Rating Report

Deutsche Bank AG

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DBRS
Insight beyond the rating.

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Deutsche Bank AG	Long-Term Issuer Rating	A (low)	Trend Change May '18	Negative
Deutsche Bank AG	Short-Term Issuer Rating	R-1 (low)	Confirmed May '18	Stable

See back of report for complete rating list.

Rating Drivers

Factors with Positive Rating Implications

1. The trend could revert back to Stable, if the Bank demonstrates progress in successfully executing its strategic initiatives by meeting targets related to cost reductions, profitability and capitalisation, while maintaining a solid risk profile.
2. Additionally, demonstrating an ability to maintain and/or improve business positioning in key strategic areas would be supportive of the current rating level.

Factors with Negative Rating Implications

1. Downward pressure on the rating could arise, if DB is unable to successfully execute on its strategic plan, which could provoke another period of weakened market confidence, or if the Bank is unable to make timely progress with its systems and technology enhancements, which is necessary in order to successfully compete with global peers.
2. DBRS has also noted a decline in business positioning and will monitor trends over the coming year; if DBRS sees continuing declines in market share in areas considered to be strategically important, this would put pressure on the rating.

Rating Considerations

Franchise Strength: Underpinned by a strong Corporate & Investment Bank that is shifting to become more European-focused, combined with a sizable German retail and corporate banking business and global asset management business, supports franchise value. Execution risks associated with DB's strategic initiatives are significant.	**Good**
Earnings Power: DB's profitability has been significantly challenged in recent years and this earnings pressure is expected to continue over the near- to medium-term.	**Good/ Moderate**
Risk Profile: Generally conservative credit risk and market risk management. Operational risk has improved with settlements and improving controls, but past issues remain potentially damaging.	**Strong/ Good**
Funding and Liquidity: Strong funding position, underpinned by substantial deposit base and diversified wholesale funding. Liquidity position is strong and well-managed.	**Strong**
Capitalization and Asset Quality: Regulatory risk-adjusted capital is strong. Limited internal capital generation is constraining.	**Good/ Moderate**

Financial Information

EUR Millions	31/03/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Total Assets	1,477,735	1,474,732	1,590,546	1,629,130	1,708,703
Equity	68,025	68,099	64,819	67,624	73,223
Pre-provision operating income (IBPT)	520	1,872	1,168	957	4,630
Net Income	120	-751	-1,402	-6,794	1,663
Net Interest Income / Risk Weighted Assets (%)	3.29%	3.61%	4.13%	4.00%	3.60%
Risk-Weighted Earning Capacity (%)	0.60%	0.53%	0.30%	0.23%	1.21%
Post-provision Risk-Weighted Earning Capacity (%)	0.50%	0.37%	-0.07%	-0.03%	0.90%
Efficiency Ratio (%)	92.55%	92.93%	95.95%	97.13%	85.40%
Impaired Loans % Gross Loans	2.29%	1.52%	1.76%	1.81%	2.21%
Core Tier 1 (As-reported)	13.40%	14.80%	13.41%	13.19%	15.20%

Source: SNL Financial

Issuer Description

Deutsche Bank AG is a global financial services company with a significant capital markets franchise, combined with a retail and corporate bank that maintains solid market positioning in Germany and across Europe, with other businesses such as transaction banking and asset & wealth management adding diversity and depth to the franchise.

Rating Rationale

DBRS revised the trend on the long-term debt and issuer ratings to Negative in May 2018 to reflect the significant challenges that DB faces in meeting strategic targets, at a time when execution risk remains elevated due to the scale of its restructuring task, and the need to demonstrate management stability and cohesiveness going forward.

While DBRS sees DB as having achieved notable progress with legacy issues, including settling numerous litigation issues, running down its noncore portfolio, and strengthening its balance sheet, profitability continues to be significantly challenged. Over the medium-term, the Bank needs to absorb still sizable restructuring costs and significant expenditure on systems and process enhancements, while balancing the need to compensate its employees in order to retain top talent and improve morale.

In addition, recent senior management changes have raised some red flags, as the manner in which these changes were carried out raises questions about the cohesiveness of senior management and its ability to execute on its plans. DBRS sees DB's successful execution of its strategy over the coming year as critical.

The current rating level considers the resiliency of DB's strong global franchise, which has experienced some loss of market share as a result of its restructuring efforts, but continues to benefit from strength across diverse products and geographies. DBRS sees the Bank as having business diversity, with sizable businesses that provide generally stable and resilient revenues, including retail and commercial banking, asset management, and transaction banking. This business strength and diversity adds support to the current rating level. Despite this diversity, DBRS has some concerns that issues within the CIB may become overwhelming to the franchise, despite its significant depth and range of businesses. Refocusing and reinforcing the businesses within the CIB under the new strategy will require continued investment in both people and technology. DBRS sees DB as facing the challenge of balancing the need to reduce expenses and improve profitability against the need to invest in the franchise.

A consideration when assessing franchise strength is management quality and depth. While DBRS sees DB as having strong individuals within its management teams, DBRS sees that new management will need to demonstrate stability and cohesiveness going forward. Recent management changes and the manner in which they were carried out – very publicly and without a clearly signaled plan – raised some questions about the cohesiveness of senior management and its ability to execute on its plans. Furthermore, DBRS is wary of continued strategic changes and the adverse impact these shifts can have on employee morale and retention.

The Bank's profitability has been significantly challenged in recent years with headwinds to revenues coupled with an elevated expense base. Specifically, in 2017, DB reported net revenues of EUR 26 billion, down 12% year-on-year (YoY), with revenue declines across all business segments. This trend of declining revenues across segments continued in 1Q18, with net revenues of EUR 7 billion down 5% YoY. DB reported a very high cost/income ratio of 93% in the quarter, and an ROE of only 0.8%. Driving the cost/income ratio down is a key component of DB's plan. DB will need to reduce expenses by about EUR 900 million over the coming year in order to meet its EUR 23 billion adjusted cost target. DBRS sees this as a significant challenge, particularly when DB is working to demonstrate franchise momentum and improve its revenue generation capabilities. DBRS notes that introducing and enforcing a conservative cost culture across its organization will likely be challenging, and will take time.

DB maintains a strong credit risk profile and manages its market risk well, though operational risk issues persist. Given prior conduct-related issues, DBRS will look for a further track record of improved operational risk controls, but recognizes the significant progress made in advancing systems and technology to prevent these types of issues from re-occurring.

DB benefits from a funding and liquidity profile that has proven to be resilient. The Bank has a substantial customer deposit base totaling EUR 571 billion at end-1Q18, or 148% of loans, and a diversified wholesale funding profile. DB reported a Stressed Net Liquidity Position (SNLP) of EUR 36 billion as of 1Q18, indicative of the Bank's net excess liquidity under a liquidity stress scenario. Furthermore, the Bank's liquidity coverage ratio (LCR) was a strong 147% as of 1Q18.

DBRS sees the Bank's strong risk-adjusted regulatory capital position, with a fully-loaded Common Equity Tier 1 (CET1) ratio of 13.4% as supportive of the rating. DB's CET1 ratio is at the upper end of the global peer group and provides DB with a buffer to allocate capital to businesses where it intends to grow. DBRS continues to view the leverage ratio as constraining for DB, given its asset mix that generally carries lower risk weights. DB's leverage ratio was 3.7% as of 1Q18, at the low end of the global peer group.

Franchise Strength

Grid Grade: Good

With total assets of EUR 1.5 trillion at end-1Q18, DB is one of the largest financial institutions globally. DB is shifting focus toward being a more European-focused Corporate & Investment Bank (CIB), with key strengths in global payments and foreign exchange markets, among others, combined with a strong Private & Commercial Bank (PCB). As DB is the only European CIB with significant market positions across all products globally, the Bank plays an important role in the European capital markets, as well as catering to large corporate and institutional clients globally. To maintain and improve market shares within strategically important CIB businesses will require continued investment, in both people and technology.

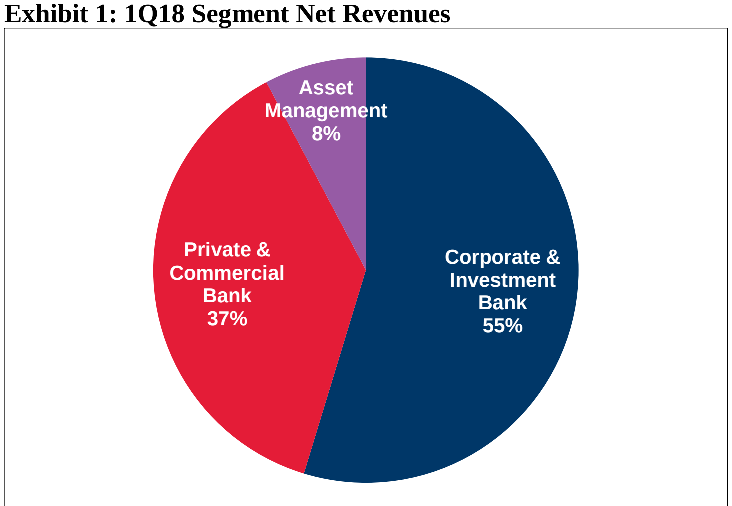
DBRS sees DB as facing the challenge of balancing the need to reduce expenses and improve profitability, while also investing in the franchise. Specifically, DB will need to reduce expenses by about EUR 800 million over the coming year to meet its EUR 23 billion adjusted cost target. DBRS sees this as a significant challenge, particularly when working to demonstrate franchise momentum and improve revenue generation capabilities. DB has made progress with legacy issues by settling numerous litigation issues, running down the noncore portfolio, and strengthening the Bank's balance sheet through a capital raise and IPO of the asset management unit. While management has taken appropriate steps to manage through various periods of market stress and position the Bank well for future growth, progress has been slower than anticipated resulting in added pressure on the Bank to institute change.

DB's recently announced senior management changes have raised some concerns for DBRS given the Bank's lack of management stability, with numerous management changes in recent years. DBRS views a high level of management turnover as a concern, although DBRS does note that new management has been promoted from within and, with the new CEO having largely spent his career at DB, across various roles and geographies, this could result in greater clarity on strategy being provided in a relatively short amount of time.

A key challenge for DB has been enhancing its technology, systems and processes. DBRS sees the Bank as having made significant progress with this effort, which has contributed to improved relationships with regulators, though DB has a long way to go. With its digitalization effort, DB has enabled its private clients to open an account online in a few minutes versus seven days prior, its mobile services in Germany are strong, and it has launched robo-advisers in AM and PCB. Furthermore, DB is utilizing robotics and artificial intelligence in other businesses to automate processes that were previously manual, which should reduce the opportunity for error and lower costs.

The Bank's current business mix results in about 55% of revenues generated within the CIB, about 37% within PCB, and approximately 8% within Asset Management (AM) (see Exhibit 1). DB's recent strategic update suggests that revenues within the CIB will be reduced to about 50% of total revenues by 2021 through refocusing its activities and resources on its European and multinational clients and the products which are most relevant for them, while reducing its exposure to other areas. This implies a reduction of about EUR 1 billion in CIB revenues annually, assuming revenues in PCB and AM remain constant.

Exhibit 1: 1Q18 Segment Net Revenues



Source: DBRS, Company reports; *Excluding Corporate & Other

Corporate & Investment Bank (CIB) – Net Revenues of EUR 14 billion in 2017; EUR 4 billion in 1Q18

Contributing 55% of 1Q18 net revenues, the CIB is a sizable and important global business for DB. According to Dealogic, DB ranked 13th in year-to-date (YTD) Global M&A, 8th in YTD Global Equity Underwriting and 8th YTD in Global Debt Underwriting. Focusing on EMEA, these ranks were 11th in YTD M&A, 4th in YTD Equity Underwriting and 3rd in YTD Debt Underwriting. While the Bank's market shares have slipped in the global rankings, DBRS pays particular attention to DB's EMEA rankings given its strategic focus. Over time, DB's market shares in EMEA have slipped and DBRS will look for DB to regain this lost share. DBRS notes that DB has was ranked #1 in Fixed Income Sales & Trading (S&T) in EMEA and APAC in 2015, now ranking 2nd and 3rd respectively, according to Coalition data. In Equity S&T, DB is ranked #5 in EMEA as compared to #3 in 2014, per Coalition data. DBRS recognizes that some of this loss of market share can be attributed to the Bank's decision to allocate capital only to select business areas and move away from broad secondary market activity.

DB's global transaction banking business also has scale, providing commercial banking products and services globally to corporates and financial institutions, including domestic and cross-border payments, risk mitigation, international trade finance as well as trust, agency, depositary, custody and related services.

With its recently announced strategic release, DB has indicated a further reduction in scope of the CIB. The Bank has announced that it will focus within its Corporate Finance business on industries and segments which either align with its core European client base or link to underwriting and financing products where it has a leadership position. DB's commitment to sectors in the U.S. and Asia, in which cross-border activity is limited, will be reduced. The Bank will remain committed to offering global industry expertise to corporates, financial institutions and financial sponsors whose activities are closely aligned with the strengths of the German and European economies. The Bank will scale back activities in U.S. rates sales and trading, shrinking the balance sheet, leverage exposure and repo financing, while remaining committed to its European business. Furthermore, DB undertake a review of its Global Equities business with the expectation of reducing its platform.

This follows a strategy update in March 2017, in conjunction with the Bank's EUR 8 billion capital raise, which announced a move toward a more client-focused business model. Last year's strategic update indicated a shift in resource allocation within the CIB from secondary markets activity to more corporate-led businesses, in the form of transaction banking, financing and origination & advisory. The March 2017 strategy update also included targeting a #1 position in origination and advisory position in Europe, through deepening strategic relationships. The Bank also announced its intention to grow its global transaction banking business, which remains a strategic priority.

Private & Commercial Bank (PCB) – Net Revenues of EUR 10 billion in 2017; EUR 3 billion in 1Q18

PCB includes Private & Commercial Clients, Postbank and Wealth Management, which contributed 37% of 1Q18 consolidated net revenues. These businesses contribute stable and resilient revenues through serving personal and private clients, small- and medium-sized enterprises, and wealthy private clients various products including payment and account services, credit and deposit products, and investment advice. Included within Private & Commercial Clients are the Bank's German and International businesses. Internationally, DB has Private & Commercial banking presence in Italy, Spain, Belgium, Portugal, Poland and India. In December 2017, DB entered into an agreement to see a significant portion of its retail business in Poland.

Postbank focuses on retail and banking in Germany, along with the Private & Commercial Clients business, providing standardized banking and financial services for retail, business and corporate clients. In cooperation with Deutsche Post DHL AG, the Bank also offers postal and parcel services in the branches. DB acquired Postbank in 2010, and had some changes in strategic plans for the entity including a plan to dispose it, before ultimately deciding in 2016 to integrate the entity with PCB. DB expects the integration process to last for another three to five years. The legal entity merger is expected in 2Q18, with expected synergies of EUR 900 million annually by 2022. DB has also received confirmation from the ECB via a waiver allowing for comingling of liquidity within the merged entity. If successful, the combined entity in Germany should provide DB's 20 million retail, business and corporate clients the benefit of scale and increased digital investment.

Within its Wealth Management business, DB serves wealthy, high-net-worth and ultra-high-net-worth individuals and families. Services include wealth structuring, wealth transfer, philanthropy services, customized investment solutions, investment advice, and financing solutions. DB can also meet a client's institutional and corporate needs with M&A, pre-IPO, private placements and institutional-like access to structured lending, private and public investment opportunities, trading and hedging in collaboration the CIB.

Asset Management (AM) - Net Revenues of EUR 3 billion in 2017; EUR 545 million in 1Q18

DB has a sizable Asset Management business which ranked #14 globally as of 2016. With EUR 678 billion in assets under management (AuM) at the end of 1Q18, AM remains a core business for the Bank. DB has a good mix of AuM with about 73% in active funds and 10% in alternatives, which are generally higher margin. DB has a top 3 ranking across retail asset management in Germany, insurance asset management globally and exchange traded products (ETPs) & exchange traded funds (EFTs) Europe.

In March 2018, AM completed its initial public offering, branded DWS, and is now listed on the Frankfurt stock exchange. The rationale for this partial IPO is to unlock the potential of the business by fostering greater autonomy. As a standalone asset manager, the Bank intends to promote the DWS brand for its global business, enhancing its external profile, while continuing to integrate its infrastructure partners to achieve further operating across the platform, including process improvements to reduce costs and enhance the client experience. While DBRS views the partial IPO as ceding a portion of earnings and adding the complexity of external shareholders in an important banking subsidiary, DBRS also realizes the benefit of demonstrating the value in this business and providing further capital for reinvestment in the AM business.

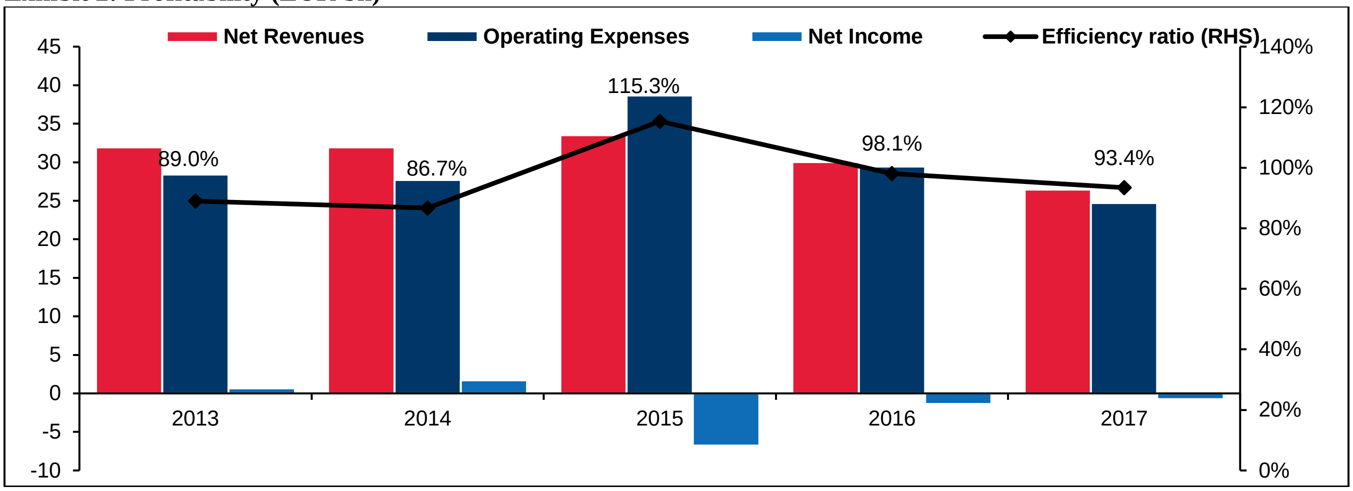
Earnings Power

Grid Grade: Good/Moderate

DB's profitability has been significantly challenged in recent years and this earnings pressure is expected to continue over the near- to medium-term. Revenues have been adversely impacted by the low interest environment, low levels of client activity, and the refocusing of businesses which has resulted in a loss of market share. Expenses remain elevated despite the settlement of legacy conduct costs and the wind-down/disposal of legacy portfolios, as the Bank continues to absorb restructuring costs and elevated technology/systems spend. DBRS views the Bank's earnings as below the franchise potential.

DB reported its third consecutive annual loss in 2017 of EUR 735 million, following a net loss of EUR 1.4 billion in 2016 (see Exhibit 2). Net revenues in 2017 were down 12% YoY with declines across all segments. While expenses were down 16% YoY, costs remained elevated driving a high efficiency ratio of 93% in 2017, improved only slightly from 98% in 2016. While DBRS is mindful that the 2017 loss was driven by increased compensation to encourage employee retention, which is critical to regaining franchise momentum, the continued decline in revenues is concerning.

Exhibit 2: Profitability (EUR bn)



Source: DBRS, Company reports

Indeed, in 1Q18, DB reported net revenues of EUR 7 billion, down 5% YoY, in a quarter when peers reported generally strong results. The Bank reported YoY declines in revenues across all segments. In fact, within segments, the revenue declines were quite substantial across businesses with only Postbank reporting a YoY increase in net revenues. Within the capital markets businesses, it appears as if the Bank is losing market share, as its results in recent quarters have been weaker than peers.

Earnings are likely to remain pressured by further strategic shifts and additional restructuring costs, and revenue momentum has not yet become evident. DBRS sees DB as facing the challenge of appropriately balancing its investment in the franchise, including people and technology, while improving returns.

Risk Profile

Grid Grade: Strong/Good

Effective risk management is a key driver behind the success of strong financial institution. DB benefits from solid risk systems, which continue to be enhanced and harmonized globally, as a result of both management focus and regulatory pressure. Operational risk has also improved significantly following the resolution of a number of outstanding litigation matters in 2016 and 2017. From a risk perspective, DBRS sees DB as better positioned than it was two years ago, indicating the significant progress that has been made.

Market Risk

DBRS views DB's readiness to take on risk and its ability to manage market risk as an important component of its success with its trading businesses. Client flows benefit from the ability of its trading desks to execute trades for customers that can result in substantial risk to DB. When executing flow business on behalf of the client, DB typically holds trading positions in its inventory for a limited period of time. The persistence of the current challenging operating environment has put pressure on different areas of the Bank and has led DB to be more cautious in using its risk capacity. Additionally, elevated capital requirements have resulted in a more thoughtful approach to balance sheet usage, with an increasing focus on retaining only those assets that are generating the required returns.

Market risk, as measured by regulatory value-at-risk (VaR), has declined significantly from its peak of EUR 126.8 million in 2009, and now remains relatively stable around EUR 30-50 million. Average daily trading VaR (measured at a 99% confidence interval) was 30 million in 2017, down slightly from 32 million in 2016. Complementing VaR, DB makes extensive use of stress tests and scenario analyses to understand the nature and scope of potential risks that can be outside the range of the normal data set.

Another perspective that DBRS uses to evaluate market risk is the distribution of trading results. DB's 2017 daily trading net revenues appear consistent with the Bank's approach to risk/reward, with the majority of trading days in 2017 generating net trading revenues between EUR 0 and EUR 80 million. DB's risk appetite does tolerate losses (approximately 15 days in 2017) given the still challenging environment, although DBRS notes that the Bank experienced very few significant losses, with only 1 loss day in excess of EUR 50 million. DBRS views this as consistent with the Bank's approach of seeking to achieve above average reward for its risk taking, while remaining conservative when returns are more moderate relative to risk.

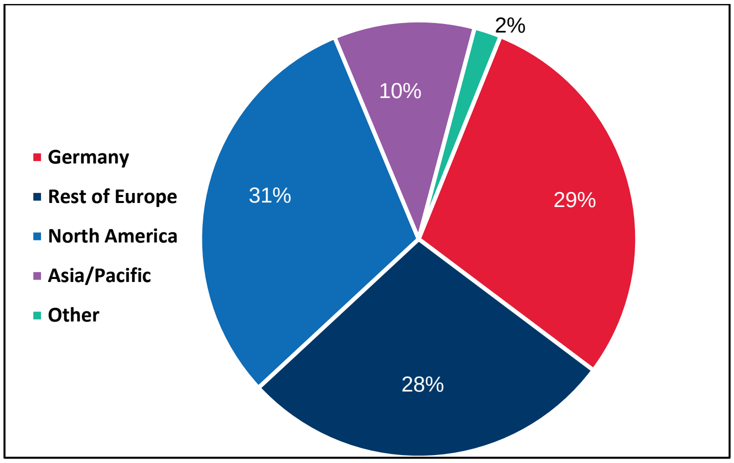
Credit Risk

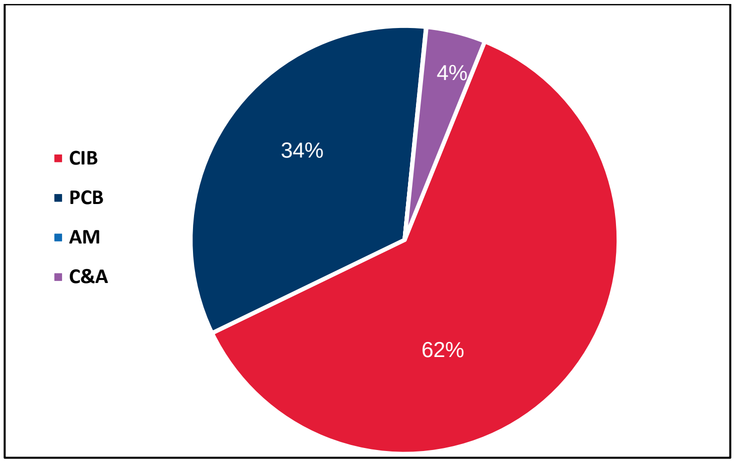
DB takes a comprehensive approach to credit risk, including counterparty risk. Credit risks are evaluated for individual counterparties, as well as for concentrations by client type, industry, products, markets and regions or countries, with a focus on large exposures. A key principle of DB's credit risk management is client credit due diligence, which is assessed in conjunction with the business divisions (first line of defense). Credit risk is managed with various tools, including position limits based upon internal credit ratings of counterparties and concentration limits.

Geographically, the Bank's main credit exposures are in North America (31%), Germany (29%) and Western Europe (28%) (see Exhibit 3). The Bank also has meaningful exposures in Asia Pacific. By business, the CIB and PCB account for a significant portion of credit exposure at end-2017. Within the CIB, EUR 142 billion of exposure was related to irrevocable lending commitments, EUR 138 billion related to lending and EUR 99 billion related to repo/matched book transactions. Within PCB, EUR 268 billion was lending-related.

Exhibit 3: Total Credit Exposure by Geography & Business (%)

End-2017





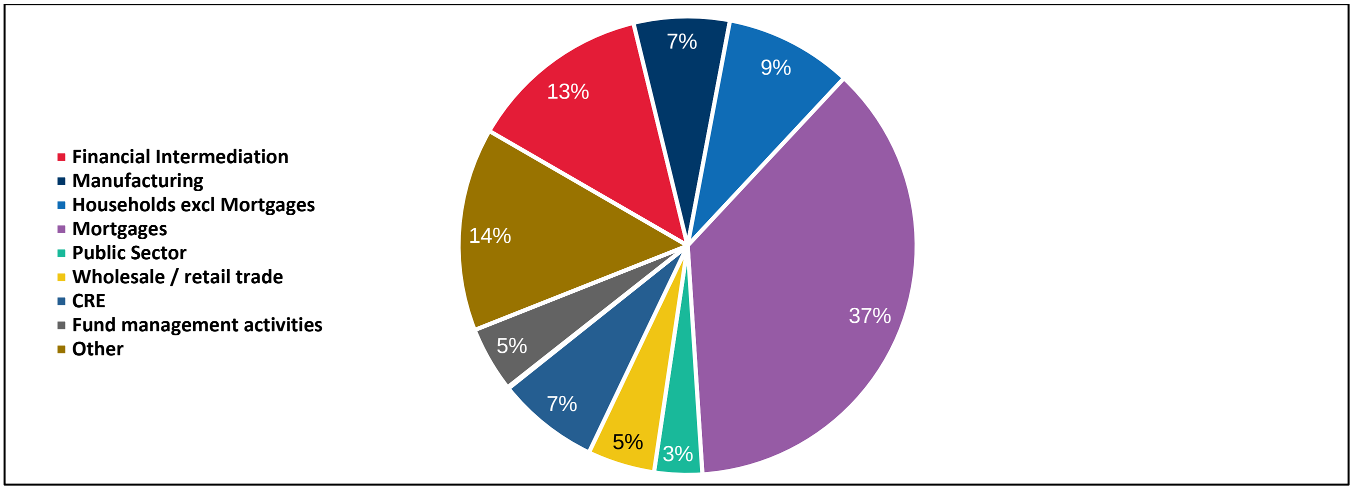
Note: Total exposure of EUR 895 billion.
Source: DBRS, Company reports

When looking at loan exposures only, which totaled EUR 402 billion at the end of 2017, DB's primary source of lending is mortgages (37%), with some meaningful lending in consumer finance (9%) and commercial real estate lending (7%) (see Exhibit 4). Credit quality is good and improving, with impaired loans continuing to decline reaching EUR 6.2 billion at end-2017, down from EUR 7.4 billion at end-2016, as the Bank has made progress in de-risking and running down its noncore assets, as well as an improving and stabilized environment in the countries in which the Bank operates, and nonperforming loan sales in Spain and Italy.

Accordingly, the balance of provisions for loan losses have declined to EUR 4.2 billion at year-end 2017, down from EUR 4.9 billion at the start of the year. Throughout 2017, the Bank accrued EUR 525 million in provisions for loan losses, or 30% of income before provisions and taxes (IBPT). While still considered an elevated level, this is due to pressured IBPT and not due to elevated loan loss provisions. In 2016, DB accrued EUR 1.4 billion in provisions for loan losses, or 242% of IBPT.

The main driver for credit loss provisions in 2017 continues to be the shipping portfolio, with some of this driven by methodology changes for assessment of shipping loan impairments. At end-2017, the Bank's exposure to higher risk sectors, including Shipping, Oil & Gas, and Metals, Mining & Steel, totaled EUR 15 billion. DBRS notes that DB's overall credit exposure to these sectors at end-2017 was a manageable at less than 2% of the Banks's total credit exposure.

Exhibit 4: Loan Exposure by Industry Sector (%)
End-2017



Source: DBRS; Company reports

Operational Risk

DB has been adversely impacted by conduct risk issues, which have had a significant financial and reputational impact. Over the past two years, DBRS sees the Bank as having made considerable effort to address these issues, agree to settlements and remove significant conduct-related uncertainties for the Bank. While DBRS still sees conduct-related issues as a potential risk for the Bank, DB's remaining legal issues are generally far less material than in the past.

Funding and Liquidity

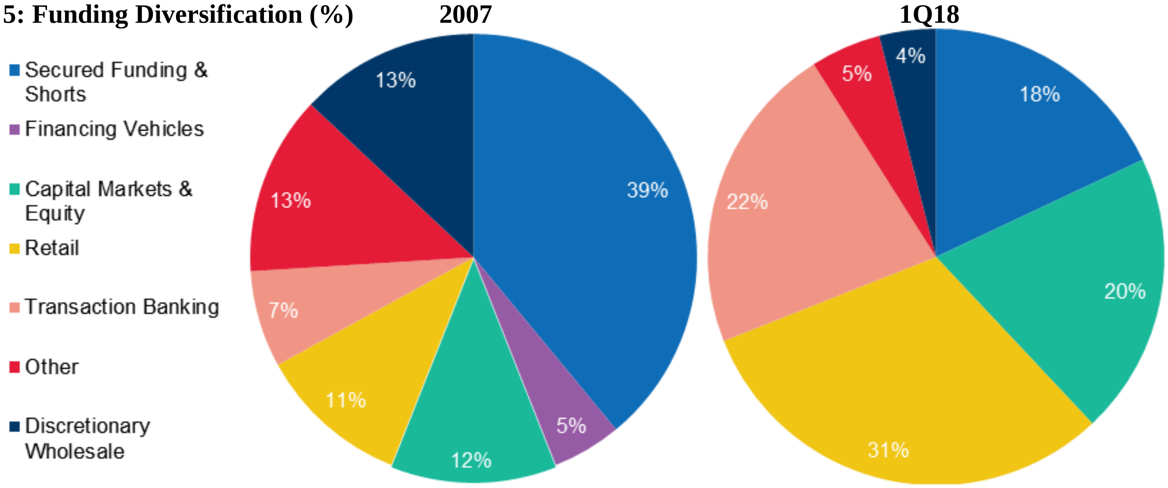
Grid Grade: Strong

DB maintains a sound liquidity profile and has a comprehensive framework in place to manage its liquidity and funding needs. This framework analyses three specific angles: i) management of intraday exposures, including daily payments, forecasting cash flows and central bank access; ii) access to secured and unsecured funding sources, and iii) the maturity profile of all assets/liabilities and issuance strategy; and is supplemented with stressed scenario analysis looking at inventory characteristics under various stress scenarios and contingent funding requirements.

DBRS views the level of market confidence and the Bank's ability to weather challenging market conditions to be of critical importance when determining the rating. Liquidity is essential for DB's business, as it relies primarily on access to the capital markets to conduct its trading activities, and to fund this portion of its balance sheet. Liquidity pressure could arise from disruptions in the financial markets or operational problems affecting the Bank, as illustrated on various occasions in 2016. Despite the multiple stress events experienced during 2016, DB was able to monetize its liquidity reserves and maintain substantial excess liquidity, which DBRS views positively from a credit perspective.

The Bank's solid deposit franchise continues to support the funding profile, with EUR 571 billion of deposits as of 1Q18. The Bank's organic deposit customer growth has been solid in recent years and core deposits readily fund the Bank's entire loan portfolio. Deposits are sourced through PCB businesses, including Postbank and wealth management, as well as through transaction banking. Retail and transaction banking deposits contribute a substantial 53% of total funding as of 1Q18, up from 18% at the end of 2007 (see Exhibit 5).

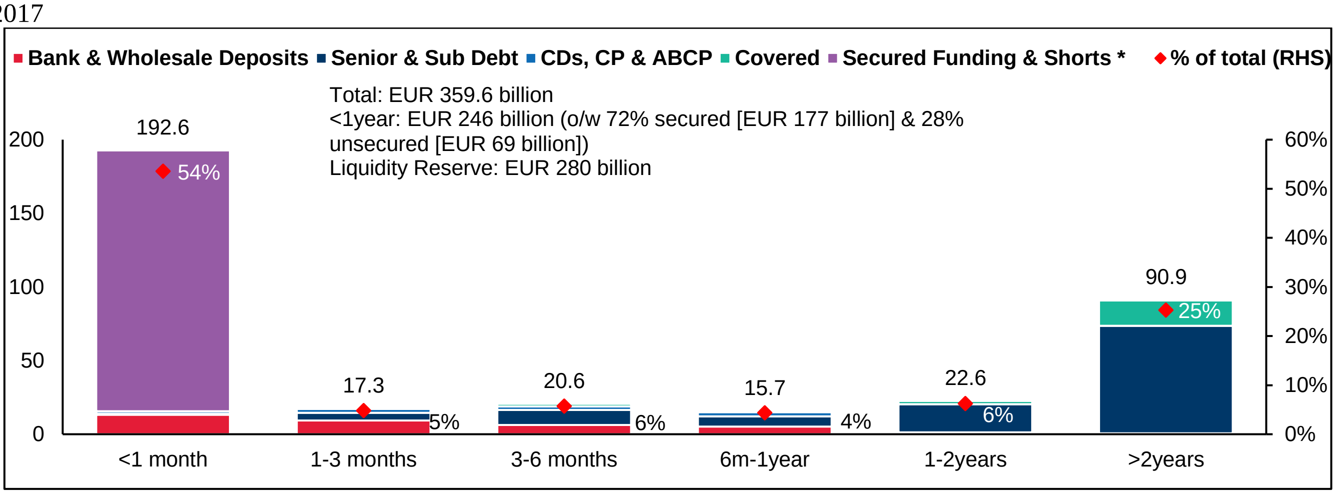
Exhibit 5: Funding Diversification (%)



Note: Capital Markets & Equity includes long-term unsecured funding.
Source: DBRS; Company Reports

DBRS views DB's wholesale funding maturity profile as well distributed, and covered by a significant amount of liquidity to prevent rollover risk. At end-2017, DB had approximately EUR 354 billion of wholesale funding outstanding, including long-term debt, short-term debt and secured funding. DBRS estimates that DB has approximately EUR 246 billion of its wholesale funding, or about 68% of the total, maturing in less than a year (see Exhibit 6). DBRS notes that a significant portion of this short-term funding (EUR 177 billion) is secured, related principally to the Bank's matched book activities. While matched book activities are largely collateralized by high-quality government and government backed securities, this type of funding is typically short-term, often overnight, and can be susceptible to disruption. While the Bank attempts to mitigate this risk by diversifying the group of counterparties and the types of securities, DBRS views the use of overnight repo facilities as a liquidity risk. DBRS does, however, note that DB has taken steps to reduce its reliance on secured funding in recent years with continued focus on leverage exposure and balance sheet usage.

Exhibit 6: Maturity Profile of Wholesale Funding & Capital Markets Issuance (EUR billion)
End-2017



Source: DBRS; Company Reports. Footnote: * DBRS assumption that all Secured Funding & Shorts has a maturity of less than one month

The Bank reported liquidity reserves EUR 272 billion as of 1Q18 and a strong liquidity coverage ratio of 147%. The Company also calculates a stressed net liquidity position (SNLP) that represents the surplus of its liquidity reserves and other inflows in excess of stressed liquidity demand under five stress scenarios. As of 1Q18, DB reported a SNLP of EUR 36 billion versus a minimum risk appetite of EUR 10 billion.

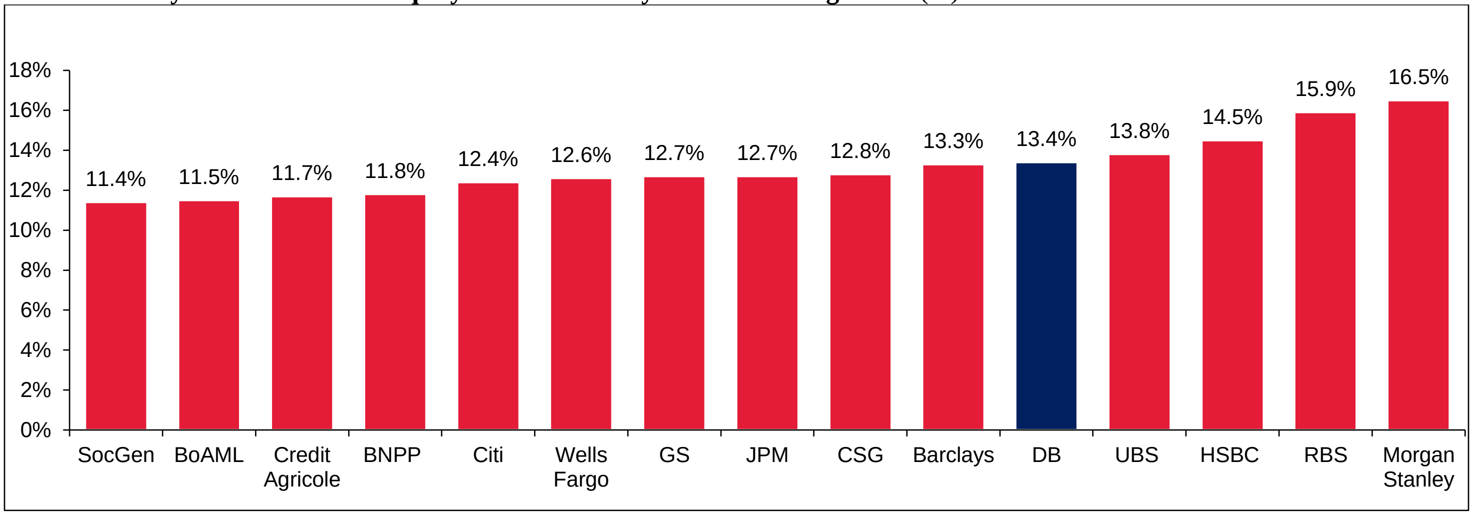
Capitalization

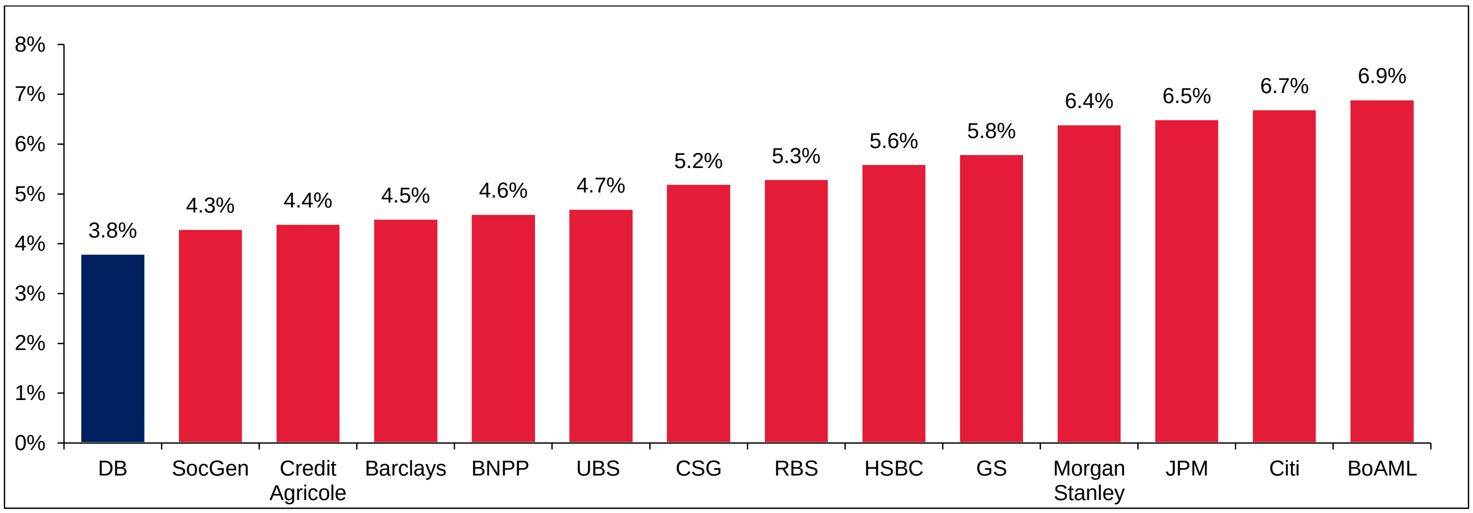
Grid Grade: Good/Moderate

DBRS views DB as having solid capitalization that provides a sufficient cushion to absorb losses. While the Bank's fully-loaded Common Equity Tier 1 (CET1) ratio sits at the upper end of the large, global peer group, its leverage ratio remains at the low end of the global peer group (see Exhibit 7). DBRS sees DB's ability to generate capital internally as moderate, given its profitability challenges. DBRS also sees the Bank as constrained it in its flexibility to further raise capital given its three capital raises over the past five years (EUR 2.8 billion in April 2013, EUR 8.5 billion in June 2014, and EUR 8 billion in April 2017).

DB's fully-loaded CET1 ratio of 13.4% as of 1Q18 is well above the Bank's 2018 minimum SREP requirement of 10.65%. The Bank's fully-loaded leverage ratio was 3.7%, which is above the minimum of 3%. DBRS views the leverage ratio as constraining for DB given its positioning at the bottom of the global peer group. Strategic plans that include a close look at balance sheet usage, and may entail a further reduction of the Bank's derivatives exposure and matched book repo portfolio, would likely provide a boost to the leverage ratio.

Exhibit 7: Fully-loaded Common Equity Tier 1 and Fully-loaded Leverage ratio (%) – FY17





Source: DBRS; Company Reports

As a Foreign Banking Organisation with USD 50 billion or more in total U.S. non-branch assets, DB was required to establish a U.S. Intermediate Holding Company (IHC) by July 1, 2016. The IHC participated in a private assessment in 2017, as part of the DFAST and CCAR process, which involves submitting detailed descriptions of internal processes, board of directors' approved policies regarding capital actions, and planned capital actions over a nine-quarter horizon. The U.S. IHC was also expected to design an internal stress scenario that reflects its unique risks, and consider the results under such a scenario in its capital plan. For the 2018 DFAST/CCAR cycle, in addition to a public qualitative assessment, it is expected that DB will be also subject to the quantitative assessment, which measures capital adequacy under different stress scenarios over a nine-quarter time horizon, while also incorporating planned capital actions, such as dividend payments, share buybacks and issuances. While the U.S. IHC looks well-placed from a capital perspective with a CET1 ratio of 69.6% and a Tier 1 leverage ratio of 15.7% as of 2Q17. As DB subsidiaries have previously had difficulties in passing the qualitative aspects of DFAST/CCAR, DBRS sees this aspect of the stress testing process as being a more significant challenge.

Deutsche Bank AG	31/03/2018		31/12/2017		31/12/2016		31/12/2015		31/12/2014	
	EUR		EUR		EUR		EUR		EUR	
EUR Millions	IFRS		IFRS		IFRS		IFRS		IFRS	
Balance Sheet										
Cash and deposits with central banks	237,880	16.10%	234,920	15.93%	192,970	12.13%	109,782	6.74%	83,572	4.89%
Lending to/deposits with credit institutions	NA	-	12,838	0.87%	13,276	0.83%	14,183	0.87%	23,059	1.35%
Financial Securities*	NA	-	336,844	22.84%	330,976	20.81%	403,874	24.79%	386,002	22.59%
- Trading portfolio	158,914	10.75%	173,785	11.78%	157,851	9.92%	180,576	11.08%	179,027	10.48%
- At fair value	106,184	7.19%	86,474	5.86%	80,082	5.03%	96,802	5.94%	101,955	5.97%
- Available for sale	49,415	3.34%	46,712	3.17%	53,469	3.36%	70,481	4.33%	61,391	3.59%
- Held-to-maturity	0	0.00%	3,170	0.21%	3,206	0.20%	0	0.00%	0	0.00%
- Other	NA	-	26,703	1.81%	36,368	2.29%	56,015	3.44%	43,629	2.55%
Financial derivatives instruments	340,866	23.07%	364,185	24.69%	488,666	30.72%	518,730	31.84%	634,361	37.13%
- Fair Value Hedging Derivatives	3,412	0.23%	3,153	0.21%	3,516	0.22%	3,136	0.19%	4,403	0.26%
- Mark to Market Derivatives	337,454	22.84%	361,032	24.48%	485,150	30.50%	515,594	31.65%	629,958	36.87%
Gross lending to customers	424,122	28.70%	411,146	27.88%	423,636	26.63%	449,605	27.60%	422,656	24.74%
- Loan loss provisions	4,454	0.30%	3,921	0.27%	4,546	0.29%	5,028	0.31%	5,212	0.31%
Insurance assets	NA	-	NA	-	NA	-	NA	-	NA	-
Investments in associates/subsidiaries	898	0.06%	866	0.06%	1,027	0.06%	1,013	0.06%	4,143	0.24%
Fixed assets	2,453	0.17%	2,663	0.18%	2,804	0.18%	2,846	0.17%	2,909	0.17%
Goodwill and other intangible assets	8,751	0.59%	8,839	0.60%	8,982	0.56%	10,078	0.62%	14,951	0.87%
Other assets	140,886	9.53%	106,352	7.21%	132,754	8.35%	124,048	7.61%	142,261	8.33%
Total assets	**1,477,735**	**100.00%**	**1,474,732**	**100.00%**	**1,590,546**	**100.00%**	**1,629,130**	**100.00%**	**1,708,703**	**100.00%**
Total assets (USD)	1,820,543		1,770,812		1,677,437		1,769,447		2,068,397	
Loans and deposits from credit institutions	NA	-	98,041	6.65%	116,094	7.30%	119,065	7.31%	108,350	6.34%
Repo Agreements in Deposits from Customers	NA	-	NA	-	NA	-	NA	-	NA	-
Deposits from customers	NA	-	482,771	32.74%	434,110	27.29%	447,909	27.49%	424,584	24.85%
- Demand	354,265	23.97%	359,619	24.39%	329,776	20.73%	345,569	21.21%	304,905	17.84%
- Time and savings	216,587	14.66%	221,193	15.00%	220,428	13.86%	221,406	13.59%	228,026	13.34%
Issued debt securities	NA	-	326,254	22.12%	324,690	20.41%	285,026	17.50%	247,786	14.50%
Financial derivatives instruments	323,922	21.92%	344,020	23.33%	468,451	29.45%	500,441	30.72%	615,265	36.01%
- Fair Value Hedging Derivatives	1,293	0.09%	1,294	0.09%	4,593	0.29%	6,365	0.39%	5,063	0.30%
- Other	322,629	21.83%	342,726	23.24%	463,858	29.16%	494,076	30.33%	610,202	35.71%
Insurance liabilities	550	0.04%	574	0.04%	592	0.04%	8,522	0.52%	8,523	0.50%
Other liabilities	172,852	11.70%	141,382	9.59%	167,653	10.54%	185,696	11.40%	215,352	12.60%
- Financial liabilities at fair value through P/L	48,874	3.31%	63,874	4.33%	60,492	3.80%	44,852	2.75%	37,131	2.17%
Subordinated debt	NA	-	8,099	0.55%	7,762	0.49%	7,825	0.48%	5,047	0.30%
Hybrid Capital	3,802	0.26%	5,491	0.37%	6,373	0.40%	7,020	0.43%	10,573	0.62%
Equity	68,025	4.60%	68,099	4.62%	64,819	4.08%	67,624	4.15%	73,223	4.29%
Total liabilities and equity funds	**1,477,735**	**100.00%**	**1,474,732**	**100.00%**	**1,590,546**	**100.00%**	**1,629,130**	**100.00%**	**1,708,704**	**100.00%**
Income Statement										
Interest income	6,206		24,092		25,636		25,967		25,001	
Interest expenses	3,293		11,714		10,929		10,086		10,729	
Net interest income and credit commissions	2,913	41.75%	12,378	46.74%	14,707	51.02%	15,881	47.58%	14,272	45.01%
Net fees and commissions	2,690	38.56%	11,002	41.54%	11,744	40.74%	12,765	38.25%	12,409	39.13%
Trading / FX Income	846	12.13%	3,374	12.74%	547	1.90%	3,874	11.61%	4,407	13.90%
Net realised results on investment securities (available for sale)	364	5.22%	516	1.95%	597	2.07%	309	0.93%	291	0.92%
Net results from other financial instruments at fair value	108	1.55%	-448	-1.69%	98	0.34%	-32	-0.10%	-108	-0.34%
Net income from insurance operations	NA	-	4	0.02%	-285	-0.99%	-148	-0.44%	-148	-0.47%
Results from associates/subsidiaries accounted by the equity method	102	1.46%	137	0.52%	455	1.58%	164	0.49%	619	1.95%
Other operating income (incl. dividends)	-46	-0.66%	-479	-1.81%	964	3.34%	561	1.68%	-33	-0.10%
Total operating income	6,977	100.00%	26,484	100.00%	28,827	100.00%	33,374	100.00%	31,709	100.00%
Staff costs	3,002	46.49%	12,253	49.78%	11,874	42.93%	13,293	41.01%	12,512	46.21%
Other operating costs	3,454	53.49%	10,983	44.62%	14,525	52.51%	17,975	55.45%	13,495	49.84%
Depreciation/amortisation	NA	-	1,376	5.59%	1,260	4.56%	1,149	3.54%	1,072	3.96%
Total operating expenses	6,457	100.00%	24,612	100.00%	27,659	100.00%	32,417	100.00%	27,079	100.00%
Pre-provision operating income	**520**		**1,872**		**1,168**		**957**		**4,630**	
Loan loss provisions**	88		562		1,425		1,062		1,183	
Post-provision operating income	432		1,310		-257		-105		3,447	
Impairment on tangible assets	NA		19		93		27		172	
Impairment on intangible assets	0		63		1,316		5,967		159	
Other non-operating items***	0		0		854		0		0	
Pre-tax income	432		1,228		-810		-6,097		3,116	
(-)Taxes	312		1,963		546		675		1,425	
(-)Other After-tax Items (Reported)	0		0		0		0		0	
(+)Discontinued Operations (Reported)	0		0		0		0		0	
(-)Minority interest	0		15		45		21		28	
Net income	**120**		**-751**		**-1,402**		**-6,794**		**1,663**	
Net income (USD)	147		-849		-1,551		-7,541		2,209	

*Includes derivatives when breakdown unavailable, **LLP includes Impairments on financial assets, ***Incl. Other Provisions

Off-balance sheet and other items					
Asset under management	1,175,000	1,208,000	1,207,000	1,327,000	1,257,000
Derivatives (notional amount)	NA	48,265,939	42,897,811	41,940,034	52,002,836
BIS Risk-w eighted assets (RWA)	354,235	343,316	356,235	397,382	396,648
No. of employees (end-period)	97,130	97,535	99,744	101,104	98,138

Earnings and Expenses					
Earnings					
Net interest margin [1]	0.87%	0.89%	0.96%	1.01%	0.96%
Yield on average earning assets	1.85%	1.73%	1.67%	1.65%	1.68%
Cost of interest bearing liabilities	346.45%	1.27%	1.23%	1.16%	1.35%
Pre-provision earning capacity (total assets basis) [2]	0.14%	0.12%	0.07%	0.05%	0.27%
Pre-provision earning capacity (risk-w eighted basis) [3]	0.60%	0.53%	0.30%	0.23%	1.21%
Net Interest Income / Risk Weighted Assets	3.29%	3.61%	4.13%	4.00%	3.60%
Non-Interest Income / Total Revenues	58.25%	53.26%	48.98%	52.42%	54.99%
Post-provision earning capacity (risk-w eighted basis)	0.50%	0.37%	-0.07%	-0.03%	0.90%
Expenses					
Efficiency ratio (operating expenses / operating income)	92.55%	92.93%	95.95%	97.13%	85.40%
All inclusive costs to revenues [4]	92.55%	93.00%	93.50%	97.21%	85.94%
Operating expenses by employee	265,912	252,340	277,300	320,630	275,928
Loan loss provision / pre-provision operating income	16.92%	30.02%	122.00%	110.97%	25.55%
Provision coverage by net interest income	3310.23%	2202.49%	1032.07%	1495.39%	1206.42%
Profitability Returns					
Pre-tax return on Tier 1 (excl. hybrids)	3.65%	2.47%	-1.93%	-13.00%	6.28%
Return on equity	0.72%	-1.11%	-2.17%	-10.09%	2.28%
Return on average total assets	0.03%	-0.05%	-0.08%	-0.38%	0.10%
Return on average risk-w eighted assets	0.14%	-0.21%	-0.36%	-1.64%	0.43%
Dividend payout ratio [5]	0.00%	-52.28%	0.00%	-15.22%	59.24%
Internal capital generation [6]	0.21%	-1.96%	-2.31%	-12.50%	1.57%

Growth					
Loans	12.22%	-2.83%	-5.73%	6.50%	7.40%
Deposits	NA	11.21%	-3.08%	5.49%	2.66%
Net interest income	-4.74%	-15.84%	-7.39%	11.27%	-3.79%
Fees and commissions	-8.35%	-6.32%	-8.00%	2.87%	0.82%
Expenses	1.94%	-11.02%	-14.68%	19.71%	1.41%
Pre-provision earning capacity	-48.67%	60.27%	22.05%	-79.33%	-3.80%
Loan-loss provisions	-33.83%	-60.56%	34.18%	-10.23%	-44.36%
Net income	-78.98%	-46.43%	-79.36%	-508.54%	149.70%

Risks					
RWA% total assets	23.97%	23.28%	22.40%	24.39%	23.21%
Credit Risks					
Impaired loans % gross loans	2.29%	1.52%	1.76%	1.81%	2.21%
Loss loan provisions % impaired loans	45.92%	62.90%	61.04%	61.69%	55.76%
Impaired loans (net of LLPs) % pre-provision operating income [7]	252.21%	145.46%	291.44%	372.41%	97.82%
Impaired loans (net of LLPs) % equity	8.17%	4.35%	5.82%	5.88%	7.23%
Liquidity and Funding					
Customer deposits % total funding	NA	52.75%	49.18%	52.09%	54.03%
Total w holesale funding % total funding [8]	NA	47.25%	50.82%	47.91%	45.97%
- Interbank % total funding	NA	10.71%	13.15%	13.85%	13.79%
- Debt securities % total funding	NA	35.65%	36.79%	33.15%	31.53%
- Subordinated debt % total funding	NA	0.88%	0.88%	0.91%	0.64%
Short-term w holesale funding % total w holesale funding	NA	73.73%	67.30%	66.11%	53.93%
Liquid assets % total assets	16.10%	39.64%	33.78%	32.40%	28.83%
Net short-term w holesale funding reliance [9]	-19.19%	-29.86%	-22.34%	-23.20%	-24.49%
Adjusted net short-term w holesale funding reliance [10]	-19.19%	-41.47%	-32.41%	-34.06%	-34.16%
Customer deposits % gross loans	NA	117.42%	102.47%	99.62%	100.46%

Capital [11]					
Tier 1	15.76%	16.79%	15.58%	14.65%	16.11%
Tier 1 excl. All Hybrids	13.35%	14.29%	12.43%	11.84%	12.40%
Core Tier 1 (As-reported)	13.40%	14.80%	13.41%	13.19%	15.20%
Tangible Common Equity / Tangible Assets	3.62%	3.71%	3.22%	3.25%	3.15%
Total Capital	17.53%	18.65%	17.45%	16.24%	17.22%
Retained earnings % Tier 1	30.74%	30.29%	34.22%	36.38%	45.82%

[1] (Net interest income + dividends)% average interest earning assets.
[2] Pre-provision operating income % average total assets.
[3] Pre-provision operating income % average total risk-w eighted assets.
[4] (Operating & non-op. costs) % (op. & non-op. revenues)
[5] Paid dividend % net income.
[6] (Net income - dividends) % shareholders' equity at t-1.
[7] We take into account the stock of LLPs in this ratio.
[8] Whole funding excludes corporate deposits.
[9] (Short-term w holesale funding - liquid assets) % illiquid assets
[10] (Short-term w holesale funding - liquid assets- loans maturing w ithin 1 year) % illiquid assets
[11] Capital ratios of Interim results exclude profits for the year

Methodologies

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (May 2017).

Ratings

Debt	Debt	Rating Action	Rating	Trend
Deutsche Bank AG	Long-Term Issuer Rating	Trend Change	A (low)	Negative
Deutsche Bank AG	Long-Term Senior Debt	Trend Change	A (low)	Negative
Deutsche Bank AG	Long-Term Deposits	Trend Change	A (low)	Negative
Deutsche Bank AG	Short-Term Issuer Rating	Confirm	R-1 (low)	Stable
Deutsche Bank AG	Short-Term Debt	Confirm	R-1 (low)	Stable
Deutsche Bank AG	Short-Term Deposits	Confirm	R-1 (low)	Stable
Deutsche Bank AG	Long Term Critical Obligations Rating	Trend Change	A (high)	Negative
Deutsche Bank AG	Short Term Critical Obligations Rating	Trend Change	R-1 (middle)	Negative
Deutsche Bank Trust Company Americas	Long-Term Issuer Rating	Trend Change	A (low)	Negative
Deutsche Bank Trust Company Americas	Long-Term Senior Debt	Trend Change	A (low)	Negative
Deutsche Bank Trust Company Americas	Long-Term Deposits	Trend Change	A (low)	Negative
Deutsche Bank Trust Company Americas	Short-Term Issuer Rating	Confirm	R-1 (low)	Stable
Deutsche Bank Trust Company Americas	Short-Term Debt	Confirm	R-1 (low)	Stable
Deutsche Bank Trust Company Americas	Short-Term Deposits	Confirm	R-1 (low)	Stable

Rating History

Debt	Debt	Current	2017	2016
Deutsche Bank AG	Long-Term Issuer Rating	A (low)	A (low)	N/A
Deutsche Bank AG	Long-Term Senior Debt	A (low)	A (low)	A (low)
Deutsche Bank AG	Long-Term Deposits	A (low)	A (low)	A (low)
Deutsche Bank AG	Short-Term Issuer Rating	R-1 (low)	R-1 (low)	N/A
Deutsche Bank AG	Short-Term Debt	R-1 (low)	R-1 (low)	R-1 (low)
Deutsche Bank AG	Short-Term Deposits	R-1 (low)	R-1 (low)	R-1 (low)
Deutsche Bank AG	Long Term Critical Obligations Rating	A (high)	A (high)	A (high)
Deutsche Bank AG	Short Term Critical Obligations Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)
Deutsche Bank Trust Company Americas	Long-Term Issuer Rating	A (low)	A (low)	A (low)
Deutsche Bank Trust Company Americas	Long-Term Senior Debt	A (low)	A (low)	A (low)
Deutsche Bank Trust Company Americas	Long-Term Deposits	A (low)	A (low)	A (low)
Deutsche Bank Trust Company Americas	Short-Term Issuer Rating	R-1 (low)	R-1 (low)	N/A
Deutsche Bank Trust Company Americas	Short-Term Debt	R-1 (low)	R-1 (low)	R-1 (low)
Deutsche Bank Trust Company Americas	Short-Term Deposits	R-1 (low)	R-1 (low)	R-1 (low)

Previous Actions

- DBRS Confirms Deutsche Bank's A (low) Rating, Trend Revised to Negative, May 9, 2018
- DBRS Harmonises its Ratings Nomenclature for Banks in Europe and Asia-Pacific, July 14, 2017
- DBRS Confirms Deutsche Bank's A (low) Issuer Rating, Trend Revised to Stable, June 7, 2017.
- DBRS Assigns Issuer Ratings to 43 European Banking Groups, March 7, 2017.
- DBRS Confirms Deutsche Bank's A (low) Rating, Revised Trend to Negative, October 7, 2016
- DBRS Downgrades Deutsche Bank to A (low), Trend Now Stable, July 7, 2016

Related Research

- DBRS: Implications of Deutsche Bank's Management Changes for Strategic Direction, April 16, 2018
- DBRS: Weak Trading and Resilient IB Drives European Banks' Capital Markets Revenues in 4Q17, March 13, 2018

Previous Report

- Deutsche Bank AG, Rating Report, June 14, 2017

Note:
All figures are in EUR unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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