Rating Report

Deutsche Bank AG

DBRS

Insight beyond the rating.

Lisa Kwasnowski
+1 212 806 3228
lkwasnowski@dbrs.com

Roger Lister
+1 212 806 3231
rlister@dbrs.com

Jack Deegan
+44 20 7855 6689
jdeegan@dbrs.com

Ratings

Issuer	Debt	Rating	Rating Action	Trend
Deutsche Bank AG	Senior Unsecured Debt & Deposits	A*	UR-Neg.	--
Deutsche Bank AG	Short-Term Debt & Deposits	R-1 (low)	Confirmed	Stable

*Under Review with Negative Implications

See page 12 for full list of ratings

Rating Considerations

Franchise Strength:
Global franchise, supported by its top-tier investment banking and capital markets franchises that are well-entrenched across diverse businesses, most notably in EMEA and APAC, solid retail and corporate banking capabilities, and a sizable wealth and asset management franchise.

Earnings Power: Earnings are below the franchise potential, with profitability challenged by legacy conduct costs, restructuring charges, and the wind-down/disposal of legacy portfolios.

Risk Profile:
Generally conservative credit risk and market risk management. Operational risk, however, continues to be a key challenge for the Bank.

Funding and Liquidity:
Solid funding position, underpinned by substantial deposit base. Sound liquidity profile.

Capitalization:
Capital ratios have fallen to the low end of the global peer range.

Rating Drivers

Factors with Positive Rating Implications

- Given that the rating is currently Under Review with Negative Implications, positive rating action is unlikely at this time.

Factors with Negative Rating Implications

- Signs of outsized revenue deterioration, combined with capital erosion, would likely result in a downgrade.
- Any notable pressure on the Bank’s funding and liquidity profile, evidenced by deposit outflows, a notable reduction in liquidity reserves or severely challenged funding markets, could also contribute to a downgrade.

Financial Information

EUR Millions	**31/12/2015**	**31/12/2014**	**31/12/2013**	**31/12/2012**	**31/12/2011**
Total Assets	1,629,130	1,708,703	1,611,400	2,022,275	2,164,103
Equity	67,624	73,223	54,966	54,240	54,660
Pre-provision operating income (IBPT)	766	4,582	4,766	4,610	8,515
Net Income	-6,772	1,663	666	263	4,132
Net Interest Income / Risk Weighted Assets (%)	4.00%	3.60%	4.94%	4.79%	4.58%
Risk-Weighted Earning Capacity (%)	0.19%	1.20%	1.51%	1.26%	2.53%
Post-provision Risk-Weighted Earning Capacity (%)	-0.07%	0.89%	0.83%	0.75%	1.95%
Efficiency Ratio (%)	97.70%	85.55%	84.88%	86.23%	75.07%
Impaired Loans % Gross Loans	1.81%	2.21%	2.57%	2.34%	2.18%
Common Equity Tier 1 (Fully Loaded for 2014 & 2015)	11.12%	11.70%	12.83%	11.38%	9.52%

Issuer Description

Deutsche Bank AG is a global financial services company with a significant capital markets franchise, combined with a retail and corporate bank that maintains solid market positioning in Germany and across Europe, with other businesses such as transaction banking and asset & wealth management adding diversity and depth to the franchise. Headquartered in Frankfurt, Deutsche had total assets of EUR 1.6 trillion at end-2015.

Rating Rationale

DBRS, Inc. (DBRS) rates Deutsche Bank AG (Deutsche, DB or the Bank) at "A" for its Senior Unsecured Long-Term Debt and Deposits and R-1 (low) for its Short-Term Instruments. The Bank's Long-Term Critical Obligations Ratings (COR) are AA (low), whilst the Short-Term COR is at R-1 (middle). On 1 April 2016, DBRS placed the "A" Senior Unsecured Long-Term Debt and Deposits ratings and the Long-Term COR of AA (low) Under Review with Negative Implications. The R-1 (low) Short-Term Instruments rating and Short-Term COR of R-1 (middle) were confirmed. As part of the review process, the Intrinsic Assessment (IA) of "A" will also be re-evaluated. The Bank's support assessment is SA3, reflecting DBRS's view that developments in European regulation and legislation mean that there is less certainty about the likelihood of timely systemic support. As a result, Deutsche's current ratings are positioned in line with its IA.

In placing the Senior Unsecured Long-Term Debt and Deposits ratings, and Long-Term COR, Under Review with Negative Implications, DBRS considers the notable challenges faced by Deutsche in improving its internal capital generation ability at a time when the Bank's regulatory capital levels have fallen to the lower end of its global peer range.

During the review period, DBRS will assess the Bank's earnings and capital position. With a very elevated expense base, revenue generation is of critical importance. Signs of outsized revenue deterioration, combined with capital erosion, would likely result in a downgrade. Given the relative placement of Deutsche Bank's long-term ratings, DBRS anticipates that any downward rating pressure resulting from this review should likely not exceed one notch. DBRS will also monitor investor or customer confidence during the review period, especially if losses are again to be outsized in 1Q16. Any notable pressure on the Bank's funding and liquidity profile, evidenced by deposit outflows, a notable reduction in liquidity reserves or severely challenged funding markets, could therefore contribute to a downgrade.

DBRS will also assess the go-forward prospects for the Bank during the review period. DBRS will look at the execution risks associated with the implementation of the Bank's ambitious Strategy 2020 plans, as well as assessing the risk of misconduct, litigation or weaknesses in operational controls causing damage to the core franchise.

Franchise Strength

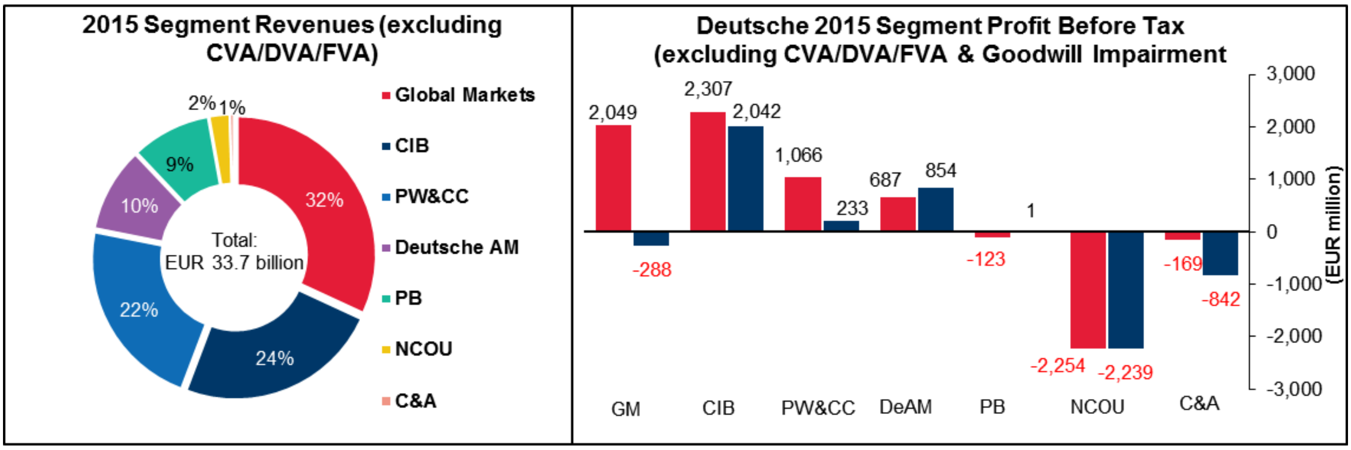
Deutsche's franchise continues to demonstrate resiliency, with strong full-year revenue generation across its core businesses in FY15, despite the execution challenges associated with its latest strategy. The strength of DB's franchise, which is supported by its top-tier investment banking and capital markets franchises that are well-entrenched across diverse businesses, most notably in EMEA and APAC, solid retail and corporate banking capabilities, and sizeable wealth and asset management franchise, remains a fundamental factor underpinning its current rating level. Significant challenges persist, especially regarding the execution of its latest strategic plans, as various restructuring plans have been announced in recent years with insufficient results.

In October 2015, DB provided additional details on its multi-year strategy, titled Strategy 2020. In announcing the additional details, DB set out a significant further reshaping of its business, including a targeted reduction in risk-weighted assets (RWAs) of approximately EUR 100 billion by 2020 (around 25% of 3Q15 RWAs), excluding anticipated regulatory RWA inflation, driven in part by the re-sizing of Global Markets, the disposal of Postbank, and the accelerated wind-down of Non-Core Operations Unit (NCOU). The Bank is also targeting an adjusted cost base (total non-interest expenses less restructuring & severance, litigation, impairment of goodwill and intangibles and policyholder benefits and claims) of below EUR 22 billion by 2018 (vs. adjusted cost base of EUR 26.5 billion in 2015) to be achieved in part by exiting operations in 10 countries, reducing clients in Global Markets and Corporate & Investment Banking (CIB) divisions by up to 50%, reducing the work-force, closing over 200 branches in Germany and reducing the number of retail products offered by approximately one third; all of which are projected to produce gross cost savings of approximately EUR 3.8 billion, with associated restructuring and severance costs of approximately EUR 3-3.5 billion. At the same time, the Bank is targeting growth investments, most notably in its transaction banking business in Germany and Asia-Pacific, its advisory and equity capital market capabilities, and its High-Net Worth (HNW) and Ultra-HNW (UHNW) businesses in Asia and the Americas.

As part of the investor update, DB also set out a series of updated targets, to be achieved by 2018, including a leverage ratio of at least 4.5%, a common equity tier 1 (CET1) ratio of at least 12.5%, a post-tax return on tangible equity (RoTE) of greater than 10%, an adjusted cost base of below EUR 22 billion, and a cost-income ratio of approximately 70%. By end-2020, the Bank is targeting a leverage ratio of at least 5%, along with a cost-income ratio of approximately 65%. At end-2015, the Bank's fully-loaded leverage ratio was 3.5%, whilst its fully-loaded CET1 ratio was 11.1%.

Business Segments

As part of the October 2015 strategy update, DB reorganized its four core operating business divisions (Corporate Banking & Services, Global Transaction Banking, Private & Business Clients (PBC) and Deutsche Asset & Wealth Management (DeAWM)): Global Markets now caters solely for the Bank's sales and trading activities; Corporate & Investment Banking (CIB) combines the Bank's corporate finance and global transaction banking activities; Private, Wealth and Commercial Clients (PW&CC) houses the Bank's German and International Private and Commercial Clients (PCC) business, in addition to wealth management, which was formerly in DeAWM; and Deutsche Asset Management (Deutsche AM) is a stand-alone division, providing services for both retail and institutional clients. To reflect the planned deconsolidation, Postbank (PB) is now presented as a separate segment, combining both core and non-core components, which were previously recorded in NCOU.



Source: DBRS, Company reports

Global Markets (GM) (Net Revenues[1] of EUR 10.7 billion in 2015 – 32% of Total Net Revenues)

GM includes DB's sales and trading (S&T) related activities, previously housed in CB&S. DB maintains significant market shares within Fixed Income and Equity S&T, most notably in EMEA and APAC where it held #1 market share in Fixed Income S&T in 2015, according to Coalition data. DB's powerful, global GM franchise has traditionally been a key source of growth and earnings diversification for the Bank. DBRS will continue to monitor this as the Bank undertakes its latest restructuring efforts.

In 2015, revenue generation remained strong within GM, with net revenues excluding CVA/DVA/FVA of EUR 10.7 billion, up 5% year-on-year (YoY). Profitability was, however, severely impaired by litigation and regulatory costs, resulting in GM reporting a loss before tax, adjusted for CVA/DVA/FVA and goodwill impairment, of EUR 288 million.

Corporate & Investment Banking (CIB) (Net Revenues of EUR 8 billion in 2015 – 24% of Total Net Revenues)

CIB combines the Corporate Finance business components formerly housed in CB&S, and Global Transaction Banking (GTB) businesses. DB maintains a strong corporate finance business, offering M&A, equity and debt underwriting, and general corporate finance advice to a variety of clients. This is reflected in the Bank's league table rankings, including a top 3 position for EMEA Debt Capital Markets (DCM) fees in 2015, based on Dealogic data. DB's global transaction banking business is also strong, providing commercial banking products and services globally to both corporates and financial institutions, including domestic and cross-border payments, risk mitigation, international trade finance as well as trust, agency, depositary, custody and related services. As part of the new strategy, DB is targeting growth in its transaction banking business, through increased penetration of European client segments and profitable growth in Asia and the US.

CIB continued to generate strong levels of revenue in 2015, with net revenues of EUR 8 billion up 5% YoY. Similarly to GM though, profitability within CIB was impacted by increased litigation costs, as well as higher expenses related to regulatory requirements. As a result, CIB reported a profit before tax, adjusted for goodwill impairment, of EUR 2 billion in 2015, down 11% YoY.

Private, Wealth & Commercial Clients (PW&CC) (Net Revenues of EUR 7.5 billion in 2015 – 22% of Total Net Revenues)

PW&CC houses the Bank's German and International Private and Commercial Clients (PCC) businesses formerly included in PBC, along with the Wealth Management (WM) activities formerly included in DeAWM. With an agreement for the sale of the Bank's stake in HuaXia Bank signed, and expected to close in 2Q16, DB now presents revenue generated by HuaXia separately. In a competitive German market dominated by the German Savings Banks and the Cooperative sector (Volksbanken), DB has a constrained franchise in its home market with an estimated market share below 10%. Profit before tax, adjusted for goodwill impairment, was down significantly in 2015, as reduced

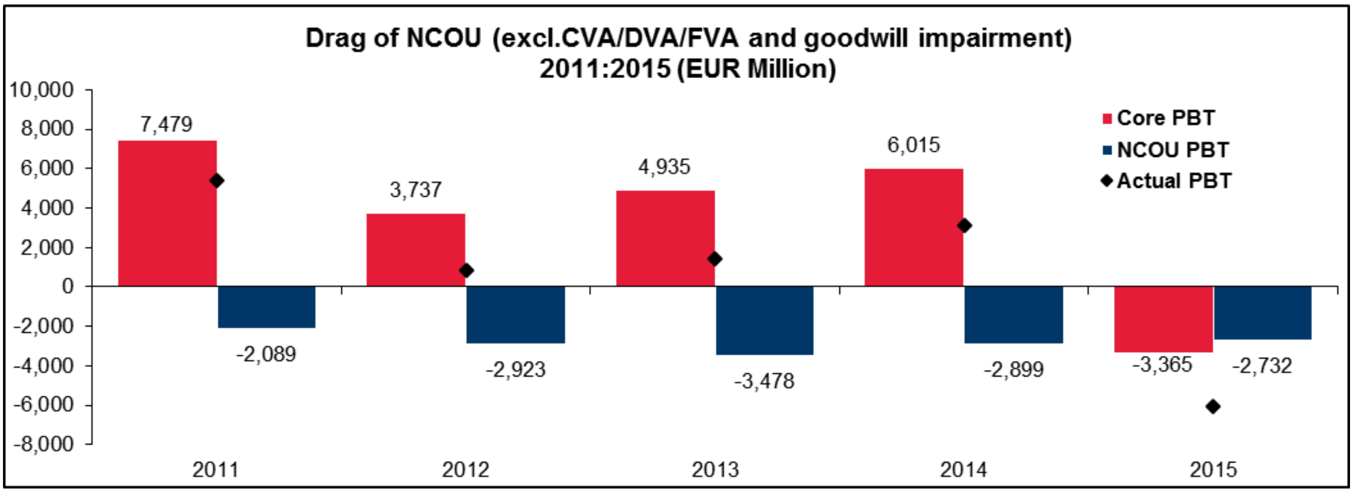
[1] All net revenues calculations exclude CVA/DVA/FVA unless otherwise stated

revenues in PCC added to an increase in operating expenses.

Deutsche Asset Management (Deutsche AM) (Net Revenues of EUR 3.3 billion in 2015 – 10% of Total Net Revenues)
DB has demonstrated success in growing its asset management franchise in recent years, with invested assets increasing to EUR 777 billion in 2015, following EUR 18 billion of net new money. Contributing to revenue stability, DeAM generates net revenues ranging from EUR 700 million to EUR 900 million per quarter. DeAWM business provides the Company with an important avenue for leveraging its franchise and diversifying its business mix. It is also a business of scale, so continued growth in this space is important for continued success.

Postbank (PB) (Net Revenues of EUR 3.1 billion in 2015 – 9% of Total Net Revenues)
PB is now reported separately, combining both core and non-core components, in order to reflect the planned deconsolidation as formulated in DB's new strategy.

Non-Core Operations Unit (NCOU) (Net Revenues of EUR 794 million in 2015 – 2% of Total Net Revenues)
The NCOU was established in 4Q12 to include DB's noncore positions, providing a separation from core activities so as to not distract management in key businesses, and accelerating the de-risking process. DB has made progress de-risking NCOU, with RWAs down 42% YoY to EUR 32.9 billion at end-2015. The NCOU does, however, continue to be a significant consumer of capital, and a sizeable drag on earnings, recording a net loss of EUR 2.7 billion in 2015. DBRS expects the earnings to persist in 2016, as DB looks to materially wind-down the rest of the division by end-2016.



Source: DBRS, Company reports

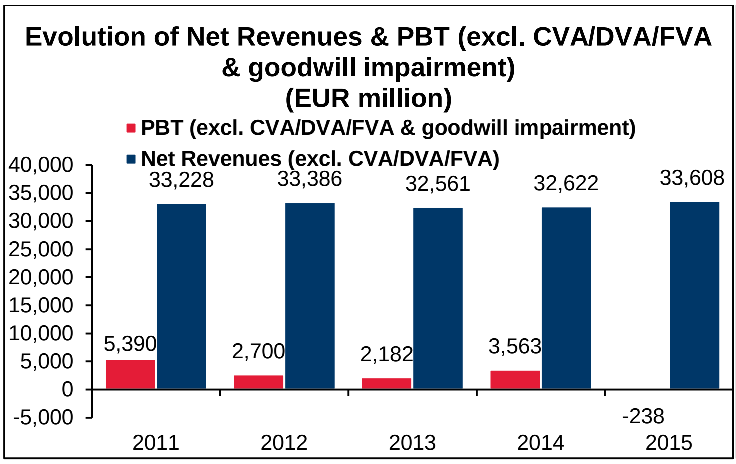
Earnings Power

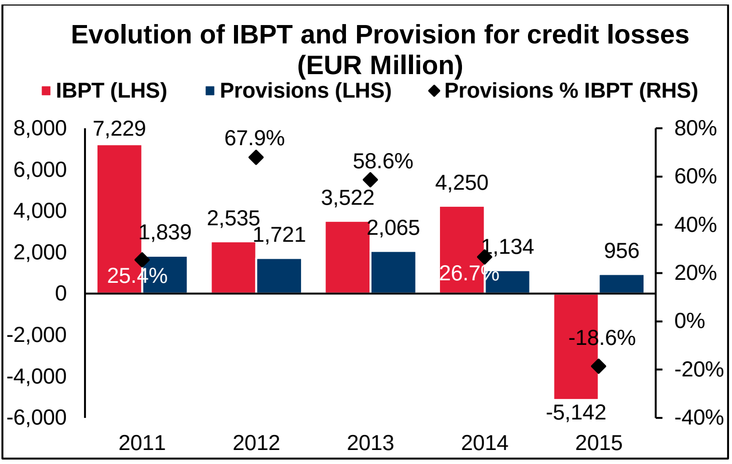
DBRS views DB's current earnings as below the potential earnings of the franchise. DB's 2015 results highlight the ongoing challenges faced by the Bank in generating sufficient and improving returns, whilst also improving its capitalization through retained earnings. DB reported a net loss of EUR 6.8 billion in 2015, the first annual net loss for the Bank since 2008. Whilst revenues remained strong, up 4% year-on-year (YoY) to EUR 33.6 billion, bottom line results were impacted by EUR 12 billion of write-downs and charges, relating to the impairment of goodwill and intangibles (EUR 5.8 billion), litigation charges (EUR 5.2 billion), and restructuring and severance expenses (EUR 1 billion). (Note: DBRS calculates net revenues excluding CVA/DVA/FVA). Execution risks associated with the remainder of the Bank's restructuring plan remain significant, most notably in achieving considerable cost reductions, and managing the potential adverse impact on the Bank's businesses and net revenues.

DB continues to generate strong revenues across its core businesses; factors evident in FY15 with net revenue growth reported across GM, CIB and DeAM, with each reporting YoY increases of 5%, 5% and 15%, respectively. DBRS, however, notes that DB's quarterly net revenues decreased 17% YoY in 4Q15, with sharp declines in both CB&S, most noticeably in origination and advisory, and Private & Business Clients (PBC). DBRS also expects 1Q16 to remain challenging from a revenue generation perspective. With DB's earnings generation ability significantly challenged by persistently elevated expense levels, strong revenue generation is critical for the Bank.

Earnings continue to come under significant pressure from an elevated cost base as a result of numerous factors, including 1) systems enhancements/integrations; 2) regulatory-related spend; 3) litigation-related expenses; and 4) the continued drag from the Non-Core Operations Unit (NCOU). Despite making some progress with expense reductions, success with this program has so far been masked by higher costs related to these items. DB's cost/income ratio remains consistently high, in excess of 100% in 2015. DBRS expects that expenses will continue to remain elevated through 2016.

Execution risk associated with the remainder of the Bank's restructuring plan remains significant, most notably in achieving the considerable cost reductions, and managing the potential adverse impact on the Bank's businesses and net revenues. One of the key challenges of two further years of restructuring is that it potentially puts DB at a competitive disadvantage relative to peers operating in capital markets businesses. DBRS views DB as having underperformed other capital market peers during 4Q15, and will assess whether this trend continues in the short- to medium-term. Sales & Trading (S&T) net revenues, for example, were down 27% YoY at DB, compared with a 3% YoY increase across the U.S. capital market participants. Investment Banking net revenues, which include Financial Advisory, and Debt and Equity Underwriting, were also down significantly compared to capital market peers, with a 45% YoY decrease noted at DB, compared with a 5% decrease across the U.S. capital market participants. Over the longer-term, DBRS will monitor whether DB's restructuring efforts are able to deliver the necessary timely progress.





Source: DBRS, Company reports

Risk Profile

Effective risk management is a key driver behind the success of strong financial institution. DB benefits from solid risk systems, which continue to be enhanced and harmonized globally, as a result of both management focus and regulatory pressure. Operational risk, however, continues to be a key challenge for the Bank.

Importantly, DB's risk management structure is independent of the operating businesses, with the Chief Risk Officer (CRO) being a member of the Management Board, which has a direct reporting line to the Supervisory Board. There are also regional CROs and divisional CROs that report into the Bank CRO. The Bank's risk management has a 3 line of defence model, with the first line of defence being the business divisions, the second being risk management oversight and the third being assurance/audit functions, all of which function independently from one another, but with collaboration. Employees are empowered to manage and escalate risks, supporting DB's strong risk culture.

Operational Risk

Despite improvements to technology and processes, DB continues to face notable challenges from an operational/reputational risk perspective. The Bank remains under investigation for a variety of conduct issues, including the mis-selling of U.S. RMBS, FX manipulation, dark pool activities, and Russia/U.K. equities trading. With the size of litigation/conduct costs increasing, this risk is a considerable factor in the Bank's rating level. The Company significantly built up its litigation reserves in 2015 to EUR 5.5 billion at year-end 2015, up from EUR 3.2 billion at the end of 2014, by taking notable litigation charges of EUR 5.2 billion in the year. The Company expects that litigation will remain a burden, and guidance is for charges to be below 2015 levels, though DBRS notes that these charges are lumpy and difficult to predict.

While DB's strong reputation supports investor confidence, it faces the challenge of headline risk which has the potential to impact the Company's reputation and drive negative market perceptions. DBRS views diminished investor confidence as a significant DB-specific risk given the Bank's relatively large use of wholesale funding. Events in recent history have highlighted the risk of losing confidence-sensitive funding as a result of reputational issues.

Market Risk

DBRS views DB's readiness to take on risk and its ability to manage market risk as an important component of its success with its trading businesses. Client flows benefit from the ability of its trading desks to execute trades for customers that can result in substantial risk to DB. When executing flow business on behalf of the client, DB typically holds trading positions in its inventory for a limited period of time. The persistence of the current challenging operating environment has put pressure on different areas of the Bank and has led DB to be more cautious in using its risk capacity. Additionally, new capital requirements, including the leverage ratio, have resulted in a more thoughtful approach to balance sheet usage, with an increasing focus on retaining only those assets that are generating the required returns taking into consideration not only risk exposure, but also regulatory requirements.

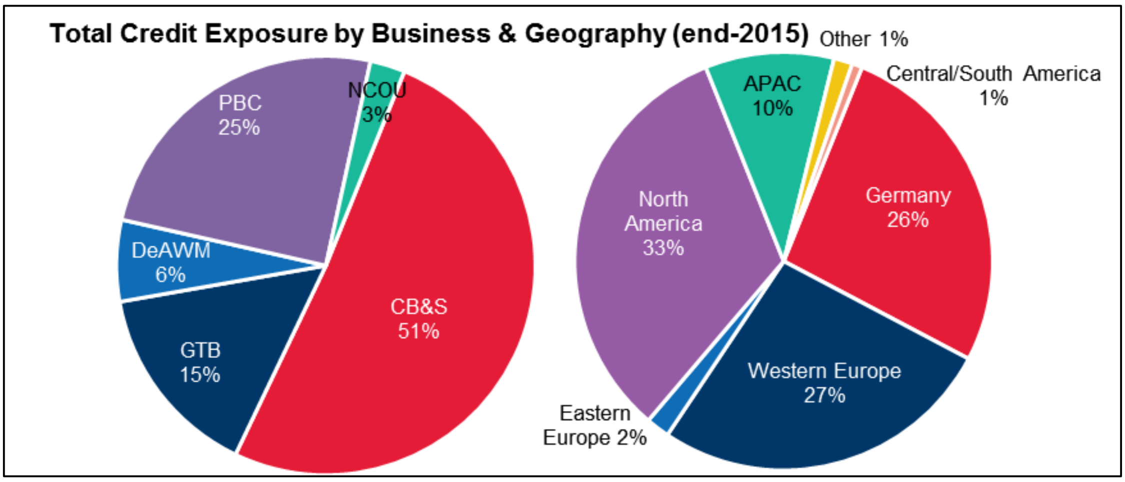
Market risk, as measured by regulatory value-at-risk (VaR), has declined significantly from its peak of EUR 126.8 million in 2009, and now remains relatively stable around EUR 40-50 million. Average daily trading VaR (measured at a 99% confidence interval) was 43.3 million in 2015, against EUR 51.6 million in 2014. When comparing VaR to total shareholders' equity, the ratio declined to 0.07% in 2015 from 0.35% in 2009, partially reflecting an increased equity capital base. Complementing VaR, DB makes extensive use of stress tests and scenario analyses to understand the nature and scope of potential risks that can be outside the range of the normal data set.

Another perspective that DBRS uses to evaluate market risk is the distribution of trading results. DB's 2015 daily trading net revenues appear consistent with the Bank's approach to risk/reward, with the majority of trading days in 2015 generating net trading revenues between EUR 0 and EUR 70 million. DB's risk appetite does tolerate losses (approximately 16 days in 2015) given the still challenging environment, although DBRS note that the Bank experienced very few significant losses, with just approximately 3 loss day in excess of EUR 50 million. DBRS views this as consistent with the Bank's approach of seeking to achieve above average reward for its risk taking, while remaining conservative when returns are more moderate relative to risk.

Credit Risk

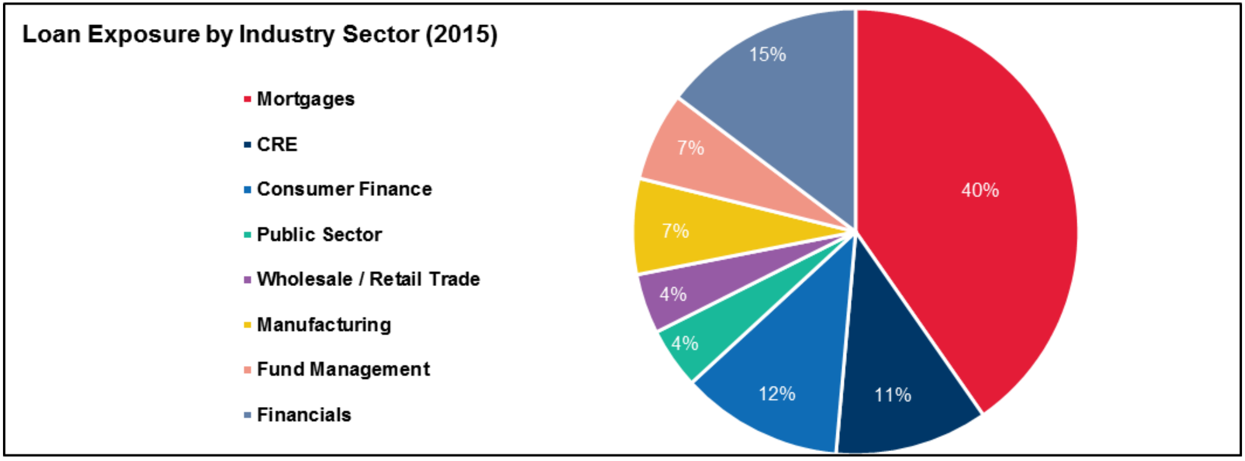
DB takes a comprehensive approach to credit risk, including counterparty risk. Credit risks are evaluated for individual counterparties, as well as for concentrations by client type, industry, products, markets and regions or countries, with a focus on large exposures. A key principle of DB's credit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

Geographically, the Bank's main credit exposures are in North America (33%), Western Europe (27%) and Germany (26%). The Bank also has meaningful exposures in Asia Pacific. By business, CB&S accounts for 51% of credit exposure with EUR 524 billion in exposure, of which EUR 111 billion is related to repo/matched book transactions and EUR 89 billion to traded bonds. DBRS notes that DB has the flexibility to reduce both exposures. Also significant is CB&S's irrevocable lending commitments of EUR 79 billion.



Note: Total exposure of EUR 1,029 billion.
Source: DBRS, Company reports

When looking at loan exposures only, DB's primary source of lending is mortgages (36%), with some meaningful lending in consumer finance (10%) and commercial real estate (10%) lending. Credit quality is good and improving, with impaired loans continuing to decline reaching EUR 8.2 billion at year-end 2015, down 13% YoY. Some of this exposure, EUR 2.1 billion, is driven by impaired loans within the NCOU. The impaired loan ratio remains low at just under 2%. In turn, provisions for credit losses remain low at EUR 956 million in 2015, down from EUR 1.1 billion in 2014.



Source: DBRS; Company reports

DB is also active in corporate lending/relationship lending, where some of the risk is transferred to third parties in various ways including sales, single name and portfolio hedging, and securitizations. This transference of risk is managed by the Credit Portfolio Strategies Group (CPSG), which aims to reduce single name concentrations, particularly in the international investment grade portfolio, the leveraged portfolio and the German SME portfolio.

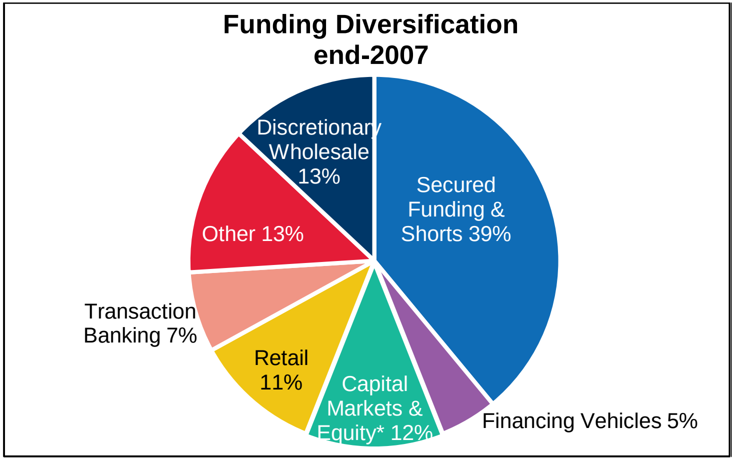
Despite the relatively strong performance of DB's loan portfolio, DBRS notes that the Bank has exposure to the Oil and Gas (EUR 16 billion – o/w EUR 5 billion loans & EUR 8 billion irrevocable commitments) sector, in addition to Metals, Mining & Steel (EUR 10 billion – o/w EUR 5 billion loans & EUR 3 billion irrevocable commitments) and Shipping (EUR 7 billion – o/w EUR 6 billion loans). Although collectively accounting for less than 2% of the Bank's total credit exposure, DBRS views positively DB's strategy to reduce its exposure to Metals, Mining and Steel, in light of the elevated risks within the sector, and the fact that less than 10% of the Bank's Shipping exposure is to the German 'KG' sector, which is non-recourse financing of vessels via closed end funds. Whilst approximately 60% of the Bank's Oil and Gas exposure is classified as investment grade, and less than 20% is related to sectors that are highly correlated to commodity price movements, such as exploration and production, and oil & gas services & equipment, DBRS will continue to monitor the exposure given the stresses evident within the market.

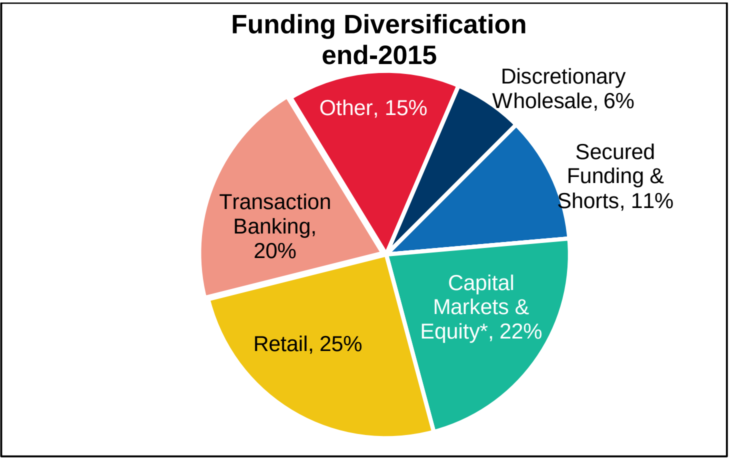
Funding and Liquidity

DB maintains a sound liquidity profile and has a comprehensive framework in place to manage its liquidity and funding needs. Global capital markets, however, remain challenged, creating a difficult operating environment for all capital markets institutions. With regard to DB, the market has concerns related to its ability to make payments on its Additional Tier 1 (AT1) securities, due to regulatory constraints. Market concerns can at certain times have an impact on the fundamental creditworthiness of institutions. When market confidence materially declines, this has the potential to impact the Company's ability to fund itself at competitive pricing, while also having the potential to reduce its ability to quickly address liquidity challenges. DBRS will continue to monitor how the current market concerns impact DB's ability to sustain business operations and maintain its franchise.

DBRS views DB's substantial customer deposit base, which totaled EUR 447.9 billion (of which approximately EUR 120 billion are in Postbank) as an anchor for the Bank's sound funding profile. The Bank's organic deposit growth has been solid and core deposits readily fund the Bank's entire loan portfolio. Deposits are sourced through PBC, as well as through GTB and WM. At the end of 2015, DB's wholesale funding reliance (wholesale funding, which DBRS defines as deposits from banks, debt in issue including senior debt and short-term borrowings, and subordinated debt as a portion of total funding) was 41% and has been declining steadily with leverage exposure reductions.

Given its sizeable capital markets businesses, the Bank remains reliant on a sizeable amount of wholesale funding to finance these activities. DB seeks to structure its liabilities to limit refinancing risk by diversifying debt maturities, while also diversifying its funding sources across geographic markets, currencies, and investor segments. DB has significantly reduced its reliance on short-term funding, through both reductions in short-term unsecured funding as well as reductions in its matched book activity which decreased overnight secured funding reliance. Further reductions in unsecured short-term funding would be viewed positively from a ratings perspective given the Bank's large capital markets franchise that is dependent upon reliable wholesale funding sources to operate successfully.

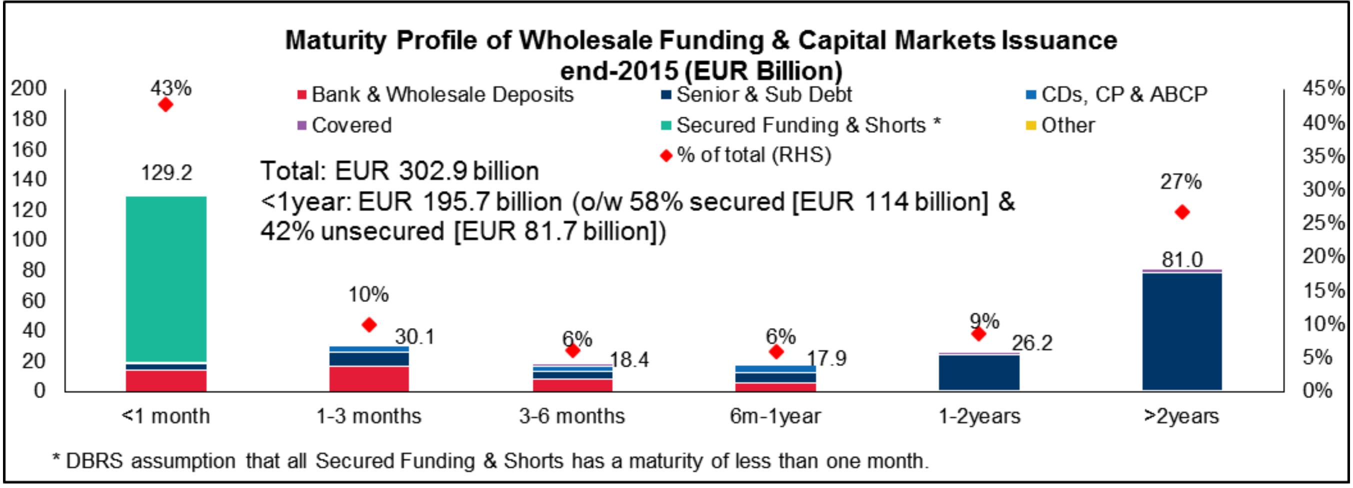




Note: Capital Markets & Equity includes unsecured funding with a maturity greater than one year.
Source: DBRS; Company Reports

Liquidity is essential for DB's business, as it relies primarily on access to the capital markets to conduct its trading activities and other businesses, and to fund these capital markets related activities. Liquidity pressure could arise from disruptions in the financial markets or operational problems affecting DB or third parties that it relies on. DB has access to central bank funding, alleviating some pressures that could arise from reduced investor confidence or illiquid markets.

The Company's liquidity risk management framework analyses 3 specific angles: (1) management of intraday exposures, including daily payments, forecasting cash flows and central bank access; (2) access to secured and unsecured funding sources, and (3) the maturity profile of all assets/liabilities and issuance strategy. DB's cash flow reporting system provides daily liquidity risk information to global and local management. Stress testing and scenario analysis supplement this framework by looking at inventory characteristics under various stress scenarios and contingent funding requirements for example. Internal stress testing is performed daily and is used to determine short-term funding limits.



Source: DBRS; Company Reports

At year-end 2015, DB had approximately EUR 302.9 billion of wholesale funding outstanding, with EUR 195.7 billion maturing in less than a year. DBRS notes that a significant portion of this short term funding (EUR 114 billion) is secured, related to DB's matched book activities. This source of funding fluctuates with trading inventory levels and Deutsche Bank has also been focused on reducing its reliance on secured funding with continued focus on leverage exposure and balance sheet usage. While matched book activities are largely collateralized by high-quality government and government backed securities, this type of funding is typically short-term, often overnight, and can be susceptible to disruption. While the Bank attempts to mitigate this risk by diversifying the group of counterparties and the types of securities, DBRS views the use of overnight repo facilities as a liquidity risk.

DB appropriately maintains substantial excess liquidity, which is intended to pre-fund estimated potential cash and collateral needs during a liquidity crisis. At end-2015, DB reported liquidity reserves of EUR 215 billion, or approximately 15% of funded assets. The current level of this pool is well in excess of the Bank's estimated stressed liquidity needs, indicated by a positive liquidity stress result. Because this liquidity is intended to be used in a stressed scenario, DBRS remains cognizant that this pool could be reduced quickly in a highly stressed scenario if DB were constrained in accessing the wholesale funding markets. DBRS notes that markets can be fickle and the level of market confidence and the Company's ability to cope with illiquid markets are of critical importance when determining the rating.

From a regulatory perspective, DB reported a Liquidity Coverage Ratio (LCR) of 119% at year-end 2015, well above the minimum requirement of 100%. The impact of Total Loss Absorbing Capacity (TLAC) requirements on issuance plans and earnings is expected to be manageable, as DB reported estimated TLAC outstanding at 28% of RWAs (20.5% minimum requirement from 2019) and 8% of leverage exposure (6% minimum requirement by 2019). This corresponds to EUR 26 billion above 2019 TLAC requirements.

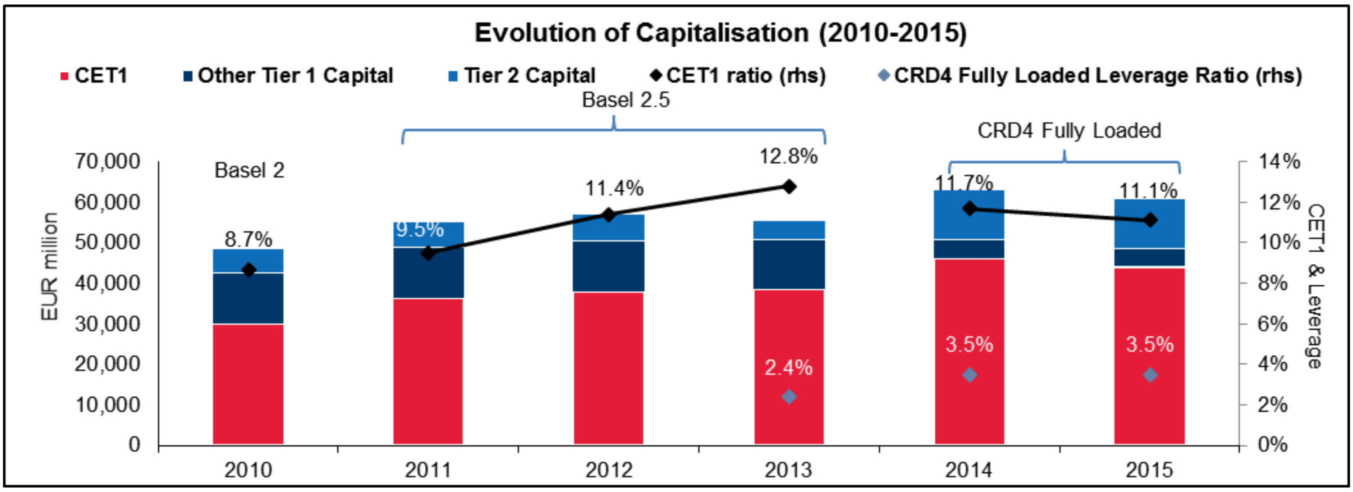
Capitalisation

DBRS views DB's capitalisation as remaining under pressure whilst it implements its new strategic plan. Successful execution of the plan is an essential component of the rebuild of DB's capital ratios, which, with fully-loaded Common Equity Tier 1 (CET1) and leverage ratio of 11.1% and 3.5% respectively at end-2015, remain at the low-end of its global peer group.

DB is targeting a fully-loaded CET1 ratio of greater than 12.5% by 2018, and a leverage ratio of at least 4.5%. The key drivers for this increase will be the sale of the 19.99% stake in Hua Xia Bank, and the capital release from the run-down of NCOU, as well as the sale / IPO of the Bank's stake in Postbank, de-risking and divestments. DBRS considers that the Bank's capital plan is ambitious. The Bank's ability to raise capital, both internally and externally, is extremely limited given the current pressure on earnings, and the two relatively recent capital raises, in April 2013 (EUR 2.8 billion) and June 2014 (EUR 8.5 billion). In addition, RWAs are expected to remain flat through 2016, as progress in deleveraging NCOU is expected to be offset by increased Operational Risk RWAs. As a result, the Bank has limited flexibility to absorb further hits to capital, in the form of further litigation or regulatory developments, and DBRS expects DB to have to look for further ways to reduce RWAs, at a time when asset sales and further restructurings are challenging.

Other challenges on the horizon include the EBA's 2016 stress test, and the finalization of EU regulatory requirements. Evolving regulatory requirements also remain an ongoing challenge as evidenced by the U.S. Federal Reserve (Fed) objecting to DB Trust Corporation, along with the Bank Holding Company (BHC) of one other foreign bank, 2015 capital plans submitted under the 2015 Comprehensive Capital Assessment Review (CCAR). Although the Fed's objection related to qualitative aspects, as opposed to the amount of capital, DBRS notes that it involved the identification of 'numerous and significant deficiencies across DB Trust Corporation's risk-identification, measurement, and aggregation processes; approaches to loss and revenue projection; and internal controls'. With DB's broker-dealer activities in the U.S., which are housed within Deutsche Bank Securities Inc., due eventually to be moved into the Bank's U.S. intermediate holding structure, DBRS views DB as facing further challenges in passing the Fed's supervisory stress tests. DBRS also views DB's elevated Supervisory Review and Evaluation Process (SREP) minimum requirement of 10.25%, which rises to 12.25% at end-2018 once the additional 2% G-SIB surcharge is fully implemented, as challenging, especially with the Bank only reporting a phased-in CET1 ratio of 12.52% at end-2015.

The pressure on DB's capital ratios was evident in February 2016, as the CDS spreads on the Bank's 5 year senior debt widened significantly on market concerns about DB's ability to make payments on its Additional Tier 1 (AT1) securities, due to regulatory constraints following the announcement of the significant FY15 loss. DB's payment capacity is, however, EUR 1.1 billion, against AT1 coupons of approximately EUR 0.35 billion in 2016. The estimated pro-forma 2017 payment capacity is approximately EUR 4.3 billion, before the impact of 2016's operating results, whilst the Bank also has reserves of approximately EUR 1.9 billion available to offset future losses.



Source: DBRS; Company Reports

Deutsche Bank AG	31/12/2015		31/12/2014		31/12/2013		31/12/2012		31/12/2011	
	EUR		EUR		EUR		EUR		EUR	
EUR Millions	IFRS		IFRS		IFRS		IFRS		IFRS	
Balance Sheet										
Cash and deposits with central banks	96,940	5.95%	74,482	4.36%	17,155	1.06%	27,877	1.38%	15,928	0.74%
Lending to/deposits with credit institutions	27,025	1.66%	32,149	1.88%	101,424	6.29%	120,637	5.97%	162,000	7.49%
Financial Securities*	403,874	24.79%	386,002	22.59%	455,690	28.28%	512,629	25.35%	478,433	22.11%
- Trading portfolio	180,576	11.08%	179,027	10.48%	192,283	11.93%	236,821	11.71%	222,885	10.30%
- At fair value	96,802	5.94%	101,955	5.97%	169,017	10.49%	168,779	8.35%	156,073	7.21%
- Available for sale	70,481	4.33%	61,391	3.59%	46,155	2.86%	46,446	2.30%	42,365	1.96%
- Held-to-maturity	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
- Other	56,015	3.44%	43,629	2.55%	48,235	2.99%	60,583	3.00%	57,110	2.64%
Financial derivatives instruments	518,730	31.84%	634,361	37.13%	508,553	31.56%	776,715	38.41%	867,143	40.07%
- Fair Value Hedging Derivatives	3,136	0.19%	4,403	0.26%	3,963	0.25%	8,362	0.41%	7,561	0.35%
- Mark to Market Derivatives	515,594	31.65%	629,958	36.87%	504,590	31.31%	768,353	37.99%	859,582	39.72%
Gross lending to customers	449,605	27.60%	422,656	24.74%	394,267	24.47%	440,909	21.80%	461,851	21.34%
- Loan loss provisions	5,028	0.31%	5,212	0.31%	5,589	0.35%	4,692	0.23%	4,162	0.19%
Insurance assets	NA	-	NA	-	NA	-	NA	-	NA	-
Investments in associates/subsidiaries	1,013	0.06%	4,143	0.24%	3,581	0.22%	3,577	0.18%	3,759	0.17%
Fixed assets	2,846	0.17%	2,909	0.17%	4,420	0.27%	4,963	0.25%	5,509	0.25%
Goodwill and other intangible assets	10,078	0.62%	14,951	0.87%	13,932	0.86%	14,219	0.70%	15,802	0.73%
Other assets	124,048	7.61%	142,261	8.33%	117,969	7.32%	125,441	6.20%	157,840	7.29%
Total assets	**1,629,130**	**100.00%**	**1,708,703**	**100.00%**	**1,611,400**	**100.00%**	**2,022,275**	**100.00%**	**2,164,103**	**100.00%**
Total assets (USD)	1,769,447		2,068,397		2,220,171		2,666,853		2,810,523	
Loans and deposits from credit institutions	119,065	7.31%	108,350	6.34%	114,176	7.09%	NA	-	NA	-
Repo Agreements in Deposits from Customers	NA	-	NA	-	NA	-	NA	-	NA	-
Deposits from customers	447,909	27.49%	424,584	24.85%	413,574	25.67%	577,210	28.54%	601,730	27.81%
- Demand	345,569	21.21%	304,905	17.84%	290,284	18.01%	278,958	13.79%	262,665	12.14%
- Time and savings	221,406	13.59%	228,026	13.34%	237,466	14.74%	298,252	14.75%	339,066	15.67%
Issued debt securities	258,053	15.84%	247,786	14.50%	317,036	19.67%	376,620	18.62%	433,423	20.03%
Financial derivatives instruments	500,441	30.72%	615,265	36.01%	484,044	30.04%	756,327	37.40%	843,604	38.98%
- Fair Value Hedging Derivatives	6,365	0.39%	5,063	0.30%	616	0.04%	3,675	0.18%	4,787	0.22%
- Other	494,076	30.33%	610,202	35.71%	483,428	30.00%	752,652	37.22%	838,817	38.76%
Insurance liabilities	8,522	0.52%	8,523	0.50%	8,067	0.50%	7,732	0.38%	7,426	0.34%
Other liabilities	214,081	13.14%	215,352	12.60%	200,031	12.41%	229,270	11.34%	203,475	9.40%
- Financial liabilities at fair value through P/L	44,852	2.75%	37,131	2.17%	90,104	5.59%	110,409	5.46%	118,318	5.47%
Subordinated debt	6,413	0.39%	5,047	0.30%	7,579	0.47%	8,785	0.43%	7,441	0.34%
Hybrid Capital	7,020	0.43%	10,573	0.62%	11,926	0.74%	12,091	0.60%	12,344	0.57%
Equity	67,624	4.15%	73,223	4.29%	54,966	3.41%	54,240	2.68%	54,660	2.53%
Total liabilities and equity funds	**1,629,130**	**100.00%**	**1,708,704**	**100.00%**	**1,611,400**	**100.00%**	**2,022,275**	**100.00%**	**2,164,103**	**100.00%**
Income Statement										
Interest income	25,967		25,001		25,601		31,593		34,366	
Interest expenses	10,086		10,729		10,767		15,619		16,921	
Net interest income and credit commissions	15,881	47.58%	14,272	45.01%	14,834	47.07%	15,975	47.71%	17,445	51.07%
Net fees and commissions	12,765	38.25%	12,409	39.13%	12,308	39.05%	11,809	35.27%	11,878	34.77%
Trading / FX Income	3,874	11.61%	4,407	13.90%	3,662	11.62%	5,199	15.53%	2,138	6.26%
Net realised results on investment securities (available for sale)	309	0.93%	291	0.92%	455	1.44%	461	1.38%	749	2.19%
Net results from other financial instruments at fair value	-32	-0.10%	-108	-0.34%	155	0.49%	409	1.22%	586	1.72%
Net income from insurance operations	-148	-0.44%	-148	-0.47%	-270	-0.86%	-195	-0.58%	7	0.02%
Results from associates/subsidiaries accounted by the equity method	164	0.49%	619	1.95%	369	1.17%	163	0.49%	251	0.73%
Other operating income (incl. dividends)	561	1.68%	-33	-0.10%	3	0.01%	-339	-1.01%	1,108	3.24%
Total operating income	33,374	100.00%	31,709	100.00%	31,516	100.00%	33,482	100.00%	34,162	100.00%
Staff costs	13,293	40.77%	12,512	46.12%	12,329	46.09%	13,490	46.72%	13,135	51.21%
Other operating costs	18,166	55.71%	13,543	49.92%	13,258	49.56%	14,288	49.49%	11,519	44.91%
Depreciation/amortisation	1,149	3.52%	1,072	3.95%	1,143	4.27%	1,094	3.79%	993	3.87%
Total operating expenses	32,608	100.00%	27,127	100.00%	26,750	100.00%	28,872	100.00%	25,647	100.00%
Pre-provision operating income	**766**		**4,582**		**4,766**		**4,610**		**8,515**	
Loan loss provisions**	1,062		1,183		2,126		1,881		1,938	
Post-provision operating income	-296		3,399		2,640		2,729		6,577	
Impairment on tangible assets	27		172		379		29		658	
Impairment on intangible assets	5,776		111		79		1,886		2	
Other non-operating items***	0		0		-725		0		-527	
Pre-tax income	-6,097		3,116		1,457		814		5,390	
(-)Taxes	675		1,425		775		498		1,064	
(-)Other After-tax Items (Reported)	0		0		0		0		0	
(+)Discontinued Operations (Reported)	0		0		0		0		0	
(-)Minority interest	21		28		15		53		194	
Net income	**-6,772**		**1,663**		**666**		**263**		**4,132**	
Net income (USD)	-7,541		2,209		884		338		5,753	

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

Off-balance sheet and other items	**31/12/2015**	**31/12/2014**	**31/12/2013**	**31/12/2012**	**31/12/2011**
Asset under management	1,406,000	1,330,000	1,205,000	1,213,000	1,193,000
Derivatives (notional amount)	41,940,034	52,002,836	54,652,083	55,605,039	59,195,445
BIS Risk-weighted assets (RWA)	397,382	396,648	300,369	333,605	381,246
No. of employees (end-period)	101,104	98,138	98,254	98,219	100,996
Earnings and Expenses					
Earnings					
Net interest margin [1]	1.01%	0.96%	0.88%	0.82%	0.98%
Yield on average earning assets	1.65%	1.68%	1.51%	1.62%	1.93%
Cost of interest bearing liabilities	1.20%	1.35%	1.25%	1.60%	1.60%
Pre-provision earning capacity (total assets basis) [2]	0.04%	0.27%	0.25%	0.20%	0.42%
Pre-provision earning capacity (risk-weighted basis) [3]	0.19%	1.20%	1.51%	1.26%	2.53%
Net Interest Income / Risk Weighted Assets	4.00%	3.60%	4.94%	4.79%	4.58%
Non-Interest Income / Total Revenues	52.42%	54.99%	52.93%	52.29%	48.93%
Post-provision earning capacity (risk-weighted basis)	-0.07%	0.89%	0.83%	0.75%	1.95%
Expenses					
Efficiency ratio (operating expenses / operating income)	97.70%	85.55%	84.88%	86.23%	75.07%
All inclusive costs to revenues [4]	97.79%	86.09%	88.38%	86.32%	78.54%
Operating expenses by employee	322,519	276,417	272,254	293,955	253,941
Loan loss provision / pre-provision operating income	138.64%	25.82%	44.61%	40.80%	22.76%
Provision coverage by net interest income	1495.39%	1206.42%	697.74%	849.28%	900.15%
Profitability Returns					
Pre-tax return on Tier 1 (excl. hybrids)	-13.00%	6.28%	3.79%	2.03%	14.31%
Return on equity	-10.09%	2.28%	1.22%	0.49%	7.74%
Return on average total assets	-0.38%	0.10%	0.03%	0.01%	0.20%
Return on average risk-weighted assets	-1.64%	0.43%	0.21%	0.07%	1.23%
Dividend payout ratio [5]	-15.22%	59.24%	114.79%	264.98%	16.42%
Internal capital generation [6]	-12.50%	1.57%	-0.23%	-1.03%	9.06%
Growth					
Loans	6.50%	7.40%	-10.90%	-4.69%	2.06%
Deposits	5.49%	2.66%	-28.35%	-4.07%	12.69%
Net interest income	11.27%	-3.79%	-7.14%	-8.43%	11.95%
Fees and commissions	2.87%	0.82%	4.23%	-0.58%	11.33%
Expenses	20.20%	1.41%	-7.35%	12.57%	12.47%
Pre-provision earning capacity	-83.28%	-3.86%	3.38%	-45.86%	8.25%
Loan-loss provisions	-10.23%	-44.36%	13.02%	-2.94%	39.73%
Net income	-508.54%	149.70%	153.23%	-93.64%	78.87%
Risks					
RWA% total assets	24.39%	23.21%	18.64%	16.50%	17.62%
Credit Risks					
Impaired loans % gross loans	1.81%	2.21%	2.57%	2.34%	2.18%
Loss loan provisions % impaired loans	61.69%	55.76%	55.10%	45.40%	41.33%
Impaired loans (net of LLPs) % pre-provision operating income [7]	465.27%	98.84%	104.09%	131.97%	69.38%
Impaired loans (net of LLPs) % equity	5.88%	7.23%	11.53%	14.43%	13.96%
Liquidity and Funding					
Customer deposits % total funding	53.87%	54.03%	48.52%	59.96%	57.71%
Total wholesale funding % total funding [8]	46.13%	45.97%	51.48%	40.04%	42.29%
- Interbank % total funding	14.32%	13.79%	13.40%	NA	NA
- Debt securities % total funding	31.04%	31.53%	37.19%	39.12%	41.57%
- Subordinated debt % total funding	0.77%	0.64%	0.89%	0.91%	0.71%
Short-term wholesale funding % total wholesale funding	48.72%	53.93%	51.50%	40.94%	34.43%
Liquid assets % total assets	32.40%	28.83%	35.64%	32.69%	30.33%
Net short-term wholesale funding reliance [9]	-30.96%	-24.49%	-33.58%	-36.98%	-33.47%
Adjusted net short-term wholesale funding reliance [10]	-41.82%	-34.16%	-43.72%	-36.98%	-33.47%
Customer deposits % gross loans	99.62%	100.46%	104.90%	130.91%	130.29%
Capital [11]					
Tier 1	14.65%	16.11%	16.88%	15.13%	12.86%
Tier 1 excl. All Hybrids	11.84%	12.40%	12.66%	11.23%	9.52%
Common Equity Tier 1 (Fully Loaded for 2014 & 2015)	11.12%	11.70%	12.83%	11.38%	9.52%
Tangible Common Equity / Tangible Assets	3.25%	3.15%	2.55%	1.98%	1.75%
Total Capital	16.24%	17.22%	18.47%	17.09%	14.49%
Retained earnings % Tier 1	36.38%	45.82%	55.95%	57.84%	61.41%

[1] (Net interest income + dividends)% average interest earning assets.

[2] Pre-provision operating income % average total assets.

[3] Pre-provision operating income % average total risk-weighted assets.

[4] (Operating & non-op. costs) % (op. & non-op. revenues)

[5] Paid dividend % net income.

[6] (Net income - dividends) % shareholders' equity at t-1.

[7] We take into account the stock of LLPs in this ratio.

[8] Whole funding excludes corporate deposits.

[9] (Short-term wholesale funding - liquid assets) % illiquid assets

[10] (Short-term wholesale funding - liquid assets- loans maturing within 1 year) % illiquid assets

[11] Capital ratios of Interim results exclude profits for the year

* Interim information is annualised where needed.

Methodologies

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (December 2015). Other applicable methodologies include the DBRS Criteria – Support Assessments for Banks and Banking Organisations (March 2016), DBRS Criteria: Rating Bank Capital Securities – Subordinated, hybrid, Preferred & Contingent Capital Securities (February 2016) and DBRS Criteria: Critical Obligations Rating (February 2016).

Ratings

Debt	Rating	Rating Action	Trend
Senior Unsecured Debt & Deposits	A*	UR-Neg.	--
Short-Term Debt & Deposits	R-1 (low)	Confirmed	Stable
Long Term Critical Obligations Rating	AA (low)*	UR-Neg.	--
Short Term Critical Obligations Rating	R-1 (middle)	Confirmed	Stable

*Under Review with Negative Implications

Rating History

	Current	2015
Senior Unsecured Debt & Deposits	A*	A
Short-Term Debt & Deposits	R-1 (low)	R-1 (low)
Long Term Critical Obligations	AA (low)*	N/A
Short Term Critical Obligations	R-1 (middle)	N/A

*Under Review with Negative Implications

Previous Action(s)

- DBRS Places Deutsche Bank's "A" Rating Under Review with Negative Implications, April 1, 2016.
- DBRS Assigns Critical Obligations Ratings to 33 European Banking Groups, February 4, 2016.
- DBRS Downgrades 31 European Banking Groups due to Removal of Systemic Support Uplift, September 29, 2015
- DBRS Initiates Coverage of Deutsche Bank – Senior Long-Term Debt at A (high), Stable Trend, February 27, 2015

Previous Report

- Deutsche Bank AG, Rating Report, March 10, 2016

Notes:
All figures are in EUR unless otherwise noted.

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

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

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