



Press Release: Rating Action

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JCR Affirms AA-p Ratings on Deutsche Bank; Outlook Stable

Issuer: Deutsche Bank AG

FC (Foreign Currency Long-Term Senior Debts): **AA-p (Stable)**

JCR has affirmed its AA-p ratings on the foreign currency long-term senior debts of Deutsche Bank AG (DB).

The rating reflects DB's market presence as one of the largest financial groups in the world with strong franchise, particularly in Germany and other European countries. It also reflects its capital adequacy and significant reduction of its risk assets.

The rating outlook is stable. DB's performance has remained robust absorbing the rising credit cost on the recovery of its earning in such as an increased trading revenue. While its performance is susceptible to the financial market to the extent its main business is investment banking, it is expected to be stabilized in the medium term now that its retail business has been strengthened through acquisition of a majority stake in Postbank, a leading German retail bank. A series of acquisitions including Postbank have added to its risk assets, but its Tier 1 capital adequacy ratio will remain adequate in the coming years due to its capital increase as well as solid earnings.

(1) Strong global operating base in mainstream investment banking business

DB, one of the foremost financial groups in the world, is the largest bank in Germany in terms of total assets. The group's total assets stood at EUR1,957.7 billion as of the end of September 2010. It had 1,964 branches in 72 countries and had more than 14.6 million clients at the end of 2009. It offers a wide range of services as a universal bank. Its core business consists of two segments: the Corporate and Investment Bank (CIB) and Private Clients and Asset Management (PCAM). DB received no public fund injections and had no funding problems during the recent financial woes.

The CIB segment has a competitive edge in trading business. It has the largest market share in FX trading on a global basis. The PCAM segment has strengthened its operating base in the German retail market by making Postbank its consolidated subsidiary. Moreover, DB has become the top player in German private banking sector with the acquisition of Sal Oppenheim, a private bank for EUR1 billion.

(2) Profit stays solid on better trading revenue

DB has a structural vulnerability to the financial market, with the CIB segment accounting for around 60% of its total net revenue. However, it posted a pretax profit in 2009 as the CIB



segment reported a markedly better trading revenue from Corporate Banking and Securities (CB&S) amid the stabilization of the financial market. Pretax profit in the first nine months of 2010 declined 26.5% year-on-year to EUR3.3 billion due mainly to the Postbank related charge of EUR2.3 billion. Barring this factor, however, pretax profit in the same period was up 26.1% at EUR5.6 billion due in part to the bigger trading revenue and the effect of the acquisition of ABN AMRO's commercial banking unit in the Netherlands. The consolidation of Postbank should help DB to secure a more stable operating base in the coming years. Meanwhile, JCR will closely watch the possible impact of the US financial reform may have on DB's earnings performance.

(3) Financial structure kept sound by capital increase

DB's asset quality has somewhat deteriorated due to the impact of the global economic downturn. Its impaired loan/total loan ratio rose to 2.8% at the end of 2009 from 1.4% the year before following reclassification of part of trading assets such as leveraged loans and commercial property loans as loans appraisable at book value in accordance with IAS 39. The uptrend of nonperforming loans has been slowing as the ratio stayed little changed at 2.7% as of the end of September 2010.

BIS Tier 1 capital ratio improved to 12.6% as of the end of 2009 from 10.1% a year before following a capital increase made possible by better earnings and a major cutback on risk assets. Risk assets may increase following the acquisition of Postbank. However DB has carried out a capital increase totaling EUR10.2 billion, more than enough to offset such impact. JCR holds that DB will be able to keep its Tier 1 ratio adequate in the foreseeable future.

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The primary rating methods applied to the ratings are posted on JCR's website (<http://www.jcr.co.jp>) "Corporate Rating Methodology." The rating methods are subject to change or addition. However, the changes and additions including those that have been made in the past are posted in chronological order. Please refer to the rating methods above after checking by comparing the date of press release about the ratings with the release date of the rating methods (effective date of each of such rating methods).

P' rating is based mainly on an analysis of information including publicly available data and is given to entities that have not requested a rating, but that have given the consent. A 'p' rating is shown with a 'p' suffix. All 'p' ratings presume the participation of entities in the rating process.