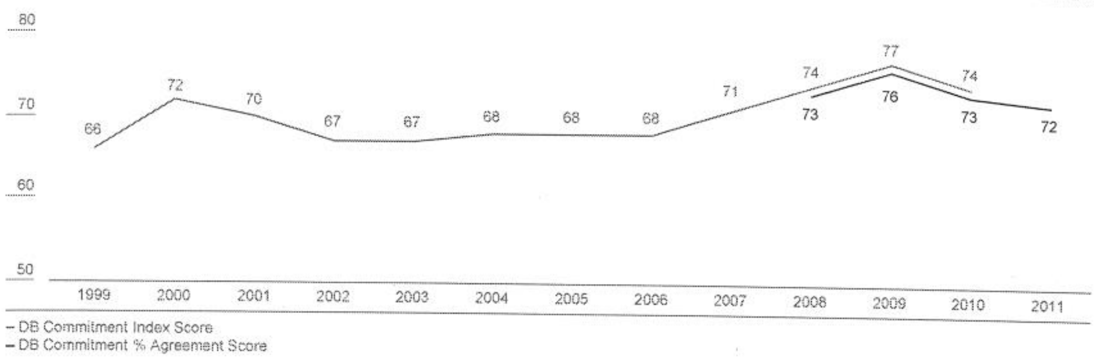
Declaration of the DAX 30

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 Group-wide 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 / %



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.

02 -

Consolidated Financial Statements

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Consolidated Statement of Income

in € m.	Notes	2011	2010	2009
Interest and similar income	6	34,878	28,779	26,953
Interest expense	6	17,433	13,196	14,494
Net interest income	6	17,445	**15,583**	**12,459**
Provision for credit losses	19	1,839	1,274	2,630
Net interest income after provision for credit losses		15,606	**14,309**	**9,829**
Commissions and fee income	7	11,544	10,669	8,911
Net gains on financial assets/liabilities at fair value through profit or loss	6	3,058	3,354	7,109
Net gains (losses) on financial assets available for sale	8	123	201	(403)
Net income (loss) from equity method investments	17	(264)	(2,004)	59
Other income (loss)	9	1,322	764	(183)
Total noninterest income		15,783	**12,984**	**15,493**
Compensation and benefits	33, 34	13,135	12,671	11,310
General and administrative expenses	10	12,657	10,133	8,402
Policyholder benefits and claims		207	485	542
Impairment of intangible assets	24	–	29	(134)
Restructuring activities		–	–	–
Total noninterest expenses		25,999	**23,318**	**20,120**
Income before income taxes		5,390	**3,975**	**5,202**
Income tax expense	35	1,064	1,645	244
Net income		4,326	**2,330**	**4,958**
Net income (loss) attributable to noncontrolling interests		194	20	(15)
Net income attributable to Deutsche Bank shareholders		4,132	2,310	4,973

Earnings per Common Share

in €	Notes	2011	2010	2009
Earnings per common share:[1]	**11**			
Basic		€ 4.45	€ 3.07	€ 7.21
Diluted[2]		€ 4.30	€ 2.92	€ 6.94
Number of shares in million:[1]				
Denominator for basic earnings per share – weighted-average shares outstanding		928.0	753.3	689.4
Denominator for diluted earnings per share – adjusted weighted-average shares after assumed conversions		957.3	790.8	716.7

1 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.
2 Includes numerator effect of assumed conversions. For further detail please see Note 11 "Earnings per Common Share".

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

in € m.	2011	2010	2009
Net income recognized in the income statement	4,326	**2,330**	**4,958**
Other comprehensive income			
Actuarial gains (losses) related to defined benefit plans, before tax[1]	707	**135**	**(792)**
Unrealized net gains (losses) on financial assets available for sale:[2]			
Unrealized net gains (losses) arising during the period, before tax	(697)	83	523
Net (gains) losses reclassified to profit or loss, before tax	(11)	39	556
Unrealized net gains (losses) on derivatives hedging variability of cash flows:[2]			
Unrealized net gains (losses) arising during the period, before tax	(141)	(78)	118
Net (gains) losses reclassified to profit or loss, before tax	3	4	6
Unrealized net gains (losses) on assets classified as held for sale, before tax[3]	25	(25)	–
Foreign currency translation:[2]			
Unrealized net gains (losses) arising during the period, before tax	1,291	920	40
Net (gains) losses reclassified to profit or loss, before tax	–	(6)	11
Unrealized net gains (losses) from equity method investments	(5)	(26)	85
Tax on net gains (losses) in other comprehensive income	75	211	(141)
Other comprehensive income, net of tax	1,247	**1,257**	**406**
Total comprehensive income, net of tax	5,573	**3,587**	**5,364**
Attributable to:			
Noncontrolling interests	155	4	(1)
Deutsche Bank shareholders	5,418	3,583	5,365

1 In the Consolidated Statement of Comprehensive Income, actuarial gains (losses) related to defined benefit plans, before tax are disclosed within other comprehensive income (loss) starting 2011. The corresponding deferred taxes are included in the position tax on net gains (losses) in other comprehensive income. The prior periods were adjusted accordingly. In the Consolidated Balance Sheet, actuarial gains (losses) related to defined benefit plans, net of tax, are recognized in retained earnings.
2 Excluding unrealized net gains (losses) from equity method investments.
3 Please refer to Note 25 "Non-Current Assets and Disposal Groups Held for Sale" for additional information.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet

in € m.	Notes	Dec 31, 2011	Dec 31, 2010
Assets:			
Cash and due from banks		15,928	17,157
Interest-earning deposits with banks		162,000	92,377
Central bank funds sold and securities purchased under resale agreements	20, 21	25,773	20,365
Securities borrowed	20, 21	31,337	28,916
Financial assets at fair value through profit or loss			
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		180,293	171,926
Total financial assets at fair value through profit or loss of which € 87 billion and € 91 billion were pledged to creditors and can be sold or repledged at December 31, 2011, and 2010, respectively	12, 14, 21, 36	1,280,799	1,100,997
Financial assets available for sale of which € 9 billion and € 4 billion were pledged to creditors and can be sold or repledged at December 31, 2011, and 2010, respectively	16, 20, 21	45,281	54,266
Equity method investments	17	3,759	2,608
Loans of which € 3 billion were pledged to creditors and can be sold or repledged each year ending December 31, 2011 and 2010	18, 19	412,514	407,729
Property and equipment	22	5,509	5,802
Goodwill and other intangible assets	24	15,802	15,594
Other assets	25, 26	154,794	149,229
Assets for current tax	35	1,870	2,249
Deferred tax assets	35	8,737	8,341
Total assets		2,164,103	**1,905,630**
Liabilities and equity:			
Deposits	27	601,730	533,984
Central bank funds purchased and securities sold under repurchase agreements	20, 21	35,311	27,922
Securities loaned	20, 21	8,089	3,276
Financial liabilities at fair value through profit or loss	12, 14, 36		
Trading liabilities		63,886	68,859
Negative market values from derivative financial instruments[1]		838,817	647,195
Financial liabilities designated at fair value through profit or loss		118,318	130,154
Investment contract liabilities		7,426	7,898
Total financial liabilities at fair value through profit or loss		1,028,447	854,106
Other short-term borrowings	30	65,356	64,990
Other liabilities	25, 26	187,816	181,827
Provisions	19, 28	2,621	2,204
Liabilities for current tax	35	2,524	2,736
Deferred tax liabilities	35	1,789	2,307
Long-term debt	31	163,416	169,660
Trust preferred securities	31	12,344	12,250
Total liabilities		2,109,443	**1,855,262**
Common shares, no par value, nominal value of € 2.56	32	2,380	2,380
Additional paid-in capital		23,695	23,515
Retained earnings[1]		30,119	25,975
Common shares in treasury, at cost	32	(823)	(450)
Accumulated other comprehensive income, net of tax		(1,981)	(2,601)
Total shareholders' equity		53,390	**48,819**
Noncontrolling interests		1,270	1,549
Total equity		54,660	**50,368**
Total liabilities and equity		2,164,103	**1,905,630**

[1] The initial acquisition accounting for ABN AMRO, which was finalized at March 31, 2011, resulted in a retrospective adjustment of retained earnings of € (24) million for December 31, 2010.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

in € m.	Common shares (no par value)	Additional paid-in capital	Retained earnings[1]	Common shares in treasury, at cost	Equity classified as obligation to purchase common shares
Balance as of December 31, 2008	**1,461**	**14,961**	**20,074**	**(939)**	**(3)**
Total comprehensive income, net of tax[2]	–	–	4,973	–	–
Common shares issued	128	830	–	–	–
Cash dividends paid	–	–	(309)	–	–
Actuarial gains (losses) related to defined benefit plans, net of tax	–	–	(679)	–	–
Net change in share awards in the reporting period	–	(688)	–	–	–
Treasury shares distributed under share-based compensation plans	–	–	–	1,313	–
Tax benefits related to share-based compensation plans	–	35	–	–	–
Additions to Equity classified as obligation to purchase common shares	–	–	–	–	(5)
Deductions from Equity classified as obligation to purchase common shares	–	–	–	–	8
Option premiums and other effects from options on common shares	–	(149)	–	–	–
Purchases of treasury shares	–	–	–	(19,238)	–
Sale of treasury shares	–	–	–	18,816	–
Net gains (losses) on treasury shares sold	–	(177)	–	–	–
Other	–	18	(3)	–	–
Balance as of December 31, 2009	**1,589**	**14,830**	**24,056**	**(48)**	**–**
Total comprehensive income, net of tax[2]	–	–	2,286	–	–
Common shares issued	791	9,413	–	–	–
Cash dividends paid	–	–	(465)	–	–
Actuarial gains (losses) related to defined benefit plans, net of tax	–	–	94	–	–
Net change in share awards in the reporting period	–	(296)	–	–	–
Treasury shares distributed under share-based compensation plans	–	–	–	1,439	–
Tax benefits related to share-based compensation plans	–	(11)	–	–	–
Additions to Equity classified as obligation to purchase common shares	–	–	–	–	(93)
Deductions from Equity classified as obligation to purchase common shares	–	–	–	–	93
Option premiums and other effects from options on common shares	–	(115)	–	–	–
Purchases of treasury shares	–	–	–	(15,366)	–
Sale of treasury shares	–	–	–	13,525	–
Net gains (losses) on treasury shares sold	–	–	–	–	–
Other	–	(306)	4	–	–
Balance as of December 31, 2010	**2,380**	**23,515**	**25,975**	**(450)**	**–**
Total comprehensive income, net of tax[2]	–	–	4,132	–	–
Common shares issued	–	–	–	–	–
Cash dividends paid	–	–	(691)	–	–
Actuarial gains (losses) related to defined benefit plans, net of tax	–	–	666	–	–
Net change in share awards in the reporting period	–	153	–	–	–
Treasury shares distributed under share-based compensation plans	–	–	–	1,108	–
Tax benefits related to share-based compensation plans	–	(76)	–	–	–
Additions to Equity classified as obligation to purchase common shares	–	–	–	–	–
Deductions from Equity classified as obligation to purchase common shares	–	–	–	–	–
Option premiums and other effects from options on common shares	–	(131)	–	–	–
Purchases of treasury shares	–	–	–	(13,781)	–
Sale of treasury shares	–	–	–	12,300	–
Net gains (losses) on treasury shares sold	–	(32)	–	–	–
Other	–	266	37	–	–
Balance as of December 31, 2011	**2,380**	**23,695**	**30,119**	**(823)**	**–**

[1] The initial acquisition accounting for ABN AMRO, which was finalized at March 31, 2011, resulted in a retrospective adjustment of retained earnings of € (24) million for December 31, 2010.
[2] Excluding actuarial gains (losses) related to defined benefit plans, net of tax.

Unrealized net gains (losses) on financial assets available for sale, net of applicable tax and other[3]	Unrealized net gains (losses) on derivatives hedging variability of cash flows, net of tax[3]	Unrealized net gains (losses) on assets classified as held for sale, net of tax	Foreign currency translation, net of tax[3]	Unrealized net gains (losses) from equity method investments	Accumulated other comprehensive income, net of tax[2]	Total shareholders' equity	Noncontrolling interests	Total equity
(855)	**(346)**	**–**	**(3,628)**	**(22)**	**(4,851)**	**30,703**	**1,211**	**31,914**
669	212	–	107	83	1,071	6,044	(1)	6,043
–	–	–	–	–	–	958	–	958
–	–	–	–	–	–	(309)	–	(309)
–	–	–	–	–	–	(679)	–	(679)
–	–	–	–	–	–	(688)	–	(688)
–	–	–	–	–	–	1,313	–	1,313
–	–	–	–	–	–	35	–	35
–	–	–	–	–	–	(5)	–	(5)
–	–	–	–	–	–	8	–	8
–	–	–	–	–	–	(149)	–	(149)
–	–	–	–	–	–	(19,238)	–	(19,238)
–	–	–	–	–	–	18,816	–	18,816
–	–	–	–	–	–	(177)	–	(177)
–	–	–	–	–	–	15	112	127
(186)	**(134)**	**–**	**(3,521)**	**61**	**(3,780)**	**36,647**	**1,322**	**37,969**
73	(45)	(11)	1,188	(26)	1,179	3,465	(8)	3,457
–	–	–	–	–	–	10,204	–	10,204
–	–	–	–	–	–	(465)	–	(465)
–	–	–	–	–	–	94	12	106
–	–	–	–	–	–	(296)	–	(296)
–	–	–	–	–	–	1,439	–	1,439
–	–	–	–	–	–	(11)	–	(11)
–	–	–	–	–	–	(93)	–	(93)
–	–	–	–	–	–	93	–	93
–	–	–	–	–	–	(115)	–	(115)
–	–	–	–	–	–	(15,366)	–	(15,366)
–	–	–	–	–	–	13,525	–	13,525
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(302)	223	(79)
(113)	**(179)**	**(11)**	**(2,333)**	**35**	**(2,601)**	**48,819**	**1,549**	**50,368**
(504)	(47)	11	1,167	(7)	620	4,752	162	4,914
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(691)	–	(691)
–	–	–	–	–	–	666	(7)	659
–	–	–	–	–	–	153	–	153
–	–	–	–	–	–	1,108	–	1,108
–	–	–	–	–	–	(76)	–	(76)
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(131)	–	(131)
–	–	–	–	–	–	(13,781)	–	(13,781)
–	–	–	–	–	–	12,300	–	12,300
–	–	–	–	–	–	(32)	–	(32)
–	–	–	–	–	–	303	(434)	(131)
(617)	**(226)**	**–**	**(1,166)**	**28**	**(1,981)**	**53,390**	**1,270**	**54,660**

3 Excluding unrealized net gains (losses) from equity method investments.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

in € m.	2011	2010	2009
Net income	4,326	2,330	4,958
Cash flows from operating activities:			
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for credit losses	1,839	1,274	2,630
Restructuring activities	–	–	–
Gain on sale of financial assets available for sale, equity method investments, and other	(841)	(363)	(656)
Deferred income taxes, net	(367)	315	(296)
Impairment, depreciation and other amortization, and accretion	3,697	4,255	1,782
Share of net income from equity method investments	(222)	(457)	(189)
Income adjusted for noncash charges, credits and other items	8,412	7,354	8,229
Adjustments for net change in operating assets and liabilities:			
Interest-earning time deposits with banks	(53,427)	(34,806)	4,583
Central bank funds sold, securities purchased under resale agreements, securities borrowed	(8,202)	26,368	(4,203)
Financial assets designated at fair value through profit or loss	(11,582)	(24,502)	24,890
Loans	(7,092)	(2,823)	17,213
Other assets	(17,962)	(5,894)	21,960
Deposits	66,168	22,656	(57,330)
Financial liabilities designated at fair value through profit or loss and investment contract liabilities	(8,389)	53,450	(7,061)
Central bank funds purchased, securities sold under repurchase agreements, securities loaned	12,622	(40,709)	(40,644)
Other short-term borrowings	1,689	18,509	2,592
Other liabilities	21,476	2,851	(15,645)
Senior long-term debt	(5,991)	(3,457)	(7,150)
Trading assets and liabilities, positive and negative market values from derivative financial instruments, net[1]	10,558	(17,664)	40,023
Other, net	(478)	(5,009)	(1,243)
Net cash provided by (used in) operating activities	7,802	(3,676)	(13,786)
Cash flows from investing activities:			
Proceeds from:			
Sale of financial assets available for sale	21,948	10,652	9,023
Maturities of financial assets available for sale	10,635	4,181	8,938
Sale of equity method investments	336	250	574
Sale of property and equipment	101	108	39
Purchase of:			
Financial assets available for sale	(19,606)	(14,087)	(12,082)
Equity method investments	(602)	(145)	(3,730)
Property and equipment	(794)	(873)	(592)
Net cash received in (paid for) business combinations/divestitures	348	8,580	(20)
Other, net	(451)	(1,189)	(1,749)
Net cash provided by (used in) investing activities	11,915	7,477	401
Cash flows from financing activities:			
Issuances of subordinated long-term debt	76	1,341	457
Repayments and extinguishments of subordinated long-term debt	(715)	(229)	(1,448)
Issuances of trust preferred securities	37	90	1,303
Repayments and extinguishments of trust preferred securities	(45)	(51)	–
Capital increase	–	10,060	–
Purchases of treasury shares	(13,781)	(15,366)	(19,238)
Sale of treasury shares	12,229	13,519	18,111
Dividends paid to noncontrolling interests	(4)	(7)	(5)
Net change in noncontrolling interests	(266)	200	109
Cash dividends paid	(691)	(465)	(309)
Net cash provided by (used in) financing activities	(3,160)	9,092	(1,020)
Net effect of exchange rate changes on cash and cash equivalents	(964)	1,911	690
Net increase (decrease) in cash and cash equivalents	15,593	14,804	(13,715)
Cash and cash equivalents at beginning of period	66,353	51,549	65,264
Cash and cash equivalents at end of period	81,946	66,353	51,549
Net cash provided by (used in) operating activities include			
Income taxes paid (received), net	1,327	784	(520)
Interest paid	17,743	13,740	15,878
Interest and dividends received	35,216	29,456	28,211
Cash and cash equivalents comprise			
Cash and due from banks	15,928	17,157	9,346
Interest-earning demand deposits with banks (not included: time deposits of € 95,982 m. as of December 31, 2011, and € 43,181 m. and € 5,030 m. as of December 31, 2010 and 2009)	66,018	49,196	42,203
Total	81,946	66,353	51,549

[1] The initial acquisition accounting for ABN AMRO, which was finalized at March 31, 2011, resulted in a retrospective adjustment of retained earnings of € (24) million for December 31, 2010.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

01 – Significant Accounting Policies

Basis of Accounting

Deutsche Bank Aktiengesellschaft ("Deutsche Bank" or the "Parent") is a stock corporation organized under the laws of the Federal Republic of Germany. Deutsche Bank together with all entities in which Deutsche Bank has a controlling financial interest (the "Group") is a global provider of a full range of corporate and investment banking, private clients and asset management products and services. For a discussion of the Group's business segment information, see Note 05 "Business Segments and Related Information".

The accompanying consolidated financial statements are stated in euros, the presentation currency of the Group. All financial information presented in million euros has been rounded to the nearest million. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). The Group's application of IFRS results in no differences between IFRS as issued by the IASB and IFRS as endorsed by the EU.

Risk disclosures under IFRS 7, "Financial Instruments: Disclosures" about the nature and extent of risks arising from financial instruments are incorporated herein by reference to the portions marked by a bracket in the margins of the Risk Report.

The preparation of financial statements under IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. Areas where this is required include the fair value of certain financial assets and liabilities, the reclassification of financial assets, the impairment of loans and provision for off-balance-sheet positions, the impairment of other financial assets and non-financial assets, the recognition and measurement of deferred tax assets, and the accounting for legal and regulatory contingencies and uncertain tax positions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Refer to Note 02 "Critical Accounting Estimates" for a description of the critical accounting estimates and judgments used in the preparation of the financial statements.

Valuation Approach for Collateralized Derivative Contracts

In the second quarter 2011, the Group's valuation approach for substantially all of its collateralized derivative contracts moved to using the overnight indexed swap (OIS) curve in order to more consistently manage the interest rate and funding risks associated with collateralized derivatives in line with their pricing. This change in approach to OIS did not have a material impact on the Group's consolidated financial statements in 2011.

Assignment of Revenue Components in CIB

The presentation of prior period CIB revenues was adjusted during the first half of 2010 following a review of the assignment of specific revenue components to the product categories. The review resulted in a transfer of negative revenues of € 325 million from Loan Products to Sales & Trading (debt and other products) in 2009. In addition, Sales & Trading (equity) revenues were reduced by € 83 million in 2009, with corresponding offsetting effects in Sales & Trading (debt and other products). These adjustments had no impact on CIB's total revenues.

Assignment of Revenue Components in PCAM

The presentation of PCAM product revenues was modified in the first quarter 2011 following a review of the assignment of specific revenue components to the product components. In order to facilitate comparability, revenues of € 73 million and € 70 million were transferred from credit products to deposits and payment services in 2010 and 2009, respectively. This adjustment had no impact on PCAM's total revenues.

Insurance

In the second quarter 2010, the Group changed the presentation of the fees and net settlements associated with longevity insurance and reinsurance contracts. It was determined that the net presentation of cash flows under individual longevity insurance and reinsurance contracts reflected the actual settlement of those cash flows and therefore better reflected the nature of such contracts. This change in presentation resulted in a transfer of € 102 million of expenses from Other income to Policyholder benefits and claims in 2011, and an amount of € 117 million in 2010.

Software Amortization Periods

Since the second quarter 2010, the Group has applied amortization periods of five or ten years for capitalized costs relating to certain purchased or internally developed software for which prior amortization period was three years. The change did not have a material impact on the Group's consolidated financial statements in the periods presented and also will not have a material impact on future periods.

Allowance for Loan Losses

The Group applies estimates in determining the allowance for loan losses in its homogeneous loan portfolio which use statistical models based on historical experience. On a regular basis the Group performs procedures to align input parameters and model assumptions with historically evidenced loss levels. Alignment of input parameters and model assumptions in 2010 and 2009 led to a lower level of provisions for credit losses of € 28 million and € 145.8 million in 2010 and 2009, respectively. No such alignments were made in 2011.

Change in the Functional Currency of a Significant Operation

On January 1, 2010, the functional currency of Deutsche Bank Aktiengesellschaft, London Branch ("London Branch") and certain other London-based subsidiaries was changed from pound sterling to euro.

These entities' functional currency had previously been determined to be pound sterling on the basis that the currency of their primary economic environment was based on pound sterling. However during 2009 it was determined that the London Branch's operating environment, mix of business and balance sheet composition had gradually changed over time. To better reflect this change, London Branch management undertook to manage their operations in euro from January 1, 2010. To implement this decision, procedures were put in place for London Branch to hedge all non-euro exposures, sell profits into euro and report internally in euro.

The effect of the change in functional currency to euro was applied prospectively in these consolidated financial statements. The Group translated all items into the new functional currency using the exchange rate as at January 1, 2010. Exchange differences arising from the translation of the foreign operation previously recorded in other comprehensive income were not reclassified to profit or loss and remain in other comprehensive income until the entities are disposed of or sold.

Significant Accounting Policies

The following is a description of the significant accounting policies of the Group. Other than as previously described, these policies have been consistently applied for 2009, 2010 and 2011.

Principles of Consolidation

The financial information in the consolidated financial statements includes that for the parent company, Deutsche Bank AG, together with its subsidiaries, including certain special purpose entities ("SPEs"), presented as a single economic unit.

Subsidiaries

The Group's subsidiaries are those entities which it controls. The Group controls entities when it has the power to govern the financial and operating policies of the entity, generally accompanying a shareholding, either directly or indirectly, of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls an entity.

The Group sponsors the formation of SPEs and interacts with non-sponsored SPEs for a variety of reasons, including allowing clients to hold investments in separate legal entities, allowing clients to invest jointly in alternative assets, for asset securitization transactions, and for buying or selling credit protection. When assessing whether to consolidate an SPE, the Group evaluates a range of factors, including whether (1) the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains the benefits from the SPE's operations, (2) the Group has decision-making powers to obtain the majority of the benefits, (3) the Group obtains the majority of the benefits of the activities of the SPE, or (4) the Group retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities.

The consolidation assessment considers the exposures that both Deutsche Bank and third parties have in relation to the SPE via derivatives, debt and equity instruments and other instruments. The Group consolidates an SPE if an assessment of the relevant factors indicates that it controls the SPE.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group reassesses consolidation status at least at every quarterly reporting date. Therefore, any changes in structure are considered when they occur. This includes changes to any contractual arrangements the Group has, including those newly executed with the entity, and is not only limited to changes in ownership.

The Group reassesses its treatment of SPEs for consolidation when there is an overall change in the SPE's arrangements or when there has been a substantive change in the relationship between the Group and an SPE. The circumstances that would indicate that a reassessment for consolidation is necessary include, but are not limited to, the following:

- substantive changes in ownership of the SPE, such as the purchase of more than an insignificant additional interest or disposal of more than an insignificant interest in the SPE;
- changes in contractual or governance arrangements of the SPE;
- additional activities undertaken in the structure, such as providing a liquidity facility beyond the terms established originally or entering into a transaction with an SPE that was not contemplated originally; and
- changes in the financing structure of the entity.

In addition, when the Group concludes that the SPE might require additional support to continue in business, and such support was not contemplated originally, and, if required, the Group would provide such support for reputational or other reasons, the Group reassesses the need to consolidate the SPE.

The reassessment of control over the existing SPEs does not automatically lead to consolidation or deconsolidation. In making such a reassessment, the Group may need to change its assumptions with respect to loss probabilities, the likelihood of additional liquidity facilities being drawn in the future and the likelihood of future actions being taken for reputational or other purposes. All currently available information, including current market parameters and expectations (such as loss expectations on assets), which would incorporate any market changes since inception of the SPE, is used in the reassessment of consolidation conclusions.

All intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation. Consistent accounting policies are applied throughout the Group for the purposes of consolidation. Issuances of a subsidiary's stock to third parties are treated as noncontrolling interests.

At the date that control of a subsidiary is lost, the Group a) derecognizes the assets (including attributable goodwill) and liabilities of the subsidiary at their carrying amounts, b) derecognizes the carrying amount of any noncontrolling interests in the former subsidiary (including any components in accumulated other comprehensive income attributable to the subsidiary), c) recognizes the fair value of the consideration received and any distribution of the shares of the subsidiary, d) recognizes any investment retained in the former subsidiary at its fair value and e) recognizes any resulting difference of the above items as a gain or loss in the income statement. Any amounts recognized in prior periods in other comprehensive income in relation to that subsidiary would be reclassified to the consolidated statement of income at the date that control is lost.

Assets held in an agency or fiduciary capacity are not assets of the Group and are not included in the Group's consolidated balance sheet.

Business Combinations and Noncontrolling Interests

The Group uses the acquisition method to account for business combinations. At the date the Group obtains control of the subsidiary, the cost of an acquisition is measured at the fair value of the consideration given, including any cash or non cash consideration (equity instruments) transferred, any contingent consideration, any previously held equity interest in the acquiree and liabilities incurred or assumed. The excess of the aggregate of the cost of an acquisition and any noncontrolling interest in the acquiree over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the aggregate of the acquisition cost and any noncontrolling interest is below the fair value of the identifiable net assets (negative goodwill), a gain may be reported in other income. Acquisition-related costs are recognized as expenses in the period in which they are incurred.

The accounting at the acquisition date may be based on provisional amounts. Adjustments to the provisional amounts are made by the Group if new information about facts and circumstances that existed at the acquisition date is obtained within one year (referred to as the measurement period) which, if known, would have affected the amounts initially recognized. Where a measurement period adjustment is identified, the Group adjusts the fair values of identifiable assets and liabilities and goodwill in the measurement period as if the accounting for the business combination had been completed at the acquisition date. Comparative information for prior periods presented in financial statements is accordingly revised if the acquisition date relates to prior reporting periods. The effects of measurement period adjustments may also cause changes in depreciation and amortization recognized in prior periods.

In business combinations achieved in stages ("step acquisitions"), a previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts recognized in prior periods in other comprehensive income associated with the previously held investment would be reclassified to the consolidated statement of income at the date that control is obtained, as if the Group had disposed of the previously held equity interest.

Noncontrolling interests are shown in the consolidated balance sheet as a separate component of equity, which is distinct from the Group's shareholders' equity. The net income attributable to noncontrolling interests is separately disclosed on the face of the consolidated statement of income. Changes in the ownership interest in subsidiaries which do not result in a change of control are treated as transactions between equity holders and are reported in additional paid-in capital (APIC).

Associates and Jointly Controlled Entities

An associate is an entity in which the Group has significant influence, but not a controlling interest, over the operating and financial management policy decisions of the entity. Significant influence is generally presumed when the Group holds between 20 % and 50 % of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group has significant influence. Among the other factors that are considered in determining whether the Group has significant influence are representation on the board of directors (supervisory board in the case of German stock corporations) and material intercompany transactions. The existence of these factors could require the application of the equity method of accounting for a particular investment even though the Group's investment is less than 20 % of the voting stock.

A jointly controlled entity exists when the Group has a contractual arrangement with one or more parties to undertake activities through entities which are subject to joint control.

Investments in associates and jointly controlled entities are accounted for under the equity method of accounting. The Group's share of the results of associates and jointly controlled entities is adjusted to conform to the accounting policies of the Group and are reported in the consolidated statement of income as net income (loss) from equity method investments. The Group's share in the associate's profits and losses resulting from intercompany sales is eliminated on consolidation.

If the Group previously held an equity interest in an entity (for example, as available for sale) and subsequently gained significant influence, the previously held equity interest held is remeasured to fair value and any gain or loss is recognized in the consolidated statement of income. Any amounts previously recognized in other comprehensive income associated with the equity interest would be reclassified to the consolidated statement of income at the date the Group gains significant influence, as if the Group had disposed of the previously held equity interest.

Under the equity method of accounting, the Group's investments in associates and jointly controlled entities are initially recorded at cost including any directly related transaction costs incurred in acquiring the associate, and subsequently increased (or decreased) to reflect both the Group's pro-rata share of the post-acquisition net income (or loss) of the associate or jointly controlled entity and other movements included directly in the equity of the associate or jointly controlled entity. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included in the carrying value of the investment (net of any accumulated impairment loss). As goodwill is not reported separately it is not specifically tested for impairment. Rather, the entire equity method investment is tested for impairment.

At each balance sheet date, the Group assesses whether there is any objective evidence that the investment in an associate or jointly controlled entity is impaired. If there is objective evidence of an impairment, an impairment test is performed by comparing the investment's recoverable amount, which is the higher of its value in use and fair value less costs to sell, with its carrying amount. An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If this is the case the carrying amount of the investment is increased to its higher recoverable amount. That increase is a reversal of an impairment loss.

Equity method losses in excess of the Group's carrying value of the investment in the entity are charged against other assets held by the Group related to the investee. If those assets are written down to zero, a determination is made whether to report additional losses based on the Group's obligation to fund such losses.

At the date that the Group ceases to have significant influence over the associate or jointly controlled entity the Group recognizes a gain or loss on the disposal of the equity method investment equal to the difference between the sum of the fair value of any retained investment and the proceeds from disposing of the associate and the then carrying amount of the investment. Amounts recognized in prior periods in other comprehensive income in relation to the associate or jointly controlled entity would be reclassified to the consolidated statement of income.

Any retained investment is accounted for as a financial instrument as described in the section entitled "Financial Assets and Liabilities" as follows.

Non-Current Assets Held for Sale and Discontinued Operations

Individual non-current non-financial assets (and disposal groups) are classified as held for sale if they are available for immediate sale in their present condition subject only to the customary sales terms of such assets (and disposal groups) and their sale is considered highly probable. For a sale to be highly probable, management must be committed to a sales plan and actively looking for a buyer. Furthermore, the assets (and disposal groups) must be actively marketed at a reasonable sales price in relation to their current fair value and the sale should be expected to be completed within one year. Non-current non-financial assets (and disposal groups) which meet the criteria for held for sale classification are measured at the lower of their carrying amount and fair value less costs to sell and are presented within "Other assets" and "Other liabilities" in the balance sheet. The comparatives are not re-presented when non-current assets (and disposal groups) are classified as held for sale. If the disposal group contains financial instruments, no adjustment to their carrying amounts is permitted.

Discontinued operations are presented separately in the income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale. Net income (loss) from discontinued operations includes the net total of net income (loss) before tax from discontinued operations and discontinued operations tax expense. Similarly the net cash flows attributable to the operating, investing and financing activities of discontinued operations have to be presented separately. The comparative income statement and cash flow information is re-presented for discontinued operations.

Foreign Currency Translation

The consolidated financial statements are prepared in euros, which is the presentation currency of the Group. Various entities in the Group use a different functional currency, being the currency of the primary economic environment in which the entity operates.

An entity records foreign currency revenues, expenses, gains and losses in its functional currency using the exchange rates prevailing at the dates of recognition.

Monetary assets and liabilities denominated in currencies other than the entity's functional currency are translated at the period end closing rate. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized in the consolidated statement of income as net gains (losses) on financial assets/liabilities at fair value through profit or loss in order to align the translation amounts with those recognized from foreign currency related transactions (derivatives) which hedge these monetary assets and liabilities.

Nonmonetary items that are measured at historical cost are translated using the historical exchange rate at the date of the transaction. Translation differences on nonmonetary items which are held at fair value through profit or loss are recognized in profit or loss. Translation differences on available for sale nonmonetary items (equity securities) are included in other comprehensive income. Once the available for sale nonmonetary item is sold, the related cumulative translation difference is transferred to the consolidated statement of income as part of the overall gain or loss on sale of the item.

For purposes of translation into the presentation currency, assets, liabilities and equity of foreign operations are translated at the period end closing rate, and items of income and expense are translated into euro at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate actual rates. The exchange differences arising on the translation of a foreign operation are included in other comprehensive income. For foreign operations that are subsidiaries the amount of exchange differences attributable to any noncontrolling interest is recognized in noncontrolling interests.

Upon disposal of a foreign subsidiary and associate (which results in loss of control or significant influence over that operation) the total cumulative exchange differences recognized in other comprehensive income are reclassified to profit or loss.

Upon partial disposal of a foreign operation that is a subsidiary and which does not result in loss of control, the proportionate share of cumulative exchange differences is reclassified from other comprehensive income to noncontrolling interests as this is deemed a transaction with equity holders. For a partial disposal of an associate which does not result in a loss of significant influence, the proportionate share of cumulative exchange differences is reclassified from other comprehensive income to profit or loss.

Interest, Fees and Commissions

Revenue is recognized when the amount of revenue and associated costs can be reliably measured, it is probable that economic benefits associated with the transaction will be realized, and the stage of completion of the transaction can be reliably measured. This concept is applied to the key revenue generating activities of the Group as follows.

Net Interest Income – Interest from all interest-bearing assets and liabilities is recognized as net interest income using the effective interest method. The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs, and all other premiums or discounts.

Once an impairment loss has been recognized on a loan or available for sale debt security financial asset, although the accrual of interest in accordance with the contractual terms of the instrument is discontinued, interest income is recognized based on the rate of interest that was used to discount future cash flows for the purpose of measuring the impairment loss. For a loan this would be the original effective interest rate, but a new effective interest rate would be established each time an available for sale debt security is impaired as impairment is measured to fair value and would be based on a current market rate.

When financial assets are reclassified from trading or available for sale to loans a new effective interest rate is established based on the fair value at the date of the reclassification and on a best estimate of future expected cash flows.

Commission and Fee Income – The recognition of fee revenue (including commissions) is determined by the purpose of the fees and the basis of accounting for any associated financial instruments. If there is an associated financial instrument, fees that are an integral part of the effective interest rate of that financial instrument are included within the effective yield calculation. However, if the financial instrument is carried at fair value through profit or loss, any associated fees are recognized in profit or loss when the instrument is initially recognized, provided there are no significant unobservable inputs used in determining its fair value. Fees earned from services that are provided over a specified service period are recognized over that service period. Fees earned for the completion of a specific service or significant event are recognized when the service has been completed or the event has occurred.

Loan commitment fees related to commitments that are not accounted for at fair value through profit or loss are recognized in commissions and fee income over the life of the commitment if it is unlikely that the Group will enter into a specific lending arrangement. If it is probable that the Group will enter into a specific lending arrangement, the loan commitment fee is deferred until the origination of a loan and recognized as an adjustment to the loan's effective interest rate.

Performance-linked fees or fee components are recognized when the performance criteria are fulfilled.

The following fee income is predominantly earned from services that are provided over a period of time: investment fund management fees, fiduciary fees, custodian fees, portfolio and other management and advisory fees, credit-related fees and commission income. Fees predominantly earned from providing transaction-type services include underwriting fees, corporate finance fees and brokerage fees.

Expenses that are directly related and incremental to the generation of fee income are presented net in Commissions and Fee Income.

Arrangements involving multiple services or products – If the Group contracts to provide multiple products, services or rights to a counterparty, an evaluation is made as to whether an overall fee should be allocated to the different components of the arrangement for revenue recognition purposes. Structured trades executed by the Group are the principal example of such arrangements and are assessed on a transaction by transaction basis. The assessment considers the value of items or services delivered to ensure that the Group's continuing involvement in other aspects of the arrangement are not essential to the items delivered. It also assesses the value of items not yet delivered and, if there is a right of return on delivered items, the probability of future delivery of remaining items or services. If it is determined that it is appropriate to look at the arrangements as separate components, the amounts received are allocated based on the relative value of each component.

If there is no objective and reliable evidence of the value of the delivered item or an individual item is required to be recognized at fair value then the residual method is used. The residual method calculates the amount to be recognized for the delivered component as being the amount remaining after allocating an appropriate amount of revenue to all other components.

Financial Assets and Liabilities

The Group classifies its financial assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans, financial assets available for sale ("AFS") and other financial liabilities. The Group does not classify any financial instruments under the held-to-maturity category. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated balance sheet.

Financial instruments classified at fair value through profit or loss and financial assets classified as AFS are recognized on trade date, which is the date on which the Group commits to purchase or sell the asset or issue or repurchase the financial liability. All other financial instruments are recognized on a settlement date basis.

Financial Assets and Liabilities at Fair Value through Profit or Loss

The Group classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through profit or loss. They are carried at fair value and presented as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, respectively. Related realized and unrealized gains and losses are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss. Interest on interest earning assets such as trading loans and debt securities and dividends on equity instruments are presented in interest and similar income for financial instruments at fair value through profit or loss.

Trading Assets and Liabilities – Financial instruments are classified as held for trading if they have been originated, acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Also included in this category are physical commodities held by the Group's commodity trading business, at fair value less costs to sell.

Financial Instruments Designated at Fair Value through Profit or Loss – Certain financial assets and liabilities that do not meet the definition of trading assets and liabilities are designated at fair value through profit or loss using the fair value option. To be designated at fair value through profit or loss, financial assets and liabilities must meet one of the following criteria: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency; (2) a group of financial assets or liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless: (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or (b) it is clear with little or no analysis that separation is prohibited. In addition, the Group allows the fair value option to be designated only for those financial instruments for which a reliable estimate of fair value can be obtained.

Loan Commitments

Certain loan commitments are designated at fair value through profit or loss under the fair value option. As indicated under the discussion of "Derivatives and Hedge Accounting", some loan commitments are classified as financial liabilities at fair value through profit or loss. All other loan commitments remain off-balance sheet. Therefore, the Group does not recognize and measure changes in fair value of these off-balance sheet loan commitments that result from changes in market interest rates or credit spreads. However, as specified in the discussion "Impairment of loans and provision for off-balance sheet positions", these off-balance sheet loan commitments are assessed for impairment individually and, where appropriate, collectively.

Loans

Loans include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial assets AFS. An active market exists when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Loans not acquired in a business combination or in an asset purchase are initially recognized at their transaction price, which is the cash amount advanced to the borrower. In addition, the net of direct and incremental transaction costs and fees are included in the initial carrying amount of loans. These loans are subsequently measured at amortized cost using the effective interest method less impairment.

Loans which have been acquired as either part of a business combination or as an asset purchase are initially recognized at fair value at the acquisition date. The fair value at the acquisition date incorporates expected cash flows which consider the credit quality of these loans including any incurred losses. Interest income is recognized using the effective interest method. Subsequent to the acquisition date the Group assesses whether there is objective evidence of impairment in line with the policies described in the section entitled "Impairment of Loans and Provisions for Off Balance Sheet Positions". If the loans are determined to be impaired then a loan loss allowance is recognized with a corresponding charge to the provision for credit losses line in the consolidated statement of income. Any subsequent improvements in the credit quality of these loans is recognized immediately through an adjustment to the current carrying value and a corresponding gain is recognized in interest income.

Financial Assets Classified as Available for Sale

Financial assets that are not classified as at fair value through profit or loss or as loans are classified as AFS. A financial asset classified as AFS is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortization of premiums and accretion of discount are recorded in net interest income. Financial assets classified as AFS are carried at fair value with the changes in fair value reported in other comprehensive income, unless the asset is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in other income. For monetary financial assets classified as AFS (debt instruments), changes in carrying amounts relating to changes in foreign exchange rate are recognized in the consolidated statement of income and other changes in carrying amount are recognized in other comprehensive income as indicated above. For financial assets classified as AFS that are nonmonetary items (equity instruments), the gain or loss that is recognized in other comprehensive income includes any related foreign exchange component.

Financial assets classified as AFS are assessed for impairment as discussed in the section entitled "Impairment of financial assets classified as Available for Sale". Realized gains and losses are reported in net gains (losses) on financial assets available for sale. Generally, the weighted-average cost method is used to determine the cost of financial assets. Unrealized gains and losses recorded in other comprehensive income are transferred to the consolidated statement of income on disposal of an available for sale asset and reported in net gains (losses) on financial assets available for sale.

Financial Liabilities

Except for financial liabilities at fair value through profit or loss, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities include long-term and short-term debt issued which are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Repurchases of issued debt in the market are treated as extinguishments and any related gain or loss is recorded in the consolidated statement of income. A subsequent sale of own bonds in the market is treated as a reissuance of debt.

Reclassification of Financial Assets

The Group may reclassify certain financial assets out of the financial assets at fair value through profit or loss classification (trading assets) and the AFS classification into the loans classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no single specific period that defines foreseeable future. Rather, it is a matter requiring management judgment. In exercising this judgment, the Group established the following minimum requirements for what constitutes foreseeable future. At the time of reclassification,

- there must be no intent to dispose of the asset through sale or securitization within one year and no internal or external requirement that would restrict the Group's ability to hold or require sale; and
- the business plan going forward should not be to profit from short-term movements in price.

Financial assets proposed for reclassification which meet these criteria are considered based on the facts and circumstances of each financial asset under consideration. A positive management assertion is required after taking into account the ability and plausibility to execute the strategy to hold.

In addition to the above criteria the Group also requires that persuasive evidence exists to assert that the expected repayment of the asset exceeds the estimated fair value and the returns on the asset will be optimized by holding it for the foreseeable future.

Financial assets are reclassified at their fair value at the reclassification date. Any gain or loss already recognized in the consolidated statement of income is not reversed. The fair value of the instrument at reclassification date becomes the new amortized cost of the instrument. The expected cash flows on the financial instruments are estimated at the reclassification date and these estimates are used to calculate a new effective interest rate for the instruments. If there is a subsequent increase in expected future cash flows on reclassified assets as a result of increased recoverability, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate. If there is a subsequent decrease in expected future cash flows the asset would be assessed for impairment as discussed in the section entitled "Impairment of Loans and Provision for Off-Balance Sheet Positions". Any change in the timing of the cash flows of reclassified assets which are not deemed impaired are recorded as an adjustment to the carrying amount of the asset.

For instruments reclassified from AFS to loans any unrealized gain or loss recognized in other comprehensive income is subsequently amortized into interest income using the effective interest rate of the instrument. If the instrument is subsequently impaired any unrealized loss which is held in accumulated other comprehensive income for that instrument at that date is immediately recognized in the consolidated statement of income as a loan loss provision.

To the extent that assets categorized as loans are repaid, restructured or eventually sold and the amount received is less than the carrying value at that time, then a loss would be recognized in the consolidated statement of income as a component of the provision for credit losses, if the loan is impaired, or otherwise in other income, if the loan is not impaired.

Determination of Fair Value

Fair value is defined as the price at which an asset or liability could be exchanged in an arm's length transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. The Group uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity. Refer to Note 02 "Critical Accounting Estimates" section "Fair Value Estimates – Methods of Determining Fair Value" for further discussion of the accounting estimates and judgments required in the determination of fair value.

Recognition of Trade Date Profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognized at the transaction price and any profit implied from the valuation technique at trade date is deferred. Using systematic methods, the deferred amount is recognized over the period between trade date and the date when the market is expected to become observable, or over the life of the trade (whichever is shorter). Such methodology is used because it reflects the changing economic and risk profile of the instrument as the market develops or as the instrument itself progresses to maturity. Any remaining trade date deferred profit is recognized in the consolidated statement of income when the transaction becomes observable or the Group enters into off-setting transactions that substantially eliminate the instrument's risk. In the rare circumstances that a trade date loss arises, it would be recognized at inception of the transaction to the extent that it is probable that a loss has been incurred and a reliable estimate of the loss amount can be made. Refer to Note 02 "Critical Accounting Estimates" section "Fair Value Estimates – Methods of Determining Fair Value" for further discussion of the estimates and judgments required in assessing observability of inputs and risk mitigation.

Derivatives and Hedge Accounting

Derivatives are used to manage exposures to interest rate, foreign currency, credit and other market price risks, including exposures arising from forecast transactions. All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value on the consolidated balance sheet regardless of whether they are held for trading or nontrading purposes.

Gains and losses on derivatives held for trading are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss.

The Group makes commitments to originate loans it intends to sell. Such positions are classified as financial assets/liabilities at fair value through profit or loss, and related gains and losses are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss. Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument are classified as derivatives. Market value guarantees provided on specific mutual fund products offered by the Group are also accounted for as derivatives and carried at fair value, with changes in fair value recorded in net gains (losses) on financial assets/liabilities at fair value through profit or loss.

Certain derivatives entered into for nontrading purposes, which do not qualify for hedge accounting but are otherwise effective in offsetting the effect of transactions on noninterest income and expenses, are recorded in other assets or other liabilities with both realized and unrealized changes in fair value recorded in the same noninterest income and expense captions as those affected by the transaction being offset. The changes in fair value of all other derivatives not qualifying for hedge accounting are recorded in net gains and losses on financial assets/liabilities at fair value through profit or loss.

Embedded Derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative, with the non-derivative component representing the host contract. If the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value, with gains and losses recognized in net gains (losses) on financial assets/liabilities at fair value through profit or loss. The host contract will continue to be accounted for in accordance with the appropriate accounting standard. The carrying amount of an embedded derivative is reported in the same consolidated balance sheet line item as the host contract. Certain hybrid instruments have been designated at fair value through profit or loss using the fair value option.

Hedge Accounting

For accounting purposes there are three possible types of hedges: (1) hedges of changes in the fair value of assets, liabilities or unrecognized firm commitments (fair value hedges); (2) hedges of the variability of future cash flows from highly probable forecast transactions and floating rate assets and liabilities (cash flow hedges); and (3) hedges of the translation adjustments resulting from translating the functional currency financial statements of foreign operations into the presentation currency of the parent (hedges of net investments in foreign operations).

When hedge accounting is applied, the Group designates and documents the relationship between the hedging instrument and the hedged item as well as its risk management objective and strategy for undertaking the hedging transactions, and the nature of the risk being hedged. This documentation includes a description of how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Hedge effectiveness is always assessed, even when the terms of the derivative and hedged item are matched.

Hedging derivatives are reported as other assets and other liabilities. In the event that a derivative is subsequently de-designated from a hedging relationship, it is transferred to financial assets/liabilities at fair value through profit or loss. Subsequent changes in fair value are recognized in net gains (losses) on financial assets/liabilities at fair value through profit or loss.

For hedges of changes in fair value, the changes in the fair value of the hedged asset, liability or unrecognized firm commitment, or a portion thereof, attributable to the risk being hedged are recognized in the consolidated statement of income along with changes in the entire fair value of the derivative. When hedging interest rate risk, any interest accrued or paid on both the derivative and the hedged item is reported in interest income or expense and the unrealized gains and losses from the hedge accounting fair value adjustments are reported in other income. When hedging the foreign exchange risk of an AFS security, the fair value adjustments related to the security's foreign exchange exposures are also recorded in other income. Hedge ineffectiveness is reported in other income and is measured as the net effect of changes in the fair value of the hedging instrument and changes in the fair value of the hedged item arising from changes in the market rate or price related to the risk(s) being hedged.

If a fair value hedge of a debt instrument is discontinued prior to the instrument's maturity because the derivative is terminated or the relationship is de-designated, any remaining interest rate-related fair value adjustments made to the carrying amount of the debt instrument (basis adjustments) are amortized to interest income or expense over the remaining term of the original hedging relationship. For other types of fair value adjustments and whenever a fair value hedged asset or liability is sold or otherwise derecognized any basis adjustments are included in the calculation of the gain or loss on derecognition.

For hedges of variability in future cash flows, there is no change to the accounting for the hedged item and the derivative is carried at fair value, with changes in value reported initially in other comprehensive income to the extent the hedge is effective. These amounts initially recorded in other comprehensive income are subsequently reclassified into the consolidated statement of income in the same periods during which the forecast transaction affects the consolidated statement of income. Thus, for hedges of interest rate risk, the amounts are amortized into interest income or expense at the same time as the interest is accrued on the hedged transaction.

Hedge ineffectiveness is recorded in other income and is measured as changes in the excess (if any) in the absolute cumulative change in fair value of the actual hedging derivative over the absolute cumulative change in the fair value of the hypothetically perfect hedge.

When hedges of variability in cash flows attributable to interest rate risk are discontinued, amounts remaining in accumulated other comprehensive income are amortized to interest income or expense over the remaining life of the original hedge relationship, unless the hedged transaction is no longer expected to occur in which case the amount will be reclassified into other income immediately. When hedges of variability in cash flows attributable to other risks are discontinued, the related amounts in accumulated other comprehensive income are reclassified into either the same consolidated statement of income caption and period as profit or loss from the forecast transaction, or into other income when the forecast transaction is no longer expected to occur.

For hedges of the translation adjustments resulting from translating the functional currency financial statements of foreign operations (hedges of net investments in foreign operations) into the functional currency of the parent, the portion of the change in fair value of the derivative due to changes in the spot foreign exchange rates is recorded as a foreign currency translation adjustment in other comprehensive income to the extent the hedge is effective; the remainder is recorded as other income in the consolidated statement of income.

Changes in fair value of the hedging instrument relating to the effective portion of the hedge are subsequently recognized in profit or loss on disposal of the foreign operations.

Impairment of Financial Assets

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets 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.

Impairment of Loans and Provision for Off-Balance Sheet Positions

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant. It then assesses collectively for loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment under the individual assessment.

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments.

If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan(s), including accrued interest, and the present value of expected future cash flows discounted at the loan's original effective interest rate or the effective interest rate established upon reclassification to loans, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The carrying amount of the loans is reduced by the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income as a component of the provision for credit losses.

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable. The loss amount has three components. The first component is an amount for transfer and currency convertibility risks for loan exposures in countries where there are serious doubts about the ability of counterparties to comply with the repayment terms due to the economic or political situation prevailing in the respective country of domicile. This amount is calculated using ratings for country risk and transfer risk which are established and regularly reviewed for each country in which the Group does business. The second component is an allowance amount representing the incurred losses on the portfolio of smaller-balance homogeneous loans, which are loans to individuals and small business customers of the private and retail business. The loans are grouped according to similar credit risk characteristics and the allowance for each group is determined using statistical models based on historical experience. The third component represents an estimate of incurred losses inherent in the group of loans that have not yet been individually identified or measured as part of the smaller-balance homogeneous loans. Loans that were found not to be impaired when evaluated on an individual basis are included in the scope of this component of the allowance.

Once a loan is identified as impaired, although the accrual of interest in accordance with the contractual terms of the loan is discontinued, the accretion of the net present value of the written down amount of the loan due to the passage of time is recognized as interest income based on the original effective interest rate of the loan.

At each balance sheet date, all impaired loans are reviewed for changes to the present value of expected future cash flows discounted at the loan's original effective interest rate. Any change to the previously recognized impairment loss is recognized as a change to the allowance account and recorded in the consolidated statement of income as a component of the provision for credit losses.

When it is considered that there is no realistic prospect of recovery and all collateral has been realized or transferred to the Group, the loan and any associated allowance is charged off (the loan and the related allowance are removed from the balance sheet). Individually significant loans where specific loan loss provisions are 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 the Group's estimate of the amount collectible. For mortgage loans, the portion of the loan which is uncollateralized is charged off when the mortgage becomes 840 days past due, at the latest. For consumer finance loans, any portion of the balance which the Bank does not expect to collect is written off at 180 days past due for credit card receivables, and 270 days past due for other consumer finance loans.

Subsequent recoveries, if any, result in a reduction in the allowance account and are recorded in the consolidated statement of income as a component of the provision for credit losses.

The process to determine the provision for off-balance sheet positions is similar to the methodology used for loans. Any loss amounts are recognized as an allowance in the consolidated balance sheet within provisions and charged to the consolidated statement of income as a component of the provision for credit losses.

If in a subsequent period the amount of a previously recognized impairment loss decreases and the decrease is due to an event occurring after the impairment was recognized, the impairment loss is reversed by reducing the allowance account accordingly. Such reversal is recognized in profit or loss.

Impairment of Financial Assets Classified as Available for Sale

For financial assets classified as AFS, management assesses at each balance sheet date whether there is objective evidence that an individual asset is impaired.

In the case of equity investments classified as AFS, objective evidence includes a significant or prolonged decline in the fair value of the investment below cost. In the case of debt securities classified as AFS, impairment is assessed based on the same criteria as for loans.

If there is evidence of impairment, any amounts previously recognized in other comprehensive income are recognized in the consolidated statement of income for the period, reported in net gains (losses) on financial assets available for sale. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortization) and current fair value of the asset less any impairment loss on that investment previously recognized in the consolidated statement of income.

When an AFS debt security is impaired, any subsequent decreases in fair value are recognized in the consolidated statement of income as it is considered further impairment. Any subsequent increases are also recognized in the consolidated statement of income until the asset is no longer considered impaired. When the fair value of the AFS debt security recovers to at least amortized cost it is no longer considered impaired and subsequent changes in fair value are reported in other comprehensive income.

Reversals of impairment losses on equity investments classified as AFS are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized in other comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial Asset Derecognition

A financial asset is considered for derecognition when the contractual rights to the cash flows from the financial asset expire, or the Group has either transferred the contractual right to receive the cash flows from that asset, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

The Group derecognizes a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

The Group enters into transactions in which it transfers previously recognized financial assets but retains substantially all the associated risks and rewards of those assets; for example, a sale to a third party in which the Group enters into a concurrent total return swap with the same counterparty. These types of transactions are accounted for as secured financing transactions.

In transactions in which substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the Group derecognizes the transferred asset if control over that asset is not retained, i.e., if the transferee has the practical ability to sell the transferred asset. The rights and obligations retained in the transfer are recognized separately as assets and liabilities, as appropriate. If control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, which is determined by the extent to which it remains exposed to changes in the value of the transferred asset.

The derecognition criteria are also applied to the transfer of part of an asset, rather than the asset as a whole, or to a group of similar financial assets in their entirety, when applicable. If transferring a part of an asset, such part must be a specifically identified cash flow, a fully proportionate share of the asset, or a fully proportionate share of a specifically-identified cash flow.

If an existing financial asset is replaced by another asset from the same counterparty on substantially different terms, or if the terms of the financial asset are substantially modified, the existing financial asset is derecognized and a new asset is recognized. Any difference between the respective carrying amounts is recognized in the consolidated statement of income.

Securitization

The Group securitizes various consumer and commercial financial assets, which is achieved via the sale of these assets to an SPE, which in turn issues securities to investors. The transferred assets may qualify for derecognition in full or in part, under the policy on derecognition of financial assets. Synthetic securitization structures typically involve derivative financial instruments for which the policies in the "Derivatives and Hedge Accounting" section would apply. Those transfers that do not qualify for derecognition may be reported as secured financing or result in the recognition of continuing involvement liabilities. The investors and the securitization vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets.

Interests in the securitized financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as "retained interests"). Provided the Group's retained interests do not result in consolidation of an SPE, nor in continued recognition of the transferred assets, these interests are typically recorded in financial assets at fair value through profit or loss and carried at fair value. Consistent with the valuation of similar financial instruments, fair value of retained tranches or the financial assets is initially and subsequently determined using market price quotations where available or internal pricing models that utilize variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads. The assumptions used for pricing are based on observable transactions in similar securities and are verified by external pricing sources, where available. Where observable transactions in similar securities and other external pricing sources are not available, management judgment as described in the section entitled "Fair Value Estimates" must be used to determine fair value.

Gains or losses on securitization depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognized and the retained interests based on their relative fair values at the date of the transfer.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are recognized initially at fair value, being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of the principal amount loaned. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognized on, or derecognized from, the balance sheet, unless the risks and rewards of ownership are obtained or relinquished. Securities delivered under repurchase agreements which are not derecognized from the balance sheet and where the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed as such on the face of the consolidated balance sheet.

The Group has chosen to apply the fair value option to certain repurchase and reverse repurchase portfolios that are managed on a fair value basis.

The Group offsets reverse repurchase agreements and repurchase agreements with the same counterparty, maturity, currency and central securities depository (CSD) for transactions governed by legally enforceable master netting agreements when simultaneous settlement is intended.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is reported as interest income and interest expense, respectively.

Securities Borrowed and Securities Loaned

Securities borrowed transactions generally require the Group to deposit cash with the securities lender. In a securities loaned transaction, the Group generally receives either cash collateral, in an amount equal to or in excess of the market value of securities loaned, or securities. The Group monitors the fair value of securities borrowed and securities loaned and additional collateral is disbursed or obtained, if necessary.

The amount of cash advanced or received is recorded as securities borrowed and securities loaned, respectively.

The securities borrowed are not themselves recognized in the financial statements. If they are sold to third parties, the obligation to return the securities is recorded as a financial liability at fair value through profit or loss and any subsequent gain or loss is included in the consolidated statement of income in net gain (loss) on financial assets/liabilities at fair value through profit or loss. Securities lent to counterparties are also retained on the consolidated balance sheet.

Fees received or paid are reported in interest income and interest expense, respectively. Securities lent to counterparties which are not derecognized from the consolidated balance sheet and where the counterparty has the right by contract or custom to sell or repledge the collateral are disclosed as such on the face of the consolidated balance sheet.

Offsetting Financial Instruments

Financial assets and liabilities are offset, with the net amount presented in the consolidated balance sheet, only if the Group holds a currently enforceable legal right to set off the recognized amounts, and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the consolidated balance sheet, the associated income and expense items will also be offset in the consolidated statement of income, unless specifically prohibited by an applicable accounting standard.

Property and Equipment

Property and equipment includes own-use properties, leasehold improvements, furniture and equipment and software (operating systems only). Own-use properties are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is generally recognized using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is 25 to 50 years for property and 3 to 10 years for furniture and equipment. Leasehold improvements are capitalized and subsequently depreciated on a straight-line basis over the shorter of the term of the lease and the estimated useful life of the improvement, which generally ranges from 3 to 10 years. Depreciation of property and equipment is included in general and administrative expenses. Maintenance and repairs are also charged to general and administrative expenses. Gains and losses on disposals are included in other income.

Property and equipment are tested for impairment at least annually and an impairment charge is recorded to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment of an asset, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. If an impairment is later reversed, the depreciation charge is adjusted prospectively.

Properties leased under a finance lease are capitalized as assets in property and equipment and depreciated over the terms of the leases.

Investment Property

The Group generally uses the cost model for valuation of investment property, and the carrying value is included on the consolidated balance sheet in other assets. When the Group issues liabilities that are backed by investment property, which pay a return linked directly to the fair value of, or returns from, specified investment property assets, it has elected to apply the fair value model to those specific investment property assets. The Group engages, as appropriate, external real estate experts to determine the fair value of the investment property by using recognized valuation techniques. In cases in which prices of recent market transactions of comparable properties are available, fair value is determined by reference to these transactions.

Goodwill and Other Intangible Assets

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities, and represents the excess of the aggregate of the cost of an acquisition and any noncontrolling interest in the acquiree over the fair value of the identifiable net assets acquired at the date of the acquisition. For each business combination any noncontrolling interest in the acquiree is measured either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows.

Goodwill on the acquisition of subsidiaries is capitalized and reviewed for impairment annually, or more frequently if there are indications that impairment may have occurred. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units which are the smallest identifiable groups of assets that generate cash inflows largely independent of the cash inflows from other assets or groups of assets and that are expected to benefit from the synergies of the combination and considering the business level at which goodwill is monitored for internal management purposes. In identifying whether cash inflows from an asset (or a group of assets) are largely independent of the cash inflows from other assets (or groups of assets) various factors are considered including how management monitors the entity's operations or makes decisions about continuing or disposing of the entity's assets and operations. On this basis, the Group's primary cash-generating units are Corporate Banking & Securities, Global Transaction Banking, Asset Management and Private Wealth Management within the Asset and Wealth Management segment, Private & Business Clients and Corporate Investments.

In addition, for certain nonintegrated investments which are not allocated to the respective segments' primary cash-generating units, goodwill is tested individually for impairment on the level of each of these nonintegrated investments.

Goodwill on the acquisition of associates and jointly controlled entities is included in the cost of the investments and the entire carrying amount of the equity method investment is reviewed for impairment annually, or more frequently if there is an indication that impairment may have occurred.

If goodwill has been allocated to a cash-generating unit and an operation within that unit is disposed of, the attributable goodwill is included in the carrying amount of the operation when determining the gain or loss on its disposal.

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Intangible assets that have a finite useful life are stated at cost less any accumulated amortization and accumulated impairment losses. Customer-related intangible assets that have a finite useful life are amortized over periods of between 1 and 20 years on a straight-line basis based on their expected useful life. Mortgage servicing rights are carried at cost and amortized in proportion to, and over the estimated period of, net servicing revenue. The assets are tested for impairment and their useful lives reaffirmed at least annually.

Certain intangible assets have an indefinite useful life; these are primarily investment management agreements related to retail mutual funds. These indefinite life intangibles are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefits will flow to the Group, and the cost can be measured reliably. Capitalized costs are amortized using the straight-line method over the asset's useful life which is deemed to be either three years, five years or ten years. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internal-use software project. Overhead costs, as well as costs incurred during the research phase or after software is ready for use, are expensed as incurred. Capitalized software costs are tested for impairment either annually if still under development or when there is an indication of impairment once the software is in use.

On acquisition of insurance businesses, the excess of the purchase price over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is accounted for as an intangible asset. This intangible asset represents the present value of future cash flows over the reported liability at the date of acquisition. This is known as value of business acquired ("VOBA").

The VOBA is amortized at a rate determined by considering the profile of the business acquired and the expected depletion in its value. The VOBA acquired is reviewed regularly for any impairment in value and any reductions are charged as an expense to the consolidated statement of income.

Financial Guarantees

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

The Group has chosen to apply the fair value option to certain written financial guarantees that are managed on a fair value basis. Financial guarantees that the Group has not designated at fair value are recognized initially in the financial statements at fair value on the date the guarantee is given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount initially recognized, less cumulative amortization, and the best estimate of the expenditure required to settle any financial obligation as of the balance sheet date. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate.

Any increase in the liability relating to guarantees is recorded in the consolidated statement of income in provision for credit losses.

Leasing Transactions

The Group enters into lease contracts, predominantly for premises, as a lessee. The terms and conditions of these contracts are assessed and the leases are classified as operating leases or finance leases according to their economic substance at inception of the lease.

Assets held under finance leases are initially recognized on the consolidated balance sheet at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate. Contingent rentals are recognized as expense in the periods in which they are incurred.

Operating lease rentals payable are recognized as an expense on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property. Lease incentives are treated as a reduction of rental expense and are also recognized over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Sale-Leaseback Arrangements

If a sale-leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by a seller-lessee but is deferred and amortized over the lease term.

If a sale-leaseback transaction results in an operating lease, the timing of the profit recognition is a function of the difference between the sales price and fair value. When it is clear that the sales price is at fair value, the profit (the difference between the sales price and carrying value) is recognized immediately. If the sales price is below fair value, any profit or loss is recognized immediately, except that if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period the asset is expected to be used.

Employee Benefits

Pension Benefits

The Group provides a number of pension plans. In addition to defined contribution plans, there are retirement benefit plans accounted for as defined benefit plans. The assets of all the Group's defined contribution plans are held in independently-administered funds. Contributions are generally determined as a percentage of salary and are expensed based on employee services rendered, generally in the year of contribution.

All retirement benefit plans accounted for as defined benefit plans are valued using the projected unit-credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates. Actuarial gains and losses are recognized in shareholders' equity and presented in the consolidated statement of comprehensive income in the period in which they occur. The majority of the Group's benefit plans are funded.

Other Post-Employment Benefits

In addition, the Group maintains unfunded contributory post-employment medical plans for a number of current and retired employees who are mainly located in the United States. These plans pay stated percentages of eligible medical and dental expenses of retirees after a stated deductible has been met. The Group funds these plans on a cash basis as benefits are due. Analogous to retirement benefit plans these plans are valued using the projected unit-credit method. Actuarial gains and losses are recognized in full in the period in which they occur in shareholders' equity and presented in the consolidated statement of comprehensive income.

Refer to Note 34 "Employee Benefits" for further information on the accounting for pension benefits and other post-employment benefits.

Termination benefits

Termination benefits arise when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits as a liability and an expense if the Group is demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value. The discount rate is determined by reference to market yields on high-quality corporate bonds.

Share-Based Compensation

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. In case an award is modified such that its fair value immediately after modification exceeds its fair value immediately prior to modification, a remeasurement takes place and the resulting increase in fair value is recognized as additional compensation expense.

The Group records the offsetting amount to the recognized compensation expense in additional paid-in capital (APIC). Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate or over the period of the tranches for those awards delivered in tranches. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations. The timing of expense recognition relating to grants which, due to early retirement provisions, include a nominal but nonsubstantive service period are accelerated by shortening the amortization period of the expense from the grant date to the date when the employee meets the eligibility criteria for the award, and not the vesting date. For awards that are delivered in tranches, each tranche is considered a separate award and amortized separately.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date, and recognized over the vesting period in which the related employee services are rendered. The related obligations are included in other liabilities until paid.

Obligations to Purchase Common Shares

Forward purchases of Deutsche Bank shares, and written put options where Deutsche Bank shares are the underlying, are reported as obligations to purchase common shares if the number of shares is fixed and physical settlement for a fixed amount of cash is required. At inception the obligation is recorded at the present value of the settlement amount of the forward or option. For forward purchases and written put options of Deutsche Bank shares, a corresponding charge is made to shareholders' equity and reported as equity classified as an obligation to purchase common shares.

The liabilities are accounted for on an accrual basis, and interest costs, which consist of time value of money and dividends, on the liability are reported as interest expense. Upon settlement of such forward purchases and written put options, the liability is extinguished and the charge to equity is reclassified to common shares in treasury.

Deutsche Bank common shares subject to such forward contracts are not considered to be outstanding for purposes of basic earnings per share calculations, but are for dilutive earnings per share calculations to the extent that they are, in fact, dilutive.

Put and call option contracts with Deutsche Bank shares as the underlying where the number of shares is fixed and physical settlement is required are not classified as derivatives. They are transactions in the Group's equity. All other derivative contracts in which Deutsche Bank shares are the underlying are recorded as financial assets/liabilities at fair value through profit or loss.

Income Taxes

The Group recognizes the current and deferred tax consequences of transactions that have been included in the consolidated financial statements using the provisions of the respective jurisdictions' tax laws. Current and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are charged or credited directly to other comprehensive income.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits and deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period that the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities are offset when (1) they arise from the same tax reporting entity or tax group of reporting entities, (2) the legally enforceable right to offset exists and (3) they are intended to be settled net or realized simultaneously.

Deferred tax assets and liabilities are offset when the legally enforceable right to offset current tax assets and liabilities exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxing authority on either the same tax reporting entity or tax group of reporting entities.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, branches and associates and interests in joint ventures except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. Deferred income tax assets are provided on deductible temporary differences arising from such investments only to the extent that it is probable that the differences will reverse in the foreseeable future and sufficient taxable income will be available against which those temporary differences can be utilized.

Deferred tax related to fair value remeasurement of AFS investments, cash flow hedges and other items, which are charged or credited directly to other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognized in the consolidated statement of income once the underlying gain or loss to which the deferred tax relates is realized.

For share-based payment transactions, the Group may receive a tax deduction related to the compensation paid in shares. The amount deductible for tax purposes may differ from the cumulative compensation expense recorded. At any reporting date, the Group must estimate the expected future tax deduction based on the current share price. If the amount deductible, or expected to be deductible, for tax purposes exceeds the cumulative compensation expense, the excess tax benefit is recognized directly in equity. If the amount deductible, or expected to be deductible, for tax purposes is less than the cumulative compensation expense, the shortfall is recognized in the Group's consolidated statement of income for the period.

The Group's insurance business in the United Kingdom (Abbey Life Assurance Company Limited) is subject to income tax on the policyholder's investment returns (policyholder tax). This tax is included in the Group's income tax expense/benefit even though it is economically the income tax expense/benefit of the policyholder, which reduces/increases the Group's liability to the policyholder.

Provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

If the effect of the time value of money is material, provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party (for example, because the obligation is covered by an insurance policy), an asset is recognized if it is virtually certain that reimbursement will be received.

Consolidated Statement of Cash Flows

For purposes of the consolidated statement of cash flows, the Group's cash and cash equivalents include highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of change in value. Such investments include cash and balances at central banks and demand deposits with banks.

The Group's assignment of cash flows to the operating, investing or financing category depends on the business model ("management approach"). For the Group the primary operating activity is to manage financial assets and financial liabilities. Therefore, the issuance and management of long-term borrowings is a core operating activity which is different than for a non-financial company, where borrowing is not a principal revenue producing activity and thus is part of the financing category.

The Group views the issuance of senior long-term debt as an operating activity. Senior long-term debt comprises structured notes and asset-backed securities, which are designed and executed by CIB business lines and which are revenue generating activities. The other component is debt issued by Treasury, which is considered interchangeable with other funding sources; all of the funding costs are allocated to business activities to establish their profitability.

Cash flows related to subordinated long-term debt and trust preferred securities are viewed differently than those related to senior-long term debt because they are managed as an integral part of the Group's capital, primarily to meet regulatory capital requirements. As a result they are not interchangeable with other operating liabilities, but can only be interchanged with equity and thus are considered part of the financing category.

The amounts shown in the consolidated statement of cash flows do not precisely match the movements in the consolidated balance sheet from one period to the next as they exclude non-cash items such as movements due to foreign exchange translation and movements due to changes in the group of consolidated companies.

Movements in balances carried at fair value through profit or loss represent all changes affecting the carrying value. This includes the effects of market movements and cash inflows and outflows. The movements in balances carried at fair value are usually presented in operating cash flows.

Insurance

The Group's insurance business issues two types of contracts:

Insurance Contracts – These are annuity and universal life contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specific uncertain future event adversely affects the policyholder. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. As allowed by IFRS, the Group retained the accounting policies for insurance contracts which it applied prior to the adoption of IFRS (U.S. GAAP). These accounting policies are described further below.

Non-Participating Investment Contracts ("Investment Contracts") – These contracts do not contain significant insurance risk or discretionary participation features. These are measured and reported consistently with other financial liabilities, which are classified as financial liabilities at fair value through profit or loss.

Financial assets held to back annuity contracts have been classified as financial instruments AFS. Financial assets held for other insurance and investment contracts have been designated as fair value through profit or loss under the fair value option.

Insurance Contracts

Premiums for single premium business are recognized as income when received. This is the date from which the policy is effective. For regular premium contracts, receivables are recognized at the date when payments are due. Premiums are shown before deduction of commissions. When policies lapse due to non-receipt of premiums, all related premium income accrued but not received from the date they are deemed to have lapsed, net of related expense, is offset against premiums.

Claims are recorded as an expense when they are incurred, and reflect the cost of all claims arising during the year, including policyholder profit participations allocated in anticipation of a participation declaration.

The aggregate policy reserves for universal life insurance contracts are equal to the account balance, which represents premiums received and investment returns credited to the policy, less deductions for mortality costs and expense charges. For other unit-linked insurance contracts the policy reserve represents the fair value of the underlying assets.

For annuity contracts, the liability is calculated by estimating the future cash flows over the duration of the in force contracts and discounting them back to the valuation date allowing for the probability of occurrence. The assumptions are fixed at the date of acquisition with suitable provisions for adverse deviations (PADs). This calculated liability value is tested against a value calculated using best estimate assumptions and interest rates based on the yield on the amortized cost of the underlying assets. Should this test produce a higher value, the liability amount would be reset.

Aggregate policy reserves include liabilities for certain options attached to the Group's unit-linked pension products. These liabilities are calculated based on contractual obligations using actuarial assumptions.

Liability adequacy tests are performed for the insurance portfolios on the basis of estimated future claims, costs, premiums earned and proportionate investment income. For long duration contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover deferred policy acquisition costs, then a premium deficiency is recognized.

The costs directly attributable to the acquisition of incremental insurance and investment business are deferred to the extent that they are expected to be recoverable out of future margins in revenues on these contracts. These costs will be amortized systematically over a period no longer than that in which they are expected to be recovered out of these future margins.

Investment Contracts

All of the Group's investment contracts are unit-linked. These contract liabilities are determined using current unit prices multiplied by the number of units attributed to the contract holders as of the balance sheet date.

As this amount represents fair value, the liabilities have been classified as financial liabilities at fair value through profit or loss. Deposits collected under investment contracts are accounted for as an adjustment to the investment contract liabilities. Investment income attributable to investment contracts is included in the consolidated statement of income. Investment contract claims reflect the excess of amounts paid over the account balance released. Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services.

The financial assets for investment contracts are recorded at fair value with changes in fair value, and offsetting changes in the fair value of the corresponding financial liabilities, recorded in profit or loss.

Reinsurance

Premiums ceded for reinsurance and reinsurance recoveries on policyholder benefits and claims incurred are reported in income and expense as appropriate. Assets and liabilities related to reinsurance are reported on a gross basis when material. Amounts ceded to reinsurers from reserves for insurance contracts are estimated in a manner consistent with the reinsured risk. Accordingly, revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

All new material reinsurance arrangements are subject to local Board approval. Once transacted they are subject to regular credit risk review including an assessment of the full exposure and any lending and collateral provision. Impairment is determined in accordance with the Group's accounting policy "Impairment of Financial Assets".

02 –
Critical Accounting Estimates

Certain of the accounting policies described in Note 01 "Significant Accounting Policies" require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the Group's financial condition, changes in financial condition or results of operations. Critical accounting estimates could also involve estimates where management could have reasonably used another estimate in the current accounting period. The Group has identified the following significant accounting policies that involve critical accounting estimates.

Fair Value Estimates

Certain of the Group's financial instruments are carried at fair value with changes in fair value recognized in the consolidated statement of income. This includes trading assets and liabilities and financial assets and liabilities designated at fair value through profit or loss. In addition, financial assets that are classified as AFS are carried at fair value with the changes in fair value reported in other comprehensive income. Derivatives held for non-trading purposes are carried at fair value with changes in value recognized through the consolidated statement of income, except where they are designated in cash flow or net investment hedge accounting relationships when changes in fair value of the effective portion of the hedge are reflected directly in other comprehensive income.

Trading assets include debt and equity securities, derivatives held for trading purposes, commodities and trading loans. Trading liabilities consist primarily of derivative liabilities and short positions. Financial assets and liabilities which are designated at fair value through profit or loss, under the fair value option, include repurchase and reverse repurchase agreements, certain loans and loan commitments, debt and equity securities and structured note liabilities. Private equity investments in which the Group does not have a controlling financial interest or significant influence are also carried at fair value either as trading instruments, designated as at fair value through profit or loss or as AFS instruments.

Fair value is defined as the price at which an asset or liability could be exchanged in an arm's length transaction between knowledgeable, willing parties, other than in a forced or liquidation sale.

In reaching estimates of fair value, management judgment needs to be exercised. The areas requiring significant management judgment are identified, documented and reported to senior management as part of the valuation control framework and the standard monthly reporting cycle. The Group's specialist model validation and valuation groups focus attention on the areas of subjectivity and judgment.

The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market is minimal. Similarly there is little subjectivity or judgment required for instruments valued using valuation models that are standard across the industry and where all parameter inputs are quoted in active markets.

The level of subjectivity and degree of management judgment required is more significant for those instruments valued using specialized and sophisticated models and those where some or all of the parameter inputs are not observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modeling techniques. In particular, where data are obtained from infrequent market transactions extrapolation and interpolation techniques must be applied. In addition, where no market data are available, parameter inputs are determined by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Where different valuation techniques indicate a range of possible fair values for an instrument, management has to establish what point within the range of estimates best represents fair value. Further, some valuation adjustments may require the exercise of management judgment to achieve fair value.

Methods of Determining Fair Value

A substantial percentage of the Group's financial assets and liabilities carried at fair value are based on, or derived from, observable prices or inputs. The availability of observable prices or inputs varies by product and market, and may change over time. For example, observable prices or inputs are usually available for: liquid securities; exchange traded derivatives; over-the-counter (OTC) derivatives transacted in liquid trading markets such as interest rate swaps, foreign exchange forward and option contracts in G7 currencies; and equity swap and option contracts on listed securities or indices. If observable prices or inputs are available, they are utilized in the determination of fair value and, as such, fair value can be determined without significant judgment. This includes instruments for which the fair value is derived from a valuation model that is standard across the industry and the inputs are directly observable. This is the case for many generic swap and option contracts.

In other markets or for certain instruments, observable prices or inputs are not available, and fair value is determined using valuation techniques appropriate for the particular instrument. For example, instruments subject to valuation techniques include: trading loans and other loans or loan commitments designated at fair value through profit or loss, under the fair value option; new, complex and long-dated OTC derivatives; transactions in immature or limited markets; distressed debt securities and loans; private equity securities and retained interests in securitizations of financial assets. The application of valuation techniques to determine fair value involves estimation and management judgment, the extent of which will vary with the degree of complexity and liquidity in the market. Valuation techniques include industry standard models based on discounted cash flow analysis, which are dependent upon estimated future cash flows and the discount rate used. For more complex products, the valuation models include more complex modeling techniques, parameters and assumptions, such as volatility, correlation, prepayment speeds, default rates and loss severity. Management judgment is required in the selection and application of the appropriate parameters, assumptions and modeling techniques. Because the objective of using a valuation technique is to establish the price at which market participants would currently transact, the valuation techniques incorporate all factors that the Group believes market participants would consider in setting a transaction price.

Valuation adjustments are an integral part of the fair value process that requires the exercise of judgment. In making appropriate valuation adjustments, the Group follows methodologies that consider factors such as bid-offer spread valuation adjustments, liquidity, and credit risk (both counterparty credit risk in relation to financial assets and the Group's own credit risk in relation to financial liabilities which are at fair value through profit or loss).

The fair value of the Group's financial liabilities which are at fair value through profit or loss (e.g., OTC derivative liabilities and structured note liabilities designated at fair value through profit or loss) incorporates the change in the Group's own credit risk of the financial liability. For derivative liabilities the Group considers its own creditworthiness by assessing all counterparties' potential future exposure to us, taking into account any collateral provided, the effect of any master netting agreements, expected loss given default and the Group's own credit risk based on historic default levels. The change in the Group's own credit risk for structured note liabilities is calculated by discounting the contractual cash flows of the instrument using the rate at which similar instruments would be issued at the measurement date. The resulting fair value is an estimate of the price at which the specific liability would be exchanged at the measurement date with another market participant.

Under IFRS, if there are significant unobservable inputs used in the valuation technique as of the trade date the financial instrument is recognized at the transaction price and any trade date profit is deferred. Management judgment is required in determining whether there exist significant unobservable inputs in the valuation technique. Once deferred the decision to subsequently recognize the trade date profit requires a careful assessment of the then current facts and circumstances supporting observability of parameters and/or risk mitigation.

The Group has established internal control procedures over the valuation process to provide assurance over the appropriateness of the fair values applied. If fair value is determined by valuation models, the assumptions and techniques within the models are independently validated by a specialist group. Price and parameter inputs, assumptions and valuation adjustments are subject to verification and review processes. If the price and parameter inputs are observable, they are verified against independent sources.

If prices and parameter inputs or assumptions are not observable, the appropriateness of fair value is subject to additional procedures to assess its reasonableness. Such procedures include performing revaluations using independently generated models, assessing the valuations against appropriate proxy instruments, performing sensitivity analysis and extrapolation techniques, and considering other benchmarks. Assessment is made as to whether the valuation techniques yield fair value estimates that are reflective of the way the market operates by calibrating the results of the valuation models against market transactions. These procedures require the application of management judgment.

Other valuation controls include review and analysis of daily profit and loss, validation of valuation through close out profit and loss and Value-at-Risk back-testing.

Fair Value Estimates Used in Disclosures

Under IFRS, the financial assets and liabilities carried at fair value are required to be disclosed according to the valuation method used to determine their fair value. Specifically, segmentation is required between those valued using quoted market prices in an active market (level 1), valuation techniques based on observable parameters (level 2) and valuation techniques using significant unobservable parameters (level 3). This disclosure is provided in Note 14 "Financial Instruments carried at Fair Value". The financial assets held at fair value categorized in level 3 were € 47.6 billion at December 31, 2011, compared to € 46.7 billion at December 31, 2010. The financial liabilities held at fair value categorized in level 3 were € 13.4 billion at December 31, 2011 and € 13.0 billion at December 31, 2010. Management judgment is required in determining the category to which certain instruments should be allocated. This specifically arises when the valuation is determined by a number of parameters, some of which are observable and others are not. Further, the classification of an instrument can change over time to reflect changes in market liquidity and therefore price transparency.

In addition to the fair value hierarchy disclosure in Note 14 "Financial Instruments carried at Fair Value", the Group provides a sensitivity analysis of the impact upon the level 3 financial instruments of using a reasonably possible alternative for the unobservable parameter. The determination of reasonably possible alternatives requires significant management judgment.

For financial instruments measured at amortized cost (which includes loans, deposits and short and long term debt issued) the Group discloses the fair value. This disclosure is provided in Note 15 "Fair Value of Financial Instruments not carried at Fair Value". Generally there is limited or no trading activity in these instruments and therefore the fair value determination requires significant management judgment.

Reclassification of Financial Assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, financial assets AFS or loans. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets" which were approved by the IASB and endorsed by the EU in October 2008, it is permissible to reclassify certain financial assets out of financial assets at fair value through profit or loss (trading assets) and the AFS classifications into the loans classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no ability for subsequent reclassification back to the trading or AFS classifications. Refer to Note 13 "Amendments to IAS 39 and IFRS 7, 'Reclassification of Financial Assets'" for further information on the assets reclassified by the Group.

Significant management judgment and assumptions are required to identify assets eligible under the amendments for which expected repayment exceeds estimated fair value. Significant management judgment and assumptions are also required to estimate the fair value of the assets identified (as described in "Fair Value Estimates") at the date of reclassification, which becomes the amortized cost base under the loan classification. The task facing management in both these matters can be particularly challenging in the highly volatile and uncertain economic and financial market conditions such as those which existed in the third and fourth quarters of 2008. The change of intent to hold for the foreseeable future is another matter requiring significant management judgment. The change in intent is not simply determined because of an absence of attractive prices nor is foreseeable future defined as the period until the return of attractive prices. Refer to Note 01 "Significant Accounting Policies" section "Reclassification of Financial Assets" for the Group's minimum requirements for what constitutes foreseeable future.

Impairment of Loans and Provision for Off-Balance Sheet Positions

The accounting estimates and judgments related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate for the Corporate Banking & Securities and Private & Business Clients corporate divisions because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

In assessing assets for impairment, management judgment is required, particularly in circumstances of economic and financial uncertainty, such as those of the recent financial crisis, when developments and changes to expected cash flows can occur both with greater rapidity and less predictability.

The provision for credit losses totaled € 1,839 million, € 1,274 million and € 2,630 million for the years ended December 31, 2011, 2010 and 2009.

The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. In certain situations, such as for certain leveraged loans, the Group may assess the enterprise value of the borrower to assess impairment. This requires use of considerable management judgment regarding timing of exit and the market value of the borrowing entity. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans, such as those to individuals and small business customers of the private and retail business, and for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments. The Group performs a regular review of the models and underlying data and assumptions. The probability of defaults, loss recovery rates, and judgments concerning the ability of borrowers in foreign countries to transfer the foreign currency necessary to comply with debt repayments, among other things, are all taken into account during this review. For further discussion of the methodologies used to determine the Group's allowance for credit losses, see Note 01 "Significant Accounting Policies".

Impairment of Other Financial Assets

Equity method investments and financial assets classified as AFS are evaluated for impairment on a quarterly basis, or more frequently if events or changes in circumstances indicate that these assets are impaired. If there is objective evidence of an impairment of an associate or jointly-controlled entity, an impairment test is performed by comparing the investments' recoverable amount, which is the higher of its value in use and fair value less costs to sell, with its carrying amount. In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in fair value of the investment below cost. It could also include specific conditions in an industry or geographical area or specific information regarding the financial condition of the company, such as a downgrade in credit rating. In the case of debt securities classified as AFS, impairment is assessed based on the same criteria as for loans. If information becomes available after the Group makes its evaluation, the Group may be required to recognize impairment in the future. Because the estimate for impairment could change from period to period based upon future events that may or may not occur, the Group considers this to be a critical accounting estimate. The impairment reviews for equity method investments and financial assets AFS resulted in net impairment charges of € 1,140 million in 2011, € 2,588 million in 2010 and € 1,125 million in 2009. For additional information see Note 08 "Net Gains (Losses) on Financial Assets Available for Sale" and Note 17 "Equity Method Investments".

Impairment of Non-financial Assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to impairment review. The Group records impairment losses on assets in this category when the Group believes that their carrying value may not be recoverable. A reversal of an impairment loss (excluding goodwill) is recognized immediately.

Goodwill and other intangible assets are tested for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable businesses, present value or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, the Group considers this estimate to be critical. As of December 31, 2011 and 2010, goodwill had carrying amounts of € 11.0 billion and € 10.8 billion, respectively, and other intangible assets had carrying amounts in each of these years of € 4.8 billion. Evaluation of impairment of these assets is a significant estimate for multiple businesses.

In 2011, impairments on intangible assets included a charge of € 2 million related to the write-down of permits for a renewable energy investment in CB&S. In 2010, other intangible assets impairment losses of € 41 million were recorded, of which € 29 million related to customer-related intangible assets recorded in GTB and a loss of € 12 million recorded on the write-down of purchased software included in AWM. In 2009, goodwill and other intangible assets impairment losses of € 157 million were recorded, of which € 151 million related to investments in Corporate Investments. In addition, € 291 million were recorded as reversals of impairment losses of other intangible assets in Asset and Wealth Management, which had been taken in the fourth quarter of 2008. For further discussion on goodwill and other intangible assets, see Note 24 "Goodwill and Other Intangible Assets".

Deferred Tax Assets

The Group recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and unused tax credits. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilized. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the Group uses historical tax capacity and profitability information and, if relevant, forecasted operating results, based upon approved business plans, including a review of the eligible carry-forward periods, available tax planning opportunities and other relevant considerations. Each quarter, the Group re-evaluates its estimate related to deferred tax assets, including its assumptions about future profitability. As of December 31, 2011 and December 31, 2010 the amount of unrecognized deferred tax assets was € 2.4 billion and € 2.6 billion, respectively, and the amount of recognized deferred tax assets was € 8.7 billion and € 8.3 billion, respectively.

The Group believes that the accounting estimate related to the deferred tax assets is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change of the deferred tax asset. If the Group was not able to realize all or part of its net deferred tax assets in the future, an adjustment to its deferred tax assets would be charged to income tax expense or directly to equity in the period such determination was made. If the Group was to recognize previously unrecognized deferred tax assets in the future, an adjustment to its deferred tax asset would be credited to income tax expense or directly to equity in the period such determination was made.

For further information on the Group's deferred taxes see Note 35 "Income Taxes".

Legal and Regulatory Contingencies and Uncertain Tax Positions

The Group conducts its business in many different legal, regulatory and tax environments, and, accordingly, legal claims, regulatory proceedings or uncertain income tax positions may arise.

The use of estimates is important in determining provisions for potential losses that may arise from litigation, regulatory proceedings and uncertain income tax positions. The Group estimates and provides for potential losses that may arise out of litigation, regulatory proceedings and uncertain income tax positions to the extent that such losses are probable and can be estimated, in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" or IAS 12, "Income Taxes", respectively. Significant judgment is required in making these estimates and the Group's final liabilities may ultimately be materially different.

Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liability may ultimately be materially different. The Group's total liability in respect of litigation, arbitration and regulatory proceedings is determined on a case-by-case basis and represents an estimate of probable losses after considering, among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel. Predicting the outcome of the Group's litigation matters is inherently difficult, particularly in cases in which claimants seek substantial or indeterminate damages. See Note 28 "Provisions" for information on the Group's judicial, regulatory and arbitration proceedings.

03 – Recently Adopted and New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The following are those accounting pronouncements which are relevant to the Group and which have been adopted during 2011 in the preparation of these consolidated financial statements.

IAS 24

In November 2009, the IASB issued a revised version of IAS 24, "Related Party Disclosures" ("IAS 24 R"). IAS 24 R provides a partial exemption from the disclosure requirements for government-related entities. Additionally, the definition of a related party is amended to clarify that an associate includes subsidiaries of an associate and a joint venture includes subsidiaries of the joint venture. Following this clarification, the number of related parties has increased significantly and prior year numbers were adjusted as a result of the adoption of IAS 24 R. The revised standard was effective for annual periods beginning on or after January 1, 2011. The adoption of the revised standard did not have a material impact on the Group's consolidated financial statements.

Improvements to IFRS 2010

In May 2010, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvement project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS. Most of the amendments were effective for annual periods beginning on or after January 1, 2011. The adoption of the amendments did not have a material impact on the Group's consolidated financial statements.

New Accounting Pronouncements

The following accounting pronouncements were not effective as of December 31, 2011 and therefore have not been applied in preparing these financial statements.

IFRS 7

In October 2010, the IASB issued amendments to IFRS 7, "Disclosures – Transfers of Financial Assets". The amendments comprise additional disclosures on transfer transactions of financial assets (for example, securitizations), including possible effects of any risks that may remain with the transferor of the assets. Additional disclosures are also required if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The adoption of the amendments is not expected to have a material impact on the Group's consolidated financial statements.

IAS 1

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. While approved by the IASB, the amendments have yet to be endorsed by the EU. The adoption of the amendments is not expected to have a material impact on presentation of other comprehensive income in the consolidated financial statements.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosures of Interests in Other Entities", a revised version of IAS 27, "Separate Financial Statements", and a revised version of IAS 28, "Investment in Associates and Joint Ventures" which have been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 replaces IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation – Special Purpose Entities", and establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it has both exposure to variable returns from the investee, and the ability to affect those returns through its power over the investee. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes in facts and circumstances.

IFRS 11 supersedes IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly-controlled Entities – Non-monetary Contributions by Venturers". IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. IFRS 11 requires the use of the equity method of accounting for joint arrangements by eliminating the option to use the proportionate consolidation method, which is not applied by the Group.

IFRS 12 requires an entity to disclose the nature, associated risks, and financial effects of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires more comprehensive disclosure in comparison to IAS 27 or SIC-12.

Each of the standards are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted as long as each of the other standards are also early applied. However, entities are permitted to include any of the disclosure requirements in IFRS 12 into their consolidated financial statements without early adopting IFRS 12. While approved by the IASB, each of the standards has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the standards will have on its consolidated financial statements.

IAS 19

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19 R"). IAS 19 R eliminates the option for deferred recognition of all changes in the present value of the defined benefit obligation and in the fair value of plan assets (including the corridor approach which is not applied by the Group). In addition, IAS 19 R requires a net interest approach which will replace the expected return on plan assets and will enhance the disclosure requirements for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. While approved by the IASB, the amendments have yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.

IFRS 13

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 provides a revised definition of fair value and guidance on how it should be applied where its use is already required or permitted by other standards within IFRS and introduces more comprehensive disclosure requirements on fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. While approved by the IASB, the standard has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the standard will have on its consolidated financial statements.

IAS 32 and IFRS 7

In December 2011, the IASB issued amendments to IAS 32, "Offsetting Financial Assets and Financial Liabilities" ("IAS 32 R") to clarify the requirements for offsetting financial instruments. IAS 32 R clarifies (a) the meaning of an entity's current legally enforceable right of set-off; and (b) when gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

In December 2011, the IASB also issued amendments to IFRS 7, "Disclosures – Offsetting Financial Assets and Financial Liabilities" ("IFRS 7 R") requiring extended disclosures to allow investors to better compare financial statements prepared in accordance with IFRS or U.S. GAAP. The amendments are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

While approved by the IASB, each of the amendments has yet to be endorsed by the EU. The Group is currently evaluating the potential impact that the adoption of the amendments will have on its consolidated financial statements.