PRESS RELEASE

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Deutsche Bank: Q4 2024 Results Affected by One-Off Legal Provisions Offsetting Solid Revenue Growth

BANKING ORGANIZATIONS

Deutsche Bank (DB or the Bank; rated "A" with a Positive Trend) reported a net attributable profit of EUR 106 million in Q4 2024, down from EUR 1,260 million in Q4 2023. This was primarily due to one-off items, which totalled EUR 945 million in the quarter, including EUR 659 million of net litigation charges, which included provisions related to the annual review of the Polish FX mortgages model and the reversal of RusChemAlliance indemnification asset. This offset revenue growth, which was mainly driven by strength in Investment Banking, lower underlying operating expenses, as well as lower loan loss provisions. Results were also down from EUR 1,461 million in Q3 2024, when the Bank released EUR 440 million related to the Postbank litigation, following settlements. As expected, DB posted a lower net profit at EUR 2,698 million for FY 2024, down 36% from EUR 4,212 million for FY 2023, reflecting the overall negative impact of litigation items on the full-year results; non-recurrence of the positive DTA valuation adjustments, which occurred last year; and higher provisions for credit losses offsetting revenue growth. As a result, the return on equity (ROE) was 4.2% in Q4 2024, down from 6.7% in Q4 2023. For FY 2024, the ROE stood at 4.7% compared with 7.4% in 2023. However, we expect the non-recurrence of one-off items in 2025, continued revenue growth, and previous cost optimisation efforts to improve the Bank's profitability this year.

The Bank recorded a pre-tax profit of EUR 583 million for the quarter, compared with EUR 698 million in Q4 2023. However, adjusted for specific litigation items, pre-tax profit was EUR 1.2 billion, up 57% year over year (YOY). Underlying results were supported by a solid growth in revenues, lower noninterest expenses, and lower credit costs. As anticipated, the robust performance of the Investment Bank division, fuelled by Origination and Advisory (O&A) and Fixed Income and Currencies (FIC) as well as strong growth in Asset Management revenues, continued to counterbalance the weaker revenues from the Corporate Bank and Private Bank businesses. However, in Morningstar DBRS' view, the Bank's underlying earnings remain solid, bolstered by its ongoing efforts to enhance operating efficiency through cost optimisation, including branch closures and reductions in full-time employees. Additionally, we expect that DB's strategy over the years of leveraging strong fee-generating business lines will offset the decline in net interest income driven by a lower interest rate environment. Deutsche Bank achieved its 2024 revenue targets of EUR 30 billion and despite being still above the cost-to-income target for 2025 (76% for FY 2024 against an increased target of below 65%), Morningstar DBRS believes the Bank has taken the necessary steps in terms of cost optimisations to improve its operating efficiency for 2025.

Corporate Bank revenues were EUR 1.9 billion for the quarter, down 2% YOY, mainly driven by an 11% decline in Business Banking revenues, against a background of lower net interest income in the normalising interest rate environment despite higher volumes. The weaker results in the Institutional Client Services Corporate were partially offset by growth in Corporate Treasury Services.

Private Bank revenues remained almost unchanged YOY at EUR 2.4 billion as net interest income remained flat on stabilising interest rates, albeit offset by growth in investment products. Personal Banking revenues fell 2%, affected by higher funding and hedging costs, although partially compensated by higher deposit revenues, while Wealth Management & Private Banking remained flat. Morningstar DBRS notes that Assets under Management (AuM) were up to EUR 633 billion from EUR 625 billion in Q3 2024, thanks to net inflows of EUR 2 billion during the quarter.

The Investment Bank was again the main revenue driver, as net revenues increased 30% YOY to EUR 2.4 billion in Q4 2024, driven by strong performances in FIC and O&A. FIC revenues increased 26% to EUR 1.9 billion, with strong performance in all segments whilst O&A revenues grew 71% to EUR 522 million, boosted by continued market share gains. This has confirmed the trend experienced for the full year, as Investment Banking revenues grew 15% to EUR 10.6 billion for FY 2024.

As expected, provisions for credit losses were down to EUR 420 million in Q4 2024, compared with EUR 488 million for the same period last year and EUR 494 million in Q3 2024. This was mainly driven by a decrease in Stage 3 provisions, mainly on a recovery in a legacy-specific case and lower Commercial Real Estate (CRE) provisions. As a result, the cost of risk improved to 35 bps in Q4 2024, compared with 41 bps in Q4 2023 and Q3 2024. This brings loan loss provisions for FY 2024 at EUR 1.8 billion, in line with the Bank's expectations, but up 22% YOY because of the Postbank integration and cyclical turmoil in CRE.

The CET1 ratio stood at 13.8% at end-Q4 2024, in line with Q3 2024 but up from 13.7% at end-Q4 2023, supported by lower risk-weighted assets, mainly on lower market risk, which absorbs the planned EUR 750 million share buyback the Bank has announced for 2025. DB has also reaffirmed its dividend guidance for 2025 at EUR 1 per share. The leverage ratio remained stable QOQ at 4.6% in Q4 2024, still well above the 3.85% requirement.

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