

FITCH REVISES DEUTSCHE BANK'S OUTLOOK TO NEGATIVE; AFFIRMS AT 'BBB+'

Fitch Ratings-London-21 June 2018: Fitch Ratings has revised Deutsche Bank AG's (Deutsche Bank) Outlook to Negative from Stable while affirming the bank's Long-Term Issuer Default Rating (IDR) at 'BBB+'. At the same time, Fitch has affirmed the bank's Short-Term IDR at 'F2', Viability Rating (VR) at 'bbb+', deposit ratings at 'A-/F2' and Derivative Counterparty Rating (DCR) at 'A-(dcr)'. All other debt ratings have also been affirmed.

The Negative Outlook reflects the substantial execution risk Deutsche Bank faces in implementing its restructuring and Fitch's view that failure to strengthen its business model would result in the bank's downgrade.

The rating actions have been taken in conjunction with Fitch's periodic review of the Global Trading and Universal Banks (GTUBs).

A full list of rating actions on the bank and its affected subsidiaries is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS, VR, DCR, DEPOSIT AND SENIOR DEBT RATINGS

DEUTSCHE BANK

Deutsche Bank's ratings and the Negative Outlook reflect Fitch's 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. Failure to achieve the bank's modest profitability target of a 4% return on tangible equity (RoTE) in 2019 and continued improvements thereafter would put the bank's business model and strategy and management's ability to execute the strategy in question and would likely result in a downgrade. Deutsche Bank's capitalisation, funding and liquidity and asset quality underpin its VR.

The latest announced restructuring measures, which include reductions in resources allocated to its corporate and investment bank (CIB) and a shift towards private and commercial banking and asset management activities, should address the key weaknesses of its strategy in the past and help the bank achieve a more balanced business model over time. But the bank's performance in 2018 will be negatively affected by additional restructuring expenses and by likely pressure on revenue, and the bank's modest return target for 2019 highlights the challenges it faces. In the longer term, the bank's targeted RoTE of 10% requires a turnaround of its investment bank and achievement of cost synergies from the integration of Postbank, which will be challenging, and a more supportive interest rate environment, the timing of which remains uncertain.

Deutsche Bank's capitalisation with an end-1Q18 fully-applied common equity tier 1 (CET1) ratio of 13.4% supports the bank's ratings, and Fitch expects the bank to meet its target of maintaining a CET1 ratio above 13% during 2018. The bank's 3.7% fully-loaded regulatory leverage ratio at end-1Q18 lags behind its global trading and universal bank peers. Plans to scale back the US rates, securities financing transactions and prime finance businesses should reduce the leverage ratio denominator by about 10% by end-2019, which should result in a moderate improvement in the ratio.

The bank's liquidity position has remained comfortable, which is an important rating driver. At end-1Q18, the bank's liquidity portfolio amounted to EUR279 billion, covering around 37% of Deutsche Bank's external non-equity funding, excluding secured financing transactions, and the

regulatory liquidity coverage ratio (LCR) stood at 147%, which was comparable with European peers'. The bank stated that its liquidity had remained at similar levels throughout April and May 2018.

Deutsche Bank's Derivative Counterparty Rating (DCR) and long-term deposit and preferred senior debt ratings are one notch above the IDR because derivatives, deposits and structured notes have preferential status over the bank's large buffer of qualifying junior debt and statutorily subordinated senior debt, which Fitch estimates at about 22% at end-1Q18. The short-term deposit and preferred senior debt ratings of 'F2' are the lower of the two short-term ratings that map to an 'A-' long-term rating as there are no clear liquidity enhancements at instrument level.

IDRs, VR, DEPOSIT, SENIOR DEBT AND GUARANTEED DEBT RATINGS DB PRIVAT- UND FIRMENKUNDENBANK AG (PFK)

PFK's IDR and senior debt ratings are driven by the bank's VR. PFK and its parent Deutsche Bank 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 Deutsche Bank. Consequently, it is our view that the credit profiles of the two entities cannot be meaningfully disentangled.

PFK's Short-Term IDR is mapped to the bank's Long-Term IDR. PFK's long-term and short term deposit ratings are in line with Deutsche Bank's deposit ratings and have the same rating drivers as the parent's.

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, but the uncertainty is small due to the high reputational risk Germany would face if debtholders incur losses.

IDRs, SUPPORT RATINGS, DCRs, DEPOSIT AND SENIOR DEBT RATINGS DEUTSCHE BANK AG, LONDON BRANCH AND SUBSIDIARIES

The IDRs and debt ratings of Deutsche Bank AG, London branch and of Deutsche Bank's subsidiaries in the US and Australia are equalised with Deutsche Bank's to reflect their core roles within the group, especially Deutsche Bank's capital markets activities, and their high integration with the parent bank or their role as issuing vehicles. The subsidiaries' Support Ratings (SR) reflect our view of the parent's ability to support the subsidiaries.

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 Deutsche Bank, as 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.

SUPPORT RATING AND SUPPORT RATING FLOOR

DEUTSCHE BANK AND DB PRIVAT- UND FIRMENKUNDENBANK AG

Deutsche Bank's and PFK's SR of '5' and Support Rating Floors (SRFs) of 'No Floor' reflect our view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that the banks become non-viable.

SUBORDINATED DEBT AND OTHER HYBRID SECURITIES DEUTSCHE BANK AND SUBSIDIARIES

Subordinated debt and other hybrid capital instruments issued by Deutsche Bank and its subsidiaries are all notched down from Deutsche Bank'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 Deutsche Bank's VR, reflecting higher-than-average loss severity (two notches), as well as high risk of non-performance (an additional two notches) given partial discretionary coupon omission.

High and low trigger contingent additional Tier 1 (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 (ADIs) for AT1 securities are calculated annually under German GAAP for the parent bank and reference primarily cumulative retained earnings. Despite earnings weaknesses, we do not expect cumulative retained earnings to fall below a sufficient level to pay AT1 securities in the foreseeable future. The bank has remained current on payment of AT1 coupons to date. Non-payment of AT1 coupon would also be triggered by a breach of the bank's maximum distributable amount (MDA) requirement, which stands at 10.65% for 2018, combining CET1 and the Pillar 2 add-on requirement resulting from the ECB's Supervisory Review and Evaluation Process (SREP). Deutsche Bank has a substantial buffer above this threshold (its end-March 2018 phased-in CET1 ratio was 13.4%).

RATING SENSITIVITIES

IDRs, VR, DCR, DEPOSIT AND SENIOR DEBT RATINGS

DEUTSCHE BANK AND DB PRIVAT- UND FIRMENKUNDENBANK AG

The Negative Outlook reflects the material execution risk the bank faces and Fitch's view that significant setbacks in the implementation of Deutsche Bank's restructuring and failure to strengthen the bank's business model would result in a rating downgrade.

Indicators of a setback include failure to meet its adjusted cost reduction target of EUR900 million for 2018 and of EUR1 billion in 2019 and its adjusted cost targets. A franchise loss in CIB, which would be indicated by market share declines in its chosen businesses, particularly in fixed income and currencies sales and trading and in global transaction banking, would also put pressure on ratings as it would weaken the bank's business model, which will continue to hinge on the bank's corporate franchise.

Capitalisation and funding and liquidity underpin the ratings of Deutsche Bank and its ratings would be downgraded if its CET1 ratio drops below its 13% target or if its liquidity deteriorates, which could be indicated by an outflow of wholesale deposits or a weakening of its liquidity coverage ratio.

The bank has been strengthening its risk controls, and these should improve further over time. The bank operates globally and is subject to regulation in a wide range of jurisdictions. Meeting regulatory requirements is important for the bank and Fitch expects that any possible shortcomings or adverse regulatory findings in key jurisdictions would be remedied swiftly, and failure to do so could put ratings under pressure if this indicates fundamental risk control shortcomings.

Deutsche Bank's Outlook could be revised to Stable if the bank consistently meets financial and organisational targets. A rating upgrade would require significant positive and sustained momentum on earnings and signs of a successful turnaround of retail and commercial banking

activities in PFK, which Fitch does not expect in the short term as the benefits from its strategy will likely only be gradual.

The DCRs, deposit and debt ratings are primarily sensitive to changes in the Long-Term IDR. In addition, the DCRs, deposit rating and senior preferred debt ratings are sensitive to the amount of subordinated and non-preferred senior debt buffers relative to the recapitalisation amount likely to be needed to restore viability and prevent default on more senior derivative obligations, deposits and structured notes.

PFK's ratings would move in tandem with Deutsche Bank's because of a common VR. The rating of the guaranteed notes issued by the former DSL Bank is primarily sensitive to a downgrade of Germany's 'AAA' Long-Term IDR.

SUPPORT RATING AND SUPPORT RATING FLOOR

DEUTSCHE BANK AND DB PRIVAT- UND FIRMENKUNDENBANK AG

An upgrade of the SRs and upward revision of the SRFs would be contingent on a positive change in the sovereign's propensity to support banks' senior creditors in full. While not impossible, this is highly unlikely, in our view.

IDRs, SUPPORT RATINGS, DCRs, DEPOSIT AND SENIOR DEBT RATINGS

DEUTSCHE BANK AG, LONDON BRANCH AND SUBSIDIARIES

As Deutsche Bank subsidiaries' ratings reflect the parent bank's the ratings would move in line with Deutsche Bank's IDRs. They are also sensitive to changes in our assumptions around the propensity of Deutsche Bank to provide timely support.

SUBORDINATED DEBT AND OTHER HYBRID SECURITIES

DEUTSCHE BANK AND SUBSIDIARIES

Subordinated debt and other hybrid securities are primarily sensitive to a change in Deutsche Bank's VR. The securities' ratings are also sensitive to a change in their notching, which could arise if Fitch changes its assessment of the probability of their non-performance relative to the risk captured in the respective issuers' VRs. This may reflect a change in capital management in the group or an unexpected shift in regulatory buffer requirements, for example.

For AT1 instruments, non-performance risk could increase and the instruments notched further from the VR if ADI decline significantly or if the maximum distributable amount buffer tightens considerably as a result of a heightened Pillar 2 binding requirement or CET1 erosion from losses.

The rating actions are as follows:

Deutsche Bank AG

Long-Term IDR affirmed at 'BBB+'; Outlook revised to Negative from Stable

Short-Term IDR affirmed at 'F2'

Viability Rating affirmed at 'bbb+'

Support Rating affirmed at '5'

Support Rating Floor affirmed at 'No Floor'

Derivative Counterparty Rating affirmed at 'A-(dcr)'

Deposit ratings affirmed at 'A-'/F2'

Senior preferred debt ratings affirmed at 'A-'/F2'

Senior non-preferred debt and senior unsecured programme ratings affirmed at 'BBB+'/F2'

Subordinated lower Tier II debt affirmed at 'BBB'

Additional Tier 1 notes affirmed at 'BB-'

Deutsche Bank AG, London Branch

Long-Term IDR affirmed at 'BBB+'; Outlook revised to Negative from Stable

Short-Term IDR affirmed at 'F2'
Derivative Counterparty Rating affirmed at 'A-(dcr)'
Deposit ratings affirmed at 'A-'/F2'
Senior preferred debt ratings affirmed at 'A-'
Senior non-preferred debt ratings and commercial paper affirmed at 'BBB+'/F2'
Subordinated debt affirmed at 'BBB'

DB Privat- und Firmenkundenbank AG

Long-Term IDR affirmed at 'BBB+'; Outlook revised to Negative from Stable
Short-Term IDR affirmed at 'F2'
Viability Rating affirmed at 'bbb+'
Support Rating affirmed at 5
Support Rating Floor affirmed at 'No Floor'
Deposit ratings affirmed at 'A-'/F2'
Senior debt issuance programme ratings, including ECP programme: affirmed at 'BBB+'/F2'
Guaranteed senior unsecured bonds issued by the former DSL Bank: affirmed at 'AA'

Deutsche Bank Securities, Inc.

Long-Term IDR affirmed at 'BBB+'; Outlook revised to Negative from Stable
Short-Term IDR affirmed at 'F2'
Support Rating affirmed at '2'
Derivative Counterparty Rating affirmed at 'BBB+(dcr)'

Deutsche Bank Trust Company Americas

Long-Term IDR affirmed at 'BBB+'; Outlook revised to Negative from Stable
Short-Term IDR affirmed at 'F2'
Support Rating affirmed at '2'
Senior debt ratings affirmed at 'F2'

Deutsche Bank Trust Corporation

Long-Term IDR affirmed at 'BBB+'; Outlook revised to Negative from Stable
Short-Term IDR affirmed at 'F2'
Support Rating affirmed at '2'

Deutsche Bank Australia Ltd.

Commercial paper short-term rating affirmed at 'F2'

Deutsche Bank Contingent Capital Trust II and V

Preferred securities ratings affirmed at 'BB'

Deutsche Postbank Funding Trust I, II and III

Preferred securities ratings affirmed at 'BB'

Contact:

Primary Analyst
Christian Scarafia
Senior Director
+44 20 3530 1012
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Secondary Analyst
Ioana Sima

Associate Director
+44 20 3530 1736

Committee Chairperson
Christopher Wolfe
Managing Director
+1-212-908-0771

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email:
peter.fitzpatrick@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria

Bank Rating Criteria (pub. 23 Mar 2018)

<https://www.fitchratings.com/site/re/10023430>

Non-Bank Financial Institutions Rating Criteria (pub. 22 Mar 2018)

<https://www.fitchratings.com/site/re/10023420>

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the

"non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.