Management Report

Operating and Financial Review

Economic Environment

Global economic growth appears to have accelerated slightly in the first quarter of 2012 after economic momentum had slowed in the preceding quarter, which, in particular, had resulted from the decline in economic output in the eurozone and Japan. This is reflected by the results of purchasing manager surveys (PMI surveys), which improved slightly in the first quarter compared to low levels at the end of 2011. In the U.S., the PMI survey and the more positive developments in the labor market point to sustained economic momentum with an (annualized) growth rate of just under 3 % in the first quarter. In Japan, we expect growth to have recovered significantly thanks to improved foreign trade and the start of reconstruction measures after the catastrophe in March 2011. By contrast, economic output in the eurozone is likely to have declined again in the first quarter of 2012 – albeit at a slower pace than at the end of 2011. Within the eurozone, Germany's GDP probably stagnated at the start of the year, with French GDP falling slightly. By contrast, the southern economies of the EU probably contracted again noticeably due to the consolidation of public and private finances in these countries. Global economic growth continues to benefit from high, stable growth rates in the emerging markets and in developing countries, which are providing moderate momentum for world trade.

The slightly improved sentiment among purchasing managers is probably largely due to the liquidity measures by the European Central Bank, the fiscal pact agreed by the EU countries and initial agreements on structural reforms especially in Italy and Spain, all of which have considerably reduced the risks of an escalation of the European sovereign debt crisis. Accordingly, risk premiums on government bonds from the peripheral countries declined from their record levels and stock markets around the world rose markedly.

Overall, the banking sector had a better start into 2012 than had been expected. In the U.S., economic recovery and the decline in unemployment continued, strengthening lending both to corporates as well as households. In Europe, growth forecasts at least did not fall further. As a result, lending slowed and volumes stagnated but did not drop significantly – large differences across individual countries notwithstanding.

The most important factor behind the calming of sentiment was the ECB's two three-year refinancing operations which supplied banks with a gross € 1 trillion in medium-term liquidity at favorable conditions. This eased pressure in private funding markets and enabled many banks to place bonds with investors at better conditions than in the second half 2011. Italian and Spanish banks used much of the additional funds to buy domestic sovereign bonds, thereby relaxing their governments' tight refinancing situation. In these circumstances, the unprecedented haircut forced on holders of Greek debt did not lead to the feared major market disruptions, although long-term consequences remain unpredictable.

The slightly improved sentiment benefited investment banking; capital issuance except M&A rose substantially compared with the last few months of 2011 even though volumes in most cases remained below the high pre-year level. Overall the profitability of European banks may have recovered at least somewhat, but they remain far behind their U.S. peers.

Consolidated Results of Operations

The business environment during the first quarter 2012 was more stable compared to the extreme market volatility which characterized the second half of 2011. However, conditions in the global economy remained challenging. While equity markets improved and credit spreads tightened during the quarter, there was continued caution in the world's financial markets and among investors. Our first quarter results reflect these factors. In addition, we took a prudent approach to risk taking and capital management without jeopardizing our client facing activities.

In the Corporate & Investment Bank (CIB), net revenues were down 8 % in the first quarter 2012 to € 6.2 billion versus € 6.7 billion in the first quarter 2011. Against the backdrop of a far less favorable environment compared to the prior year quarter, this is a strong result which reflects good performance across most businesses, despite continued risk discipline and lower client activity than in the prior year. Private Clients and Asset Management (PCAM) net revenues were € 3.4 billion in the first quarter 2012 compared to revenues of € 4.1 billion in the first quarter 2011 which was positively impacted by € 263 million related to our stake in Hua Xia Bank for which equity method accounting was applied for the first time. The remaining decrease was mainly attributable to lower operating revenues in Postbank driven by the impact of de-risking activities and also reflecting a low interest rate environment, as well as lower releases of loan loss allowances recorded prior to consolidation (which are shown as interest income). Further, retail client investment activity remained muted, primarily in Germany, and continued low market levels as well as ongoing uncertainties during the quarter adversely impacted the funds business. Overall, the Group's net revenues in the first quarter 2012 were € 9.2 billion, after a € 257 million impairment charge related to our exposure in Actavis recorded in Corporate Investments, which is a decrease of € 1.3 billion, or 12 %, versus the first quarter 2011.

Provision for credit losses was € 314 million in the quarter, a decrease of 16 %, from € 373 million in the first quarter 2011. The decrease was mainly attributable to lower provisions recorded at Postbank and the positive performance of our retail portfolio as well as the successful sales of non-performing loans, partly offset by higher provision for credit losses in CIB, being in line with our expectation. The provision for credit losses excludes releases from Postbank related loan loss allowances recorded prior to consolidation of € 36 million which are included in net interest income.

Noninterest expenses were € 7.0 billion in the quarter, essentially unchanged compared to the first quarter 2011. Compensation related costs decreased by € 622 million as a result of lower performance related compensation, based on lower operating performance and a reduced deferred compensation charge for employees eligible for career retirement. These effects were offset by litigation related charges (approximately € 210 million) and increased policyholder benefits and claims in Abbey Life, both in Corporate Banking & Securities (CB&S). The first quarter 2012 also included an accrual of € 73 million for the German bank levy in Consolidation & Adjustments (C&A) which did not occur in the prior year quarter. In addition, there was a negative impact of € 40 million related to a buyback offer for a specific closed-end fund in Private & Business Clients (PBC).

Income before income taxes was € 1.9 billion in the quarter, down € 1.1 billion versus the first quarter 2011. The result reflects the specific items mentioned before (Actavis and Hua Xia Bank) as well as weaker conditions in the first quarter 2012, as compared to the strong start in 2011, which are characterized by continued caution of financial markets participants.

Net income for the first quarter 2012 was € 1.4 billion compared to € 2.1 billion in the first quarter 2011. Diluted earnings per share were € 1.44 in the first quarter 2012, versus € 2.13 in the first quarter 2011. Income tax expense was € 478 million in the first quarter 2012. The effective tax rate of 25.4 % in the current quarter mainly benefited from share-based payments related tax effects. Income tax expense in the first quarter 2011 was € 891 million. The effective tax rate of 29.5 % in the first quarter 2011 benefited from the partial tax exemption of net gains related to our stake in Hua Xia Bank.

Segment Results of Operations

Corporate & Investment Bank Group Division (CIB)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues	6,187	6,696	(510)	(8)
Provision for credit losses	118	33	85	N/M
Noninterest expenses	4,005	4,091	(86)	(2)
Noncontrolling interests	6	11	(5)	(43)
Income before income taxes	2,058	2,561	(503)	(20)

N/M – Not meaningful

Corporate Banking & Securities Corporate Division (CB&S)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues:				
Sales & Trading (debt and other products)	3,390	3,691	(301)	(8)
Sales & Trading (equity)	726	943	(218)	(23)
Origination (debt)	379	378	1	0
Origination (equity)	138	181	(42)	(23)
Advisory	121	159	(37)	(24)
Loan products	303	452	(149)	(33)
Other products	162	40	123	N/M
Total net revenues	5,220	5,843	(623)	(11)
Provision for credit losses	85	12	73	N/M
Noninterest expenses	3,412	3,533	(121)	(3)
Noncontrolling interests	6	11	(5)	(43)
Income before income taxes	1,717	2,287	(570)	(25)

N/M – Not meaningful

Sales & Trading (debt and other products) net revenues were € 3.4 billion in the first quarter 2012, a decrease of € 301 million, or 8 %, compared to the first quarter 2011. While overall performance was strong reflecting increased client activity compared to the second half of 2011, the environment remains less favorable than in the prior year quarter. Revenues in Credit benefited from solid client activity, although these were lower than in the prior year quarter reflecting deliberately lower inventory levels. Money Markets revenues were significantly higher than the prior year quarter across all regions. Revenues in Rates were higher compared to the prior year quarter due to increased client activity in flow and client solutions, generating the second best first quarter ever for the business. Foreign Exchange had record volumes, but revenues were in line with the prior year quarter, reflecting lower margins. Revenues in Emerging Markets were lower than in the prior year quarter with higher flow activity offset by reduced demand for client solutions. Commodities revenues were in line with the

prior year quarter, with a strong performance across all products. RMBS revenues were significantly lower than in the prior year quarter, reflecting reduced client demand.

Sales & Trading (equity) generated net revenues of € 726 million in the first quarter 2012, a decrease of € 218 million, or 23 %, compared to the first quarter 2011. While improved market sentiment was reflected in increases across major equity indices, industry-wide client activity remained significantly lower than in the prior year quarter. Equity Trading revenues were lower than in the prior year quarter despite market share increases in Europe and the U.S, reflecting lower industry-wide market volumes as well as the non-recurrence of a gain on the sale of our stake in the Russian stock exchange RTS in the prior year quarter. Equity Derivative revenues were also lower than in the prior year quarter due to reduced flow and corporate volumes. Prime Finance revenues were in line with the prior year quarter, as higher balances were offset by pricing pressures. During the quarter Deutsche Bank was voted number one for European Sales, Trading, and Research in Institutional Investor 2012 All-Europe surveys.

Origination and Advisory generated revenues of € 638 million in the first quarter 2012, a decrease of € 79 million, or 11 %, compared to the first quarter 2011, reflecting lower industry-wide activity. Deutsche Bank was ranked number three globally by share of Corporate Finance fees, its highest ranking ever. Deutsche Bank was also ranked top five across M&A, Equity Origination, and Debt Origination globally. Advisory revenues of € 121 million were down 24 % on the prior year quarter reflecting subdued activity levels compared to the prior year, and Deutsche Bank was ranked number five for the quarter. Debt Origination revenues of € 379 million were in line with the prior year quarter, and Deutsche Bank was ranked number two in All International Bonds and number two in All Bonds in Europe, according to Thomson Reuters. Equity Origination revenues decreased by 23 % to € 138 million compared to the prior year quarter reflecting lower industry-wide equity capital market activity, although issuance levels grew towards the end of the quarter as volatility declined. Deutsche Bank was ranked number five globally in equity issuance and number one in IPOs (Bloomberg). (All rankings sourced from Dealogic unless stated otherwise).

Loan products revenues were € 303 million in the first quarter 2012, a decrease of € 149 million, or 33 %, on the prior year quarter due to the combination of reduced balances, markdowns and the net effect of movements in credit spreads.

Net revenues from other products were € 162 million in the first quarter 2012, an increase of € 123 million from the prior year quarter. This increase was driven by higher mark-to-market gains on investments held to back insurance policyholder claims in Abbey Life, which are offset in noninterest expenses.

Provision for credit losses in CB&S were a net charge of € 85 million in the first quarter 2012 compared to a low net charge of € 12 million in the prior year quarter.

Noninterest expenses were € 3.4 billion in the first quarter 2012, a decrease of € 121 million, or 3 %, compared to the first quarter 2011. This decrease was substantially driven by lower performance related compensation, based on lower operating performance and a reduced deferred compensation charge for employees eligible for career retirement. These decreases were partly offset by approximately € 210 million of litigation related expenses, and the impact of the afore-mentioned effects from Abbey Life.

Income before income taxes in CB&S was € 1.7 billion in the first quarter 2012, compared to € 2.3 billion in the prior year quarter.

Global Transaction Banking Corporate Division (GTB)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues	967	853	114	13
Provision for credit losses	33	21	12	55
Noninterest expenses	593	558	35	6
Noncontrolling interests	–	–	–	N/M
Income before income taxes	340	274	67	24

N/M – Not meaningful

GTB's net revenues were € 967 million in the first quarter 2012, an increase of € 114 million, or 13 %, compared to the first quarter 2011. The increase was driven by growth in fee and interest income spread across product lines reflecting GTB's robust business model. Compared to the prior year quarter, interest income increased benefiting from higher balances, offsetting the continued low interest rate environment, particularly in the U.S. and the euro area, while rates in Asia remained favorable. Trade Finance generated strong revenues driven by ongoing growth in client volumes and demand for financing products. Trust & Securities Services revenues grew based on strong momentum in the custody business, especially securities lending, as well as higher balances in trust and agency services. In Cash Management, revenues increased as a result of higher transaction and deposit volumes.

In provision for credit losses, GTB recorded a net charge of € 33 million in the first quarter 2012, compared to € 21 million in the prior year quarter. The charges in both periods were mainly related to the commercial banking activities acquired in the Netherlands in 2010. The remaining GTB businesses showed a net release which partly counterbalanced the aforementioned increase.

Noninterest expenses of € 593 million in the first quarter 2012 were up € 35 million, or 6 %, compared to the first quarter 2011. This increase was mainly driven by performance related compensation as well as insurance related costs. In addition, integration costs for the acquisition in the Netherlands contributed to this increase.

Income before income taxes was € 340 million for the quarter, an increase of € 67 million, or 24 %, compared to the prior year quarter.

Private Clients and Asset Management Group Division (PCAM)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues	3,384	4,074	(690)	(17)
Provision for credit losses	194	338	(144)	(43)
Noninterest expenses	2,604	2,680	(76)	(3)
Noncontrolling interests	30	78	(47)	(61)
Income before income taxes	555	978	(423)	(43)

Asset and Wealth Management Corporate Division (AWM)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues:				
Discretionary portfolio management/fund management (AM)	384	416	(32)	(8)
Discretionary portfolio management/fund management (PWM)	102	110	(9)	(8)
Total discretionary portfolio management/fund management	486	526	(40)	(8)
Advisory/brokerage (PWM)	199	230	(31)	(14)
Credit products (PWM)	102	94	8	8
Deposits and payment services (PWM)	67	35	32	92
Other products (AM)	(4)	26	(30)	N/M
Other products (PWM)	34	91	(57)	(63)
Total other products	29	116	(87)	(75)
Total net revenues	883	1,002	(119)	(12)
Provision for credit losses	0	19	(18)	(98)
Noninterest expenses	739	792	(52)	(7)
Noncontrolling interests	1	1	(0)	(6)
Income before income taxes	142	190	(48)	(25)
Breakdown of AWM by business				
Asset Management:				
Net revenues	380	441	(62)	(14)
Provision for credit losses	(0)	0	(0)	N/M
Noninterest expenses	325	366	(40)	(11)
Income before income taxes	54	75	(20)	(27)
Private Wealth Management:				
Net revenues	503	561	(57)	(10)
Provision for credit losses	0	19	(18)	(98)
Noninterest expenses	414	426	(12)	(3)
Income (loss) before income taxes	88	116	(28)	(24)

N/M – Not meaningful

AWM reported net revenues of € 883 million in the first quarter 2012, a decrease of € 119 million, or 12 %, compared to the same period in 2011. Revenues from other products declined by € 87 million (from € 116 million to € 29 million) compared to the same period last year. Of this decline € 57 million, or 63 %, was attributable to Private Wealth Management (PWM), which was significantly impacted by positive effects from the realignment of Sal. Oppenheim in 2011. The remaining decline in revenues from other products of € 30 million was attributable to Asset Management (AM) reflecting lower gains on sale of investments. Discretionary portfolio management/fund management revenues in AWM decreased by € 40 million, or 8 %. The decline was € 32 million in AM and € 9 million in PWM. Both developments were driven by negative market impacts resulting in lower asset flows and lower performance fees. Advisory/brokerage revenues decreased by € 31 million, or 14 %, to € 199 million. This was mainly driven by a lower client activity reflecting investor uncertainty. Partly offsetting these decreases were € 32 million (or 92 %) higher revenues in deposits and payment services compared to the same period in 2011, mainly due to the launch of various product initiatives targeting stable funding. Revenues from credit products were € 8 million, or 8 %, higher compared to the first quarter 2011, mainly due to higher lending volume in Asia/Pacific and Americas.

Provision for credit losses decreased to a level below € 1 million by € 18 million compared to the same period last year, mainly related to lower provisions in Sal. Oppenheim.

Noninterest expenses in the first quarter 2012 were € 739 million, down by € 52 million, or 7 %, compared to the first quarter 2011. The decline reflected mainly lower retention and severance expenses. In addition, the decrease also reflected improved platform efficiencies in AM.

In the first quarter 2012, AWM recorded an income before income taxes of € 142 million compared to € 190 million in the first quarter last year. Income before income taxes declined by € 28 million in PWM and by € 20 million in AM.

Invested Assets in AWM increased € 7 billion to € 820 billion in the first quarter of 2012. In PWM, invested assets were € 278 billion, an increase of € 9 billion compared to December 31, 2011. The increase included € 11 billion due to market appreciation and € 2 billion net inflows, partly offset by € 3 billion from foreign currency movements. Invested assets in AM decreased by € 2 billion. Net outflows of € 10 billion, mainly related to one single customer in Europe, and negative effects from foreign currency movements of € 8 billion, were partly offset by € 16 billion due to market appreciation.

Private & Business Clients Corporate Division (PBC)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues:				
Discretionary portfolio management/fund management	54	72	(19)	(26)
Advisory/brokerage	257	290	(33)	(11)
Credit products	545	547	(2)	(0)
Deposits and payment services	550	519	31	6
Other products	1,096	1,644	(548)	(33)
Total net revenues	2,501	3,072	(571)	(19)
Provision for credit losses	194	320	(126)	(39)
Noninterest expenses	1,865	1,888	(23)	(1)
Noncontrolling interests	29	77	(47)	(62)
Income before income taxes	413	788	(375)	(48)
Breakdown of PBC by business				
Advisory Banking Germany:				
Net revenues	1,031	1,038	(7)	(1)
Provision for credit losses	5	50	(45)	(90)
Noninterest expenses	835	757	78	10
Income before income taxes	191	231	(40)	(17)
Advisory Banking International:				
Net revenues	497	707	(210)	(30)
Provision for credit losses	64	63	1	1
Noninterest expenses	306	345	(39)	(11)
Income before income taxes	127	298	(171)	(57)
Consumer Banking Germany:[1]				
Net revenues	972	1,327	(354)	(27)
Provision for credit losses	125	206	(81)	(39)
Noninterest expenses	723	785	(62)	(8)
Noncontrolling interests	29	77	(47)	(62)
Income before income taxes	95	258	(164)	(63)

[1] Postbank (including purchase price adjustments, noncontrolling interests and other transaction related components).

Net revenues in the first quarter 2012 were € 2.5 billion, down € 571 million, or 19 %, compared to the first quarter 2011. Most of this decline was attributable to lower revenues from other products, which decreased by € 548 million. This development reflected the non-recurrence of a one time positive impact of € 263 million related to our stake in Hua Xia Bank. In addition, Postbank contributed € 354 million to the decrease, with € 972 million revenues in the current quarter, compared to € 1.3 billion in the prior year quarter. The decrease was attributable to lower operating revenues driven by the impact of de-risking activities and also reflecting a low interest rate environment, as well as lower releases of loan loss allowances recorded prior to consolidation (which are shown as interest income). Furthermore, revenues in Postbank were negatively affected by € 34 million impairments on Greek government bonds. Advisory/brokerage revenues were down by € 33 million, or 11 %, in both Advisory Banking Germany and International. Revenues from discretionary portfolio management/fund management decreased by € 19 million, or 26 %, mainly in Advisory Banking Germany. Both product categories were impacted by the ongoing reluctance of retail clients to invest. Revenues from deposits and payment services were € 550 million, up € 31 million, or 6 %, compared to the first quarter 2011, mainly driven by an increase in deposit volumes in both Advisory Banking units. Credit products revenues were essentially unchanged, compared to the first quarter 2011. Increased revenues resulting from higher loan volumes offset the impact of lower margins in all major regions of Advisory Banking.

Provision for credit losses was € 194 million in the first quarter of 2012 versus € 320 million in the first quarter 2011, of which € 125 million and € 206 million, respectively, related to Postbank. The decrease of € 81 million in Postbank provision for credit losses was attributable to releases of loan loss allowances recorded after consolidation. In the current quarter, releases of loan loss allowances recorded prior to consolidation were € 36 million (versus € 117 million in the first quarter 2011) and are reported as net interest income. Excluding Postbank, provisions for credit losses decreased by € 44 million, compared to the same quarter last year. The decrease was primarily attributable to an improved credit performance in consumer finance. In addition, the decline was attributable to a positive impact from the sale of non-performing loan portfolios of € 51 million, whereas the first quarter 2011 included a positive effect from portfolio sales of € 33 million.

Noninterest expenses were € 1.9 billion in the first quarter 2012, slightly below the first quarter 2011. The decrease included € 54 million related to Postbank, mainly due to lower operating expenses and the non-recurrence of expenses related to measures recorded in the prior year's quarter. Excluding Postbank (and costs related to Postbank integration reflected in Advisory Banking Germany), noninterest expenses were up € 31 million, mainly resulting from a negative impact of € 40 million related to a buyback offer for a specific closed-end fund.

Income before income taxes was € 413 million in the first quarter, a decrease of € 375 million, or 48 %, compared to the first quarter 2011. The decrease was mainly driven by the non-recurrence of the aforementioned one time positive impact in Advisory Banking International related to our share in Hua Xia Bank. Advisory Banking International recorded an income before income taxes of € 127 million in the current quarter compared to € 298 million in the prior year quarter. Income before income taxes in Advisory Banking Germany was € 191 million in the current quarter and € 231 million in the first quarter 2011. In Consumer Banking Germany income before income taxes was € 95 million and € 258 million, respectively.

Invested assets were € 308 billion as of March 31, 2012, up € 5 billion compared to December 31, 2011. The increase was driven by € 6 billion related to market appreciation, partly offset by € 1 billion of net outflows.

PBC's total number of clients was 28.5 million, of which 14.0 million related to Postbank. PBC's number of clients at March 31, 2012 was essentially unchanged from December 31, 2011.

Corporate Investments Group Division (CI)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues	4	180	(176)	(98)
Provision for credit losses	2	1	0	22
Noninterest expenses	312	344	(32)	(9)
Noncontrolling interests	(7)	(0)	(7)	N/M
Income (loss) before income taxes	(303)	(165)	(138)	84

N/M – Not meaningful

Net revenues were € 4 million in the first quarter 2012, compared to € 180 million in the first quarter 2011. The current quarter included an impairment of € 257 million on Actavis. This was recognized as a result of substantial progress towards an agreement for a third party to acquire Actavis. The first quarter last year reflected a share of net loss of € 55 million on that exposure. Remaining revenues in both quarters mainly contained recurring revenues from Actavis, BHF-BANK and from our consolidated investments in The Cosmopolitan of Las Vegas and Maher Terminals.

Noninterest expenses were € 312 million in the first quarter 2012, compared to € 344 million in the same period last year. The decrease was mainly related to a specific charge in the first quarter 2011 that was related to the at that time announced sale of the Group's headquarters in Frankfurt am Main.

CI recorded a loss before income taxes of € 303 million in the first quarter 2012 and of € 165 million in the first quarter 2011.

Consolidation & Adjustments (C&A)

	Three months ended			
in € m.	Mar 31, 2012	Mar 31, 2011	Absolute Change	Change in %
Net revenues	(382)	(476)	94	(20)
Provision for credit losses	0	(0)	0	N/M
Noninterest expenses	79	(34)	113	N/M
Noncontrolling interests	(29)	(89)	59	(67)
Income (loss) before income taxes	(431)	(353)	(78)	22

N/M – Not meaningful

Loss before income taxes in Consolidation & Adjustments (C&A) was € 431 million in the first quarter 2012, compared to € 353 million in the prior year.

Revenues in both periods included significant negative effects from different accounting methods used for management reporting and IFRS. These amounted to € 319 million in the current quarter, of which approximately half was driven by the development of U.S. dollar/euro basis swap spreads. The Group predominantly funds its operations in euro and then converts some of these funds into U.S. dollars using the basis swap market. The funding and the related basis swaps represent an economically hedged position and different accounting methods may result in material effects in C&A. While the funding instrument is accounted for at amortized costs, the mark-to-market valuation of the swaps is sensitive to movements in U.S. dollar/euro mid- to long-term basis swap spreads. These valuation related timing effects reverse over the life of these positions. In the current year quarter, these spreads narrowed significantly resulting in a mark-to-market loss. Revenues in the current quarter also included mark-to-market losses of approximately € 70 million from the narrowing of the credit spreads of certain of our own debt as well as effects of approximately € 80 million from different accounting methods related to economically hedged short-term positions which resulted from changes in short-term euro interest rates and from the reversal of prior period interest rate effects. This accounting difference was the main driver for the loss before income taxes of € 353 million in the first quarter 2011. Revenues in both periods also reflected negative effects from the hedging of net investments in certain foreign operations.

Noninterest expenses in the current year quarter included the accrual for the German bank levy of € 73 million, whereas in the prior year, the accrual for the German bank levy only started in the second quarter. The positive effect in C&A from the reversal of noncontrolling interests, which are deducted from income before income taxes of the divisions, was mostly related to Postbank in both quarters. It significantly decreased in comparison to the prior year quarter.

Financial Position

The table below shows information on our financial position.

in € m.	Mar 31, 2012	Dec 31, 2011
Cash and due from banks	14,700	15,928
Interest-earning deposits with banks	126,784	162,000
Central bank funds sold, securities purchased under resale agreements and securities borrowed	73,111	57,110
Trading assets	258,504	240,924
Positive market values from derivative financial instruments	759,231	859,582
Financial assets designated at fair value through profit or loss[1]	186,908	180,293
Loans	407,501	412,514
Brokerage and securities related receivables	170,820	122,810
Remaining assets	105,736	112,942
Total assets	2,103,295	2,164,103
Deposits	588,319	601,730
Central bank funds purchased, securities sold under repurchase agreements and securities loaned	66,602	43,401
Trading liabilities	69,044	63,886
Negative market values from derivative financial instruments	738,120	838,817
Financial liabilities designated at fair value through profit or loss[2]	111,608	118,318
Other short-term borrowings	59,901	65,356
Long-term debt	163,061	163,416
Brokerage and securities related payables	183,772	139,733
Remaining liabilities	67,063	74,786
Total liabilities	2,047,490	2,109,443
Total equity	55,805	54,660

1 Includes securities purchased under resale agreements designated at fair value through profit or loss of € 125,611 million and € 117,284 million and securities borrowed designated at fair value through profit or loss of € 25,912 million and € 27,261 million as of March 31, 2012 and December 31, 2011, respectively.
2 Includes securities sold under repurchase agreements designated at fair value through profit or loss of € 83,197 million and € 93,606 million as of March 31, 2012 and December 31, 2011, respectively.

Movements in Assets

As of March 31, 2012, total assets were € 2,103 billion. The decrease of € 61 billion, or 3 %, compared to December 31, 2011, was primarily driven by lower positive market values from derivative financial instruments and interest-earning deposits with banks, partially offset by increases in brokerage and securities related receivables and trading assets. Foreign exchange movement, in particular between U.S. dollar and euro, contributed € 30 billion to the overall reduction of our balance sheet in the first quarter 2012.

Positive market values from derivative financial instruments were down by € 100 billion, predominantly driven by increasing yield curves and tightening of credit spreads during the first quarter 2012. Interest-earning deposits with banks were down by € 35 billion from the elevated level observed at year-end 2011.

Brokerage and securities related receivables were up € 48 billion compared to December 31, 2011, as volumes increased over the course of the year from traditionally lower year-end levels. Trading assets were up by € 18 billion, predominantly driven by debt securities.

Movements in Liabilities

Total liabilities were down by € 62 billion to € 2,047 billion, primarily driven by lower negative market values from derivative financial instruments, partially offset by increases in brokerage and securities related payables.

Negative market values from derivative financial instruments were down by € 101 billion, while brokerage and securities related payables were up € 44 billion compared to December 31, 2011, driven by the same factors as the corresponding asset positions.

Equity

As of March 31, 2012, total equity was € 55.8 billion, an increase of € 1.1 billion or 2 %, compared to € 54.7 billion as of December 31, 2011. The main factors contributing to this development were net income attributable to Deutsche Bank shareholders of € 1.4 billion and a decrease of € 575 million in our balance of treasury shares which are deducted from equity, partly offset by a decrease in the noncontrolling interests of € 423 million and a reduction of additional paid-in capital of € 259 million. The decrease in the noncontrolling interests was mainly caused by the exercise of Deutsche Post's put option on Postbank shares. The resulting increase in Postbank shares led in turn to an increase in additional paid-in capital. The above mentioned net reduction of additional paid-in capital is mainly driven by net changes in share awards.

Regulatory Capital

Starting December 31, 2011, the calculation of the Group's regulatory capital and capital ratios incorporates the amended capital requirements for trading book and securitization positions following the Capital Requirements Directive 3, also known as "Basel 2.5". The Bank's Tier 1 capital ratio was 13.4 % as of March 31, 2012, up from 12.9 % at December 31, 2011. The Tier 1 capital ratio was positively impacted by the reduction of risk-weighted assets. The core Tier 1 capital ratio, which excludes hybrid capital instruments, was 10.0 % as of March 31, 2012, compared to 9.5 % at the end of 2011. Tier 1 capital as of March 31, 2012, was € 49.4 billion, € 372 million higher than at the end of 2011. The positive impact of the first quarter's net income attributable to Deutsche Bank shareholders of € 1.4 billion was partly offset by effects from changes in foreign exchange rates, dividend accruals and equity compensation effects. Risk-weighted assets were € 368 billion as of March 31, 2012, € 13 billion lower than at the end of 2011, largely reflecting reductions in credit risk and, to a lesser extent, market risk as well as changes in foreign exchange rates.

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

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

As of March 31, 2012 and December 31, 2011 the carrying value of reclassified assets was € 22.1 billion and € 22.9 billion, respectively, compared with a fair value of € 19.8 billion and € 20.2 billion as of March 31, 2012 and December 31, 2011, respectively. These assets are predominantly held in CB&S.

Please refer to the section "Amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets"" on page 61 for additional information on the impact of reclassification.

Update on Key Credit Market Exposures

The following is an update on the development of certain credit positions (including protection purchased from monoline insurers) of certain CB&S businesses on which we have previously provided additional risk disclosures. There have been no significant developments since December 31, 2011, with respect to our commercial paper holdings in Ocala or those mortgage related exposures described in our 2011 Financial Report – Management Report: Operating and Financial Review. Our gross exposure to U.S. subprime and Alt-A RMBS and CDO declined from € 2.4 billion at December 31, 2011 to € 2.3 billion at March 31, 2012. Net of hedges and other protection purchased, we had negative exposures (i.e., we would recognize a gain were all of the gross positions to default) of € 146 million at December 31, 2011 and € 62 million at March 31, 2012.

The following is an update on the development on protection purchased from monoline insurers.

Monoline exposure related to U.S. residential mortgages[1,2]				Mar 31, 2012				Dec 31, 2011
in € m.	Notional amount	Fair value prior to CVA[3]	CVA[3]	Fair value after CVA[3]	Notional amount	Fair value prior to CVA[3]	CVA[3]	Fair value after CVA[3]
AA Monolines:[4]								
Other subprime	118	63	(17)	46	124	65	(20)	45
Alt-A	3,335	1,519	(255)	1,264	3,662	1,608	(353)	1,255
Total AA Monolines	3,453	1,582	(272)	1,310	3,786	1,673	(373)	1,300

1 Excludes counterparty exposure to monoline insurers that relates to wrapped bonds of € 48 million as of March 31, 2012 and € 52 million as of December 31, 2011, which represents an estimate of the potential mark-downs of wrapped assets in the event of monoline defaults.
2 A portion of the mark-to-market monoline exposure has been mitigated with CDS protection arranged with other market counterparties and other economic hedge activity.
3 For monolines with actively traded CDS, the credit valuation adjustment (CVA) is calculated using a full CDS-based valuation model. For monolines without actively traded CDS, a model-based approach is used with various input factors, including relevant market driven default probabilities, the likelihood of an event (either a restructuring or an insolvency), an assessment of any potential settlement in the event of a restructuring, and recovery rates in the event of either restructuring or insolvency. The monolines CVA methodology is reviewed on a quarterly basis by management.
4 Ratings are the lowest of Standard & Poor's, Moody's or our own internal credit ratings as of March 31, 2012 and December 31, 2011.

Other Monoline exposure[1,2]				Mar 31, 2012				Dec 31, 2011
in € m.	Notional amount	Fair value prior to CVA[3]	CVA[3]	Fair value after CVA[3]	Notional amount	Fair value prior to CVA[3]	CVA[3]	Fair value after CVA[3]
AA Monolines:[4]								
TPS-CLO	2,629	727	(180)	547	2,721	786	(201)	585
CMBS	1,082	11	(1)	10	1,113	26	(3)	23
Student loans	294	23	(4)	19	303	56	(13)	43
Other	901	255	(100)	155	922	305	(111)	194
Total AA Monolines	4,906	1,016	(285)	731	5,059	1,173	(328)	845
Non Investment Grade Monolines:[4]								
TPS-CLO	514	179	(70)	109	547	199	(89)	110
CMBS	3,468	167	(26)	141	3,539	211	(42)	169
Corporate single name/Corporate CDO	1,008	2	–	2	2,062	2	–	2
Student loans	1,284	580	(168)	412	1,325	587	(189)	398
Other	1,054	165	(57)	108	1,076	213	(89)	124
Total Non Investment Grade Monolines	7,328	1,093	(321)	772	8,549	1,212	(409)	803
Total	12,234	2,108	(605)	1,503	13,608	2,385	(737)	1,648

1 Excludes counterparty exposure to monoline insurers that relates to wrapped bonds of € 43 million as of March 31, 2012, and € 46 million as of December 31, 2011, which represents an estimate of the potential mark-downs of wrapped assets in the event of monoline defaults.
2 A portion of the mark-to-market monoline exposure has been mitigated with CDS protection arranged with other market counterparties and other economic hedge activity.
3 For monolines with actively traded CDS, the credit valuation adjustment (CVA) is calculated using a full CDS-based valuation model. For monolines without actively traded CDS, a model-based approach is used with various input factors, including relevant market driven default probabilities, the likelihood of an event (either a restructuring or an insolvency), an assessment of any potential settlement in the event of a restructuring, and recovery rates in the event of either restructuring or insolvency. The monolines CVA methodology is reviewed on a quarterly basis by management.
4 Ratings are the lowest of Standard & Poor's, Moody's or our own internal credit ratings as of March 31, 2012 and December 31, 2011.

Special Purpose Entities

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

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

This section contains information about movements in total assets of SPEs that are consolidated on our balance sheet as well as movements on total exposures to SPEs that are not consolidated. This section should be read in conjunction with the Management Report, section "Special Purpose Entities", and Note 01 "Significant Accounting Policies" of our Financial Report 2011.

Total Assets in Consolidated SPEs

These tables provide details about the assets (after consolidation eliminations) in our consolidated SPEs.

Mar 31, 2012

	Asset type					
in € m.	Financial assets at fair value through profit or loss[1]	Financial assets available for sale	Loans	Cash and cash equivalents	Other assets	Total assets
Category:						
Group sponsored ABCP conduits[2]	–	32	9,881	1	30	9,944
Group sponsored securitizations	2,120	441	1,157	3	46	3,767
Third party sponsored securitizations[3]	1,891	–	487	13	143	2,534
Repackaging and investment products	4,429	1,012	196	882	371	6,890
Mutual funds	4,797	–	–	1,078	16	5,891
Structured transactions	2,421	118	3,748	22	350	6,659
Operating entities	2,292	3,816	3,158	75	3,269	12,610
Other	162	267	543	170	585	1,727
Total	18,112	5,686	19,170	2,244	4,810	50,022

1 Fair value of derivative positions was € 649 million.
2 Decrease due to the paydown of certain facilities during the period.
3 Increase due to the consolidation of certain Collateralized Mortgage Obligations in the period.

Dec 31, 2011

	Asset type					
in € m.	Financial assets at fair value through profit or loss[1]	Financial assets available for sale	Loans	Cash and cash equivalents	Other assets	Total assets
Category:						
Group sponsored ABCP conduits	–	39	10,998	1	33	11,071
Group sponsored securitizations	2,044	191	1,169	3	48	3,455
Third party sponsored securitizations	–	–	493	14	156	663
Repackaging and investment products	5,032	971	207	606	409	7,225
Mutual funds	3,973	–	–	1,934	566	6,473
Structured transactions	2,425	43	3,748	22	334	6,572
Operating entities	2,116	3,879	3,228	102	3,439	12,764
Other	114	239	329	84	548	1,314
Total	15,704	5,362	20,172	2,766	5,533	49,537

1 Fair value of derivative positions was € 580 million.

Exposure to Nonconsolidated SPEs

This table details the maximum unfunded exposure remaining to certain nonconsolidated SPEs.

Maximum unfunded exposure remaining in € bn.	Mar 31, 2012	Dec 31, 2011
Category:		
Group sponsored ABCP conduits	1.1	1.2
Third party ABCP conduits	1.9	1.9
Third party sponsored securitizations		
U.S.[1]	1.4	1.6
non-U.S.	1.3	1.4
Guaranteed mutual funds[2]	10.3	9.8
Real estate leasing funds	0.7	0.7

1 Decrease is due to the maturity of certain facilities during the period.
2 Increase is due to improved fund performance and client inflows during the period.

Related Party Transactions

We have business relationships with a number of companies in which we own significant equity interests. We also have business relationships with a number of companies where members of our Management Board hold positions on boards of directors or non-executive boards. Our business relationships with these companies cover many of the financial services we provide to our clients generally. For more detailed information, please refer to the section “Other Financial Information” of this Interim Report.

Events after the Reporting Date

As a result of the substantial progress towards an agreement for a third party to acquire Actavis, CI recognized an impairment loss of € 257 million in the first quarter 2012.

As of April 25, 2012, we classified our exposure in Actavis (recorded within CI) as held for sale following further progress towards an agreement for a third party to acquire Actavis. Currently, we do not anticipate further material financial impacts in this regard.

Risk Report

Risk Management Framework

The wide variety of our businesses requires us to identify, measure, aggregate and manage our risks effectively, and to allocate our capital among our businesses appropriately. We operate as an integrated group through our divisions, business units and infrastructure functions. We manage risk and capital through a framework of principles, organizational structures as well as measurement and monitoring processes that are closely aligned with the activities of the divisions and business units. Further information about our risk management framework, which has remained principally unchanged, can be found in our Financial Report 2011.

Postbank conducts its own risk management activities under its own statutory responsibilities. We provide advisory services to Postbank with regard to specific risk management areas.

Credit Exposure

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

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

Corporate Credit Exposure

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

						Mar 31, 2012
in € m.	Loans[1]	Irrevocable lending commitments[2]	Contingent liabilities	OTC derivatives[3]	Debt securities available for sale	Total
AAA-AA	50,283	19,687	8,042	32,443	22,415	132,870
A	43,101	35,240	22,055	15,923	7,970	124,289
BBB	55,619	36,118	19,410	14,793	4,758	130,698
BB	51,673	22,785	12,641	6,538	2,465	96,102
B	16,482	9,631	5,940	2,649	168	34,870
CCC and below	18,640	2,212	1,598	1,531	217	24,198
Total	**235,798**	**125,673**	**69,686**	**73,877**	**37,993**	**543,027**

1 Includes impaired loans mainly in category CCC and below amounting to € 5.8 billion as of March 31, 2012.
2 Includes irrevocable lending commitments related to consumer credit exposure of € 9.9 billion as of March 31, 2012.
3 Includes the effect of netting agreements and cash collateral received where applicable.

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

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

The above table shows an overall decrease in our corporate credit exposure during the first quarter of 2012 amounting to € 20 billion or 3 % which primarily reflects decreases in loans of € 6 billion, OTC derivatives of € 6 billion, contingent liabilities of € 4 billion and in irrevocable lending commitments of € 2 billion, all predominantly in investment grade rated exposures.

Credit Risk Exposure to certain European Countries

Certain European countries are presented within the tables below due to their heightened sovereign default risk caused by the wider European sovereign debt crisis. This heightened risk is driven by a number of factors impacting the associated sovereign including large public debt levels, limited access to capital markets, high credit default swap spreads, proximity of debt repayment dates, poor economic fundamentals and outlook (including low gross domestic product growth, high unemployment and the necessity to implement various austerity measures) and the fact that some of these countries have accepted “bail out” packages. We also monitor other European countries very closely given their associated exposures to these certain countries as well as to their recent rating downgrades although their observed risk factors currently do not warrant inclusion in this disclosure.

The following table provides our risk management perspective of our aggregate net credit risk exposure considering the domicile of the group parent, thereby reflecting the one obligor principle. These exposures consider derivative netting and are net of hedges and collateral. Also, in our risk management we classify exposure to special purpose entities based on the domicile of the underlying assets as opposed to the domicile of the special purpose entities.

in € m.	Mar 31, 2012	Dec 31, 2011
Greece	547	840
Ireland	1,771	1,570
Italy	17,967	18,064
Portugal	1,412	1,733
Spain	12,466	12,750
Total	34,163	34,957

Net credit exposure is down € 794 million since year-end 2011 primarily driven by reductions in the Postbank portfolio related to Financial Institutions exposure in Portugal and Spain as well as in Greece partly due to the participation in the Greek government bonds restructuring.

Our above exposure is principally to highly diversified, low risk retail portfolios and small and medium enterprises in Italy and Spain, as well as stronger corporates and diversified mid-cap clients, while our financial institutions exposure is predominantly geared towards Tier 1 banks. Sovereign exposure is moderate and principally in Italy and Spain, and there driven by our flow derivatives and market making activities. For a more detailed description of the risks associated with direct exposure to these countries as well as the respective exposure management and monitoring see the risk sections of our Financial Report 2011.

In contrast to the above, for accounting purposes we aggregate credit risk exposure to counterparties with a country of domicile in, or in relation to credit default swaps, underlying reference assets from, these European countries. Hence we also include counterparties whose group parent is located outside of these countries and exposures to special purpose entities whose underlying assets are from entities domiciled in other countries.

The table below presents our gross position which reflects our net credit risk exposure grossed up for net credit derivative protection purchased, collateral held and allowances for credit losses.

						Mar 31, 2012
in € m.	Sovereign	Financial Institutions	Corporates	Retail	Other	Total[1]
Greece	113	675	1,426	8	–	2,222
Ireland	651	2,869	7,735	59	6,342[2]	17,656
Italy	1,991	4,832	9,210	19,836	387	36,256
Portugal	212	649	1,460	2,410	48	4,779
Spain	1,359	6,397	9,674	11,399	267	29,096
Total	4,326	15,422	29,505	33,712	7,044	90,009

1 Approximately 60 % of the overall exposure will mature within the next 5 years.
2 Other exposures to Ireland include exposures to counterparties where the domicile of the group parent is located outside of Ireland as well as exposures to special purpose entities whose underlying assets are from entities domiciled in other countries.

The table below presents our aggregate net credit risk exposure after effects of collateral held, guarantees received and further risk mitigation. Loan exposures held at amortized cost are presented after deduction of allowance for loan losses.

						Mar 31, 2012
in € m.	Sovereign	Financial Institutions	Corporates	Retail	Other	Total[1]
Greece	94	99	354	2	–	549
Ireland	350	1,675	6,165	9	4,958[2]	13,157
Italy	1,953	1,753	6,492	8,332	184	18,714
Portugal	189	305	740	402	48	1,684
Spain	1,358	3,575	6,591	1,932	200	13,656
Total	3,944	7,407	20,342	10,677	5,390	47,760

1 Approximately 60 % of the overall exposure will mature within the next 5 years.
2 Other exposures to Ireland include exposures to counterparties where the domicile of the group parent is located outside of Ireland as well as exposures to special purpose entities whose underlying assets are from entities domiciled in other countries.

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

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

	Financial assets carried at amortized cost			Financial assets measured at fair value	Financial instruments at fair value through profit or loss		Mar 31, 2012
in € m.	Loans before loan loss allowance	Loans after loan loss allowance	Other[1]	Financial assets available for sale[2]	Derivatives	Other	Total[3]
Greece	213	198	22	42	126	122	510
Ireland	4,498	4,487	2,774	1,333	2,107	3,703	14,404
Italy	12,429	11,838	3,617	1,273	3,471	(2,371)	17,828
Portugal	1,107	1,081	246	167	327	473	2,294
Spain	6,438	6,009	3,087	3,312	547	1,139	14,094
Total	24,685	23,613	9,746	6,127	6,578	3,066	49,130

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

The following table provides an overview of our credit derivative exposure with sovereign and non-sovereign underlying assets domiciled in, or in relation to credit default swaps, underlying reference assets from, these European countries. The table presents the notional amounts for protection sold and protection bought on a gross level as well as the resulting net notional position and its fair value. For a more detailed description of our usage of credit derivatives to manage credit risk see the respective risk sections of our Financial Report 2011.

	Notional amounts			Mar 31, 2012
in € m.	Protection sold	Protection bought	Net protection sold/(bought)	Net fair value
Greece	2,322	(2,284)	39	(7)
Ireland	11,117	(12,363)	(1,246)	36
Italy	61,010	(60,125)	885	94
Portugal	12,255	(12,865)	(610)	18
Spain	35,772	(36,210)	(438)	8
Total	122,476	(123,847)	(1,370)	149

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

	Mar 31, 2012					
in € m.	Sovereign	Financial Institutions	Corporates	Retail	Other	Total
Greece	–	5	156	2	–	163
Ireland	–	5	1,287	3	353	1,648
Italy	13	679	3,471	267	–	4,430
Portugal	–	42	136	39	–	217
Spain	–	436	2,866	587	–	3,889
Total	13	1,167	7,916	898	353	10,347

Sovereign Credit Risk Exposure to certain European Countries

Following the October 26, 2011, Euro Summit Statement and the February 21, 2012, Eurogroup Statement, on February 24, 2012 the Greek government, made an invitation to private sector holders of bonds issued or guaranteed by the Greek government to participate in a debt exchange offer and/or consent solicitations, referred to as the Private Sector Involvement (PSI). The bonds invited to participate in the PSI had an aggregate outstanding face amount of approximately € 206 billion. The debt exchange offer and consent solicitations were aimed at maximizing the PSI in the overall support package being offered to Greece, in conjunction with the support provided by the official sector (IMF, EU, ECB), thereby mitigating the likelihood of Greece defaulting on its obligations.

In March 2012, we participated in the exchange offer and consent solicitations with all our Greek Government Bonds (GGB) eligible in this respect. Under the PSI, GGB holders, in exchange, received (i) new bonds issued by the Greek government having a face amount equal to 31.5 % of the face amount of their exchanged bonds, (ii) European Financial Stability Facility (EFSF) notes with a maturity of two years or less having a face amount of 15 % of the face amount of their exchanged bonds and (iii) detachable securities linked to the Greece gross domestic product issued by the Greek government having a notional amount equal to the face amount of each holder’s new bonds. The Greek government also delivered short-term EFSF notes to discharge all unpaid interest accrued up to February 24, 2012, on exchanged bonds.

The bonds that we tendered in the debt exchange were derecognized and the new instruments recognized at fair value classified as either financial assets available for sale or at fair value through profit or loss.

The below sovereign information includes, in the figures as of March 31, 2012, the Greek government bonds received as part of the rescheduling.

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

	Mar 31, 2012				Dec 31, 2011			
in € m.	Direct Sovereign exposure[1]	Net Notional of CDS referencing sovereign debt	Net sovereign exposure	Memo Item: Net fair value of CDS referencing sovereign debt[2]	Direct Sovereign exposure[1]	Net Notional of CDS referencing sovereign debt	Net sovereign exposure	Memo Item: Net fair value of CDS referencing sovereign debt[2]
Greece	113	(19)	94	6	433	15	448	(50)
Ireland	314	37	350	(26)	208	(27)	181	(21)
Italy	66	1,886	1,953	97	176	1,591	1,767	1
Portugal	212	(23)	189	4	116	(161)	(45)	16
Spain	1,141	218	1,358	(37)	1,026	292	1,318	(13)
Total	1,846	2,099	3,944	44	1,959	1,710	3,669	(67)

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

The above shown amounts reflect a net "accounting view" of our sovereign exposure. With the exception of Greece, the increase compared to year-end 2011 mainly reflects market making activities as well as fair value changes from market price movements occurring within the first three months of 2012.

The above mentioned direct sovereign exposure included the carrying value of positions held at amortized cost which, as of March 31, 2012, amounted to € 619 million for Italy and € 730 million for Spain and, as for December 31, 2011 amounted to € 546 million for Italy and € 752 million for Spain.

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

	Mar 31, 2012			Dec 31, 2011		
in € m.	Fair value of sovereign debt	Fair value of derivatives with sovereign counterparties (net position)[1]	Total fair value of sovereign exposures	Fair value of sovereign debt	Fair value of derivatives with sovereign counterparties (net position)[1]	Total fair value of sovereign exposures
Greece	40	30	70	197	25	222
Ireland	42	14	56	(32)	7	(25)
Italy[2]	(3,812)	2,562	(1,250)	(3,325)	2,332	(993)
Portugal	108	72	180	81	4	85
Spain	184	30	214	52	28	80
Total	(3,438)	2,708	(730)	(3,027)	2,396	(631)

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

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

	Mar 31, 2012			Dec 31, 2011		
in € m.	Fair value of sovereign debt	Original carrying amount[1]	Accumulated impairment losses recognized in net income	Fair value of sovereign debt	Original carrying amount[1]	Accumulated impairment losses recognized in net income
Greece	42	53[2]	–[3]	211	494	(368)
Ireland	258	213	–	232	213	–
Italy	697	726	–	625	724	–
Portugal	33	44	–	31	46	–
Spain	197	194	–	193	194	–
Total	1,227	1,230	–	1,292	1,671	(368)

1 For positions acquired as part of the acquisition of Postbank on December 3, 2010, the original carrying amount reflects the fair value of those positions at that date.
2 For positions subject to the Greek debt rescheduling on March 12, 2012, the original carrying amount reflects the fair value at their initial recognition.
3 The accumulated impairment losses recognized in net income for Greece reflect impairment losses incurred on positions recognized since the Greek debt rescheduling on March 12, 2012. The accumulated impairment losses recognized in net income until the Greek debt rescheduling including effects from the derecognition of previously outstanding positions and the initial recognition of new positions amounted to € 389 million.

Consumer Credit Exposure

The table below presents our total consumer credit exposure, consumer loan delinquencies in terms of loans that are 90 days or more past due, and net credit costs, which are the annualized net provisions charged after recoveries. Loans 90 days or more past due and net credit costs are both expressed as a percentage of total exposure.

	Total exposure in € m.		90 days or more past due as a % of total exposure		Net credit costs as a % of total exposure[1]	
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011	Mar 31, 2012	Dec 31, 2011
Consumer credit exposure Germany:	135,849	135,069	0.87 %	0.95 %	0.31 %	0.49 %
Consumer and small business financing	20,059	19,805	1.33 %	1.88 %	1.18 %	1.55 %
Mortgage lending	115,790	115,264	0.79 %	0.79 %	0.15 %	0.31 %
Consumer credit exposure outside Germany	39,934	39,672	4.06 %	3.93 %	0.56 %	0.61 %
Consumer and small business financing	13,818	13,878	7.57 %	7.22 %	1.31 %	1.31 %
Mortgage lending	26,116	25,794	2.21 %	2.15 %	0.16 %	0.23 %
Total consumer credit exposure[2]	175,783	174,741	1.60 %	1.63 %	0.36 %	0.52 %

1 Releases of allowances for credit losses established by consolidated entities prior to their consolidation are not included in the ratio until December 31, 2011 but recorded through net interest income (for detailed description see next section "Impaired Loans"). Taking such amounts into account, the net credit costs as a percentage of total exposure would have amounted to 0.42 % as of December 31, 2011. In the first quarter 2012 releases of our consolidated entities are included in the net credit costs.
2 Includes impaired loans amounting to € 3.4 billion as of March 31, 2012, and € 3.4 billion as of December 31, 2011.

The volume of our total consumer credit exposure increased by € 1.0 billion, or 0.6 %, from year-end 2011 to March 31, 2012. Postbank contributed a net exposure increase of € 292 million, where increases are mainly originated in Germany. The volume of our consumer credit exposure excluding Postbank rose by € 748 million, or 0.8 %, from year-end 2011 to March 31, 2012, mainly driven by our mortgage lending activities in Germany (up € 600 million) and in Poland (up € 242 million, mainly foreign exchange effects).

In total, the 90 days or more past due ratio remains nearly unchanged. The reduced ratio in Germany is mainly driven by a sale of non performing loans in the first quarter of 2012. The increase in the ratio in our consumer credit exposure outside Germany is due to changes in the charge-off criteria for certain portfolios in 2009, which increased the time until the respective loans are completely charged-off. Assuming no change in underlying credit performance, the effect of our changed charge-off practice will continue to increase the 90 days or more past due ratio until the portfolio has reached a steady state, which is expected approximately 5 years after the change in charge-off criteria.

The reduction of net credit costs as percentage of total exposure is mainly driven by the aforementioned sale of non performing loans in Germany, but also without the sale net credit costs would have been reduced.

Impairment Loss and Allowance for Loan Losses

We consider loans to be impaired when we recognize objective evidence that an impairment loss has been incurred. We first assess whether objective evidence of impairment exists individually for loans that are individually significant. We then assess 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. We reduce the carrying amount of the impaired loan by the use of an allowance account and recognize the amount of the loss in the consolidated statement of income as a component of the provision for credit losses. We record increases to our allowance for loan losses as an increase of the provision for loan losses in our consolidated statement of income. Charge-offs reduce our allowance while recoveries, if any, are credited to the allowance account. If we determine that we no longer require allowances which we have previously established, we decrease our allowance and record the amount as a reduction of the provision for loan losses in our consolidated statement of income.

As a result of consolidations we acquired certain loans for which a specific allowance had been established beforehand by the consolidated entity. Such loans were taken onto our balance sheet at their fair values as determined by their expected cash flows which reflected the credit quality of these loans at the time of acquisition. Loan loss allowances established for acquired loans prior to their consolidation, have not been consolidated into our stock of loan loss allowances. Instead, we have considered these loan loss allowances in determining the fair value representing the cost basis of the newly consolidated loans.

As long as our cash flow expectations regarding acquired loans have not deteriorated since acquisition, we do not consider them to be impaired loans. Subsequent improvements in the credit quality of these loans are reflected as an appreciation in their carrying value with a corresponding gain recognized in net interest income. Loan loss allowances established for acquired loans after consolidation are included in our provision for credit losses and loan loss allowances. Deterioration in credit quality of the acquired loans at the acquired entity results in an impairment of the full loan from a Group consolidated perspective, but with an allowance for loan losses only established for the portion reflecting the incremental deterioration in credit quality. Improvements in credit quality or charge-offs of loans for which the allowances for loan losses were established prior to their consolidation do not offset the aforementioned increases.

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

Impaired Loans

The following two tables show the breakdown of IFRS impaired loans by region and industry sector.

			Mar 31, 2012			Dec 31, 2011
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Germany	1,789	1,471	3,260	1,750	1,474	3,224
Western Europe (excluding Germany)	2,778	1,618	4,396	2,910	1,675	4,585
Eastern Europe	40	204	244	52	189	241
North America	916	76	992	999	75	1,074
Central and South America	49	–	49	40	0	40
Asia/Pacific	242	3	245	267	3	270
Africa	–	–	–	0	0	0
Other	1	–	1	–	0	0
Total	5,815	3,372	9,187	6,018	3,416	9,434

			Mar 31, 2012			Dec 31, 2011
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Banks and insurance	109	–	109	91	–	91
Fund management activities	537	1	538	917	–	917
Manufacturing	621	165	786	616	162	778
Wholesale and retail trade	337	140	477	324	138	462
Households	483	2,551	3,034	394	2,616	3,010
Commercial real estate activities	2,532	239	2,771	2,582	224	2,806
Public sector	–	–	–	–	0	0
Other	1,197	276	1,473	1,094	276	1,370
Total	5,815	3,372	9,187	6,018	3,416	9,434

Our total impaired loans were € 9.2 billion, a decrease of € 247 million or 3 % during the first three months of 2012 due to charge-offs of € 462 million and € 18 million as a result of exchange rate movements, offset by a € 233 million gross increase of impaired loans. The decrease was mainly driven by the charge-off of a small number of impaired loans held against clients domiciled in Western Europe (excluding Germany) and North America and the overall lower level of newly defaulted credit exposures.

Individually assessed impaired loans decreased by € 203 million or 3 % to € 5.8 billion, driven by charge-offs of € 283 million and € 32 million of exchange rate movements which were partly offset by gross increases of € 112 million. The overall decrease of individually assessed impaired loans is attributable to the aforementioned charge-offs mainly in the industry sector fund management activities and to the lower level of new impaired loans in all industry segments.

Our collectively assessed impaired loans amounted to € 3.4 billion, reflecting a slight decrease of € 44 million or 1 %, driven by € 179 million charge-offs, partially offset by gross increases of € 121 million and € 14 million of exchange rate movements.

In the first quarter of 2012 impaired loans recorded at Postbank increased from a Group perspective by € 30 million to € 2.0 billion. The increase in impaired loans compared to previous quarters was significantly lower as the gross increase of impaired loans was nearly offset by charge-offs of impaired loans with a low level of allowances established after consolidation.

Our impaired loans included € 1.4 billion of loans among the loans that had been reclassified to loans and receivables in accordance with IAS 39. For these loans we recorded decreases in impaired loans of € 50 million, driven by gross decreases of € 16 million, charge-offs amounting of € 16 million and exchange rate movements of € 18 million.

Movements in the Allowance for Credit Losses

Our allowance for credit losses is comprised of the allowance for loan losses and the allowance for off-balance sheet provisions.

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

Allowance for loan losses	Three months ended Mar 31, 2012			Three months ended Mar 31, 2011		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	2,011	2,150	4,162	1,643	1,653	3,296
Provision for loan losses	184	139	324	154	215	369
Net charge-offs	(274)	(96)	(370)	(129)	(101)	(230)
Charge-offs	(283)	(179)	(462)	(135)	(157)	(292)
Recoveries	9	83	92	6	56	62
Changes in the group of consolidated companies	–	–	–	–	–	–
Exchange rate changes/other	(34)	0	(34)	(47)	(26)	(73)
Balance, end of period	1,887	2,194	4,081	1,621	1,741	3,362

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

Allowance for off-balance sheet positions	Three months ended Mar 31, 2012			Three months ended Mar 31, 2011		
in € m.	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
Balance, beginning of year	127	98	225	108	110	218
Provision for off-balance sheet positions	(10)	1	(9)	5	(1)	4
Usage	–	–	–	–	–	–
Changes in the group of consolidated companies	–	–	–	–	–	–
Exchange rate changes	–	(1)	(1)	(1)	(5)	(5)
Balance, end of period	117	97	214	112	104	216

During the first three months of 2012, provision for credit losses was € 314 million, versus € 373 million in the first three months of 2011. In PCAM, provision for credit losses was € 194 million, versus € 338 million in the first quarter last year. The Postbank provision for credit losses was down by € 81 million to € 125 million, from € 206 million in the first quarter of 2011. In the reporting period, the Postbank provision for credit losses excluded releases of loan loss allowances recorded prior to consolidation amounting to € 36 million which are included in net interest income. Excluding Postbank, provisions for credit losses in PCAM amounted to € 69 million, a reduction of € 63 million compared to the same period last year, mainly driven by the overall lower level of new provisions compared to previous quarters and by portfolio sales of non-performing loans in Germany. In CIB, provision for credit losses was € 118 million versus € 33 million in the first quarter 2011. The current quarter included € 54 million related to loans and receivables reclassified in accordance with IAS 39, versus € 22 million in the first three months of 2011. The increase in CIB is due to higher impairment charges taken against our reclassified assets for clients mainly in the Americas as well as provisions for clients outside Germany in different industry segments.

Market Risk of Trading Units excluding Postbank

The following table shows the value-at-risk of the trading units of the Corporate & Investment Bank Group Division calculated with a 99 % confidence level and a one-day holding period excluding the value-at-risk of Postbank which is currently not yet integrated into the value-at-risk of Deutsche Bank Group. Our trading market risk outside of these units excluding Postbank is immaterial. “Diversification effect” reflects the fact that the total value-at-risk on a given day will be lower than the sum of the values-at-risk relating to the individual risk classes. Simply adding the value-at-risk figures of the individual risk classes to arrive at an aggregate value-at-risk would imply the assumption that the losses in all risk categories occur simultaneously.

Value-at-risk of Trading Units excluding Postbank	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Average[1]	55.0	71.8	(59.7)	(66.3)	53.9	70.8	14.3	20.5	27.4	32.5	19.2	14.2
Maximum[1]	65.8	94.3	(72.9)	(88.6)	63.4	109.0	18.6	37.6	41.7	64.9	23.8	24.3
Minimum[1]	47.3	44.9	(42.9)	(41.9)	46.8	45.6	12.0	12.7	19.2	14.3	12.4	7.0
Period-end[2]	65.8	50.0	(55.0)	(64.1)	59.1	53.8	17.7	13.6	28.6	25.7	15.5	21.0

1 Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2012 and the full year 2011, respectively.
2 Amounts for 2012 as of March 31, 2012 and figures for 2011 as of December 31, 2011.

The value-at-risk has remained in a narrow range during the first quarter, between € 47.3 million and € 65.8 million ending the quarter near the high at € 65.8 million mainly due to slightly higher level of risk across interest rates, foreign exchange and equities and a lower level of diversification across the portfolio. The average value-at-risk for first quarter 2012 was € 55.0 million which is in line with the average for the fourth quarter 2011 but considerably lower than the average for the whole of 2011 of € 71.8 million due to risk reductions during that year.

During the first three months of 2012 our trading units achieved a positive actual income for 98% of the trading days compared to 88 % in 2011.

New Basel 2.5 Regulatory Trading Market Risk Measures

The following table shows the stressed value-at-risk (with a 99 % confidence level and a one-day holding period) of the trading units of our Corporate & Investment Bank Group Division.

Stressed Value-at-risk of Trading Units excluding Postbank	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Average[1]	113.6	124.4	(97.8)	(109.4)	125.6	130.8	16.7	22.5	35.6	51.3	33.4	29.2
Maximum[1]	129.3	169.5	(123.6)	(152.3)	142.2	163.5	25.0	64.7	59.6	105.4	39.4	35.8
Minimum[1]	97.1	103.8	(74.9)	(77.8)	111.6	106.2	10.4	15.2	19.7	23.0	22.7	19.6
Period-end[2]	119.4	111.7	(98.2)	(114.5)	132.8	117.3	23.0	23.0	33.7	51.8	28.2	34.2

1 Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2012 and October 1, 2011 to December 31, 2011, respectively.
2 Amounts for 2012 as of March 31, 2012 and figures for 2011 as of December 31, 2011.

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

Incremental Risk Charge of Trading Units excluding Postbank	Total		Global Finance and Foreign Exchange		Global Rates		Global Credit Trading		Emerging Markets - Debt		Other	
in € m.	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Average[1]	753.5	758.0	137.5	48.0	353.8	318.6	129.3	302.7	128.8	90.0	4.1	(1.3)
Maximum[1]	853.4	846.3	155.9	83.8	406.1	358.4	157.5	423.3	128.6	140.9	5.2	2.2
Minimum[1]	680.0	697.1	132.6	6.5	323.3	284.7	101.5	221.9	120.5	23.9	2.2	(5.5)
Period-end[2]	733.4	738.0	78.0	83.8	308.7	292.7	143.0	222.0	194.2	140.9	9.5	(1.4)

1 Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2012 and October 1, 2011 to December 31, 2011, respectively.
2 Amounts for 2012 as of March 31, 2012 and figures for 2011 as of December 31, 2011.

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

in € m.	2012	2011
Average[1]	730.7	937.9
Maximum[1]	884.2	1,007.5
Minimum[1]	647.0	848.3
Period-end[2]	647.0	855.7

1 Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2012 and October 1, 2011 to December 31, 2011, respectively.
2 Amounts for 2012 as of March 31, 2012 and figures for 2011 as of December 31, 2011.

As at March 31, 2012, the securitization positions and nth-to-default credit derivatives using the market risk standardized approach generated risk weighted assets of € 6.6 billion and capital deduction items of € 2.2 billion. As of December 31, 2011, these positions amounted to € 5.0 billion and € 2.2 billion respectively. As at March 31, 2012, the capital charge for longevity risk was € 26.7 million corresponding to risk weighted assets of € 334 million. As of December 31, 2011, these positions amounted to € 32.1 million and € 401 million respectively.

Market Risk of Trading Book at Postbank

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

Value-at-risk of Trading Book at Postbank	Total		Diversification effect		Interest rate risk		Equity price risk		Foreign exchange risk		Commodity price risk	
in € m.	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Average[1]	4.9	3.2	(0.3)	(0.2)	4.9	3.2	0.2	0.1	0.1	0.1	–	–
Maximum[1]	5.9	8.2	(0.0)	(0.0)	6.0	8.1	0.2	0.4	0.1	0.5	–	–
Minimum[1]	3.3	1.1	(0.4)	(0.8)	3.3	1.1	–	0.0	0.0	0.0	–	–
Period-end[2]	4.2	3.9	(0.3)	(0.0)	4.2	3.9	0.2	–	0.1	0.0	–	–

[1] Amounts show the bands within which the values fluctuated during the period January 1 to March 31, 2012 and the full year 2011, respectively.
[2] Amounts for 2012 as of March 31, 2012 and figures for 2011 as of December 31, 2011.

Liquidity Risk

The following table shows the composition of our external funding sources that contribute to the liquidity risk position as of March 31, 2012 and December 31, 2011, both in euro billion and as a percentage of our total external funding sources.

Composition of external funding sources in € bn. (unless stated otherwise)	Mar 31, 2012		Dec 31, 2011	
Capital Markets and Equity	211	19 %	213	19 %
Retail	277	24 %	279	24 %
Transaction Banking	167	15 %	173	15 %
Other Customers[1]	119	10 %	110	10 %
Discretionary Wholesale	117	10 %	133	12 %
Secured Funding and Shorts	222	20 %	202	18 %
Financing Vehicles[2]	26	2 %	23	2 %
Total external funding	1,139	100 %	1,133	100 %

[1] Other includes fiduciary, self-funding structures (e.g. X-markets), margin/prime brokerage cash balances (shown on a net basis).
[2] Includes ABCP conduits.
Reference: Reconciliation to total balance sheet: Derivatives & settlement balances € 844 billion (€ 899 billion), add-back for netting effect for Margin & Prime Brokerage cash balances (shown on a net basis) € 68 billion (€ 73 billion), other non-funding liabilities € 53 billion (€ 59 billion) for March 31, 2012, and December 31, 2011 respectively.

The increase in other customers during the first quarter of 2012 relates partly to a higher amount of net cash margin received. The lower volume of discretionary wholesale funding at the end of the first quarter 2012 is in line with a lower cash position which the bank held over quarter end. The increase of secured funding and shorts during the first three months of 2012 reflects increasing flow business in comparison to rather low year-end levels. The decrease in transaction banking deposits also reflects an anticipated reduction from elevated year-end levels. Regular stress test analyses seek to ensure that we always hold sufficient cash and liquid assets to close a potential funding gap which could open under a combined scenario comprising idiosyncratic and market related stress.

Capital Management

In the first quarter 2012, we changed the methodology used for allocating average active equity to the business segments and to Consolidation & Adjustments. The total amount allocated continues to be determined based on the higher of our overall economic risk exposure or regulatory capital demand. Now, we derive our internal demand for regulatory capital assuming a Core Tier 1 ratio of 9.0 %, reflecting increased regulatory requirements (previously, this was calculated based on a Tier 1 ratio of 10 %). As a result, the amount of capital allocated to the segments has increased.

The 2011 Annual General Meeting granted our management board the authority to buy back up to 92.9 million shares before the end of November 2015. Thereof 46.5 million shares can be purchased by using derivatives. These authorizations replaced the authorizations of the 2010 Annual General Meeting. As of the 2011 Annual General Meeting on May 26, 2011, the number of shares held in Treasury from buybacks totaled 7.6 million. During the period from the 2011 Annual General Meeting until March 31, 2012, 37.7 million shares were purchased, thereof none via derivatives. 38.9 million shares were used for equity compensation purposes, slightly decreasing our Treasury position. As of March 31, 2012, the number of shares held in Treasury from buybacks totaled 6.4 million.

In addition, Treasury purchased 7.0 million physically settled call options in first quarter 2012 to hedge existing equity compensation awards. These call options were purchased under the authorization from the 2011 Annual General Meeting. Of the 7.0 million call options, 3.7 million have a remaining maturity of more than 18 months.

Total outstanding hybrid Tier 1 capital (substantially all noncumulative trust preferred securities) as of March 31, 2012 amounted to € 12.4 billion compared to € 12.7 billion as of December 31, 2011. This decrease was mainly due to foreign exchange effects of the weakened U.S. dollar on our U.S. dollar denominated hybrid Tier 1 capital. During the first three months of 2012, we neither raised nor redeemed any hybrid Tier 1 capital.

In the first three months of 2012, we did not issue any lower Tier 2 capital (qualified subordinated liabilities). Qualified subordinated liabilities as of March 31, 2012, amounted to € 8.7 billion compared to € 9.4 billion as of December 31, 2011. Profit participation rights amounted to € 1.2 billion, unchanged from December 31, 2011. Cumulative preferred securities amounted to € 296 million as of March 31, 2012, virtually unchanged from December 31, 2011.

Balance Sheet Management

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

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

Leverage Ratio (Target Definition)

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

- Total assets under IFRS are adjusted to reflect additional netting provisions to obtain total assets adjusted. Under IFRS offsetting of financial assets and financial liabilities is required when an entity, (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. IFRS specifically focuses on the intention to settle net in the ordinary course of business, irrespective of the rights in default. As most derivative contracts covered by a master netting agreement do not settle net in the ordinary course of business they must be presented gross under IFRS. Repurchase and reverse repurchase agreements are also presented gross, as they also do not settle net in the ordinary course of business, even when covered by a master netting agreement. It has been industry practice in the U.S. to net the receivables and payables on unsettled regular way trades. This is not permitted under IFRS. We make the netting adjustments described above in calculating the target definition of the leverage ratio.
- Total equity under IFRS is adjusted to reflect pro-forma fair value gains and losses on our own debt (post-tax, estimate assuming that substantially all of our own debt was designated at fair value), to obtain total equity adjusted. The tax rate applied for this calculation is a blended uniform tax rate of 35 %.

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

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

Assets and equity in € bn.	Mar 31, 2012	Dec 31, 2011
Total assets (IFRS)	2,103	2,164
Adjustment for additional derivatives netting	(688)	(782)
Adjustment for additional pending settlements netting	(146)	(105)
Adjustment for additional reverse repo netting	(14)	(10)
Total assets (adjusted)	1,256	1,267
Total equity (IFRS)	55.8	54.7
Adjustment for pro-forma fair value gains (losses) on the Group's own debt (post-tax)[1]	3.1	4.5
Total equity (adjusted)	58.9	59.2
Leverage ratio based on total equity		
According to IFRS	38	40
According to target definition	21	21

[1] The estimated cumulative tax effect on pro-forma fair value gains (losses) on such own debt was € (1.7) billion and € (2.4) billion at March 31, 2012 and at December 31, 2011, respectively.

As of March 31, 2012, on a consolidated basis our leverage ratio according to our target definition of 21 remained almost unchanged compared to year-end 2011, and is well below our leverage ratio target of 25. Our leverage ratio calculated as the ratio of total assets under IFRS to total equity under IFRS was 38 as of March 31, 2012, a slight decrease compared to 40 at the end of 2011.

Overall Risk Position

The table below shows our overall risk position as measured by the economic capital requirement calculated for credit, market, operational and business risk for the dates specified to determine our overall (nonregulatory) risk position, we generally consider diversification benefits across risk types except for business risk, which we aggregate by simple addition.

Economic capital requirement by risk type in € m.	Mar 31, 2012	Dec 31, 2011
Credit risk	13,045	12,812
Market Risk	11,511	12,003
Trading market risk	4,647	4,724
Nontrading market risk	6,863	7,278
Operational risk	4,919	4,846
Diversification benefit across credit, market and operational risk	(4,352)	(4,264)
Economic capital requirement for credit, market and operational risk	25,122	25,397
Business risk	860	980
Total economic capital requirement	25,982	26,377

As of March 31, 2012, our economic capital requirement totaled € 26.0 billion, which is € 395 million, or 1 %, below the € 26.4 billion economic capital requirement as of December 31, 2011. The lower overall economic capital requirement primarily reflected decreases in market risk. The economic capital requirement for market risk decreased by € 492 million in the first three months of 2012, largely driven by lower nontrading market risk mainly reflecting parameter recalibrations and exposure reductions. The economic capital requirement for credit risk increased by € 233 million, mainly driven by the impact of regular parameter recalibrations.

Internal Capital Adequacy

As the primary measure of our Internal Capital Adequacy Assessment Process (ICAAP) we assess our internal capital adequacy based on our "gone concern approach" as the ratio of our total capital supply divided by our total capital demand as shown in the table below.

in € m. (unless stated otherwise)	Mar 31, 2012	Dec 31, 2011
Capital Supply		
Adjusted Active Book Equity[1]	54,275	52,818
Deferred Tax Assets	(8,054)	(8,737)
Total financial assets reclassified to loans: Fair Value Adjustments[2]	(2,743)	(3,323)
Dividend accruals	871	697
Noncontrolling interest[3]	239	694
Hybrid Tier 1 capital instruments	12,415	12,734
Tier 2 capital instruments[4]	11,806	12,044
Capital Supply	68,809	66,927
Capital Demand		
Economic Capital Requirement	25,982	26,377
Intangibles	15,713	15,802
Capital Demand	41,695	42,179
Internal Capital Adequacy Ratio	165 %	159 %

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

A ratio of more than 100 % signifies that the total capital supply is sufficient to cover the capital demand determined by the risk positions. This ratio was 165 % as of March 31, 2012, compared to 159 % as of December 31, 2011, as the increase in capital supply, driven by higher adjusted active book equity, and reduced deduction items as well as the reduction in capital demand, reflecting decreases in market risk, developed in favor of the ratio.

Outlook

The Global Economy

The following section should be read in conjunction with the Outlook section in the Management Report provided in the Financial Report 2011 that outlined our expectations for 2012 and 2013.

In light of the reduced risks of a renewed substantial escalation of the European sovereign debt crisis, our expectations for world economic growth have improved slightly. We have increased our forecast for global economic growth from 3.25 % to 3.5 % for 2012. This reflects the slightly better growth prospects for the eurozone in which the recession, with GDP decreasing at 0.2 %, should be less pronounced than initially anticipated this year. For Germany we increased our forecast to 0.5 % for 2012. In addition, the U.S. may also be able to achieve a slightly higher growth rate of 2.7 % in 2012. Our expectations have changed most concerning Japan where the redevelopment program to rectify the damages caused by the catastrophe in March 2011 is now beginning to take effect and exports should receive some momentum from rising global demand in 2012. We are now forecasting significantly higher growth of 2.8 % for Japan this year.

We maintain our forecast that sustainable global economic growth will not be achieved until the second half of the year since economic confidence deteriorated slightly again at the end of the first quarter of 2012 according to the purchasing manager surveys. Moreover, even as the European sovereign debt crisis eases, it will probably continue to generate uncertainty. The situation in the Middle East poses a further risk to the global economy as the political tensions which heightened in the first quarter are likely to remain at this level. This contributed to the sharp rise in oil prices in the first quarter, which has led us to revise our global inflation forecast for 2012 slightly upwards from 3.5 % to 3.6 %, which is nevertheless well below the level of 4.5 % in 2011. In Germany we now expect inflation to be around 2 % in comparison to 2.3 % in the previous year.

The Banking Industry

In the further course of the year, the banking sector environment will be affected by macroeconomic and regulatory developments and by the further development of the European sovereign debt crisis. The ongoing economic recovery is likely to support banks in the U.S., but not in the eurozone, where many banks, particularly in Southern Europe, may experience even harder times.

On the global level, the most important regulatory changes will probably be the legal adoption of Basel 3 and the implementation of proposals for macro-prudential supervision. In Europe, the most important changes should result from the debate about organizational and structural aspects of the universal banking principle and a potential implementation of specific taxes on the financial sector. In the U.S., the focus may be on the further specification of rules under the Dodd-Frank Act.

A stronger revival of banks' funding markets, investment banking and asset management operations will depend on the success of additional steps to resolve the European sovereign debt crisis. This will require not only noticeable reforms to strengthen growth potential and improve competitiveness, but also successful austerity measures in the countries affected by crisis.

If the European sovereign debt crisis can be successfully resolved, European banks might be able to proceed swiftly their restructuring efforts. These measures will be aimed at adapting to generally lower revenue levels through various means, including adjusting business models, reducing costs and raising capital ratios. The outlook remains much more positive for U.S. banks, despite substantial risks still resulting from similarly excessive public deficits as well as high private debt levels.

The Deutsche Bank Group

Deutsche Bank is still facing further sector specific challenges caused by the changing competitive landscape and a stricter regulatory environment. Due to growing capital and liquidity requirements, risk management, capital adequacy and balance sheet efficiency will remain increasingly important as competitive differentiators. Focused on sustaining high-quality liquidity and funding profile and maintaining high capital discipline, we believe that we are well prepared for the requirements of the European Banking Authority and Basel 3.

We have moved globally towards a more balanced, lower-risk business model. In 2012 and beyond, we should be able to further benefit from our strong set-up as a global investment bank and as a market leader in our home market with greater stability in revenues and a more balanced earnings mix. Additionally, we are also continuing to focus on our performance and improving efficiency.

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

The Business Segments

In Corporate Banking & Securities (CB&S), we expect the investment banking environment in 2012 and 2013 to be impacted by ongoing macro concerns over Europe's sovereign debt crisis, a potential slowdown of emerging markets and the sustainability of the U.S. recovery. In Sales & Trading, we expect that 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. Assuming that market conditions continue to stabilize, we expect the corporate finance fee pool to increase. M&A activity is expected to be robust as a cyclical recovery continues, and debt issuance is expected to increase driven by M&A related activity and disintermediation. We anticipate equity issuance to further increase driven by the backlog of deals from 2011.

In Global Transaction Banking, low interest rate levels will likely continue to impact net interest income in the near- and medium-term. Additionally, the recently difficult market environment may continue to have an adverse impact on revenues. We expect these factors to be counterbalanced to some extent by the continued strong volumes of trade finance and cash management transactions.

In Asset and Wealth Management (AWM) we expect the Asset Management business to be influenced by platform re-engineering, cost efficiency efforts and the developments in the equity markets. While equity markets improved and showed signs of stabilization towards end of the year and throughout the first quarter, uncertainties about sustained economic momentum continue to be a major risk in the asset management industry. The adoption and implementation of multiple new regulatory reforms continues to be a major challenge, especially where uncertainty of the impact exists. We announced on February 28, 2012, that we are in exclusive negotiations with Guggenheim Partners on the sale of our Asset Management businesses that are subject to a previously-announced strategic review. The businesses include DWS Americas, the Americas mutual fund business; DB Advisors, the global institutional asset management business; Deutsche Insurance Asset Management, the global insurance asset management business; and RREEF, the global alternative asset management business. In Private Wealth Management (PWM), ongoing macroeconomic uncertainties and diminished transactional business may persist during the months ahead. We believe that our very close client coverage, our adequate product offerings and initial signs of market recovery will permit our general business outlook for PWM to remain positive.

The success of Private & Business Clients (PBC) 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. The overall macro-economic outlook for 2012 and 2013 for countries in which Private & Business Clients operates is mixed. GDP growth in the home market Germany has a slightly positive outlook, while the GDP outlook for most of the European countries in which PBC is present is rather flat or slightly negative. Asia, however, continues on its growth path. Postbank will further pursue its growth in Consumer Banking in Germany while further reducing non-core risk positions. We expect Deutsche Bank and Postbank to continue their successful realization of synergies on the revenue and cost side. The increased interest in Postbank and a potential domination agreement might support the delivery of synergies in 2012. PBC continues to face uncertainties in its operating environment, as a significant decline in economic growth, which in return would result in higher unemployment rates, could lead to increasing credit loss provision and lower business growth. The development of investment product markets depends especially on further progress of the European sovereign debt crisis. Additionally, continued low interest rates in 2012 might negatively affect revenues in PBC.