BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

FEB 18 2016

Mr. Bill Woodley
Deputy Chief Executive Officer
Deutsche Bank North America
60 Wall Street
New York, New York 10005

Dear Mr. Woodley:

This letter is in response to your requests, dated July 25, 2014, December 1, 2014, and January 15, 2015, that the Board permit Deutsche Bank AG ("Deutsche Bank"), Frankfurt, Germany, to hold its ownership interest in certain U.S. subsidiaries outside of the intermediate holding company ("IHC") established by Deutsche Bank for purposes of compliance with Regulation YY. Those subsidiaries include U.S. special purpose vehicles ("SPVs") that issue instruments that qualify as regulatory capital under Deutsche Bank's home country capital rules, a U.S. litigation trust held by Deutsche Bank's London branch, and SPVs that hold U.S. real estate assets in a fiduciary capacity on behalf of foreign investors.

Regulation YY requires a foreign banking organization with $50 billion or more in total U.S. non-branch assets to establish an IHC and to transfer its ownership interest in its U.S. subsidiaries to the IHC.[1] Under Regulation YY, the Board may permit the foreign banking organization to hold its ownership interest in a U.S. subsidiary outside of its IHC if circumstances warrant an exception based on the foreign banking organization's activities, scope of operations, structure, or similar considerations.[2] Deutsche Bank is a foreign banking organization with $260.8 billion in total U.S. non-branch assets as of June 30, 2015. Accordingly, Deutsche Bank is required to establish an IHC under Regulation YY.

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[1] 12 CFR 252.152. U.S. non-branch assets are measured as an average of the amount reported for the four most recent consecutive quarters, as reported to the Board on the FR Y-7Q.

[2] 12 CFR 252.153(c)(1)-(2).

Deutsche Bank directly holds an ownership interest in 24 U.S. SPVs, which include 12 Delaware statutory trusts and 12 Delaware limited liability companies, as listed in Attachment A ("U.S. Capital SPVs"), that were established for the sole purpose of facilitating the issuance of 12 hybrid capital instruments that qualify as regulatory capital under Deutsche Bank's home country capital rules ("Hybrid Capital Instruments").[3] The Hybrid Capital Instruments were issued prior to 2009. The exemption would be necessary to preserve the regulatory capital treatment of the Hybrid Capital Instruments for purposes of Deutsche Bank's consolidated capital. The U.S. Capital SPVs have no business purpose other than issuing the Hybrid Capital Instruments and have no assets or liabilities other than those related to the Hybrid Capital Instruments. Deutsche Bank represents that, absent the exemption, it would lose regulatory recognition of [redacted] of tier 1 capital, which would reduce Deutsche Bank's consolidated tier 1 capital by [redacted] percent.[4]

Ocala Funding Litigation Trust ("Litigation Trust") is a U.S. litigation trust in which Deutsche Bank's London branch holds a significant beneficial interest. The Litigation Trust was established to hold the assets of Ocala Funding, an asset-backed commercial paper conduit that filed for bankruptcy in 2012. In 2013, the U.S. bankruptcy court issued an order confirming Ocala Funding's Chapter 11 Plan, which provided for the establishment of the Litigation Trust and receipt by Deutsche Bank's London branch of a beneficial interest in the Litigation Trust in exchange for its claims against Ocala Funding. Deutsche Bank would not be able to transfer its beneficial interest in the Litigation Trust to the Deutsche Bank IHC without the consent of the U.S. bankruptcy court and other parties. In addition, Deutsche Bank has represented that the Litigation Trust is expected to make its final distribution by 2017; it will make it no later than 2020.[5]

Further, Deutsche Bank engages in asset management activities in Germany through investment management subsidiaries ("Deutsche Bank KVGs"). The Deutsche Bank KVGs manage three real estate investment trusts ("German Real Estate Funds") that hold international real estate assets, including real estate assets in the United States through U.S. real estate special purpose vehicles ("U.S. Real Estate SPVs"). The U.S. Real Estate SPVs, which held approximately [redacted] in assets as of December 1, 2014, are passive vehicles, and their only function is to hold title to the U.S.

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[3] Deutsche Bank initially requested to directly hold its ownership interest in 40 U.S. Capital SPVs; however, Deutsche Bank subsequently redeemed eight of the Hybrid Capital Instruments and reduced the number of U.S. Capital SPVs by 16.

[4] Deutsche Bank had $84.1 billion in tier 1 capital as of September 20, 2015.

[5] The fair value of Deutsche Bank's future recoveries is estimated to be approximately [redacted], representing [redacted] percent of Deutsche Bank's pro forma IHC assets (as reported in Deutsche Bank's implementation plan, dated December 23, 2014).

real estate assets. The German Real Estate Funds are marketed solely to foreign investors and are bankruptcy-remote from Deutsche Bank and its U.S. operations.

The German Real Estate Funds are not legal entities under German law, and the Deutsche Bank KVGs are required to hold the ownership interests in the U.S. Real Estate SPVs in a fiduciary capacity for the third-party foreign investors. By law, the Deutsche Bank KVGs are required to appoint a third-party financial institution licensed by the German bank regulatory authority as a custodian. The third-party custodian is required to oversee Deutsche Bank KVG's activities, including compliance by the Deutsche Bank KVGs with applicable German law and the German Real Estate Funds' terms and conditions. Deutsche Bank represents that transferring the ownership interests in the U.S. Real Estate SPVs to the IHC would violate German law, as the legal power to dispose of the ownership interests is narrowly limited by the fiduciary duties that apply under the German Real Estate Funds' contractual terms and conditions, the custodian would not consent to the transfer, and the transfer would violate the German Capital Investment Code.

After consideration of all relevant facts, including Deutsche Bank's activities, scope of operations, structure, and similar considerations, the Board has granted Deutsche Bank's request for an exemption to hold its ownership interest in the U.S. Capital SPVs and the Litigation Trust outside of its IHC. In addition, the Board has granted the request of Deutsche Bank to maintain its ownership interest in the U.S. Real Estate SPVs currently owned, as well as any ownership interest in similar U.S. Real Estate SPVs established in the future, outside of the IHC subject to the condition that the German Real Estate Funds and similar real estate funds established in the future not be offered in the United States or to U.S. investors.

With respect to the U.S. Capital SPVs, Regulation YY provides that, in considering an exemption request, the Board may consider whether applicable law would prohibit the foreign banking organization from owning or controlling one or more of its U.S. subsidiaries through a single IHC.[6] In this case, under applicable law, transferring Deutsche Bank's U.S. Capital SPVs would render them ineligible for the limited purpose for which they were established, because the transfer of the U.S. Capital SPVs would disqualify the Hybrid Capital Instruments from inclusion in Deutsche Bank's home country regulatory capital. While the U.S. Capital SPVs are not immaterial relative to the size of Deutsche Bank's IHC, Deutsche Bank has analyzed the accounting treatment of the U.S. Capital SPVs and has concluded that the U.S. Capital SPVs would not be consolidated by the IHC under GAAP. Based on this representation, excluding the U.S. Capital SPVs from the IHC would not have a significant effect on the capital requirements of the Deutsche Bank IHC. Regardless of the transfer, the U.S. Capital SPVs would not likely pose liquidity risk to Deutsche Bank's U.S. operations, given the

[6] 12 CFR 252.153(c)(2).

Hybrid Capital Instruments' long duration and the U.S. Capital SPVs' limited activities. In order to limit the size and character of the U.S. Capital SPVs and the interactions between the U.S. operations of Deutsche Bank and the U.S. Capital SPVs, Deutsche Bank has entered into the commitments listed in Attachment B.[7]

With respect to the Litigation Trust, under Regulation YY, entities acquired and held by a U.S. branch in satisfaction of a debt previously contracted ("DPC") are not required to be transferred to a foreign banking organization's IHC.[8] The preamble to Regulation YY explains that DPC branch subsidiaries were exempted from the IHC requirement because the assets held by DPC branch subsidiaries relate to lending activities of the U.S. branch or agency; thus it is appropriate for the branch or agency to continue holding the assets and dispose of them.[9] Because the Litigation Trust is a subsidiary of Deutsche Bank's London branch and is not a subsidiary of a U.S. branch or agency of Deutsche Bank, it would not qualify as a DPC branch subsidiary and would be required to be transferred to Deutsche Bank's IHC. Deutsche Bank would be unable to transfer the Litigation Trust without the consent of the U.S. bankruptcy court and other parties, and the Litigation Trust is expected to be liquidated by 2017. Further, if the Litigation Trust had been held by a U.S. branch or agency of Deutsche Bank, it would have been considered a DPC branch subsidiary and would not have been required to be transferred to the Deutsche Bank IHC. Regulation YY's exclusion from transfer to the IHC for DPC branch subsidiaries was intended to recognize the role that the branch or agency plays in disposing of the assets held by such subsidiaries, and Regulation YY did not intend to make the exclusion contingent on whether the branch is a U.S. or a non-U.S. branch. Further, the Litigation Trust is very small relative to the Deutsche Bank IHC and will only be in existence for a short time after formation of Deutsche Bank's IHC.

With respect to the U.S. Real Estate SPVs, Regulation YY provides that, in considering an exemption request, the Board may consider whether applicable law would prohibit the foreign banking organization from owning or controlling one or more of its

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[7] Deutsche Bank has committed that it will not, without prior approval of the Board, directly or indirectly, issue any new securities through the U.S. Capital SPVs or — other than the existing, primarily administrative interactions described by Deutsche Bank — allow the U.S. Capital SPVs to engage in any activity with Deutsche Bank's combined U.S. operations. Deutsche Bank has also committed that, to the extent that the Hybrid Capital Instruments cease to qualify as regulatory capital under applicable foreign law, Deutsche Bank will, as promptly as practicable, notify the Board and take all necessary action to liquidate the U.S. Capital SPVs or transfer the ownership interests in the U.S. Capital SPVs to its IHC.

[8] 12 CFR 252.153(b)(1); 12 CFR 252.2(i).

[9] 79 Fed. Reg. 17240, 17274 (March 27, 2014).

U.S. subsidiaries through a single IHC.[10] Applicable German law would prohibit Deutsche Bank from transferring the U.S. Real Estate SPVs to the IHC. Absent an exemption, Deutsche Bank would likely be forced to unwind the U.S. Real Estate SPVs and would be precluded from offering these foreign investors the opportunity to invest in U.S. real estate through the German Real Estate Funds. The U.S. operations of Deutsche Bank have limited exposure to the U.S. Real Estate SPVs as the assets are owned for the benefit of third-party non-U.S. investors, the U.S. Real Estate SPVs are structured to be bankruptcy remote from Deutsche Bank and its U.S. operations, and the IHC would receive only fee income from the structures. In addition, Deutsche Bank has entered into the commitment, set forth in Attachment C, that it has not offered and will not offer interests in the German Real Estate Funds or in similar real estate funds established in the future in the United States or to U.S. citizens.

For the reasons stated above, the Board has granted Deutsche Bank's request for an exemption from Regulation YY's requirement to transfer its ownership interest in the U.S. subsidiaries, described in its exemption requests, to its IHC. This action is based on all the facts of record and on all the representations and commitments made by Deutsche Bank in the submissions to the Board in connection with the requests, including the commitments listed in Attachment B and Attachment C. These representations and commitments constitute conditions imposed in writing in connection with the findings and decisions herein and, as such, may be enforced in proceedings under applicable law. Any material change in those facts or representations could affect this approval and should be communicated promptly to Board staff.

Very truly yours,

(signed) Margaret McCloskey Shanks

Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Mr. Daniel A. Muccia
Federal Reserve Bank of New York

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[10] 12 CFR 252.153(c)(2).

Attachment A
U.S. Capital SPVs

Deutsche Bank Capital Finance LLC I
Deutsche Bank Capital Finance Trust I
Deutsche Bank Capital Funding LLC VII
Deutsche Bank Capital Funding Trust VII
Deutsche Bank Capital LLC I
Deutsche Bank Capital Trust I
Deutsche Bank Capital LLC IV
Deutsche Bank Capital Trust IV
Deutsche Bank Contingent Capital LLC II
Deutsche Bank Contingent Capital Trust II
Deutsche Bank Contingent Capital LLC III
Deutsche Bank Contingent Capital Trust III
Deutsche Bank Contingent Capital LLC IV
Deutsche Bank Contingent Capital Trust IV
Deutsche Bank Contingent Capital LLC V
Deutsche Bank Contingent Capital Trust V
Deutsche Postbank Funding LLC I
Deutsche Postbank Funding Trust I
Deutsche Postbank Funding LLC II
Deutsche Postbank Funding Trust II
Deutsche Postbank Funding LLC III
Deutsche Postbank Funding Trust III
Deutsche Postbank Funding LLC IV
Deutsche Postbank Funding Trust IV

Attachment B
Commitments by Deutsche Bank AG
to the Board of Governors of the Federal Reserve System

In connection with the request, dated July 25, 2014, to the Board of Governors of the Federal Reserve System (the "Board") for the Board's approval under section 252.153(c) of the Board's Regulation YY for an exemption from Regulation YY's requirement that Deutsche Bank AG ("Deutsche Bank"), Frankfurt, Germany, transfer its ownership interest in the 12 Delaware statutory trusts and 12 Delaware limited liability companies described in the request (together, the "U.S. Capital SPVs") to an intermediate holding company established by Deutsche Bank for purposes of compliance with Regulation YY, Deutsche Bank makes the following commitments to the Board:

1. Deutsche Bank will not, without the prior approval of the Board, directly or indirectly, issue any new securities through the U.S. Capital SPVs;

2. Deutsche Bank and its combined U.S. operations, as defined in section 252.2(e) of Regulation YY, will not, without the prior approval of the Board, directly or indirectly, engage in any activity with any of the U.S. Capital SPVs, except that:
    i. Deutsche Bank's U.S. branch and Deutsche Bank Trust Corporation Delaware may continue to perform the servicing functions for the U.S. Capital SPVs;
    ii. Deutsche Bank Trust Company Americas may continue to perform the capital markets agency functions for the U.S. Capital SPVs; and
    iii. Deutsche Bank Securities Inc. may continue to act as market maker for the securities issued by the U.S. Capital SPVs in the ordinary course of business; and

3. To the extent the securities issued by the U.S. Capital SPVs cease to qualify as regulatory capital under applicable foreign law, Deutsche Bank will, as promptly as practicable, notify the Board and take all necessary action to liquidate the U.S. Capital SPVs or transfer the ownership interests in the U.S. Capital SPVs to its intermediate holding company.

Deutsche Bank agrees that the foregoing commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions on Deutsche Bank's request and, as such, may be enforced in proceedings under applicable law.

Attachment C
Commitment by Deutsche Bank AG
to the Board of Governors of the Federal Reserve System

In connection with the request, dated December 1, 2014, to the Board of Governors of the Federal Reserve System (the "Board") for the Board's approval under section 252.153(c) of the Board's Regulation YY for an exemption from Regulation YY's requirement that Deutsche Bank AG ("Deutsche Bank"), Frankfurt, Germany, transfer its ownership interest in the real estate special purpose vehicles described in the request to an intermediate holding company established by Deutsche Bank for purposes of compliance with Regulation YY, Deutsche Bank makes the following commitment to the Board:

1. Deutsche Bank has not offered and will not offer interests in the German real estate investment trusts described in the request or in any similar real estate investment trusts established in the future in the United States or to U.S. citizens.

Deutsche Bank agrees that the foregoing commitment is deemed to be a condition imposed in writing by the Board in connection with its findings and decisions on Deutsche Bank's request and, as such, may be enforced in proceedings under applicable law.