Rating Report
Deutsche Bank AG

DBRS Morningstar
16 July 2021

Contents

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Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	A (low)	Trend Changed July '21	Stable
Short-Term Issuer Rating	R-1 (low)	Confirmed July '21	Stable
Intrinsic Assessment	A (low)	Maintained July '21	--

Rating Drivers

Factors with Positive Rating Implications

- The ratings would be upgraded if the Bank continues to execute the transformation plan resulting in higher and more sustainable profitability, while maintaining solid capital levels and further improving internal controls.

Factors with Negative Rating Implications

- The ratings would be downgraded in case of a sustained revenue decline or material market share losses in the Bank's core businesses, or materially higher than anticipated credit losses. Any unexpected events that negatively impact the Bank's financial position or its reputation could also lead to a downgrade.

Rating Considerations

Franchise Strength (Strong/Good)

- The franchise combines three global businesses, the Investment Bank, the Corporate Bank, and Asset Management with a sizable German Retail business.

Earnings Power (Good/Moderate)

- DB's profitability has been challenged in recent years, but has been on an improving trajectory helped by progress on the cost side and a boom in investment banking, partly offset by pressure from negative rates and elevated provisioning needs.

Risk Profile (Strong/Good)

- DBRS Morningstar generally views DB's credit risk and market risk management as conservative. Operational risk has improved with settlements and better controls, but litigation risk remains an ongoing issue and DB has to demonstrate more progress in its AML risk management in particular.

Funding and Liquidity (Strong)

- The funding profile is diversified, underpinned by a substantial deposit base and various forms of wholesale funding. The liquidity position is strong and well-managed.

Capitalisation (Good)

- The regulatory risk-adjusted capital is solid. However, limited internal capital generation as well as the weak stock performance over the past decade are constraining factors.

Financial Information

Deutsche Bank Aktiengesellschaft	2020Y	2019Y	2018Y	2017Y	2016Y
EUR Millions					
Total Assets	1,325,259	1,297,674	1,348,137	1,474,732	1,590,546
Equity Attributable to Parent	60,610	60,522	67,170	67,849	64,502
Income Before Provisions and Taxes (IBPT)	3,028	173	1,905	1,872	1,168
Net Attributable Income	495	(5,390)	267	(751)	(1,402)
IBPT over Avg RWAs (%)	0.92	0.05	0.55	0.53	0.30
Cost / Income ratio (%)	87.40	99.25	92.47	92.93	95.95
Return on Avg Equity (ROAE) (%)	0.81	-8.36	0.40	-1.10	-2.11
Gross NPLs over Gross Loans (%)	2.41	1.68	1.74	1.52	1.76
CET1 Ratio (Fully-Loaded) (%)	13.60	13.60	13.60	14.03	11.80

Source: DBRS Morningstar Analysis; Copyright © 2021, S&P Global Market Intelligence.

Issuer Description

Deutsche Bank AG (DB, or the Bank) is a global financial services company with a significant international Capital Markets franchise, a Corporate Bank with a focus on German and multinational companies, an Asset Manager that maintains solid market positioning in Germany and across Europe, as well as a predominantly German Retail and a more international Private Bank.

Rating Rationale

The trend change to Stable from Negative reflects the progress that has been made in de-risking the Bank and in executing the transformation plan, which in DBRS Morningstar's view has stabilised the franchise and helped DB take advantage of the strong global demand for investment banking services since the beginning of COVID-19 pandemic. The trend change also reflects the achievements made on the expense side, while maintaining a well managed credit and market risk profile, and solid balance sheet fundamentals.

DB's ratings continue to reflect the Bank's global franchise and strong position in Germany. DB's resilience in the face of wide-scale economic disruption caused by the pandemic underscores the benefits of a diversified business model, whereby strong investment banking results have offset pressure on net interest income and higher loan loss provisions. However, the ratings are constrained by DB's still weak profitability, as well as by the remaining work required to complete the Bank's transformation plan, and the Bank's need to further improve internal controls and processes.

Franchise Strength

Grid Grade: Strong/Good

With total assets of EUR 1.3 trillion at end-Q1 2021, DB is one of the largest financial institutions globally and has a well-established global franchise across diverse products and geographies. In July 2019, DB announced a strategic transformation programme, which in DBRS Morningstar's opinion, should result in the Bank becoming a smaller, more focused, less risky and more efficient bank. Given the improved demand environment for the Investment Bank resulting from the COVID-19 pandemic as well as higher client engagement this unit's share of revenues has increased in 2020. However, rather than a sign of increased risk taking, in DBRS Morningstar's view this demonstrates the strength of a diversified business model given net interest income has come under pressure due to the negative interest rate environment. As the economy is recovering, we expect the revenue contribution from traditional banking to increase.

DB has been shifting focus toward being a more European-focused Investment Bank (IB) with key strengths in rates, foreign exchange markets and debt underwriting as well as a Corporate Bank (CB), with a strong competitive position in global transaction banking among others, combined with a Private Bank (PB) and a leading asset manager. The Bank's current business mix results in about 38% of revenues generated within the IB, 21% in the Corporate Bank (CB), 33% within PB, and 9% within Asset Management (AM).

Exhibit 1 Segment Net Revenues - 2020

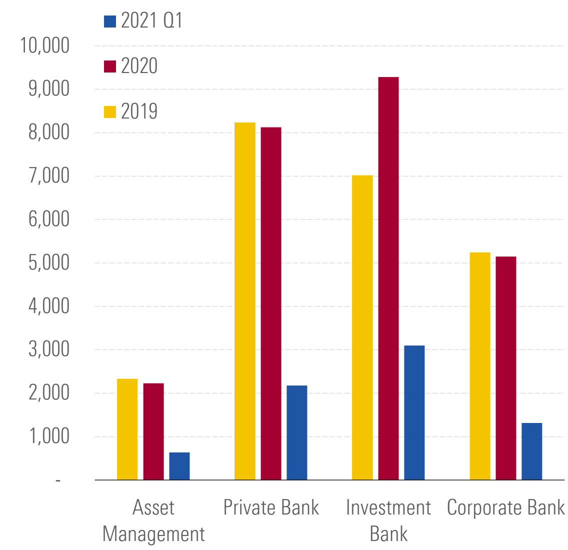
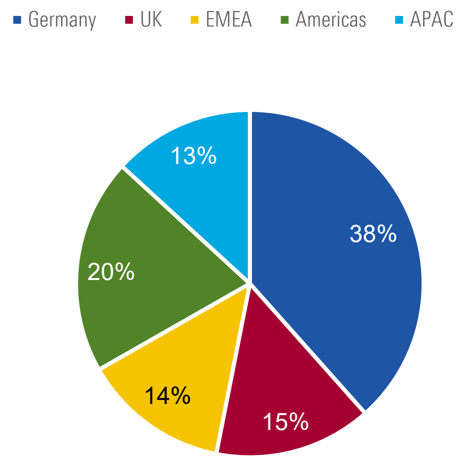


Exhibit 2 Geographic Distribution Net Revenues - 2020



Source: DBRS Morningstar, Company Documents.

In the aftermath of the financial crisis, DB has been facing the challenge of balancing the need to de-risk its balance sheet and improve profitability, while also investing in the franchise. However, progress has been slow especially with regards to profitability, and the Bank's competitive position in the Investment Bank was eroding. In response, in July 2019 the Bank announced far-reaching strategic changes with the following key highlights:

- Creation of a separate 'Corporate Bank' by combining the Global Transaction Bank and the German Commercial Banking business.
- Exit of the Equities Sales & Trading business and reduction of the amount of capital used by the Fixed-Income Sales & Trading business, in particular Rates.
- Creation of a 'Capital Release Unit' (CRU) to which the Bank initially transferred approximately EUR 288 billion of non-core assets, or about 20% of DB's leverage exposure, and 74 billion euros of risk weighted assets (RWA) for wind-down or disposal.
- Funding the transformation mainly through the capital release as the CRU is winding down and maintaining a minimum Common Equity Tier 1 ratio of 12.5%.
- Leverage ratio to increase to 4.5% in 2020 and approximately 5% from 2022 onwards.
- Reduction of adjusted costs by 2022 by approximately EUR 6 billion to EUR 17 billion.
- Target Return on Tangible Equity of 8% by 2022.
- Investments of EUR 13 billion in technology by 2022, to improve efficiency, and risk management

DB has laid out clear interim targets and has executed on these targets. Events such as the ECB rate cut, the COVID Pandemic, the industry-wide impact of the Greensill Bank resolution as well as a German court ruling regarding the imposition of account servicing fees, has led to minor adjustments of 2022 targets for revenue (from EUR 25.0 billion to 24.4 billion), adjusted cost (from EUR 17.0 billion to 16.7 billion) and leverage (from 5.0% to 4.5%). However, overall DBRS Morningstar does not view the restructuring programme itself to be in jeopardy, and believes that DB is better positioned as a result of the restructuring efforts to date.

Investment Bank (IB) – Net Revenues of EUR 9.3 billion in 20120 (Q1 Financial Data Supplement)

Contributing 38% of 2020 net revenues, the IB is a sizable and important global business for DB. In 2019, the IB business underwent a major strategic repositioning, including a more focused business profile, enhanced risk management, cost cutting and technology investments. In an unprecedented move by a full-service investment bank, DB exited the scale-driven Equity Sales & Trading business and put its Prime Brokerage business up for sale in order to focus on its core Fixed Income franchise. DB also tightened its risk management in Fixed Income Currency Sales & Trading (FIC) as well as its costs controls. FIC is DB's most important revenue contributor in the IB and the Bank is targeting a top-five position globally and a top-three position in EMEA. According to the 2020 Coalition data, DB has a top 4-6 position globally as well as in EMEA, while the top three positions are held by US banks, DBRS Morningstar is carefully monitoring the Bank's revenue and market share performance in this segment. In Origination and Advisory the Bank's goal to increase its market share in Debt Origination was achieved in 2020.

Corporate Bank (CB) - Net revenues of EUR 5.1 billion in 2020 (Q1 Financial Data Supplement)
Following the strategic transformation announcement in July 2019, DB created a separate corporate banking segment, which consolidated various client-facing coverage and service units into one. This includes DB's Global Transaction Banking as well as Commercial Banking. GTB is a leading provider of cash management, trade finance and securities services globally to 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. In its Commercial Bank, the focus is on Germany, where DB services 900,000 clients from large multinationals to SMEs.

Private Bank (PB) – Net Revenues of EUR 8.1 billion in 2020 (Q1 Financial Data Supplement)
PB includes German Retail Banking under the Deutsche Bank and the Postbank brand, the Private and Commercial Business International as well as Wealth Management, which serves domestic and international customers. DB has a Private & Commercial banking presence in Italy, Spain, Belgium, Portugal and India. The Private Bank accounted for 33% of 2020 consolidated net revenues. DB is in the process of integrating Postbank into its Retail Bank, with expected synergies of EUR 900 million annually by 2022. The Retail Bank has 19 million retail clients in Germany, benefitting from scale and increased digital investments. Within its Wealth Management business, DB serves wealthy, high-net-worth and ultra-high-net-worth individuals and families. Services include wealth structuring, wealth transfer, philanthropy services, customized investment solutions, investment advice, and financing solutions. DB can also meet a client's institutional and corporate needs in collaboration with the Investment Bank.

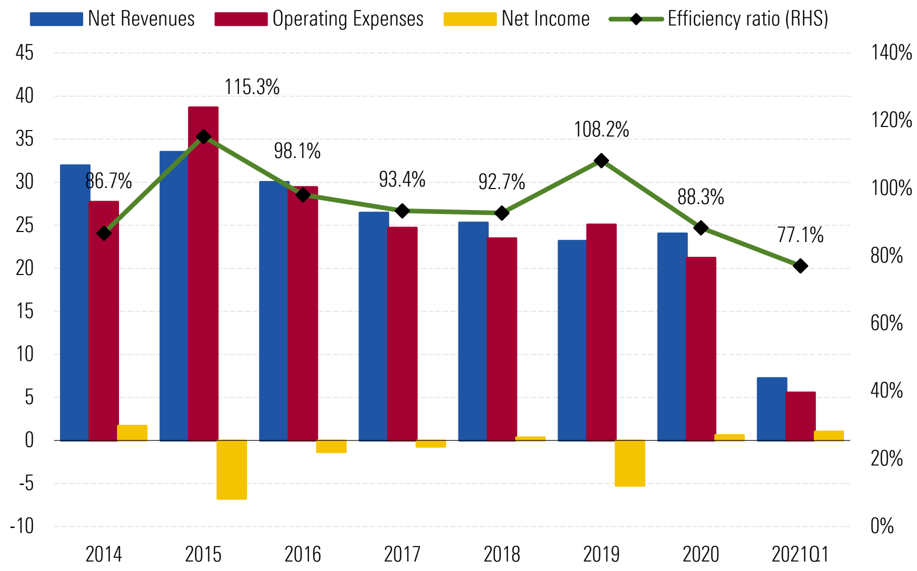
Asset Management (AM) - Net Revenues of EUR 2.2 billion in 2020 (Q1 Financial Data Supplement)
DB has a sizable Asset Management business which ranked #17 globally as of 2020. With EUR 793 billion in assets under management (AUM) at the end of 2020, AM remains a core business for the Bank. Traditionally, asset management was a stable, high margin business with low capital needs. However, in recent years, competitive pressure has increased and the industry has experienced margin erosion. As a result, efficiency gains through digitalisation, cost cuts, strategic alliances and mergers have become a common industry theme. In March 2018, AM completed its initial public offering, branded as DWS, and is now listed on the Frankfurt stock exchange. While DBRS Morningstar views the partial IPO as ceding a portion of earnings and adding complexity to the structure, it also provides the business with greater strategic options.

Earnings Power

Grid Grade: Good/Moderate

DB's profitability has been significantly challenged in recent years by factors such as the low interest rate environment, the refocusing of businesses, and low capital levels, which have left DB with less flexibility to invest in its franchise compared to peers. However, in DBRS Morningstar's opinion, 2020 has been a turning point for the Bank, as the increased revenues at the Investment Bank due to the COVID-19 pandemic helped offset continued margin pressure, higher provisioning needs and restructuring costs. In 2020 DB reported a EUR 113 million profit attributable to shareholders. Although still very modest, this was nevertheless the first annual profit since 2014. Strong revenue trends continued in Q1 2021 (up 13.9%). In our view the results indicate that DB has managed to stabilise its franchise and we consider some of the revenue improvement to be sustainable for the Bank. We also expect provisioning needs to decline in 2021 compared to 2020, and 2021 will also be the last year of heavy transformation-related costs with an estimated amount of EUR 1.1 billion (including severance and restructuring). This is somewhat offset by headwinds from continued margin pressure, higher regulatory levies and a recent German court ruling that affects account servicing fees.

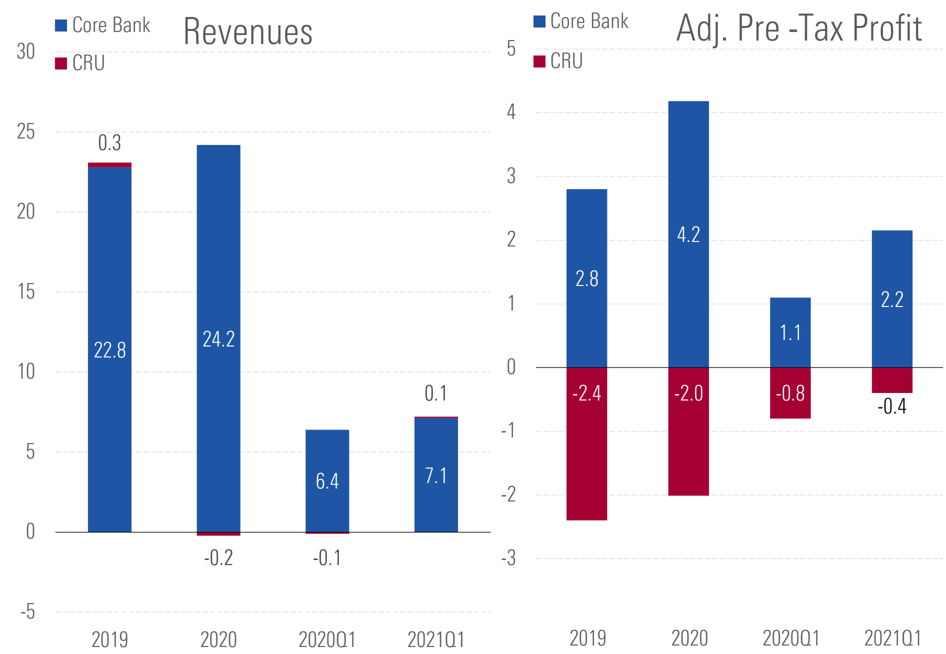
Exhibit 3 Profitability Evolution (EUR billion)



Source: DBRS Morningstar, Company Documents.

DB's 2020 EUR 113 million profit attributable to shareholders, was supported by strong Investment Banking revenues and continued cost cuts, despite elevated credit and transformation related expenses. Group revenues increased by 4% Year-on Year (YoY) to EUR 24.0 billion, and core revenues, excluding the Capital Release Unit (CRU) and specific items, increased by 6% to EUR 24.2 billion. The Bank reported a EUR 908 million profit attributable to shareholders for Q1 2021 compared to a loss of EUR 43 million in Q1 2020. This translates into an ROE of 6.6%, representing the highest quarterly profit since 2014, owed largely to a significant revenue increase in the Investment Banking division, strong Asset Management results, and materially lower credit provisions. Q1 2021 Group net revenues increased by 12% YoY to EUR 7.2 billion, and core revenues, excluding the Capital Release Unit (CRU) and specific items, increased by 12% to EUR 7.1 billion despite a 14% YoY decrease in net interest income.

Exhibit 4 Core Banking Performance (EUR billion)



Source: DBRS Morningstar, Company Documents.

Much of the 2020 and Q1 2021 revenue growth was driven by the reinvigorated Investment Bank, which continued to benefit from market volatility as well as strong origination volumes. In 2020 total IB revenues increased by 32% YoY, with Fixed Income & Currencies (FIC) up 28% and Origination and Advisory revenues increasing by 34%. In Q1 2021, the Investment Bank results continued this trend, with net revenues up 32% YoY to EUR 3.1 billion. Growth in FIC revenues was 34% YoY, a level of growth outperforming most Wall Street peers, as the Bank experienced strength in Credit Trading and Financing and the absence of the negative market-to-market impact in the prior-year quarter. This offset the revenue declines in Rates, Foreign Exchange and Emerging Markets resulting from a return to more normalised levels. The Bank gained market share in Origination & Advisory, where revenues rose 40% YoY to EUR 644 million, owing to significant growth in Equity Origination (up EUR 176 million YoY to EUR 196 million), following high levels of activity in Special Purpose Acquisition Companies (SPACs), as well as growth in IPOs and follow-ons. Debt origination increased 5% YoY to EUR 385 million, aided by a rebound in Leveraged Debt Capital Markets, and strength in Supranationals, Sovereigns and Agencies (SSAs). In our view the results show that DB has managed to stabilise its franchise and we consider some of the revenue improvement to be sustainable for the Bank, even as the current revenue boost may gradually subside.

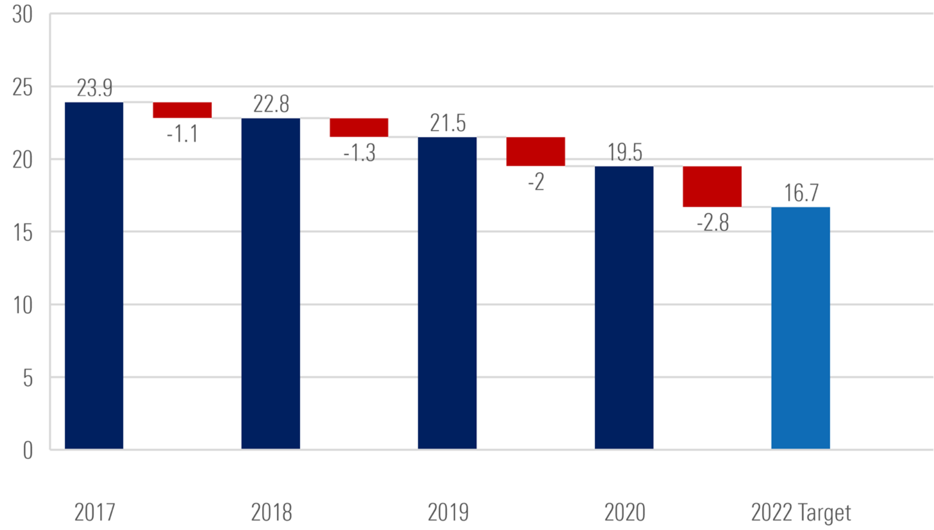
In Q1 2012, both Corporate Bank and Private Bank revenues were largely flat YoY. Both segments saw interest rate headwinds partly compensated for by tailwinds from progress on deposit re-pricing, and the ECB's TLTRO III programme. The Private Bank also balanced deposit margin compression resulting from low interest rates, with continued growth in loans as well as investment products. Asset management benefitted from strong market performance, resulting in asset inflows, higher performance fees and positive fair value changes of guarantees, offsetting industry-wide margin pressure.

For the Bank overall, net interest income (NII) declined 16% YoY in 2020 to EUR 11.5 billion and 14% YoY in Q1 2021 to EUR 2.8 billion as a result of margin pressure only partly offset by benefits from TLTRO III and deposit charging. In Q1 2021, DB accrued an additional benefit from TLTRO III of EUR 125 million, charging agreements (negative rates charged to customers) added another EUR 80 million during the quarter. For the remainder of the year, we expect benefits from TLTRO III to continue, albeit on a smaller scale, and charging agreements to be gradually expanded, while an improvement in the economy and the end of lockdowns could also alleviate pressure from deposit inflows. However, overall, the low rate environment is expected to continue to have a dampening effect on NII.

Cost control has been a key focus for DB and the Bank remains on track compared to its targets. Despite a continuous reduction in adjusted costs, the efficiency ratio is still very high as shown in Exhibit 3, partly as a result of the ongoing impact from transformation charges and restructuring and severance costs. 2020 adjusted costs (excluding transformation-related charges and Prime Finance) declined by 9% YoY to EUR 19.5 billion compared to the 2022 target of EUR 16.7 billion. Transformation-related expenses were EUR 490 million, while restructuring and severance costs were EUR 688 million. In Q1 2021 adjusted costs (excluding transformation charges and Prime Finance) declined further by 2% YoY to EUR 5.3 billion. Reported costs were EUR 5.6 billion, down 1% YoY. The number of employees (full time equivalent) declined 3% YoY to 84,389, with the largest employee reduction noted in the Private Bank (down 5% YoY to 29,522). This compares with the 2022 goal of 74,000. By the end of Q1 2021, the Bank had absorbed 87% of transformation-related expenses, and 2021 will be the last year of heavy transformation-related costs with an estimated amount of EUR 1.1 billion (including severance and restructuring).

Progress in cost management has been partly offset by a higher than expected bank levy of EUR 0.6 billion, following an increased target for the Single Resolution Fund. In addition, the Bank is subject to an additional contribution to the statutory German deposit insurance scheme of EUR 70 million for 2021 and EUR 60 million per year until 2024 as a consequence of the Greensill Bank resolution. Finally, DB announced a roughly EUR 100 million charge to the German court decision that companies cannot unilaterally change terms and conditions of client contracts (negative consent), allowing clients to challenge account servicing fee increases since 2018. Despite these headwinds, we expect that the effect of the measures implemented as well as the significant reduction in transformation-related costs themselves will lead to a more noticeable effect on the Bank's bottom line starting in 2022.

Exhibit 5 Adjusted Costs ex Transformation Charges (EUR billion)



Source: DBRS Morningstar, Company Documents.

The Bank provisioned EUR 1.8 billion or 41 bps for credit losses in 2020, and EUR 69 million in Q1 2021, a reduction of 86% on Q1 2020, partly due to the 40% reduction in Stage 3 provisions. This results from reduced impairment events, accompanied with provision releases on certain exposures. Additionally, the Bank released reserves for Stage 1 and Stage 2 loans, reflecting an improved macroeconomic outlook. The cost of risk was 6 basis points for the quarter, however, the bank guided towards an average of 25 basis points for full-year 2021.

Risk Profile

Grid Grade: Strong/Good

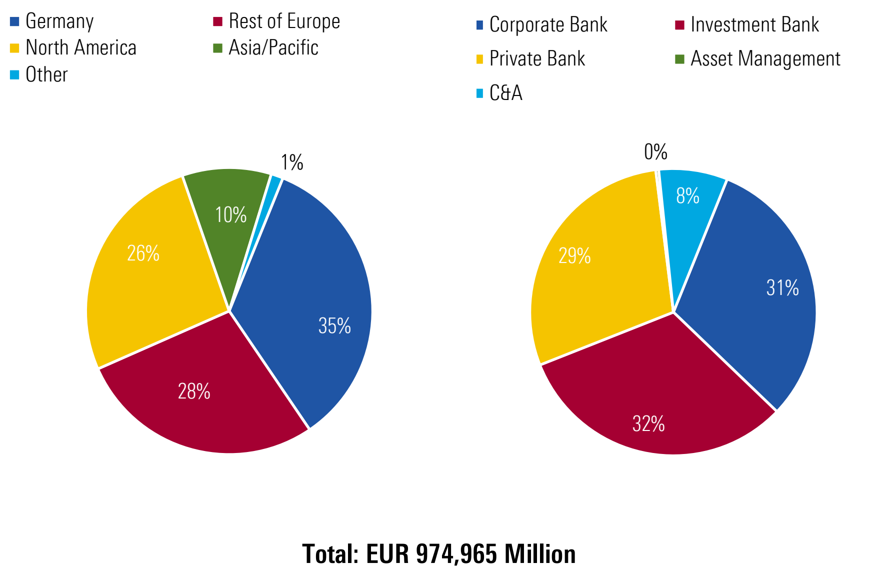
In DBRS Morningstar's view, DB has maintained a good credit risk profile and has managed its market risk well, although operational risk issues persist. Given the likelihood of a delayed impact from the COVID-19 pandemic on asset quality we continue to monitor DB's credit risk. Following years of de-risking, DB's market risks and operational risk have declined. However, market risk can still potentially cause significant disruptions to investment banks, as demonstrated by recent market-related events that led to trading losses at some of DB's peers. Also, the scrutiny of DB's regulators in relation to Anti Money Laundering (AML) processes underscores the need for further improvements in operational risk.

Since the beginning of the pandemic, there has been an increase on non-preforming loans, driven by commercial real estate, consumer finance and lending to financial institutions**.** In 2020 the Bank provisioned EUR 1.8 billion or 41 basis points of total loans for credit losses. Stage 3 loans represented 2.9% of total loans in Q4 2020, flat QoQ compared to 2.2% a year earlier. In Q1 2021, loan loss provisions declined to EUR 69 million, a reduction of 86% on Q1 2020, due to a reduction in impairment events and an improved macroeconomic outlook, and the Stage 3 ratio declined slightly to 2.8% QoQ. The Bank guided towards full-year 2021 cost of risk of about 25 basis points. While provisions have likely peaked, further deterioration in asset quality metrics cannot be ruled out as support programs are phased out.

Historically, DB's credit performance has been solid when compared to peers. In DBRS Morningstar's view, this is due to a combination of a low percentage of unsecured consumer loans, DB's resilient home market, Germany, and disciplined and prudent risk management. Since the financial crisis risk management has further improved: systems and processes have been refined, concentration risk has declined, credit positions are typically senior, and risk is additionally mitigated with the help of collateral or hedges. Through the Postbank acquisition, the Bank has also added a large proportion of low risk German residential mortgage loans to the portfolio.

Geographically, the Bank's credit exposures are in Germany (35%), North America (26%), and Rest of Europe (28%). The Bank also has meaningful exposures in Asia Pacific. The exposure in the US is largely via the investment bank and loans to large multinational corporates. The credit exposure is relatively evenly distributed by credit line as shown in the exhibit below.

Exhibit 6 Total Credit Exposure by Geography & Business - FY 2020 (%)



Source: DBRS Morningstar, Company Documents.

Given the global reach of the pandemic and government support measures being removed at some point, DBRS Morningstar believes that banks' asset quality could deteriorate, even as the economy improves. However, diversification, tight underwriting standards, risk mitigation measures as well as government programmes should help mitigate some of the impact.

At the end of Q1 2021, DB's loans at amortised costs were EUR 440 billion, down from EUR 459 billion in Q4 2020, as commercial customers paid back credit lines they had drawn on and the economic environment was weak. DB's portfolio is highly granular and there are a number of risk mitigating measures such as collateralisation and hedges in place, which cover a large part of the loan exposure. As of end-Q3 2020, approximately 15% of DB's loan book pertained to sectors that could be experiencing increased stress ('focus portfolios'). CRE constituted the biggest sub-segment at EUR 31 billion or 7% of total loans. Exposure to hotels was EUR 5 billion and according to the Bank mitigated by low LTVs and strong sponsors. Within CRE a portfolio of EUR 1.6 billion is under stress. More than 90% of those assets are located in the US with a high concentration in hotels, where indicative LTVs have increased to around 80%, as well as retail and smaller condos.

Other focus areas include aviation finance, consumer loans, and the leveraged debt capital markets (LDCM) portfolio. The aviation finance portfolio was EUR 3 billion at end-Q3 2020 and 83% of loans were performing. At end-Q3 2020, the LDCM portfolio stood at EUR 5 billion of which around 20% were asset based lending, with the remainder first lien secured mainly revolving credit facilities, and was largely hedged against market risk, The Bank also has a EUR 22 billion consumer loan book if EUR 15 billion in Germany and EUR 7 billion in Northern Italy. As of end-Q3 2020, delinquency ratios remained low at 1.4%.

Market risk

DB uses limits for value-at-risk (VaR), economic capital and portfolio stress tests to manage market risk in various trading books. As to be expected in a volatile market environment, VAR increased after the onset of the COVID-19 pandemic, reaching a high of EUR 133 million at the peak, but closed the year at EUR 48 million compared to EUR 39 million at the end of 2019. Following its exit from Equity S&T and improved risk practices in its FICC business, DB has not reported any major market risk failures. In particular, we note that DB has not incurred any losses from its exposure to Archegos as part of its prime brokerage business to be transferred to BNP Paribas in 2022, for which DB is still fully accountable.

Operational Risk

DB has been adversely affected by conduct risk issues in the past, which have had a significant financial and reputational impact. In recent years, the Bank has made considerable progress in addressing certain legal issues, which are now less material in terms of financial impact. However, operational risks remains a concern, given the limited flexibility the Bank has to absorb these risks due to its still low profitability.

In our view, compliance with anti-financial crime requirements remains the biggest outstanding task with regulators in the US, the UK and Germany. The Bank has invested considerable amounts of resources in technology and staff, significantly increasing the number of names screened and conversations monitored on a daily basis. However, regulators particularly in Germany and the US expect more and faster progress, which has led to a recent reorganisation of anti-financial crime responsibilities within the Bank.

Funding and Liquidity

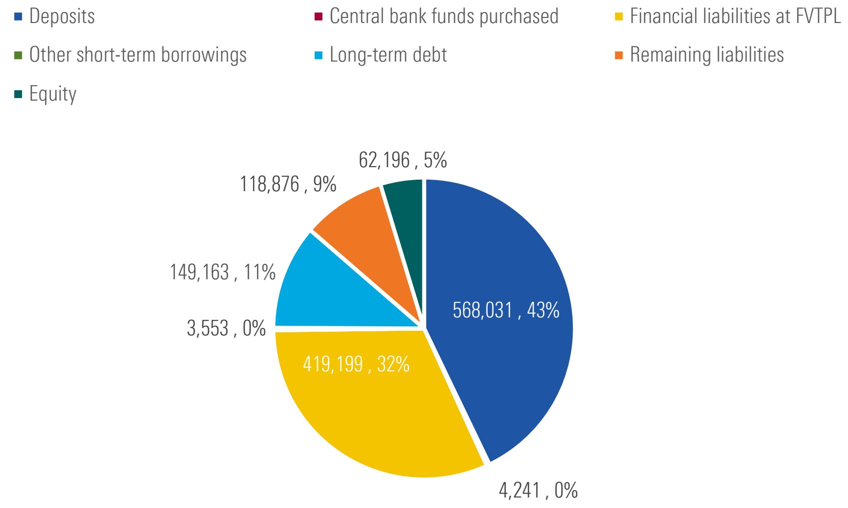
Grid Grade: Strong

DB maintains a sound liquidity profile and has a comprehensive framework in place to manage its liquidity and funding needs. The Bank's deposit franchise continues to support the overall funding profile, with EUR 493 billion of deposits from customers and a loan-to-deposit ratio (based on DBRS Morningstar methodology) of 89% as of end-2020. The Bank reported liquidity reserves of EUR 243 billion at end-2020, up from EUR 222 billion at end-2019 supported by the Bank's participation in the ECB Targeted Long-Term Refinancing Operation (TLTRO) resulting in a strong liquidity coverage ratio (LCR) of 145%. The LCR ratio was comfortably above the 100% minimum and compares favourably to peers.

The Bank's liquidity & funding framework covers three specific areas: i) management of intraday exposures, including daily payments, forecasting cash flows and central bank access; ii) access to secured and unsecured funding sources, and iii) the maturity profile of all assets/liabilities and issuance strategy, and is supplemented with stressed scenario analysis looking at inventory characteristics under various stress scenarios and contingent funding requirements. In the recent past, DB has improved its stress test methodology, rolled out a company-wide funds transfer pricing model to optimise allocation decisions and is running daily T+1 liquidity risk and LCR reporting.

Given the negative interest rates, the Bank has tried to slow down deposit growth, by passing on the negative rates to customers, mostly corporate deposits, but also on large balances of select retail clients.

Exhibit 7 Liability Structure - 2020



Source: DBRS Morningstar, Company Documents.

DB also calculates a stressed net liquidity position (sNLP). Key differences between this internal liquidity stress test and the LCR include a different time horizon (eight weeks versus 30 days) and different in- and outflow assumptions. As of year-end 2020, DB reported a sNLP of EUR 43 billion, up from EUR 28.1 billion in 2019, and well above the minimum risk appetite of EUR 10.0 billion.

In response to the COVID-19 pandemic the ECB has made available various low rate funding options to Eurozone banks. So far, DB has participated in approximately EUR 41 billion of the current TLTRO III programme. This has been partly offset by maturing debt issuances and lower wholesale funding. DB has expressed its intention to put more of its balance sheet to work. As a result we expect a modest decline in liquidity metrics as the global economy improves.

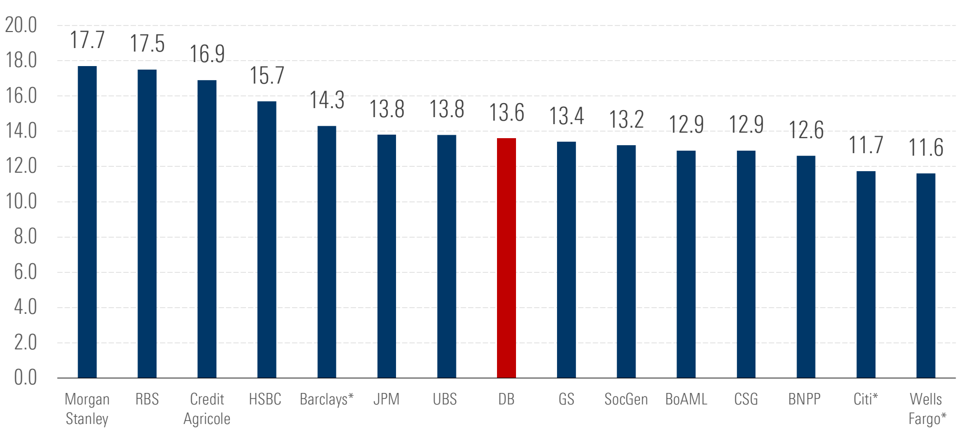
Capitalisation

Grid Grade: Good

DBRS Morningstar views DB's capitalisation as providing a sufficient cushion to absorb potential losses and changes to risk weighted assets (RWA). While the Bank's fully-loaded Common Equity Tier 1 (CET1) ratio and its leverage ratio are comparable to larger global peers (see Exhibit 8 and 9), DBRS Morningstar sees DB's ability to generate capital internally as constrained due to its profitability challenges. DBRS Morningstar also sees the Bank as having limited flexibility to further raise capital externally given three capital raises in past years (EUR 2.8 billion in April 2013, EUR 8.5 billion in June 2014, and EUR 8 billion in April 2017) and the still low stock price.

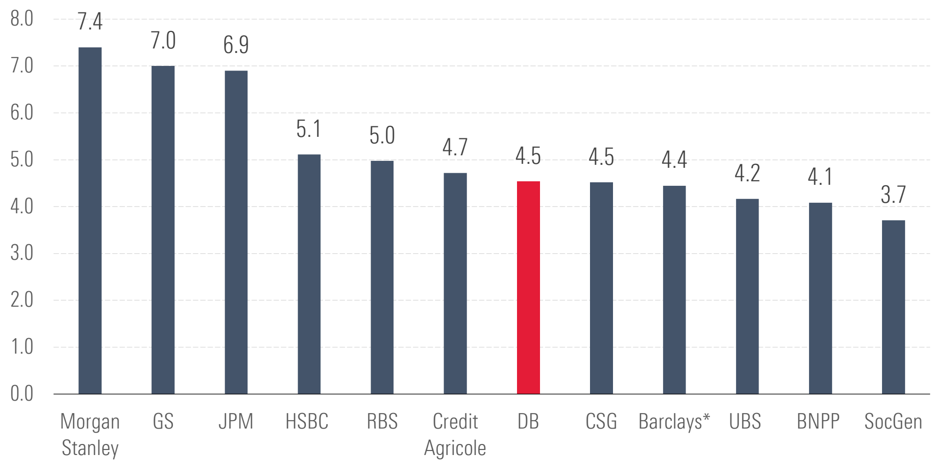
At end-Q1 2021 DB's CET1 ratio was 13.7%, compared to a minimum regulatory requirement of 10.42%. However, the Bank guided towards a ca. 80 bps drop of the CET1 ratio in Q2 2021, as the ECB is expected to conclude its targeted review of internal models (TRIM) by issuing final decisions regarding leverage lending and banks and financial institutions, and the Bank will have to implement the EBA guideline on definition of default and revised RWA calculations in relation to CRR2. This would still leave the Bank with a cushion of approximately 250 basis points over regulatory minimum requirements.

Exhibit 8 Fully Loaded CET1 Versus Peers Ratio (%) - 2020



Source: DBRS Morningstar, Company Documents; *Phased in CET1 Ratio.

Exhibit 9 Leverage Ratios Versus Peers (%) - 2020



Source: DBRS Morningstar, Company Documents; *UK Leverage Ratio.

The Bank's fully-loaded leverage ratio was 4.6% (or 4.2% excluding funds held at the ECB) at end-Q1 2021, compared to the required minimum of 3.0% and the Bank's goal of 4.5% for end 2020. The Tier 1 capital ratio at 15.8% and the total capital ratio of 17.8% were comfortably above regulatory minimum levels. Similar to the CET1 ratio some pressure form regulatory changes is expected for 2Q 2021.

Deutsche Bank AG
ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
	Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		**Overall:**	**Y**	**R**
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or	N	N
		Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights:	**N**	**N**
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	Y	R
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		**Overall:**	**Y**	**R**
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks:	**N**	**N**
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	Y	R
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance:	**N**	**N**
		Consolidated ESG Criteria Output:	**Y**	**R**

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental

The Environmental factor does not affect the ratings or trend assigned to Deutsche Bank. Compared to global peers, the Bank has limited exposure to oil, gas, coal and related industries. Also, the Bank has made efforts to improve its environmental impact, namely by setting out a new fossil fuel policy under which the Bank intends to end its coal mining related business activities by 2025 at the latest. Further, the Bank also said that it will no longer finance oil sand or energy projects in the Arctic, and will be cutting ties with fracking projects in countries with reduced water supply.

Social

The Social factor does not affect the ratings or trend assigned to Deutsche Bank. However, the 'Product Governance' subfactor is considered as relevant to Deutsche Bank. Large retail banks can be subject to product governance and data security failures. Recent events for DB include the case of potential misselling of complex currency derivative products to small companies in Spain possibly violating the EU's MiFID II rules. At this point, the full extent is not yet clear.

Governance

The Governance factor does not currently affect the ratings or trend assigned to Deutsche Bank. However, the 'Business Ethics' Governance subfactor is considered as relevant. In the past, the Bank has been involved in various high-profile and costly cases, which have now been resolved. Currently, the Bank is subject to scrutiny regarding its Anti-Money Laundering (AML) framework, which carries the potential for financial penalties. This has been reflected in the Bank's risk building block grades. Given DB's still modest profitability, any outsized fine related to AML or other could have an impact on ratings or trend in the future.

Company Financials

	Deutsche Bank AG	**Deutsche Bank AG**	**Deutsche Bank AG**	**Deutsche Bank AG**	**Deutsche Bank AG**
EUR Millions	2020Y	2019Y	2018Y	2017Y	2016Y
Balance Sheet	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Cash and Deposits with Central Banks	175,338	147,228	197,612	234,920	192,970
Lending to/Deposits with Credit Institutions	5,514	6,201	6,605	12,838	13,276
Financial Securities	232,814	237,106	286,792	336,845	330,974
Financial Derivatives Instruments	346,758	335,711	323,086	364,185	488,666
Net Lending to Customers	437,520	444,048	422,986	407,225	419,090
- Gross Lending to Customers	442,343	448,066	427,233	411,146	423,636
- Loan Loss Reserves	4,823	4,018	4,247	3,921	4,546
Investment in Associates or Subsidiaries	901	929	879	866	1,027
Total Intangible Assets	6,725	7,029	9,141	8,839	8,982
Fixed Assets	5,549	4,930	2,421	2,663	2,804
Insurance Assets	NA	NA	NA	NA	NA
Other Assets (including DTAs)	114,140	114,492	98,615	106,351	132,757
Assets	1,325,259	1,297,674	1,348,137	1,474,732	1,590,546
Deposits from Banks	75,432	76,856	81,980	98,041	NA
Deposits from Central Banks	NA	NA	NA	NA	NA
Deposits from Credit Institutions	NA	NA	NA	NA	NA
Deposits from Customers	492,599	495,352	482,425	483,832	NA
Issued Debt Securities	241,963	225,275	278,813	326,254	324,690
Issued Subordinated Debt	8,989	9,280	10,312	13,590	14,135
Financial Derivatives Instruments	329,054	317,937	303,409	344,020	468,451
Insurance Liabilities	526	544	512	574	592
Other Liabilities	114,500	110,271	121,949	140,322	717,859
Equity Attributable to Parent	60,610	60,522	67,170	67,849	64,502
Minority Interests	1,587	1,638	1,568	250	316
Liabilities & Equity	1,325,259	1,297,675	1,348,137	1,474,732	1,590,546

	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
EUR Millions	2020Y	2019Y	2018Y	2017Y	2016Y
Income Statement	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Interest Income	17,854	25,208	24,718	23,542	25,143
Interest Expenses	6,329	11,458	11,402	11,164	10,436
Net Interest Income	11,526	13,749	13,316	12,378	14,707
Net Fees and Commissions	9,424	9,520	10,039	11,002	11,744
Results from Financial Operations	2,793	-179	1,025	2,852	744
Equity Method Results	120	110	219	137	455
Net Income from Insurance Operations	3	3	3	4	-285
Other Operating Income	162	-40	712	111	1,462
Total Operating Income	24,028	23,163	25,314	26,484	28,827
Staff Costs	10,471	11,142	11,814	12,253	11,874
Other Operating Costs	8,468	9,543	10,070	10,983	14,525
Depreciation/Amortisation	2,061	2,305	1,525	1,376	1,260
Total Operating Expenses	21,000	22,990	23,409	24,612	27,659
Income Before Provisions and Taxes (IBPT)	3,028	173	1,905	1,872	1,168
Loan Loss Provisions	1,792	723	525	525	1,383
Securities & Other Financial Assets Impairmen	0	0	0	37	42
Other Impairments	144	2,086	51	82	1,409
Other Non-Operating Income (Net)	-71	2	1	0	856
Income Before Taxes (IBT)	1,021	-2,634	1,330	1,228	-810
Tax on Profit	397	2,630	989	1,963	546
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	129	125	75	15	45
Net Attributable Income	495	-5,390	267	-751	-1,402

	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
	2020Y	2019Y	2018Y	2017Y	2016Y
Earnings Power					
Earnings					
Net Interest Margin (%)	0.94	1.08	1.04	0.89	0.96
Yield on Average Earning Assets (%)	1.45	1.98	1.92	1.69	1.64
Cost of Interest Bearing Liabilities (%)	0.53	0.95	0.95	0.86	0.73
IBPT over Avg Assets (%)	0.22	0.01	0.13	0.12	0.07
IBPT over Avg RWAs (%)	0.92	0.05	0.55	0.53	0.30
Expenses					
Cost / Income ratio (%)	87.40	99.25	92.47	92.93	95.95
Operating Expenses by Employee	248,054	262,452	255,175	252,340	277,300
LLP / IBPT (%)	59.18	417.92	27.56	28.04	118.41
Profitability Returns					
Return on Avg Equity (ROAE) (%)	0.81	-8.36	0.40	-1.10	-2.11
Return on Avg Assets (ROAA) (%)	0.04	-0.37	0.02	-0.05	-0.08
Return on Avg RWAs (%)	0.19	-1.53	0.10	-0.21	-0.35
Dividend Payout Ratio (%)	0.00	-4.22	85.09	-52.28	0.00
Internal Capital Generation (%)	0.82	-8.57	0.06	-1.96	-2.31
Risk Profile					
Gross NPLs over Gross Loans (%)	2.41	1.68	1.74	1.52	1.76
Net NPLs over Net Loans (%)	1.33	0.79	0.76	0.57	0.69
NPL Coverage Ratio (%)	45.27	53.35	56.99	62.90	61.04
Net NPLs over IBPT (%)	192.60	2,030.64	168.24	123.56	248.37
Net NPLs over CET1 (%)	13.05	7.96	6.75	4.55	6.07
Texas Ratio (%)	15.90	11.38	10.21	8.66	10.74
Cost of Risk (%)	0.40	0.17	0.13	0.13	0.31
Level 2 Assets/ Total Assets (%)	36.95	36.80	35.34	34.80	39.79
Level 3 Assets/ Total Assets (%)	1.78	1.88	1.83	1.49	1.65
Funding and Liquidity					
Bank Deposits over Funding (%)	9.20	9.50	9.57	10.57	NA
- Interbank over Funding (%)	NA	NA	NA	NA	NA
- Central Bank over Funding (%)	NA	NA	NA	NA	NA
Customer Deposits over Funding (%)	60.05	61.25	56.31	52.18	NA
Wholesale Funding over Funding (%)	30.75	29.25	34.12	37.24	NA
- Debt Securities over Funding (%)	29.50	27.85	32.55	35.19	NA
- Subordinated Debt over Funding (%)	1.26	1.40	1.57	2.06	NA
Liquid Assets over Assets (%)	31.21	30.10	36.42	39.64	33.78
Non-Deposit Funding Ratio (%)	61.00	59.91	62.29	65.60	NA
Net Loan to Deposit Ratio (%)	88.82	89.64	87.68	84.17	NA
LCR (Phased-in) (%)	166.44	144.35	150.58	162.79	127.22
NSFR (%)	NA	NA	NA	NA	NA
Capitalisation					
CET1 Ratio (Phased-In) (%)	13.59	13.63	13.55	14.80	13.41
CET1 Ratio (Fully-Loaded) (%)	13.60	13.60	13.60	14.03	11.80
Tier 1 Capital Ratio (Phased-In) (%)	15.67	15.60	15.72	16.79	15.58
Total Capital Ratio (Phased-In) (%)	17.78	17.44	17.49	18.65	17.45
Tang. Equity / Tang. Assets (%)	4.21	4.27	4.45	4.04	3.53
Leverage Ratio (DBRS) (%)	4.52	4.54	4.59	4.53	4.29
Growth					
Net Attributable Income YoY (%)	NA	NA	NA	NA	NA
Net Fees and Commissions YoY (%)	-1.0	-5.2	-8.8	-6.3	-8.0
Total Operating Expenses YoY (%)	-8.7	-1.8	-4.9	-11.0	-14.7
IBPT YoY (%)	1,650.3	-90.9	1.8	60.3	22.0
Assets YoY (%)	2.1	-3.7	-8.6	-7.3	-2.4
Gross Lending to Customers YoY (%)	-1.3	4.9	3.9	-2.9	-5.8
Net Lending to Customers YoY (%)	-1.5	5.0	3.9	-2.8	-5.7
Loan Loss Provisions YoY (%)	147.9	37.7	0.0	-62.0	44.7
Deposits from Customers YoY (%)	-0.6	2.7	-0.3	NA	NA

Source: DBRS Morningstar Analysis, Copyright © 2021, S&P Global Market Intelligence.

Rating Methodology

The applicable methodology is the *Global Methodology for Rating Banks and Banking Organisations* (8 June 2020) and the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (3 February 2021) which can be found on our website under Methodologies.

Ratings

Issuer	Debt	Rating Action	Rating	Trend
Deutsche Bank AG	Long-Term Issuer Rating	Trend Changed	A (low)	Stable
Deutsche Bank AG	Long Term Critical Obligations	Trend Changed	A (high)	Stable
Deutsche Bank AG	Long-Term Deposits	Trend Changed	A (low)	Stable
Deutsche Bank AG	Long-Term Senior Debt	Trend Changed	A (low)	Stable
Deutsche Bank AG	Senior Non-Preferred Debt	Trend Changed	BBB (high)	Stable
Deutsche Bank AG	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stable
Deutsche Bank AG	Short Term Critical Obligations	Trend Changed	R-1 (middle)	Stable
Deutsche Bank AG	Short-Term Deposits	Confirmed	R-1 (low)	Stable
Deutsche Bank AG	Short-Term Debt	Confirmed	R-1 (low)	Stable

Ratings History

Debt	Obligation	Current	2019	2018
Deutsche Bank AG	Long-Term Issuer Rating	A (low)	A (low)	A (low)
Deutsche Bank AG	Long-Term Senior Debt	A (low)	A (low)	A (low)
Deutsche Bank AG	Long-Term Deposits	A (low)	A (low)	A (low)
Deutsche Bank AG	Short-Term Issuer Rating	R-1 (low)	R-1 (low)	R-1 (low)
Deutsche Bank AG	Short-Term Debt	R-1 (low)	R-1 (low)	R-1 (low)
Deutsche Bank AG	Short-Term Deposits	R-1 (low)	R-1 (low)	R-1 (low)
Deutsche Bank AG	Senior Non-Preferred Debt	BBB (high)	BBB (high)	BBB (high)
Deutsche Bank AG	Long Term Critical Obligations Rating	A (high)	A (high)	A (high)
Deutsche Bank AG	Short Term Critical Obligations Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)

Previous Actions

- DBRS Morningstar Confirms Deutsche Bank's A (low) Long-Term Issuer Rating, Trend Changed to Stable, July 1, 2021.
- DBRS Morningstar Confirms Deutsche Bank's A (low) Long-Term Issuer Rating, Trend Remains Negative, July 3, 2020.
- DBRS Confirms Deutsche Bank's A (low) Rating, Trend Still Negative. March 29, 2019.
- DBRS Confirms Deutsche Bank's A (low) Rating, Trend Revised to Negative, May 9, 2018.
- DBRS Harmonises its Ratings Nomenclature for Banks in Europe and Asia-Pacific, July 14, 2017.
- DBRS Confirms Deutsche Bank's A (low) Issuer Rating, Trend Revised to Stable, June 7, 2017.

Related Research

- European Banks' Q1 Cost of Risk Almost Back To Pre-Pandemic Levels, But Unlikely to be Sustained, May 27, 2021
- European Firms' Q1 Capital Market Revenues Maintain Momentum, May 6, 2021
- ESG Factors for Financial Institutions, Part One: Environmental Factors, April 27, 2021
- European Banks Report High FY20 Cost of Risk, but Little Impact on Asset Quality To Date, March 30, 2021
- European Firms Post Strong Capital Markets Revenues in 2020 Fuelled by High Market Volatility, March 2, 2021
- Gender Diversity at European Banking Boards: Still a Long Way to Go, February 22, 2021
- European Banks Report Lower Cost of Risk in Q3; Asset Quality Deterioration Still To Materialise, November 17, 2020
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- Domestic Bank Mergers Likely in Europe; Cross Border Consolidation Still Difficult, October 1, 2020
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- European Banks' Internal Controls Under Scrutiny: 2020 Actions, September 8, 2020
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- Deutsche Bank AG: Rating Report, July 20, 2020
- Deutsche Bank AG, Rating Report, May 20, 2019
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European Bank Ratios & Definitions

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