Deutsche Bank AG

Full Rating Report

Ratings

Deutsche Bank AG (DB)
DB Privat- und Firmenkundenbank AG (PFK)

Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Derivative Counterparty Rating	A−(dcr)
Deposit Rating	A−
Support Rating	5
Support Rating Floor	NF

Deutsche Bank AG, London Branch
Deutsche Bank Securities, Inc.
Deutsche Bank Trust Corporation

Long-Term IDR	BBB+
Short-Term IDR	F2

Germany Sovereign Risk

Long-Term IDR	AAA

Outlooks

Long-Term IDR (DB and subsidiaries)	Negative
Sovereign Long-Term IDR (Germany)	Stable

Financial Data

Deutsche Bank AG

	30 Sep 18	31 Dec 17
Total assets (USDbn)	1,597	1,769
Total assets (EURbn)	1,380	1,475
Total equity (EURbn)	64.1	63.4
Published net income (EURm)	750	-735
Operating profit/risk-weighted assets (RWAs) (%)	0.6	0.3
Impaired loans/gross loans (%)	2.4	1.7
Fitch Core Capital/ RWAs (%)	14.1	15.0
Fully applied Basel III CET1 ratio (%)	14.0	14.8
Loans/customer deposits (%)	72.1	69.8

Fitch Ratings

Related Research

Deutsche Bank AG - Ratings Navigator (July 2018)

Fitch Ratings: Deutsche Bank's 3Q Earnings Reflect Continuing Restructuring (October 2018)

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Key Rating Drivers

IDR on Negative Outlook: Deutsche Bank AG's (DB) ratings and the Negative Outlook reflect Fitch Ratings' view that the bank faces substantial execution risk in its restructuring, which aims to strengthen its business model, stabilise earnings and further strengthen risk controls. DB's capitalisation, funding and liquidity, and asset quality underpin its Viability Rating (VR).

Weak Earnings Outlook: Full-year 2018 earnings will be negatively affected by additional restructuring expenses and by pressure on revenue. The bank's modest 4% return on tangible equity (RoTE) target for 2019 highlights the challenges it faces. The longer-term RoTE target of 10% requires a turnaround of DB's investment bank and the achievement of cost synergies from the integration of its domestic retail operations, which will be challenging. It also requires a more supportive interest-rate environment, the timing of which remains uncertain.

Capitalisation Supports VR: DB's capitalisation, with an end-3Q18 Common Equity Tier 1 (CET1) ratio of 14%, supports the bank's ratings. Fitch expects the bank to meet its target of maintaining a CET1 ratio above 13%. The 4% fully loaded regulatory leverage ratio at end-3Q18 benefited from the scale-back of US rates, securities financing transactions and prime finance businesses since 1Q18.

Constrained Risk Appetite: Credit underwriting standards are conservative from a global perspective, and asset quality is strong despite the bank's exposure to some higher-risk segments. Growth is constrained, and the bank has exited some businesses that weighed on its leverage ratio in 9M18. We believe that risk controls lag behind Global Trading and Universal Bank (GTUB) peers', in particular anti-money laundering controls, automation and simplification of processes. This has resulted in regulatory scrutiny, negative publicity and fines.

Ample Liquidity: The bank's comfortable liquidity position is an important rating driver. The liquidity portfolio amounted to EUR254 billion at end-3Q18 at liquidity value, covering around 28% of DB's external funding, excluding hybrids, and after offsetting derivatives and brokerage payables. The regulatory liquidity coverage ratio (LCR) was 146%, which is comparable with that of European GTUB peers. The bank plans to reduce its liquidity portfolio, but Fitch expects that liquidity will continue to be managed prudently.

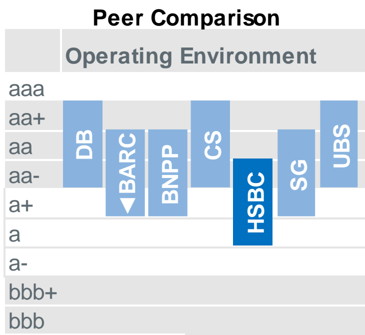
One-Notch Uplift for Preferred Debt: DB's preferred senior debt ratings, Derivative Counterparty Rating (DCR) and long-term deposits are one notch above the Issuer Default Rating (IDR). This is because these liabilities have preferential status over the large buffer of qualifying junior debt and statutorily subordinated senior debt, which Fitch estimates at about 20% of risk-weighted assets (RWA) at end-3Q18.

Sensitivities

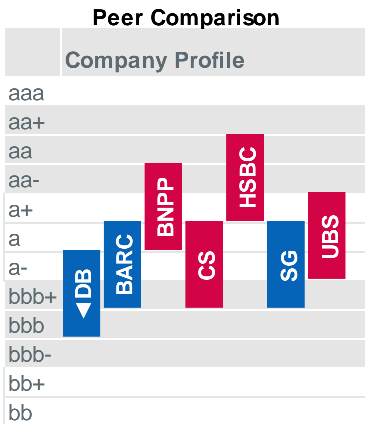
Restructuring Execution: Setbacks in the implementation of DB's restructuring could result in a downgrade if they lead to the bank failing to meet its profitability targets in 2019 and beyond. This would bring the bank's business model and strategy, as well as management's ability to execute the strategy, into question. Ratings are also sensitive to a material weakening of capitalisation and liquidity ratios, as well as to a failure to remedy risk-control weaknesses.

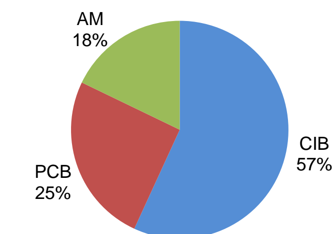
Limited Upside in Near Term: The Outlook on the IDR could be revised to Stable if the bank consistently meets financial and organisational targets. Fitch does not expect an upgrade in the short term as any benefits from DB's strategy will be gradual.

Peer Comparison



Peer Comparison





Source: Fitch Ratings

Pre-Tax Profit Split
(9M18)

AM 18%
CIB 57%
PCB 25%

Note: Ex. DVA, goodwill impairment, litigation, restructuring , certain one-off revenue items and the Corporate&Other segment
Source: Fitch Ratings, DB

Related Criteria
Bank Rating Criteria (October 2018)

Operating Environment

DB is headquartered in Germany (AAA/Stable) and most of its corporate and retail operations are based there, benefitting from the country's stable economic environment. The bank operates globally through its capital markets business, which has large operations in the US (AAA/Stable), and in the UK (AA/Negative). However, the importance of these locations is decreasing following the bank's decision to scale back some of its US business, and more London-branch-booked business is likely to move to Germany following the UK's decision to leave the European Union. The operating environment has low importance for DB's rating.

German Banking Sector Stable Amid Challenges

Fitch's outlook on the German banking sector as a whole and our rating outlooks on most German banks are stable. Asset quality benefits from German banks' dominant focus on the domestic market and is unlikely to worsen in the short term. The sector's non-performing loans (NPL) ratio is below 2% and among the lowest in the EU. Loan-loss allowances remain extremely low overall. The sector's funding and liquidity are sound, as is capitalisation, while leverage ratios are adequate. We expect German banks to have already comfortably fulfilled their individual Minimum Requirements for Own Funds and Eligible Liabilities (MREL) without additional issuance need, owing to favourable national legislation.

Pressure on profitability will continue to be the key challenge due to low interest rates and partial progress in reviving revenue generation. This is also due to high cost bases and intense competition compounded by the large number of foreign banks.

Company Profile

Sales- and Trading-Heavy Business Model

DB's high reliance on capital markets businesses, in particular sales and trading, debt and equity origination and advisory, which we view as more volatile sources of earnings, negatively influences our assessment DB's business model. Unlike at other GTUB peers, DB's retail franchise does not generate sufficient earnings to offset this reliance on capital markets.

Efforts to turn around the retail business and reduce some of the products offered in the Corporate and Investment Bank (CIB) should, if executed successfully, lead to a more balanced, universal banking business model. However executing this will be challenging, especially without a significant boost from interest rates in the eurozone. Fitch also sees a risk that DB's capital markets franchises will deteriorate beyond the planned business exits given increased competition from stronger peers.

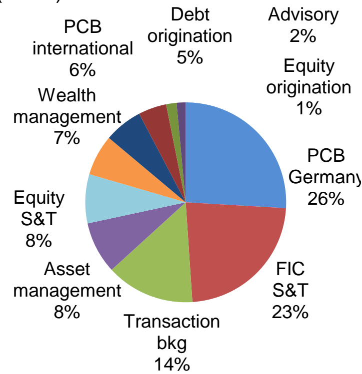
The fixed-income business has been a historical strength for DB. It remains one of the largest banks offering fixed income, currency and commodity (FICC) sales and trading globally (fourth by revenue earned in 9M18) and in Europe (first). The business is, however, challenged by the low interest-rate and low volatility environment as well as high capital requirements. DB has, therefore, exited some of the lower returning products over time, and as of the most recent strategic iteration. This has resulted in a loss of global market share.

Revenue from underwriting is skewed towards debt capital markets (DCM) including leveraged finance. The bank ranked ninth globally in DCM in 9M18 (9M17: eighth) according to Dealogic. It also ranked eighth in equity capital markets in the same period (9M17: eighth), but the revenue contribution to the group from this business is smaller than from DCM.

Global Transaction Banking (GTB), which includes trade finance, cash management and securities services, benefits from DB's corporate customer base. DB ranked fifth in transaction banking worldwide and within the top three in EMEA, according to Coalition league tables published in April 2017.

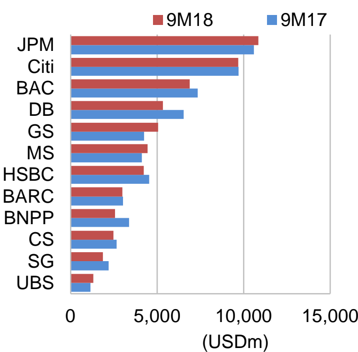
Revenue Split

(9M18)



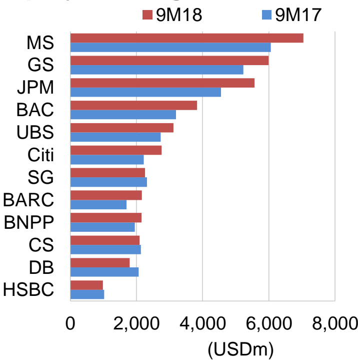
Note: Excl. exited PCB businesses, other CIB and Corporate&Other
Source: Fitch Ratings, DB

FICC Trading Revenue



Source: Fitch Ratings, Banks

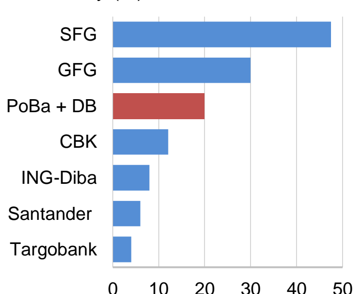
Equity Trading Revenue



Source: Fitch Ratings, Banks

German Retail Banks

Number of retail clients in Germany (m)



Source: Fitch Ratings' estimation, Banks

It was the leading bank offering euro clearing (according to Swift) and among the top three trade finance providers (Oliver Wyman Transaction Banking Benchmarking 2017). GTB continues to be an important part of the bank's strategy and an area of growth.

The CIB division employed close to 39,000 full-time-equivalent employees, and was associated with a leverage balance sheet of EUR945 billion (72% of group) and RWAs of EUR228 billion at end-3Q18 (67% of group).

Large Retail Presence but Weak Pricing Power

The two subsidiaries that housed DB's businesses for retail and commercial clients were merged in May 2018 to form DB Privat- und Firmenkundenbank AG (PFK), which continues to operate under two brands (Postbank and DB). The bank's domestic retail pricing power is weak given market dominance by savings and cooperative banks, despite it being Germany's largest privately owned bank by total assets and number of customers.

Asset Management

DWS Group, DB's asset management business, is considered a growth business. It has good market shares in Germany and, to a lesser extent, in Europe. DWS is a leading provider of retail funds in Germany and the second-largest exchanged-traded fund provider in Europe. Assets under management (AuM) in DWS amounted to EUR692 billion at end-3Q18, of which 43% invested in Germany, 25% in EMEA and the remainder diversified around the world. DB completed a partial IPO of DWS in early 2018, and now owns 77.75% of the subsidiary.

Management and Strategy

DB's strategy has been revised consecutively in recent years, and is now focused on restructuring and improving overall profitability, and in particular in the CIB and PCB divisions, increasing the business focus on core German corporate clients and continuing to work on improving IT systems, automation and controls. In our view the bank has yet to prove that its business model can generate profitability and that its strategy can be executed to plan without further setbacks or change of focus.

Reduced Resources for CIB

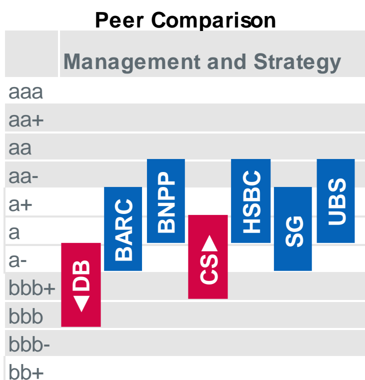
In April 2018, DB announced that it would scale back activity in areas where it is no longer competitive. These areas include the US rates business, prime finance, cash equities and certain corporate finance segments. The announcement followed past attempts to scale back and refocus the CIB, including through the set-up and successful run-down of a "non-core" unit, and reduction of additional legacy exposures. The bank's capital allocation decisions will favour corporates-focused origination, advisory, transaction banking and financing businesses. DB expects this to reinforce the franchises of these businesses and increase their importance

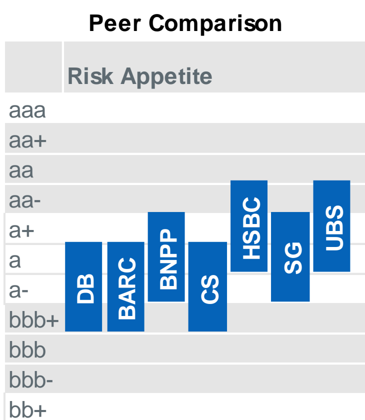
The CIB's strategic priorities now include:

- in GTB, to increase resource allocation to cash management and payments services and optimise trade finance, trust and securities services; invest in payments and trade capabilities; increase cross-sell
- in fixed income and currency (FIC) sales and trading, focus on core capabilities in foreign exchange and credit; invest in technology in foreign exchange; scale back activities in US rates sales and trading, shrinking the balance sheet, leverage exposure and repo financing while remaining committed to its European business
- in equity sales and trading, to reduce headcount by 25%; cash equities will concentrate on electronic solutions and its most significant clients globally; in prime finance, the bank will reduce leverage exposure by a quarter, equivalent to a reduction of about EUR50 billion.

DB's Financial Targets

- Post-tax RoTE of about 10% in 2021; 4% in 2019
- PCB RoTE of >12% and CIR or <70% in 2021
- Adjusted costs of EUR21 billion in 2018 and EUR22 billion by 2019
- CET1 ratio comfortably above 13%
- Leverage ratio 4.5%





Source: Fitch Ratings

- in corporate finance, to focus on its core European client base and financing and underwriting products, which have leading positions; in US and Asia, to focus on business that is linked to its European client base and to selectively invest in debt capital markets and leveraged finance.

The most recent business adjustments should collectively reduce leverage exposure in the CIB by over EUR100 billion, largely achieved by 2Q18. These should also help maintain the "adjusted" costs below EUR23 billion for 2018 and EUR22 billion for 2022.

Retail Restructuring in Progress but Still a Long Way to Go

The bank had to turn to shareholders for fresh capital and had to rethink some of the Strategy 2020 targets in early 2017. At that time, it announced the decision to reverse plans to sell Postbank, in which it had owned a majority share since 2010. Instead, it opted for a medium-term plan to integrate Postbank into its existing private and commercial clients business.

DB has made progress with the retail restructuring but significant challenges remain. The merger of the two subsidiaries that housed the private and commercial clients businesses to create one entity, renamed DB Privat- und Firmenkundenbank AG (PFK), was completed in May 2018. The remaining challenge will be to integrate the systems, processes and sales efforts, as well as achieve the planned synergies of EUR0.9 billion a year and a cost/income ratio of below 65% by 2022.

To achieve these, PFK will make significant investments and undergo restructuring over the next five years, which will involve a EUR1.9 billion expense for restructuring and predominantly IT investments. Postbank's surplus retail deposits affected earnings in a low and negative interest-rate environment so increasing funding fungibility could help DB to fund higher-yielding loans than mortgage and personal loans.

Risk Appetite

Risk Controls Lagging Behind Peers

Progress to improve risk controls, in particular with respect to updating and improving its IT infrastructure, automating processes and strengthening anti-money-laundering (AML) and know-your-customer (KYC) controls has been only gradual and the bank, in Fitch's opinion, lags behind peers. Weaker risk controls are somewhat mitigated by the bank's retreat from business areas it sees as more vulnerable, and in the broader risk appetite assessment, by the constrained appetite for credit and market risk.

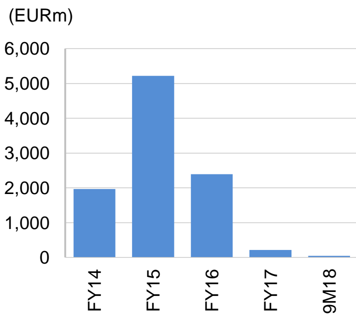
Risk controls appear weaker in its US businesses, where DB's US intermediate holding company was the only non-US bank whose capital plan was objected to by the US regulator for qualitative reasons in the 2018 stress test, although it had passed the quantitative test.

The bank has invested in improving its risk controls and risk culture in recent years, increasing automation, streamlining systems and processes. The bank has also reduced exposure to higher-risk countries such as Russia where controls weaknesses have been the root of lengthy and expensive regulatory investigations. Anti-money laundering controls remain an area that the bank is working on improving its processes.

Management has indicated that progress with IT and systems simplification is up-to-date, with a lower number of operating systems in use, a lower number of systems reconciliations and higher cloud adoption. More stringent cost targets have led to a stricter prioritisation of IT projects whereby regulatory remediation and innovation projects are being prioritised, but some IT projects were cancelled.

Litigation and Conduct

(EURm)



Note: Including loan processing fees
Source: DB

Conduct Risk Remains High Despite Progress

Conduct costs have been extremely high in recent years but reflected legacy issues that the bank has made progress on remediating. The bank booked litigation costs of EUR9.8 billion, including loan processing fees, between 2014 and 9M18 (mainly in 2015 and 2016). Over the last two years it has reached settlements with the US Department of Justice regarding past residential mortgage-backed securities practices, with the UK Financial Conduct Authority over AML failings in DB's Moscow subsidiary, with the New York State Department of Financial Services over foreign currency manipulation, with the US Commodity Futures Trading Commission over attempting to manipulate precious metals futures and the ISDAFIX benchmark, with the Securities and Exchange Commission over improper handling of American Depository Receipts, and several other.

We believe that the bank has resolved a large proportion of its legacy conduct issues, but that its activities, including its correspondent banking business, expose it to significant conduct risk. This includes risks related to AML and KYC issues. In September 2018, the German banking regulator ordered the bank to improve its risk controls in these areas in the CIB over the coming years and appointed a special representative to monitor implementation.

An investigation by the US Department of Justice into a money-laundering scheme involving sizeable transaction amounts between DB clients in Russia and UK is also still outstanding. The bank has booked a provision in relation to this but the amount is not disclosed. Other ongoing investigations and legal cases the bank is involved in include alleged manipulation of interbank or dealer offered rates, foreign currency markets, US embargo-related matters, investigations into referral hiring practices.

At end-3Q18, DB had EUR1.3 billion reserves including against future penalties from civil litigation cases and regulatory enforcement on balance sheet.

Sound Underwriting Standards

DB's underwriting standards are sound reflecting a high proportion of credit exposure to investment grade counterparties and to German commercial and retail customers whose financial strength has proven resilient. Credit exposures that Fitch views as more vulnerable and volatile include leveraged finance, emerging markets, shipping and commercial real estate. CIB's residual non-strategic assets have decreased to EUR7 billion RWA excluding operational risk at end-3Q18.

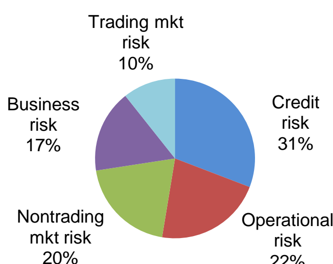
Domestic retail banking comprises mortgage loans that are typically extended at moderate loan/value (LTV) ratios (a low 7% of the mortgage book has LTVs over 90%) and a low share of short-term uncollateralised consumer finance loans. Short-term uncollateralised consumer finance loans and small business loans have higher loan-loss rates, especially outside Germany. The bank has risk appetite to maintain its retail and corporate banking activities in Italy and Spain, where it has longstanding presence.

Trading Market Risk High, But Below Previous Levels

Market-risk exposure arises in CIB's trading activities and through non-traded market risks. Trading value at risk (VaR) utilisation at end-3Q18 was at a 10-year low, reflecting reduced directional exposure in a low-volatility environment. Average VaR (99% confidence, one-day) utilisation declined to EUR26.5 million at end-3Q18 (EUR29.8 million at end-2017). Fitch stressed VaR was equal to 2.4% of Fitch Core Capital (FCC) at end-3Q18. We calculate the stressed VaR as the undiversified sum of asset-class maximum VaRs, with a 10-day horizon and scaled up by a stress factor of five. Economic capital usage for trading market risk decreased by 6% at end-3Q18, compared with end-2017, primarily due to reductions in inventory.

Economic Capital Usage

(EUR26.4bn at end-Sep 18)



Note: EUR7bn diversification effect not shown
Source: DB

Interest Rate Risk

(EURbn)	-200bp	+200bp
EVE	-1.1	-0.4
Net interest income	-0.8	2.8

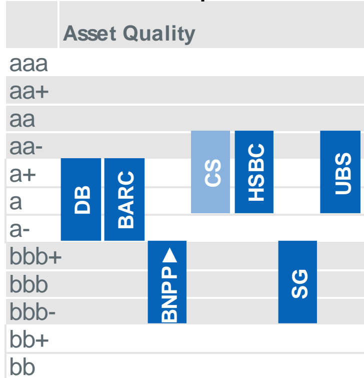
Note: Impact on banking book across all currencies; decline floored at zero
Source: DB's 2017 annual report

Non-traded market risk represents a substantial 20% of DB's economic capital usage before diversification at end-3Q18. Within this, interest-rate risk in the banking book is related to mismatches in the maturities and repricing of assets and liabilities. The majority of this risk is managed by DB through maturity transformation and internal risk transfers to the trading book, while PFK manages interest-rate risk separately. The remaining net interest-rate risk position in the banking book is a manageable 5% of economic capital usage before diversification (end-2017). The economic value of equity losses from an assumed 200bp parallel downward (floored at zero)/upward shifts in yield curves were EUR1.1/EUR0.4 billion at end-2017. This is low relative to DB's capital base.

Foreign-currency risk is largely transferred to global markets or mitigated through matched funding. Exposure to the US dollar and British pound is unhedged but the impact on the CET1 ratio is offset by matching-currency RWAs.

Other non-traded market risks relate to credit spread risk in the banking book, equity risk from strategic and non-strategic investments and market risk related to asset management products. Other risks are those not related to client business, such as pension and equity compensation risks.

Peer Comparison



Source: Fitch Ratings

Financial Profile

Asset Quality – Sound Loan Book

The bank started reporting IFRS 9 financial assets breakdown by stages in 2018, and at 3Q18 Stage 3 financial assets, including purchased or originated credit-impaired (POCI), made up 1.5% of financial assets at amortised cost. This is equivalent to an estimated 2.4% of gross loans at amortised cost. The amount (EUR9.7 billion) was stable compared with the beginning of the year as gross additions were offset by write-offs.

The asset quality of DB's loan book benefits from its focus on investment-grade corporate exposures and German retail loans. Of the total corporate exposure, 71% is extended to investment grade counterparties, of which the lowest share relates to loans (60% including at fair value).

Exposure to leveraged finance transactions and to more volatile sectors such as shipping, metals and mining, oil and gas and commercial real estate, have driven loan impairment charges in recent years. We expect exposure to these sectors to be more vulnerable in a downturn. Credit risks from lower-rated corporate exposure are mitigated by a well-diversified loan book and reduction strategies. The bank also manages these with the use of synthetic collateralised loan obligations (EUR32 billion notional) and credit derivatives (EUR0.7 billion notional at end-2017).

Credit Portfolios Quality

EURbn, 3Q18	Exposure	(% NIG)
Corporate exposure	690.9	29
o/w loans	234.3	40
o/w debt securities	134.2	15
o/w repos and similar	78.7	25
o/w OBS commitments	215.7	29
o/w OTC derivs	28.0	17
		(% 90 DPD)
Consumer credit	192.7	
o/w domestic	159.8	0.8
o/w foreign	33.0	3.9
Sovereign Exposure		
o/w peripheral Europe	3.7	

Source: Fitch Ratings, DB

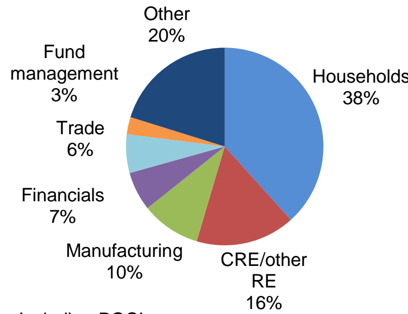
The bank's shipping exposure is targeted for further reduction, to reach EUR2.6 billion loans by end-2018 (total exposure was EUR4.8 billion of which EUR3.7 billion to vessel financing at end-2017). The shipping portfolio accounted for the majority of loan impairment charges (LIC) in 2016 (EUR346 million) and a lower but still meaningful EUR198 million in 2017. Deterioration stabilised in 2017 but the sector continues to face challenges.

DB is a significant leveraged finance lender, which we associate with a heightened risk of losses in a downturn. We see a risk that stark competition, in particular from non-bank financial institutions, puts pressure on underwriting standards in this segment.

Exposure to oil and gas amounted to EUR7 billion and to metals and mining to EUR 4 billion at end-2017, which is moderate.

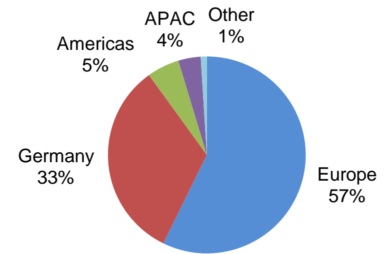
DB's exposure to commercial real estate (CRE) is typically more concentrated in the US. Postbank's CRE exposure is predominantly to German real estate and includes a small amount of junior tranches. CRE loans are generally secured by first mortgages and are subject to LTV

Stage 3 Exposure by Industry
(EUR 9.7 bn at end-9M18)



Note: Including POCI
Source: Fitch Ratings, DB

Stage 3 Exposure by Region
(EUR 9.7bn at end-9M18)



Note: Including POCI
Source: Fitch Ratings, DB

limits of less than 75%.

The retail and consumer credit book (EUR193 billion at end-3Q18) benefits from well performing German mortgages and SME loans. These jointly accounted for 83% of gross retail consumer exposure and show an average of less than 1% 90 days past due ratio. Loans outside Germany are extended mainly in Italy, Spain, Belgium and India. These loans have weaker asset quality (3.9% are more than 90 days past due) in the EUR14 billion consumer and small business loan book in particular. About 7% of the mortgage book has LTVs over 90% and 67% of exposure had LTVs under 50%.

Single name concentration is low relative to the large credit-risk exposure with the largest 10 counterparties accounting for 8% of total credit exposure at end-2017 (7% at end-2016).

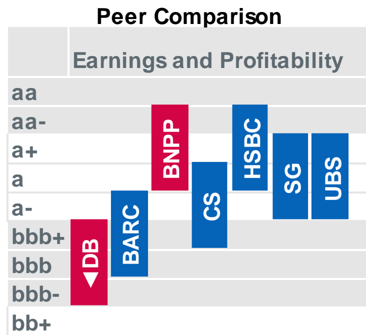
Large Non-Loan Exposures

The bank's non-loan corporate credit exposures are large, which is reflective of its business model. Non-loan corporate exposures include irrevocable lending commitments and contingent liabilities (together EUR216 billion) of which 71% extended to investment-grade counterparties; EUR28 billion net over-the-counter derivatives, of which 83% extended to investment-grade counterparties and EUR134 billion debt securities, of which 85% extended to investment-grade counterparties at end 3Q18, according to the bank's internal classification system.

Total equity exposure totalled EUR88.4 billion at end-2017, largely in the form of trading exposure of the CIB and, to a lesser extent, asset management (AM). EUR2.5 billion non-trading equity exposure was manageable 5% of FCC.

Level 3 fair-valued assets totalled EUR22.5 billion at end-3Q18 and include derivative instruments, trading securities (illiquid emerging market corporate bonds and highly structured corporate bonds, notes issued by securitisation entities) and other illiquid instruments such as leveraged loans and residential and commercial mortgage loans. The bank's sensitivity analysis reveals there could have been a possible fair-value loss of EUR0.86 billion if the bank had used more conservative but reasonable alternative valuation inputs for these assets as of end-3Q18. According to the bank, Level 3 assets comprise assets that are part of the banks ongoing business (i.e. they are not all legacy assets), and there is a turn-over in the Level 3 books of roughly one-third each year.

Peer Comparison



Source: Fitch Ratings

Earnings and Profitability

DB's earnings are likely to remain weak compared with most other large global banking groups over the next two years at least. Any improvement after this is contingent on the successful execution of its strategy and a more supportive interest-rate and market environment.

The most recent strategic announcement implies a weak 2018 result with the possibility of modest returns in 2019 (the bank targets more than 4% RoTE in 2019). Beyond this, DB's earnings stability could be supported by a slightly higher planned contribution from DB's Private and Commercial Bank (PCB) and AM of 50% of group revenue by 2021. The bank targets a 10% RoTE by 2021 and expects that the implementation of its revised strategy and a more supportive interest-rate environment will enable it to achieve this. We believe that reaching a 10% RoTE will be challenging.

Among the new segments, only the small asset management division meets this target helped by a balance-sheet light business model. Further profitability improvement is needed from the CIB division (2% RoTE in 9M18) especially from the capital-intensive sales and trading businesses and the reintegrated non-core businesses. In PCB (6.3% RoTE in 9M18), a high cost base and the low-risk/low-return German retail banking business models also cause it to fall short of profitability targets.

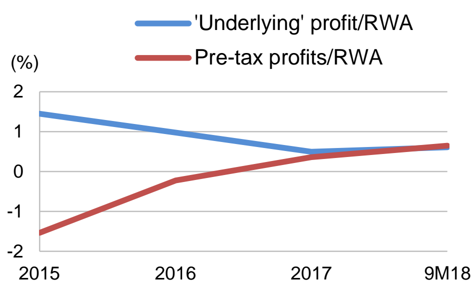
Revenue Weakening Again in the Short Term

Revenue has decreased in 2018 and will continue to decrease due to the additional business exits. We also see a risk of negative spill-overs from interconnected businesses, increased competition from stronger peers and a less supportive interest-rate environment than assumed in the bank's projections. This could lead to a decline in revenue that would make meeting the bank's 2019 and 2021 profitability targets unachievable.

Beyond 2018, a revenue improvement depends on DB's ability to defend or increase its market share in its core segments and make its high liquidity holdings more profitable in a scenario where interest rates normalise and volatility returns in DB's main markets. Rising interest rates could add as much as EUR1.7 billion in the first year and EUR2 billion in the second year to the bank's net interest income (14% and 16% increase compared with end-2017) in a scenario where rates rise by 100bp. The estimate assumes a parallel shift in yield curves and excludes trading positions and AM.

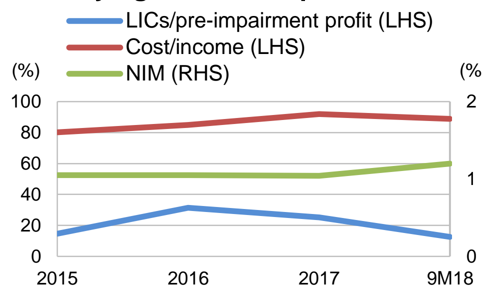
Revenue declined in 9M18 by 8% yoy, excluding changes in own credit spreads and debit valuation adjustments (DVA). Revenue was affected by the bank's business exits, loss of market share in some segments and a weak trading environment in the main products and geographies of its CIB. Revenue from CIB decreased 12% yoy (excluding DVA), reflecting lower revenue across all disclosed businesses. FIC sales and trading revenue decreased by 21% yoy (excluding DVA, which we assume relates largely to this segment), affected by business exits from the US and low volatility in rates in Europe. The business remains core to

Weak Earnings but Fewer One-offs



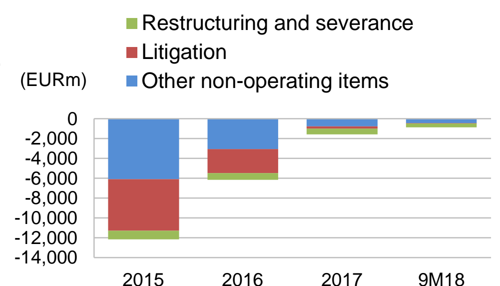
Underlying profit excludes litigation, restructuring, goodwill and other intangible assets impairment, gains/losses on own credit, DVA, and other smaller items
Source: Fitch Ratings, DB

'Underlying' Profit Components



Underlying profit excludes litigation, restructuring, goodwill and other intangible assets impairment, gains/losses on own credit, DVA, and other smaller items
Source: Fitch, DB

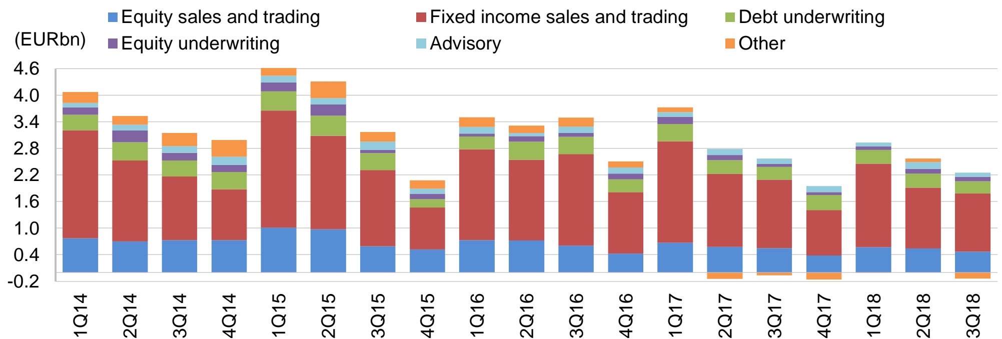
Pre-Tax Profit Components



Other non-operating items are mainly goodwill and other intangible assets impairment, gains/losses on own credit, DVA
Source: Fitch Ratings, DB

DB's strategy and is one of the biggest revenue contributors, despite its weakness over the past years. The bank has stated that it wants to maintain market share, and expects increased volatility and market activity to aid revenue generation in the longer term. Equities trading was affected by higher funding costs in prime finance, which is also an area where the bank has been scaling back.

Revenue from Capital Markets Businesses



Source: Fitch Ratings, DB

Transaction banking also undershot management's expectations as revenue decreased by 5% yoy. The bank remains committed to strengthening this business, including through stronger client coverage and cross-coverage with other CIB areas. However, low interest rates continue to put pressure on earnings. The business is also subject to competition from other banks that are targeting this as a growth area, including in DB's home market.

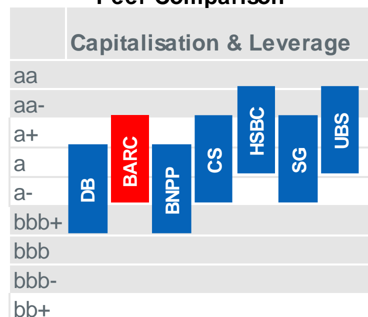
AM had lower performance and transaction fees, as well as an absence of one-off and biennial items. The Private and Commercial Bank remains challenged by the low interest-rate environment.

Cost Reductions Targeted, Net of Restructuring

Cost reduction remains a focus for the bank under the new management, which has implemented measures to reduce staff and administrative expenses, mainly by reducing CIB staff and other costs outside of Germany. Quick results are required to offset the revenue loss from exited businesses in 2018.

DB has also put strategic cost programmes in place that are aimed at addressing the cost culture and improving cost efficiency, which will be important for achieving longer term profitability targets. We believe the targets are subject to risk of delays and overruns, especially in relation to timing of staff reduction and timing of IT savings net of required investments. However, overly aggressive cost-cutting could affect revenue negatively, so introducing a cost/income view, as indicated by management, could add a useful perspective to cost management.

The bank aims to achieve a leaner adjusted cost base of approximately EUR23 billion in 2018 to decrease further to EUR22 billion in 2019 and EUR21 billion in 2021. DB defines the adjusted cost base as excluding litigation, restructuring and severance, impairments of goodwill and intangibles and policyholder claims and benefits. In 9M18, adjusted costs of EUR17.4 billion were broadly stable yoy as lower compensation and infrastructure costs were offset by higher research costs under MIFID II and higher costs associated with DWS. DB will need to manage 4Q18 cost to about EUR6 billion to reach the full-year target. This requires a 5% or higher yoy cost reduction in the fourth quarter. This rate is ambitious but achievable given more even compensation accrual throughout the year and as a result of measures put in place over the years and from staff reductions completed during the year.



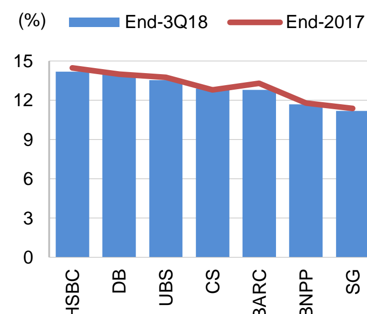
RWA-Based Requirements

(%)	2018	F/L[a]
CET1 (pillar 1)	4.50	4.50
AT1	1.50	1.50
Tier 2	2.00	2.00
P2R	2.75	2.75
CET1 buffers	3.40	4.52
• O/w CCB	1.88	2.50
• O/w CcyB	0.02	0.02
• O/w GSIB	1.50	2.00
Total CET1 requirement	10.65	11.77
Total capital requirement	14.15	15.27

[a] Requirements excluding transitional arrangements
Source: Fitch Ratings, DB

CET1 Ratios

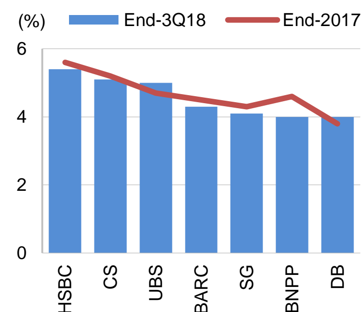
(Fully loaded, incl. full IFRS 9 impact)



Source: Fitch Ratings, Banks

Leverage Ratio

(Fully loaded Basel III leverage)



Source: Fitch Ratings, Banks

The bank expects to incur cost reductions in 2019 from already agreed or completed business sales (Poland, Portugal) and expects to start seeing some benefit from the Postbank integration. The majority of the synergies from the integration of Postbank will occur towards the end of DB's strategic planning period (2021-2022), but are crucial for DB reaching its returns target.

The integration of Postbank and continued effort to close branches and reduce headcount will add substantial restructuring costs. The bank expects around EUR2 billion of restructuring costs by end-2021, to which it added EUR300 million at the last strategy iteration. Restructuring and severance costs for 2018 are projected by management at EUR0.6 billion for 2018, which is comparable to the level incurred in 2017.

Capitalisation and Leverage

CET1 Ratio Managed above 13% and above Requirements

Fitch's assessment of DB's capitalisation is based on the expectation that its fully loaded CET1 ratio will remain above 13%, as targeted by management. The bank completed a EUR8 billion rights issue in April 2017, which boosted its CET1 ratio to above 14% from 11.8% at end-2016. Since then, its CET1 ratio has remained close to 14%, on occasion dipping below, but well within targets[1]. The effect of IFRS 9 implementation on the CET1 ratio was a manageable 13bp, which the bank incurred at the start of 2018.

We expect pressure on risk-weighted capitalisation from weak earnings generation to be managed through the denominator, where further modest relief can be achieved in the short term by the run-down of legacy assets. At end-3Q18, the bank indicated that its CET1 ratio is expected to decline because of regulatory adjustments. Of these, about 20bp-40bp is from the Targeted Review of Internal Models undertaken by the ECB, which should come through over the next year, and is 20bp from a change in lease accounting.

The bank still benefits from low-risk density compared with peers but, in the longer term, the implementation of final Basel III rules and other regulatory changes could have a substantial effect on its risk RWA-based ratios.

DB's regulatory capital requirements applicable in 2018 are 10.7% (phased in) and 11.8% (fully-loaded). The requirements include 4.5% CET1 Pillar 1, 2.75% Pillar 2 CET1 requirement add-on resulting from the ECB's Supervisory Review and Evaluation Process and CET1 buffers (2% for global systemic importance, 2.5% capital conservation buffer and 0.05%countercyclical buffer on a fully-loaded basis). DB has not disclosed the Pillar 2 guidance add-on that the ECB expects the bank to maintain in addition to the combined CET1 requirement.

Weaker Leverage than that of Peers; Aided by Business Exits in 2018

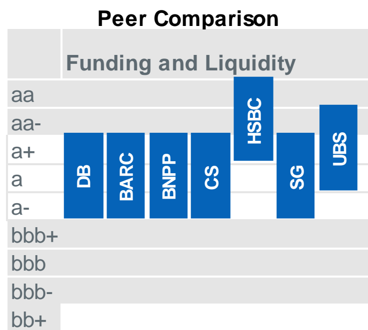
DB's latest fully loaded value of 4% at end-3Q18 was at the lower end of European peers but has improved throughout the year as DB scaled back some leverage-intensive CIB businesses. Management indicated that EUR100 billion of leverage exposure could be freed up from reduced activity in US rates, securities financing transactions and prime finance, equivalent to a about a 30bp leverage ratio boost. The benefit of this was mostly seen in 2Q18 and 3Q18, when the ratio increased by 28bp to 4% compared with end-1Q18, when the plan was announced. The phased-in leverage ratio (4.2% at end-9M18) should remain above 4% in 4Q18, according to the bank's guidance.

DB targets a fully loaded leverage ratio of 4.5% in the medium term. Weak prospects for capital built through profits and difficult Additional Tier 1 (AT1) market access make the bank principally reliant on managing the ratio through the denominator. However, management had

[1] The bank is not including interim profits in regulatory capital, applying an assumed 100% common equity dividend pay-out ratio. This is required by the ECB because the bank has paid common share dividends from the positive German GAAP results of 2016 and 2017, resulting in a 100% pay-out ratio relative to negative 2016 and low positive 2017 IFRS net incomes.

indicated a desire to raise AT1 if market access becomes easier, which could help it progress towards the target. We see market access principally as a function of good execution of its strategy and increased flexibility to service AT1 coupons. The latter will depend on the extent to which the bank can show increased distributable reserves. A change in the calculation of available distributable items is also under discussion as part of the Capital Requirements Regulation 2 package at an EU level, which if passed, could also benefit the bank.

Funding and Liquidity



Source: Fitch Ratings

Diversified Funding, Ample Liquidity

We view DB's funding profile as well diversified and prudently matched with the types of funded assets. At end-3Q18, total external funding amounted to EUR1,158 billion (excluding hybrids), around half of which consisted of deposits that are mainly sourced from retail, wealth management and transaction banking clients. The group's net loan book (including fair-valued loans) was funded by 77% of customer deposits at end-3Q18, which results in a EUR129 billion deposit overhang.

The bank's EUR153 billion long-term debt (including subordinated and covered bonds) also provides a source of stable funding. Less stable sources of funding (unsecured wholesale, trading liabilities, repos, derivatives, brokerage payables) represent 39% of total funding or 26% of net funding, where derivatives are offset by master netting agreements and cash collateral and brokerage payables are offset by cash collateral and pending.

The bank targeted EUR20-EUR22 billion debt issuance in 2018, which was revised down because of sufficient liquidity and deleveraging. The plan exceeds the EUR19 billion upcoming maturities (excluding call dates on legacy Tier 1 hybrids). By October 2018 it had raised EUR18.9 billion of the plan (of which EUR9 billion senior non-preferred debt, EUR7 billion senior structured and preferred and EUR3 billion covered bonds).

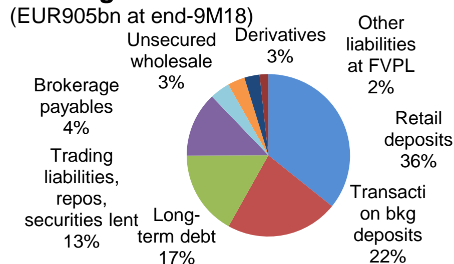
The bank's wholesale funding spreads remain elevated reflecting a weakening of DB's creditworthiness and a higher amount of statutorily subordinated senior debt than GTUB peers. Despite this, the bank obtained good terms on wholesale funding in 9M18 as it made use of narrower spreads earlier in the year. It also raised structured, preferred and covered bonds, which are cheaper. The bank paid an average spread of 57bp above Euribor for an average tenor of 6.3 years on its raised long-term funding, which is lower than the peak in 2016 (129bp).

Already above TLAC and MREL Requirements

At end-3Q18, the bank had a EUR19 billion buffer above it transitional MREL requirement and a sufficient eligible instruments to meet the Total Loss Absorbing Capital (TLAC) requirement of 6.75% of leverage exposure by 2022. The bank's transitional MREL requirement for 2019 was set at 9.14% of total liabilities and own funds (TLOF), which is equivalent to EUR99.2billion at end-September 2018. The MREL requirement exceeds the binding leverage-based TLAC requirement of 6% of leverage exposure or EUR78.3 billion.

Funding Mix

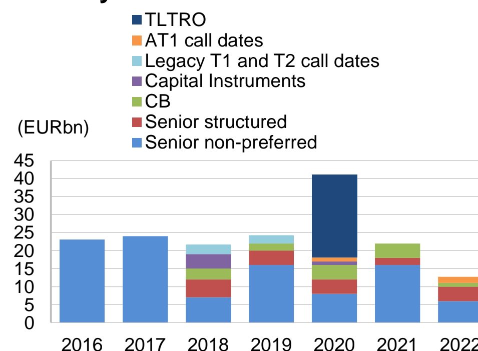
(EUR905bn at end-9M18)



Note: Excluding hybrids; derivatives offset by master netting agreements and cash collateral; brokerage payables offset by cash collateral and pending settlements

Source: Fitch Ratings, DB

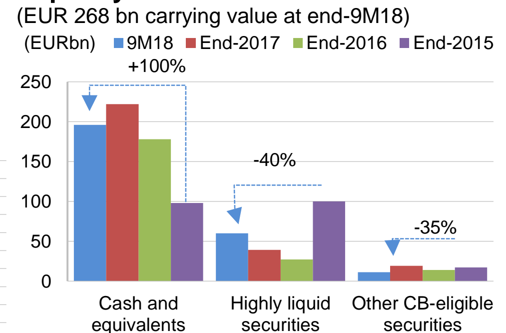
Maturity Profile of Wholesale Debt



Source: Fitch Ratings, DB

Liquidity Reserve

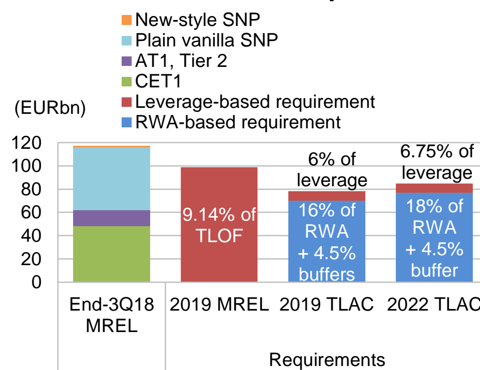
(EUR 268 bn carrying value at end-9M18)



Source: DB, Fitch

From July 2018, German legislation has allowed for the issuance of senior non-preferred (SNP) debt instruments as a separate debt class. The new-style non-preferred senior debt can be used to meet MREL and TLAC requirements, as can the grandfathered non-preferred vanilla debt that was deemed subordinated under German legislation in force since January 2017. The new law gives DB the flexibility to decrease its stack of MREL (and the associated higher funding costs) by refinancing statutory non-preferred vanilla debt with contractually preferred debt as it becomes due.

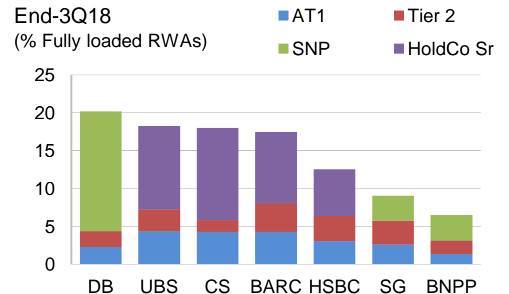
Above MREL & TLAC Requirements



Source: Fitch Ratings, DB

Junior Debt Buffers

End-3Q18
(% Fully loaded RWAs)



Note: Senior holdco debt issued by Barclays and HSBC Holdings is not yet downstreamed in a subordinated manner to the opcos. HSBC HoldCo at end-2Q18.
Source: Fitch Ratings, Banks

Ample Liquidity, Costly to Maintain

The bank maintained strong liquidity at end-3Q18, when it held a EUR254 billion liquidity buffer (EUR268 billion at carrying value) and reported a 146% LCR. The liquidity reserve covered 3.7x the wholesale liabilities with less than one year contractual maturity of EUR69 billion as of end-2017, which we view as conservative.

A reasonably high 78% of the liquidity reserve is held by the parent bank and its branches, the remainder only includes assets that are freely transferable after local regulatory requirements are met. This mitigates the risk that liquidity held at subsidiaries cannot be repatriated in case of stress. We expect that the merger of Postbank with DB's private and commercial clients business has improved the transferability of liquidity within the group, although some trapped liquidity remains in the US subsidiary.

DB calculates a stressed net liquidity position representing the surplus of liquidity reserves and other business inflows over liquidity needs in a severe market and idiosyncratic stress situation. This surplus was estimated at EUR50 billion at end-3Q18 across all currencies. The bank aims to maintain at least EUR10 billion throughout the eight-week stress period under all stress scenarios. At end-2017, it maintained a surplus of EUR13 billion over US dollar stressed liquidity needs and EUR4 billion over sterling stressed needs.

DB's deposit overhang and the need to hold significant liquidity in the aftermath of the bank's confidence stress in 4Q16 represent a drag on profitability in a negative interest-rate environment. Management indicated that it plans to reduce some of the excess liquidity and over time lower the LCR to a level that is more in line with that of peers. It also plans to lower the proportion of the buffer invested in cash compared with the current 62% (66% based on liquidity value) to remove some of the associated earnings drag.

Despite this, Fitch expects that the bank will continue to manage liquidity prudently and in accordance with its business model. The higher share of capital markets businesses and the ongoing restructuring are our opinion associated with a funding profile more sensitive to changes in market confidence than that of more traditional retail and commercial banks, and require a degree of conservatism.

Support

No Sovereign Support Assumed in IDR

DB's Support Rating (SR) of '5' and Support Rating Floor (SRF) of 'No Floor' reflect our view that senior creditors can no longer rely on receiving full extraordinary support from the sovereign if DB becomes non-viable.

Debt Ratings, Derivative Counterparty Ratings, Deposit Ratings

Deutsche Bank AG's Derivative Counterparty Rating (DCR) and preferred senior debt ratings, as well as PFK's deposit ratings, are one notch above the IDRs. This is because derivatives, deposits and structured notes have preferential status over DB's large buffer of qualifying junior debt and statutorily subordinated senior debt.

The bank's volume of plain vanilla senior debt with a maturity of over one year (EUR54 billion), new-style SNP (EUR1 billion), together with Tier 1 and Tier 2 hybrids and other subordinated debt, amounted for 20% of the bank's RWAs at end-3Q18. This is well in excess of an estimated required recapitalisation amount of 8%-10% and allows Fitch to rate preferred senior liabilities one notch higher than non-preferred liabilities.

Junior Debt Buffer

(End-3Q18)	(EURbn)	(% of RWA)
AT1	4.7	1
Hybrid Tier 1	3.1	1
Tier 2	7.4	2
SNP	54	16
Junior debt buffer	**69.2**	**20**
RWA	342	

Source: Fitch Ratings, DB

Deutsche Bank AG, London branch's DCR, and long-term deposit and preferred senior debt ratings benefit from the same one-notch uplift above the IDR given to equivalent ratings at DB. This is because we expect that the insolvency hierarchy would follow the incorporation of the legal entity rather than where the branch is located. In contrast, we have not given uplift to Deutsche Bank Securities' DCR, which is at the same level as the entity's Long-Term IDR.

Subordinated debt and other hybrid capital instruments issued by DB and its subsidiaries are all notched down from DB's VR, in accordance with our assessment of each instrument's respective non-performance and relative loss-severity risk profiles.

Legacy Tier 1 securities issued by Deutsche Bank Contingent Capital Trust II and V and by Deutsche Postbank Funding Trust I, II and III are rated four notches below DB's VR. This reflects higher-than-average loss severity (two notches) and a high risk of non-performance (an additional two notches) given partial discretionary coupon omission.

High and low trigger contingent AT1 capital instruments are rated five notches below the VR. The issues are notched down twice for loss severity, reflecting poor recoveries as the instruments can be converted to equity or written down well ahead of resolution. In addition, they are notched down three times for high non-performance risk, reflecting fully discretionary coupon omission.

The bank disclosed EUR1,091 million AT1 coupon payment capacity at end-2017. Available distributable items for AT1 coupons are calculated annually under German GAAP for the parent bank and reference primarily cumulative retained earnings. In addition the bank can make use of German Commercial Code reserves to boost this amount if needed. We do not expect AT1 payment capacity to become constrained by a lack of available distributable in the foreseeable future, despite earnings weaknesses

Non-payment of AT1 coupon would also be triggered by a breach of the bank's maximum distributable amount requirement, which is 10.65% for 2018. DB has a substantial buffer above this threshold.

The rating of the guaranteed notes issued by the former DSL Bank (which was merged into a predecessor bank of PFK) reflects their grandfathered deficiency guarantee from Germany (AAA/Stable). The notes are rated two notches below the guarantor's Long-Term IDR as Fitch sees some uncertainty around the timeliness of payments under the guarantee given its deficiency language. However, the uncertainty is at a low level due to the high reputational risk Germany would face if debtholders incur losses.

Subsidiaries and Branches

PFK and its parent DB have a common VR to reflect the high degree of management and operational integration between parent and subsidiary and PFK's large size relative to its parent. Fitch expects that capital and liquidity is fungible between PFK and DB. Consequently, it is our view that the credit profiles of the two entities cannot be meaningfully disentangled.

The IDRs and debt ratings of DB's subsidiaries in the US and Australia are equalised with DB's. This reflects their core roles within the group, especially DB's capital markets activities, their high integration with the parent bank and their role as issuing vehicles.

Peer Analysis

	Barclays plc			BNP Paribas			Credit Suisse Group			Deutsche Bank			HSBC			Societe Generale			UBS Group		
Current Viability Rating	a			a+			a−			bbb+			aa−			a			a+		
	9M18	**2017**	**2016**	**9M18**	**2017**	**2016**	**1H18**	**2017**	**2016**	**9M18**	**2017**	**2016**	**9M18**	**2017**	**2016**	**9M18**	**2017**	**2016**	**9M18**	**2017**	**2016**
Structural indicators																					
Total assets (USDbn)	1,527	1,531	1,492	2,586	2,351	2,189	787	816	806	1,597	1,769	1,677	2,603	2,522	2,375	1,509	1,529	1,457	955	938	919
Total equity (USDbn)	68	74	76	111	119	102	44	43	42	74	76	63	193	174	164	64	67	59	52	53	53
FCC (USDbn)	58	63	64	90	97	82	37	36	34	56	62	49	153	144	138	48	51	46	40	40	39
Net income (USDm)	2,795	-1,208	3,479	7,485	9,843	8,554	1,798	-972	-2,660	868	-881	-1,429	12,932	11,879	3,446	4,282	4,114	4,573	4,148	1,156	3,329
Asset quality																					
Impaired loans/gross loans (%)	2.6	1.6	1.6	4.7 [a]	5.0	5.7	0.7	0.8	0.9	2.4	1.7	1.9	1.4	1.6	2.1	4.9 [a]	5.0	5.7	0.7	0.3	0.3
Loan loss allowances/impaired loans (%)	77.6	77.6	71.2	71.9 [a]	65.8	64.7	45.0	41.8	37.9	43.9	55.9	57.3	60.4	48.4	43.1	61.8 [a]	60.7	62.7	37.6	61.3	61.3
Loan impairment charges/average gross loans (%)	0.3	0.6	0.6	0.3	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.2	0.4	0.2	0.2	0.4	0.0	0.0	0.0
Growth of gross loans (%)	-9.4	-6.8	-1.7	-0.9	1.9	4.9	1.9	1.1	1.1	-1.8	-1.9	-4.5	2.0	11.6	-6.9	4.1	-0.3	4.1	-0.4	4.3	-1.8
Earnings and profitability																					
Operating profit/RWAs (%)	1.3	1.1	0.8	1.6	1.7	1.7	1.3	0.7	-1.0	0.6	0.3	0.1	2.7	2.0	1.7	1.9	1.4	1.7	2.7	2.2	1.9
Return on equity (%)	5.5	-1.5	4.7	8.9	8.4	8.6	5.5	-2.2	-6.1	1.6	-1.2	-2.2	9.6	7.0	2.0	8.7	5.8	7.5	10.6	2.1	6.1
Return on assets (%)	0.3	-0.1	0.2	0.4	0.4	0.4	0.3	-0.1	-0.3	0.1	-0.1	-0.1	0.7	0.5	0.1	0.4	0.3	0.3	0.6	0.1	0.4
Cost/income ratio (%)	81.2	73.3	76.0	71.0	69.3	68.7	81.8	90.3	114.2	91.4	95.0	95.5	60.1	67.9	70.0	71.6 [a]	74.3	67.5	77.5	82.1	85.0
Capitalisation and leverage																					
FCC/RWAs (%)	14.0	14.8	14.2	12.0	12.6	12.2	13.1	12.8	12.9	14.1	15.0	13.2	17.8	16.6	16.1	11.3	12.6	12.7	15.4	16.5	17.5
CET1 ratio (fully loaded) (%)	12.8	13.3	12.4	11.8	11.8	11.5	12.9	12.8	11.5	14.0	14.0	11.9	14.2	14.5	13.6	11.2	11.4	11.5	13.5	13.8	13.8
Basel III leverage ratio (fully loaded) (%)	4.3	4.5	4.6	4.0	4.6	4.4	5.1	5.2	4.4	4.0	3.8	3.5	5.4	5.6	5.4	4.1	4.3	4.2	5.0	4.7	4.7
Impaired loans less loan-loss allowances/FCC (%)	4.3	2.9	3.6	13.3	16.0	19.0	3.1	3.5	4.4	11.3	6.0	7.2	3.6	5.5	7.5	19.8	19.0	20.3	3.6	1.1	1.0
Funding and liquidity																					
Loans/customer deposits (%)	84.7	86.3	93.9	93.9	98.2	96.6	81.6	77.5	77.8	72.1	69.8	75.2	73.6	71.1	68.3	105.5	105.7	105.2	79.5	78.3	72.4
Customer deposits/total funding (%)	44.5	51.9	57.9	50.5	58.5	57.5	53.8	53.6	51.6	64.6	62.5	61.3	71.1	69.9	72.0	40.5	46.0	44.1	53.5	59.5	64.1
Liquidity coverage ratio (%)	161.0	154	131	110.0	121	123	202	185	202	146.0	140	128	159.6	142	136	131	124	142	135	143	132

[a] Data at end-1H18
Source: Fitch Ratings, DB

Deutsche Bank AG
Income Statement

	30 Sep 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014	
	9 Months - 3rd Quarter USDm Reviewed - Unqualified	3rd Quarter EURm Reviewed - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets	Year End EURm Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	n.a.	n.a.	-	11,941	1	12,311	1	12,219	1	11,820	1
2. Other Interest Income	21,741	18,782	2	12,063	1	13,120	1	13,448	1	13,084	1
3. Dividend Income	n.a.	n.a.	-	88	0	205	0	300	0	97	0
4. Gross Interest and Dividend Income	**21,741**	**18,782**	2	**24,092**	2	**25,636**	2	**25,967**	2	**25,001**	2
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	2,833	0	2,583	0	2,764	0	3,210	0
6. Other Interest Expense	10,515	9,084	1	8,881	1	8,346	1	7,322	1	7,519	1
7. Total Interest Expense	**10,515**	**9,084**	1	**11,714**	1	**10,929**	1	**10,086**	1	**10,729**	1
8. Net Interest Income	**11,226**	**9,698**	1	**12,378**	1	**14,707**	1	**15,881**	1	**14,272**	1
9. Net Fees and Commissions	9,044	7,813	1	11,002	1	11,744	1	12,765	1	12,409	1
10. Net Gains (Losses) on Trading and Derivatives	1,064	919	0	2,417	0	177	0	2,964	0	3,058	0
11. Net Gains (Losses) on Assets and Liabilities at FV	740	639	0	(448)	(0)	854	0	(32)	(0)	(108)	(0)
12. Net Gains (Losses) on Other Securities	392	339	0	479	0	653	0	203	0	242	0
13. Net Insurance Income	n.a.	n.a.	-	4	0	(285)	(0)	(148)	(0)	(148)	(0)
14. Other Operating Income	89	77	0	130	0	1,288	0	1,449	0	1,425	0
15. Total Non-Interest Operating Income	**11,329**	**9,787**	1	**13,584**	1	**14,431**	1	**17,201**	1	**16,878**	1
16. Total Operating Income	**22,555**	**19,485**	2	**25,962**	2	**29,138**	2	**33,082**	2	**31,150**	2
17. Personnel Expenses	10,315	8,911	1	12,683	1	11,874	1	13,293	1	12,512	1
18. Other Operating Expenses	10,310	8,907	1	11,969	1	15,938	1	19,342	1	14,787	1
19. Total Non-Interest Expenses	**20,625**	**17,818**	2	**24,652**	2	**27,812**	2	**32,635**	2	**27,299**	2
20. Equity-accounted Profit/ Loss - Operating	228	197	0	137	0	455	0	164	0	619	0
21. Pre-Impairment Operating Profit	**2,158**	**1,864**	0	**1,447**	0	**1,781**	0	**611**	0	**4,470**	0
22. Loan Impairment Charge	316	273	0	552	0	1,347	0	882	0	1,129	0
23. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	(27)	(0)	36	0	74	0	5	0
24. Operating Profit	**1,842**	**1,591**	0	**922**	0	**398**	0	**(345)**	(0)	**3,336**	0
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Goodwill Impairment	n.a.	n.a.	-	21	0	n.a.	-	n.a.	-	n.a.	-
27. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	18	0
28. Non-recurring Expense	0	0	0	21	0	1,256	0	5,800	0	111	0
29. Change in Fair Value of Own Debt	68	59	0	348	0	48	0	48	0	(127)	(0)
30. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
31. Pre-tax Profit	**1,910**	**1,650**	0	**1,228**	0	**(810)**	(0)	**(6,097)**	(0)	**3,116**	0
32. Tax expense	1,042	900	0	1,963	0	546	0	675	0	1,425	0
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Net Income	**868**	**750**	0	**(735)**	(0)	**(1,356)**	(0)	**(6,772)**	(0)	**1,691**	0
35. Change in Value of AFS Investments	(772)	(667)	(0)	(326)	(0)	(573)	(0)	(405)	(0)	1,825	0
36. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Currency Translation Differences	344	297	0	(2,679)	(0)	201	0	2,160	0	2,958	0
38. Remaining OCI Gains/(losses)	115	99	0	(152)	(0)	(993)	(0)	739	0	(372)	(0)
39. Fitch Comprehensive Income	**554**	**479**	0	**(3,892)**	(0)	**(2,721)**	(0)	**(4,278)**	(0)	**6,102**	0
40. Memo: Profit Allocation to Non-controlling Interests	67	58	0	16	0	46	0	21	0	28	0
41. Memo: Net Income after Allocation to Non-controlling Interests	801	692	0	(751)	(0)	(1,402)	(0)	(6,793)	(0)	1,663	0
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = EURO.8639		USD1 = EURO.83382		USD1 = EURO.9487		USD1 = EURO.9185		USD1 = EURO.8237	

Deutsche Bank AG
Balance Sheet

	30 Sep 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014	
	9 Months - 3rd Quarter USDm	9 Months - 3rd Quarter EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets											
A. Loans											
1. Residential Mortgage Loans	n.a.	n.a.	-	150,205	10	150,776	9	154,689	9	153,140	9
2. Other Mortgage Loans	181,014	156,378	11	29,247	2	27,369	2	22,879	1	35,764	2
3. Other Consumer/ Retail Loans	42,064	36,339	3	36,524	2	37,093	2	45,317	3	44,839	3
4. Corporate & Commercial Loans	237,247	204,958	15	27,478	2	29,290	2	28,131	2	25,619	1
5. Other Loans	792	684	0	162,166	11	168,927	11	181,761	11	151,521	9
6. Less: Loan Loss Allowances	4,914	4,245	0	3,921	0	4,546	0	5,028	0	5,212	0
7. Net Loans	**456,203**	**394,114**	29	**401,699**	27	**408,909**	26	**427,749**	26	**405,671**	24
8. Gross Loans	**461,117**	**398,359**	29	**405,620**	28	**413,455**	26	**432,777**	27	**410,883**	24
9. Memo: Impaired Loans included above	11,202	9,677	1	7,010	0	7,931	0	8,151	1	9,348	1
10. Memo: Specific Loan Loss Allowances	3,819	3,299	0	1,766	0	2,071	0	n.a.	-	n.a.	-
B. Other Earning Assets											
1. Loans and Advances to Banks	10,571	9,132	1	9,265	1	11,606	1	12,842	1	9,090	1
2. Reverse Repos and Securities Borrowing	61,563	53,184	4	84,546	6	83,772	5	107,086	7	104,103	6
3. Derivatives	374,913	323,887	23	361,032	24	485,150	31	515,594	32	629,958	37
4. Trading Securities and at FV through Income	245,182	211,813	15	218,094	15	211,227	13	254,215	16	252,493	15
5. Available for Sale Securities	55,413	47,871	3	49,397	3	56,228	4	73,583	5	64,297	4
6. Held to Maturity Securities	n.a.	n.a.	-	3,170	0	3,206	0	0	0	n.a.	-
7. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	**300,595**	**259,684**	19	**270,661**	18	**270,661**	17	**327,798**	20	**316,790**	19
9. Memo: Government Securities included Above	n.a.	n.a.	-	41,104	3	47,303	3	58,158	4	49,187	3
10. Memo: Total Securities Pledged	n.a.	n.a.	-	57,551	4	56,765	4	55,458	3	57,216	3
11. Equity Investments in Associates	983	849	0	866	0	1,027	0	1,013	0	4,143	0
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	8,411	7,266	1	45	0	563	0	3,491	0	180	0
15. Total Earning Assets	**1,213,238**	**1,048,116**	76	**1,128,114**	76	**1,261,688**	79	**1,395,573**	86	**1,469,935**	86
C. Non-Earning Assets											
1. Cash and Due From Banks	232,886	201,190	15	225,655	15	181,364	11	96,940	6	74,482	4
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	2,901	2,506	0	2,663	0	2,804	0	2,846	0	2,909	0
5. Goodwill	n.a.	n.a.	-	3,782	0	4,103	0	4,890	0	9,726	1
6. Other Intangibles	10,483	9,056	1	5,057	0	4,879	0	5,188	0	5,225	0
7. Current Tax Assets	1,052	909	0	1,215	0	1,559	0	1,285	0	1,819	0
8. Deferred Tax Assets	8,230	7,110	1	6,799	0	8,666	1	7,762	0	6,865	0
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	128,597	111,095	8	101,447	7	125,483	8	114,646	7	137,742	8
11. Total Assets	**1,597,386**	**1,379,982**	100	**1,474,732**	100	**1,590,546**	100	**1,629,130**	100	**1,708,703**	100
Liabilities and Equity											
D. Interest-Bearing Liabilities											
1. Total Customer Deposits	639,825	552,745	40	580,812	39	550,204	35	566,974	35	532,931	31
2. Deposits from Banks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Repos and Securities Lending	63,926	55,226	4	78,633	5	79,735	5	44,710	3	34,279	2
4. Commercial Paper and Short-term Borrowings	20,003	17,281	1	18,411	1	17,295	1	28,010	2	65,260	4
5. Customer Deposits and Short-term Funding	**723,755**	**625,252**	45	**677,856**	46	**647,234**	41	**639,694**	39	**632,470**	37
6. Senior Unsecured Debt	126,001	108,852	8	109,495	7	122,006	8	125,218	8	96,983	6
7. Subordinated Borrowing	7,676	6,631	0	7,231	0	6,788	0	6,413	0	5,047	0
8. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Long-term Funding	42,939	37,095	3	42,988	3	43,523	3	28,385	2	20,344	1
10. Total LT Funding	**176,615**	**152,578**	11	**159,714**	11	**172,317**	11	**160,016**	10	**122,374**	7
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Trading Liabilities	81,081	70,046	5	82,070	6	67,716	4	74,041	5	66,444	4
13. Total Funding	**981,452**	**847,876**	61	**919,640**	62	**887,267**	56	**873,751**	54	**821,288**	48
14. Derivatives	358,759	309,932	22	342,726	23	463,858	29	494,076	30	610,202	36
15. Total Funding and Derivatives	**1,340,211**	**1,157,808**	84	**1,262,366**	86	**1,351,125**	85	**1,367,827**	84	**1,431,490**	84
E. Non-Interest Bearing Liabilities											
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	71	0	134	0
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	3,520	3,041	0	5,220	0	10,973	1	9,207	1	6,677	0
4. Current Tax Liabilities	1,030	890	0	1,001	0	1,329	0	1,699	0	1,608	0
5. Deferred Tax Liabilities	594	513	0	346	0	486	0	746	0	1,175	0
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	168,763	145,794	11	132,209	9	155,441	10	174,936	11	183,823	11
10. Total Liabilities	**1,514,117**	**1,308,046**	95	**1,401,142**	95	**1,519,354**	96	**1,554,486**	95	**1,624,907**	95
F. Hybrid Capital											
1. Pref. Shares and Hybrid Capital accounted for as Debt	3,644	3,148	0	5,491	0	6,373	0	7,020	0	10,573	1
2. Pref. Shares and Hybrid Capital accounted for as Equity	5,412	4,675	0	4,675	0	4,669	0	4,675	0	4,619	0
G. Equity											
1. Common Equity	72,423	62,566	5	62,654	4	56,284	4	58,936	4	66,428	4
2. Non-controlling Interest	1,777	1,535	0	250	0	316	0	270	0	253	0
3. Securities Revaluation Reserves	(71)	(61)	(0)	729	0	989	0	1,450	0	1,693	0
4. Foreign Exchange Revaluation Reserves	34	29	0	(227)	(0)	2,418	0	2,196	0	151	0
5. Fixed Asset Revaluations and Other Accumulated OCI	51	44	0	18	0	143	0	97	0	79	0
6. Total Equity	**74,213**	**64,113**	5	**63,424**	4	**60,150**	4	**62,949**	4	**68,604**	4
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as Equity	79,625	68,788	5	68,099	5	64,819	4	67,624	4	73,223	4
8. Total Liabilities and Equity	**1,597,386**	**1,379,982**	100	**1,474,732**	100	**1,590,546**	100	**1,629,130**	100	**1,708,703**	100
9. Memo: Fitch Core Capital	55,812	48,216	3	51,527	3	46,874	3	48,063	3	49,390	3
Exchange rate		USD1 = EUR0.8639		USD1 = EUR0.83382		USD1 = EUR0.9487		USD1 = EUR0.9185		USD1 = EUR0.8237	

Deutsche Bank AG
Summary Analytics

	30 Sep 2018 9 Months - 3rd Quarter	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End
A. Interest Ratios					
1. Interest Income/ Average Earning Assets	2.3	2.0	1.8	1.7	1.7
2. Interest Income on Loans/ Average Gross Loans	n.a.	2.9	2.9	2.9	3.0
3. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	0.5	0.5	0.5	0.6
4. Interest Expense/ Average Interest-bearing Liabilities	1.0	0.9	0.8	0.7	0.8
5. Net Interest Income/ Average Earning Assets	1.2	1.0	1.1	1.1	1.0
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.2	1.0	1.0	1.0	0.9
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.2	1.0	1.1	1.1	1.0
B. Other Operating Profitability Ratios					
1. Operating Profit/ Risk Weighted Assets	0.6	0.3	0.1	(0.1)	0.8
2. Non-Interest Expense/ Gross Revenues	91.4	95.0	95.5	98.7	87.6
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	14.7	36.3	77.7	156.5	25.4
4. Operating Profit/ Average Total Assets	0.2	0.1	0.0	(0.0)	0.2
5. Non-Interest Income/ Gross Revenues	50.2	52.3	49.5	52.0	54.2
6. Non-Interest Expense/ Average Total Assets	1.7	1.6	1.7	1.9	1.6
7. Pre-impairment Op. Profit/ Average Equity	3.9	2.3	2.9	0.9	7.2
8. Pre-impairment Op. Profit/ Average Total Assets	0.2	0.1	0.1	0.0	0.3
9. Operating Profit/ Average Equity	3.3	1.5	0.6	(0.5)	5.4
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	1.6	(1.2)	(2.2)	(10.0)	2.7
2. Net Income/ Average Total Assets	0.1	(0.1)	(0.1)	(0.4)	0.1
3. Fitch Comprehensive Income/ Average Total Equity	1.0	(6.2)	(4.4)	(6.3)	9.8
4. Fitch Comprehensive Income/ Average Total Assets	0.0	(0.3)	(0.2)	(0.3)	0.4
5. Taxes/ Pre-tax Profit	54.6	159.9	(67.4)	(11.1)	45.7
6. Net Income/ Risk Weighted Assets	0.3	(0.2)	(0.4)	(1.7)	0.4
D. Capitalization					
1. FCC/ FCC-Adjusted Risk Weighted Assets	14.1	15.0	13.2	12.1	12.5
2. Tangible Common Equity/ Tangible Assets	3.6	3.5	3.0	3.1	3.0
3. Equity/ Total Assets	4.7	4.3	3.8	3.9	4.0
4. Basel Leverage Ratio	4.2	4.1	4.1	3.5	3.5
5. Common Equity Tier 1 Capital Ratio	14.0	14.8	13.4	13.2	15.2
6. Fully Loaded Common Equity Tier 1 Capital Ratio	14.0	14.0	11.8	n.a.	n.a.
7. Tier 1 Capital Ratio	16.2	16.8	15.6	14.7	16.1
8. Total Capital Ratio	18.0	18.6	17.4	16.2	17.2
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	11.3	6.0	7.2	6.5	8.4
10. Impaired Loans less Loan Loss Allowances/ Equity	8.5	4.9	5.6	5.0	6.0
11. Risk Weighted Assets/ Total Assets	24.8	23.3	22.4	24.4	23.2
E. Loan Quality					
1. Impaired Loans/ Gross Loans	2.4	1.7	1.9	1.9	2.3
2. Growth of Gross Loans	(1.8)	(1.9)	(4.5)	5.3	7.5
3. Loan Loss Allowances/ Impaired Loans	43.9	55.9	57.3	61.7	55.8
4. Loan Impairment Charges/ Average Gross Loans	0.1	0.1	0.3	0.2	0.3
5. Growth of Total Assets	(6.4)	(7.3)	(2.4)	(4.7)	6.0
6. Loan Loss Allowances/ Gross Loans	1.1	1.0	1.1	1.2	1.3
7. Net Charge-offs/ Average Gross Loans	n.a.	0.3	0.4	0.3	0.4
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.4	1.7	1.9	1.9	2.3
F. Funding and Liquidity					
1. Loans/ Customer Deposits	72.1	69.8	75.2	76.3	77.1
2. Liquidity Coverage Ratio	146.0	140.0	128.0	119.0	119.0
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	64.6	62.5	61.3	64.0	63.7
4. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	(4.8)	5.6	(3.0)	6.4	1.0

Deutsche Bank AG
Reference Data

	30 Sep 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015		31 Dec 2014	
	9 Months - 3rd Quarter USDm	9 Months - 3rd Quarter EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
A. Off-Balance Sheet Items											
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	245670	212234	15	158253	11	166063	10	174549	11	154446	9
6. Other Contingent Liabilities	55442	47896	3	48212	3	52341	3	57325	4	62087	4
7. Other Off-Balance Sheet items	97	84	0	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet											
1. Average Loans	460479	397808	29	407126	28	427073	27	428163	26	394648	23
2. Average Earning Assets	1255769	1084859	79	1189452	81	1395712	88	1517324	93	1460697	85
3. Average Total Assets	1664952	1438352	104	1544044	105	1690497	106	1741370	107	1666255	98
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Average Interest-Bearing Liabilities	1400924	1210258	88	1293957	88	1411825	89	1445994	89	1389079	81
6. Average Common equity	72336	62492	5	60991	4	58220	4	63797	4	62787	4
7. Average Equity	73815	63769	5	63245	4	61832	4	68017	4	62235	4
8. Average Customer Deposits	654849	565724	41	568525	39	556514	35	563257	35	531542	31
D. Risk Weighted Assets											
1. Risk Weighted Assets	395561	341725	25	343316	23	356235	22	397382	24	396648	23
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	**395561**	**341725**	**25**	**343316**	**23**	**356235**	**22**	**397382**	**24**	**396648**	**23**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	**395561**	**341725**	**25**	**343316**	**23**	**356235**	**22**	**397382**	**24**	**396648**	**23**
E. Fitch Core Capital Reconciliation											
1. Total Equity as reported (including non-controlling interests)	74213	64113	5	63424	4	60150	4	62949	4	68604	4
2. Fair-value adjustments relating to own credit risk on debt issued	-282	-244	0	-73	0	-440	0	-407	0	-544	0
3. Non-loss-absorbing non-controlling interests	0	0	0	0	0	0	0	0	0	0	0
4. Goodwill	0	0	0	3782	0	4103	0	4890	0	9518	1
5. Other intangibles	10483	9056	1	5057	0	4879	0	5188	0	5433	0
6. Deferred tax assets deduction	7636	6597	0	2985	0	3854	0	3310	0	2620	0
7. Net asset value of insurance subsidiaries	0	0	0	0	0	0	0	1091	0	1099	0
8. First loss tranches of off-balance sheet securitizations	0	0	0	0	0	0	0	0	0	0	0
9. Fund for general banking risks if not already included and readily convertible into equity	0	0	0	0	0	0	0	0	0	0	0
10. Fitch Core Capital	**55812**	**48216**	**3**	**51527**	**3**	**46874**	**3**	**48063**	**3**	**49390**	**3**
Exchange Rate		USD1 = EUR0.8639		USD1 = EUR0.83382		USD1 = EUR0.9487		USD1 = EUR0.9185		USD1 = EUR0.8237	

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