

DBRS Morningstar Upgrades Deutsche Bank's Long-Term Issuer Rating to 'A', Stable trend

BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) has upgraded the Long-Term Issuer Rating of Deutsche Bank AG (DB or the Bank) to 'A', Stable trend. The Bank's Short-Term Issuer Rating remain at R-1 (low), Stable trend. The Intrinsic Assessment (IA) for the Bank has also been upgraded to A, while the Support Assessment remains SA3.

KEY RATING CONSIDERATIONS

The upgrade reflects the successful implementation of DB's strategic transformation programme, which has helped stabilise, and more recently grow the Bank's franchise, and restored profitability. At the same time, the Bank has maintained a conservative risk profile and solid capital ratios. While not entirely resolved, DBRS Morningstar also notes the progress made in addressing certain corporate governance issues, notably the Bank's Anti Money Laundering (AML) procedures.

DB's ratings are supported by the Bank's global franchise and strong position in Germany as well as its business diversification. During the past three years, DB's revenues have benefitted from above-average market volatility and the rapid rise in interest rates. Given the business momentum, the ongoing repricing of its loan portfolio to higher rates and the cost controls implemented, DBRS Morningstar expects the Bank to be able to maintain profitability levels in line with its rating also in a more steady market environment. DB has a sound funding and liquidity profile, which benefits from a large and stable deposit base mostly in Germany, supplemented by a diversified wholesale funding profile and significant liquidity cushions. While DB's profitability is still somewhat moderate when compared to global peers, the increased financial flexibility is helping the Bank to invest in growth opportunities as they arise, to take on more risk and absorb potential losses. The ratings also reflect a combination of corporate governance failures resulting in large fines and low profitability, that made DB vulnerable to a loss in market confidence in the past. As the Bank has resolved major litigation cases, strengthened internal controls and improved earnings and capital ratios, this vulnerability has declined significantly, but some issues still remain.

RATING DRIVERS

The ratings would be upgraded if the Bank demonstrates a sustainable and solid earnings profile and makes further progress on internal controls, while maintaining solid asset quality and capital ratios.

The ratings would be downgraded in case of a sustained decline in profitability or any unexpected events that negatively impact the Bank's financial position or its reputation.

RATING RATIONALE

Franchise Combined Building Block (BB) Assessment: Very Strong/Strong

With total assets of EUR 1.3 trillion at end-Q1 2023, DB operates globally, but has a regional focus on Europe, and Germany in particular. The Bank offers a wide range of products and services across Investment Banking, Private Banking (including Retail), Corporate Banking and Asset Management. After the successful implementation of a strategic transformation programme, which has helped stabilise the Bank and put it on a growth path, DB has established new profitability targets for 2025, including a return on tangible equity of at least 10% and a cost/income ratio (CIR) below 62.5%. This is expected to be achieved mainly through revenue growth as the Bank has regained financial flexibility to invest. We note that the positive business momentum could be adversely affected by the current economic uncertainty, but expect the Bank to still benefit from higher interest rates over the medium term and take advantage of its increased financial flexibility to further grow its franchise in a selective way.

Earnings Combined Building Block (BB) Assessment: Moderate

In DBRS Morningstar's opinion DB's earnings power has improved significantly over recent years driven by the restructuring programme implemented since 2019. In addition, the Bank's investment banking operation has benefitted from the increased capital market volatility since the onset of the COVID-19 pandemic. Whereas the incremental benefit from these two factors is subsiding, tailwinds from interest rate increases that started in mid-2022 should continue to support revenues going forward. In 2022, the Bank reported a pre-tax profit of EUR 5.6 billion up significantly from EUR 3.4 billion in 2021 and EUR 1.0 billion in 2020. The return on average equity (ROAE) was 8.4% in 2022. Results were supported by higher rates, volatility in capital markets, lower expenses as well as a valuation gain. The positive trend continued in Q1 2023 with a pre-tax profit of EUR 1.9 billion, up 12% Year-on-Year (YOY), driven by strong revenue performance at the Corporate Bank, and, to a lesser extent, at the Private Bank, partly offset by weakness in Investment Banking and Asset Management. The ROAE was 7.4%, up from 7.2% in Q1 2022.

Risk Combined Building Block (BB) Assessment: Strong/Good

In DBRS Morningstar's view, DB's credit risk profile is sound, benefitting from a large exposure to its stable German home market, and a diversified loan book in the rest of the world. The Bank has demonstrated good market risk management during periods of significant market volatility in recent years. Operational risk has decreased in our view, as DB has made progress in improving its anti-money laundering (AML) and other internal control procedures and has been resolving outstanding litigation cases. However, this is an ongoing process and could still result in further fines, albeit to a lesser extent than in the past. Despite a number of challenges such as the COVID-19 pandemic, the war in Ukraine, high inflation and rate hikes, asset quality metrics have remained fairly stable. In Q1 2023, the Bank's Stage 3 loan ratio edged up somewhat to 2.7% from 2.5% at year-end 2022 and 2.6% at end Q1-2022. The cost of risk (CoR) was 30 basis points (bps) in line with the 25-30 bps guidance for 2023. In our view, the downside risk has increased, but should remain very manageable.

Funding and Liquidity Combined Building Block (BB) Assessment: Strong

In DBRS Morningstar's view, DB has a strong and well-managed funding profile, underpinned by a large and diversified deposit franchise and a diversified wholesale funding profile. The Bank has a comprehensive framework in place to manage its liquidity. DB's deposit franchise continues to support the overall funding profile with a loan-to-deposit ratio (based on DBRS Morningstar calculations) of 89.8% as of end-2022. Despite the turmoil in the markets following the failure of Credit Suisse, the Bank's liquidity metrics have remained fairly stable. The Bank reported deposits of EUR 592 billion at end-Q1 2023, down from an elevated level of EUR 621 billion at end-2022 and from a peak of EUR 631 billion at end-Q3 2022, however, YOY the decline was a moderate 2%. The Liquidity Coverage Ratio (LCR) of 143% at end-Q1 2023 slightly increased from 142% at end-2022 due to active management. The Net Stable Funding Ratio (NSFR) remained stable at 120%. We note that deposits are diversified and granular, and that 73% of all deposits originate from the Bank's German home market. 77% of German retail deposits and 41% of all customer deposits are insured by the statutory guarantee scheme, with further protection provided by the voluntary guarantee scheme of German private

banks.

Capitalisation Combined Building Block (BB) Assessment: Good/Moderate

DB's capitalisation is sound, supported by adequate cushions over minimum requirements, an improving internal capital generation capacity and continued access to capital markets. The CET1 capital ratio at end-Q1 2023 was 13.6%, up 25 basis points since year-end supported by earnings retention, partly offset by higher RWA. The buffer over minimum requirements was 251 basis points (bps), down 37 bps from end-2022 as capital requirements increased by 62 bps, due to a combination of the countercyclical and systemic risk buffers as well as higher Pillar 2 requirements. We expect the Bank to maintain a CET1 ratio of at least 13% as long as current capital requirements are in place. The leverage ratio was 4.6% at quarter-end, well above the 3.75% requirement applicable since 1 January 2023.

Further details on the Scorecard Indicators and Building Block Assessments can be found at <https://www.dbrsmorningstar.com/research/416520>

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

There were no Environmental, or Social factors that had a significant or relevant effect on the credit analysis

Governance (G) Factors

At this point, the Governance factor does not affect the ratings or trend assigned to Deutsche Bank. However, as a result of shortcomings in the Bank's Anti-Money Laundering (AML) framework, the 'Corporate / Transaction Governance' subfactor is considered as relevant. This has been reflected in the Bank's risk building block grades.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (22 June 2023) <https://www.dbrsmorningstar.com/research/415978/> In addition DBRS Morningstar uses the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings, <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings> (17 May 2022) in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://www.dbrsmorningstar.com/about/methodologies>

The sources of information used for this rating include Morningstar Inc. and Company Documents, Deutsche Bank Annual and Quarterly Accounts (2015 - Q1 2023), Deutsche Bank Investor Presentations (2015 - Q1 2023), DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. For further information on DBRS Morningstar historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/416519>

This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Sonja Förster, Vice President - Global FIG

Rating Committee Chair: Elisabeth Rudman, Managing Director - Global FIG

Initial Rating Date: 27 February 2015

Last Rating Date: 1 July 2022

DBRS Ratings GmbH

Neue Mainzer Straße 75

Tel. +49 (69) 8088 3500

60311 Frankfurt am Main Deutschland

Geschäftsführer: Detlef Scholz

Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

Ratings

Deutsche Bank AG

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
29-Jun-23	Long-Term Issuer Rating	Trend Change	A (low)	Stb	EU U
29-Jun-23	Long-Term Issuer Rating	Upgraded	A	Stb	EU U
29-Jun-23	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	EU U
29-Jun-23	Senior Non-Preferred Debt	Trend Change	BBB (high)	Stb	EU U
29-Jun-23	Senior Non-Preferred Debt	Upgraded	A (low)	Stb	EU U
29-Jun-23	Short-Term Debt	Confirmed	R-1 (low)	Stb	EU U

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
29-Jun-23	Short-Term Deposits	Confirmed	R-1 (low)	Stb	EU U
29-Jun-23	Long Term Critical Obligations Rating	Trend Change	A (high)	Stb	EU U
29-Jun-23	Long Term Critical Obligations Rating	Upgraded	AA (low)	Stb	EU U
29-Jun-23	Short Term Critical Obligations Rating	Confirmed	R-1 (middle)	Stb	EU U
29-Jun-23	Long-Term Deposits	Trend Change	A (low)	Stb	EU U
29-Jun-23	Long-Term Deposits	Upgraded	A	Stb	EU U
29-Jun-23	Long-Term Senior Debt	Trend Change	A (low)	Stb	EU U
29-Jun-23	Long-Term Senior Debt	Upgraded	A	Stb	EU U

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE [DISCLAIMERS AND LIMITATIONS](#). ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON WWW.DBRSMorningStar.COM.

Contacts

Sonja Förster

Vice President, Credit Ratings - European Financial Institutions

+49 (69) 8088 3510

sonja.forster@dbrsmorningstar.com

Elisabeth Rudman

Managing Director, Credit Ratings - Global Fundamental Ratings

+44 (20) 7855 6655

elisabeth.rudman@dbrsmorningstar.com

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). DBRS Morningstar does not hold an Australian financial services license. DBRS Morningstar credit ratings, and other types of credit opinions and reports, are not intended for Australian residents or entities. DBRS Morningstar does not authorize their distribution to Australian resident individuals or entities, and accepts no responsibility or liability whatsoever for the actions of third parties in this respect. For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: <https://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc. © 2023 DBRS Morningstar. All Rights Reserved.

The information upon which DBRS Morningstar credit ratings and other types of credit opinions and reports are based is obtained by DBRS Morningstar from sources DBRS Morningstar believes to be reliable. DBRS Morningstar does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS Morningstar credit ratings, other types of credit opinions, reports and any other information provided by DBRS Morningstar are provided "as is" and without representation or warranty of any kind and DBRS Morningstar assumes no obligation to update any such ratings, opinions, reports or other information. DBRS Morningstar hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS Morningstar or its directors, officers, employees, independent contractors, agents, affiliates and representatives (collectively, DBRS Morningstar Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of credit ratings, other types of credit opinions and reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS Morningstar or any DBRS Morningstar Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. IN ANY EVENT, TO THE EXTENT PERMITTED BY LAW, THE AGGREGATE LIABILITY OF DBRS MORNINGSTAR AND THE DBRS MORNINGSTAR REPRESENTATIVES FOR ANY REASON WHATSOEVER SHALL NOT EXCEED THE GREATER OF (A) THE TOTAL AMOUNT PAID BY THE USER FOR SERVICES PROVIDED BY DBRS MORNINGSTAR DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO LIABILITY, AND (B) U.S. \$100. DBRS Morningstar does not act as a fiduciary or an investment advisor. DBRS Morningstar does not provide investment, financial or other advice.

Credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar (a) are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities; (b) do not take into account your personal objectives, financial situations or needs; (c) should be weighed, if at all, solely as one factor in any investment or credit decision; (d) are not intended for use by retail investors; and (e) address only credit risk and do not address other investment risks, such as liquidity risk or market volatility risk. Accordingly, credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar are not a substitute for due care and the study and evaluation of each investment decision, security or credit that one may consider making, purchasing, holding, selling, or providing, as applicable.

A report with respect to a DBRS Morningstar credit rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities.

DBRS Morningstar may receive compensation for its credit ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities.

This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS Morningstar. ALL DBRS MORNINGSTAR CREDIT RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DEFINITIONS, LIMITATIONS, POLICIES AND METHODOLOGIES THAT ARE AVAILABLE ON <https://www.dbrsmorningstar.com>. Users may, through hypertext or other computer links, gain access to or from websites operated by persons other than DBRS Morningstar. Such hyperlinks or other computer links are provided for convenience only. DBRS Morningstar does not endorse the content, the operator or operations of third party websites. DBRS Morningstar is not responsible for the content or operation of such third party websites and DBRS Morningstar shall have no liability to you or any other person or entity for the use of third party websites.