

FITCH AFFIRMS DEUTSCHE BANK AT 'AA-'; OFF RWN; OUTLOOK NEGATIVE

Fitch Ratings-London/Frankfurt-29 July 2009: Fitch Ratings has today affirmed Deutsche Bank's Long-term Issuer Default Rating (IDR) at 'AA-' and removed it from Rating Watch Negative (RWN), where it was placed on 16 January 2009. Fitch has assigned the Long-term IDR a Negative Outlook, reflecting the agency's view that the global operating environment for banks is likely to remain difficult well into 2010. The bank's other ratings were affirmed at Short-term IDR 'F1+', Individual Rating 'B/C', Support Rating '1' and Support Rating Floor 'A+'. The ratings of Deutsche Bank's hybrid Tier 1 capital instruments were affirmed at 'A+' and removed from RWN. A full list of ratings related to Deutsche Bank is provided at the end of this comment.

The affirmation of Deutsche Bank's ratings follows the bank's 28 July announcement of H109 results, as the group reported income of EUR3.1bn before taxes and net income of EUR2.3bn. This marks a strong recovery from the FY08 net loss of EUR3.9bn which was due to trading and revaluation losses, costs of exposure reduction and provisions against monoline insurers. In H109, the bank benefited from more favourable market conditions and its good investment banking franchise, particularly in the debt capital markets. Approximately 70% of pre-tax profit was generated by its corporate banking and securities division, a proportion also seen in the past. However, results from Deutsche Bank's private clients/asset management and transaction banking businesses were dented by a number of non-recurring items including severance payments to reduce headcount in retail banking operations.

A key factor in the rating affirmation is the expected increase in profit contribution from retail banking and enhanced retail funding once Deutsche Bank acquires the majority of Deutsche Postbank. Fitch expects this to happen in Q112 at the latest. The acquisition will make Deutsche Bank the dominant private sector provider of retail banking business in Europe's largest economy. The expectation of the continued strengthening of less volatile businesses is one important driver behind the bank's Long-term IDR of 'AA-', given Fitch's doubts about whether capital markets will ever provide the earnings potential for banks that they did in the past, especially if banks like Deutsche Bank want to keep risks at current levels and achieve a less volatile earnings base.

Although Deutsche Bank has substantially reduced its risk positions, in Fitch's view its remaining exposures to leveraged finance loans, commercial real estate and monoline-insured assets bear the risk of further impairment charges over the next 12 months. In H109, loan impairment charges surged to EUR1.5bn compared with EUR249m in H108, about half of which were driven by assets reclassified to the loan book from the trading book. This signals that Deutsche Bank could be more vulnerable to further impairment charges than some of its corporate and investment banking peers that marked most of their critical assets to market and have already taken higher losses. Credit risks relating to other segments of the loan book will also be increasingly affected by the ongoing global economic downturn. Deutsche Bank will be able to absorb impairment losses, in part due to extensive hedging, but its ratings could come under pressure if severe losses should materialise.

The bank's ratings are underpinned by Deutsche Bank's diversified funding structure and its well-managed and comfortable liquidity position which includes a strategic liquidity reserve that exceeds its EUR68bn short-term wholesale funding. Most unsecured funding is sourced from customer deposits and long-term debt. Deutsche Bank has demonstrated its ability to tap the debt and capital markets under stressed market conditions on competitive terms. Capitalisation has been strengthened by retained earnings in combination with a net reduction in risk positions. However, at 11%, Deutsche Bank's Tier 1 regulatory capital ratio at end-June 2009 lags some of its competitors, and more capital would sit better in the rating category, especially given Fitch's view that its asset valuations are less conservative.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive

Fitch's Long- and Short-term IDRs.

The rating actions related to Deutsche Bank are as follows:

Deutsche Bank AG

Long-term IDR: affirmed at 'AA-'; off RWN; assigned a Negative Outlook

Short-term IDR: affirmed at 'F1+'

Individual Rating: affirmed at 'B/C'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A+'

Deutsche Bank Securities

Long-term IDR: affirmed at 'AA-'; off RWN; assigned a Negative Outlook

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Deutsche Bank Trust Company Americas

Long-term IDR: affirmed at 'AA-'; off RWN; assigned a Negative Outlook

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Deutsche Bank Trust Corporation

Long-term IDR: affirmed at 'AA-'; off RWN; assigned a Negative Outlook

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Deutsche Bank Australia Ltd.

Commercial Paper affirmed at 'F1+'

Deutsche Bank Financial LLC

Short-term IDR affirmed at 'F1+'

Deutsche Bank Capital Funding Trust I: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust IV: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust V: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust VI: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust VII: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust VIII: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust IX: affirmed at 'A+'; off RWN

Deutsche Bank Capital Funding Trust X: affirmed at 'A+'; off RWN

Deutsche Bank Contingent Capital Trust II: affirmed at 'A+'; off RWN

Deutsche Bank Contingent Capital Trust III: affirmed at 'A+'; off RWN

Deutsche Bank Contingent Capital Trust IV: affirmed at 'A+'; off RWN

Deutsche Bank Contingent Capital Trust V: affirmed at 'A+'; off RWN

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