

## ISSUER COMMENT

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## Deutsche Bank AG

Strong Fixed Income and Asset Management drive strong second-quarter performance despite forex headwinds

*All figures in this report relate to Q2 2025 and comparisons are made with Q2 2024, unless otherwise indicated.*

On 24 July, [Deutsche Bank AG](#) (DB, A1/A1 stable, baa2<sup>1</sup>) reported net income of €1.7 billion in Q2 2025, up from only €52 million a year earlier. On a Moody's-adjusted basis, net income of €1.5 billion was up by 12% year over year and corresponded to an annualised net return on risk-weighted assets (RWA) of 181 basis points (bp), a return on assets of 44 bp and a net return on shareholders' equity of 9.4%.

Overall group revenue was up by 3%, reflecting another strong performance in the Asset Management (AM) and Investment Bank (IB) segments, where revenue grew by 9% and 3%, respectively. The IB's solid performance was boosted by higher Fixed Income & Currencies (FIC) revenue (up 11%), offsetting a 29% decline in Origination & Advisory (O&A) revenue. In AM, continued net new inflows of €8.5 billion, mainly in passive and cash products, and higher average assets under management (AUM), supported management fee generation. The performance of the Corporate Bank (CB, revenue down 1%) and Private Bank (PB, up 2%) divisions reflected the continued challenge of sustaining net interest income (NII) in an environment of falling interest rates and pressure on margins, particularly in CB. We expect lower deposit costs and some recovery in loan growth to help lift NII in the second half of 2025. Adjusted operating expenses<sup>2</sup> declined 1% to €5.0 billion, slightly below the bank's €5.1 billion target run rate by quarter. The cost-to-income ratio (CIR) developed favorably and came in at 63.6%, below DB's 65% guidance for the year (Q2 2024: 88.3%).

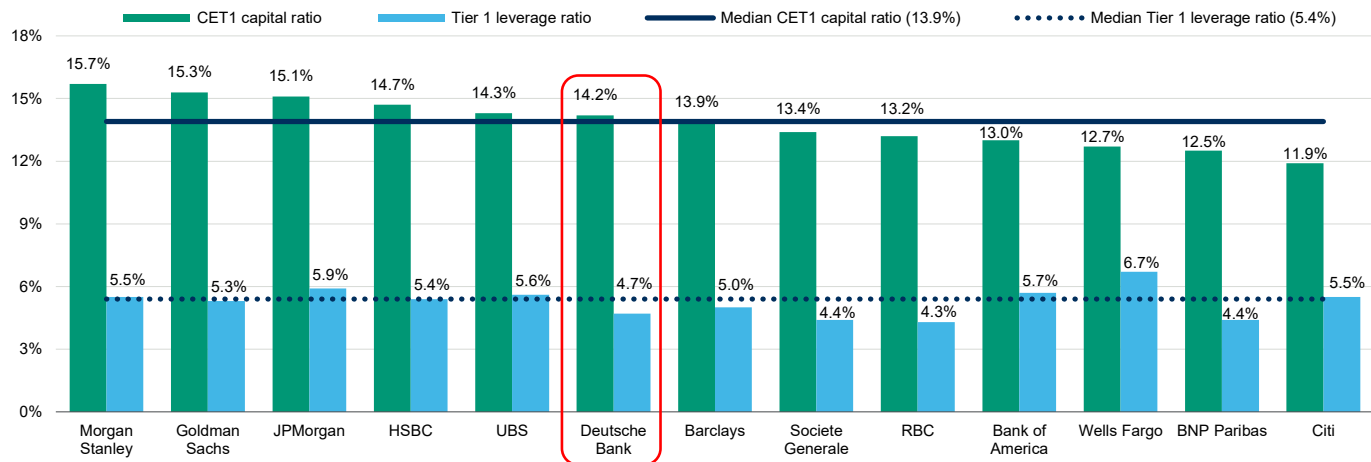
On the back of this solid performance, DB reiterated its confidence in achieving its ambitious full-year targets, including a return on tangible equity of above 10% (H1 2025: 11.0%) and a CIR below 65%. It also recently lifted the guidance for its CET1 capital ratio to a range of 13.5%-14.0%, from around 13.5% before.

DB's strong, high-quality liquid assets of €232 billion rose by 5% in Q2 (up 1% sequentially), while its liquidity coverage ratio of 136% was up from the previous quarter's 134%. DB's solid liquidity buffers and stable funding continue to support its credit profile, and deposit balances generated from its sizable domestic and international corporate and retail banking franchises grew by 2% (down 2% sequentially at €653 billion, mainly driven by the weaker US dollar translation). Average loans declined 2% to €472 billion, as high interest rates and subdued economic growth continued to constrain a return to higher lending production, in addition to the aforementioned foreign-exchange translation effects.

In Q2 2025, DB's Tier 1 leverage ratio improved slightly to 4.7% (Q2 2024: 4.6%), supported by higher retained earnings and only slightly higher leverage exposures (Exhibit 1). Its Common Equity Tier 1 (CET1) capital ratio was 14.2%, up around 40 bp sequentially and 70 bp year over year. During the second quarter, DB entered into significant risk transfers (SRTs), reducing its RWA by an additional €2 billion to €341 billion (Q2 2024: €356 billion). The total RWA relief from SRT and other reduction measured now stands at €30 billion, at the high-end of the €25-€30 billion target level for DB. We would, therefore, not expect further net RWA relief from SRT transactions in the near-term future.

Exhibit 1

## Common Equity Tier 1 ratio and Tier 1 leverage ratio for Global Investment Banks, as of 30 June 2025



1) Data is as of Q1 2025 for Barclays, HSBC, Societe Generale and UBS; Q2 2025 for all others. 2) The Tier 1 leverage ratios of UK and European banks are calculated per the Capital Requirement Regulations, and they exclude certain central bank balances as temporarily allowed; for US banks we show the supplemental leverage ratio (SLR). 3) The CET1 capital ratio for US banks is calculated under the advanced approach.

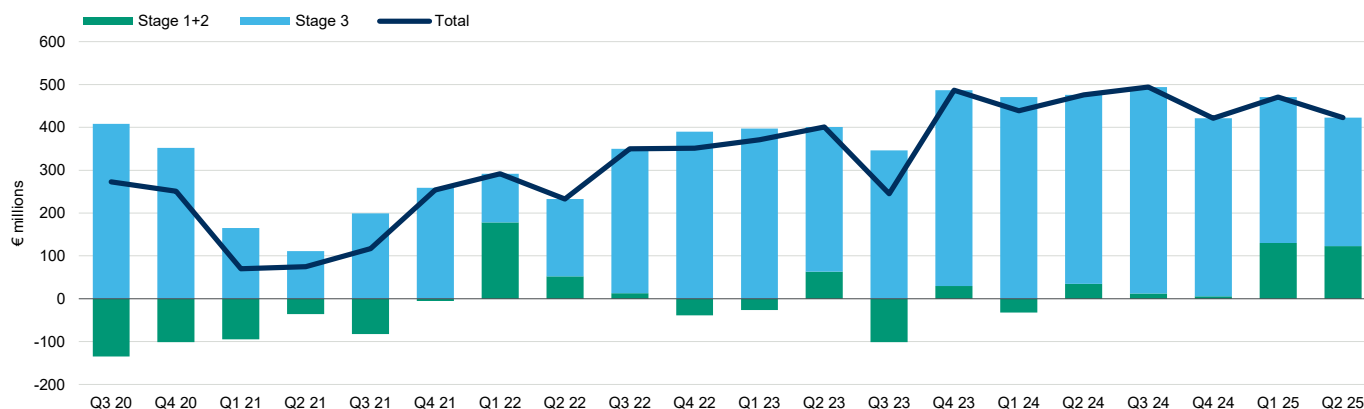
Sources: Company reports and Moody's Ratings

Following additional disclosures about the final impact of the full implementation of Basel 3 under the Capital Requirements Regulation 3 (CRR3), DB provided additional guidance on mitigating measures to reduce the pro forma gross €118 billion of RWA inflation by 2033. These measures include RWA reduction via market risk exposure optimization and hedging, derivatives netting and loan book collateral optimization, as well as the application of SVA measures. The bank expects the final impact could reduce to zero, depending on transitional arrangements potentially becoming permanent following ongoing rule reviews mandated by the CRR.

DB's Q2 loan loss charges remained elevated at €423 million, yet declined from €476 million in the year-earlier period and €471 million in Q1 2025 (Exhibit 2), representing 36 bp of gross loans in the quarter (Q2 2024: 40 bp; Q1 2025: 39 bp). The bank took some additional precautionary provisions to take account of the deteriorating macroeconomic environment, while Stage 3 provisions of €300 million declined 32% against Q2 2024 and 12% sequentially. DB's ratio of nonperforming loans (NPL) to gross loans was 3.1% during the quarter, up from 3.0% in Q1 2025 and flat year over year, with total doubtful loans (Stage 3 at amortized cost) falling to €14.9 billion from €15.1 billion a year earlier (Q1 2025: €14.3 billion). Within Commercial Real Estate (CRE), headwinds from the bank's US portfolio continued and led to additional provisions, in particular on office properties located on the US West Coast. DB plans to mitigate further deterioration in coming months given the slower-than-anticipated recovery in this asset class.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Exhibit 2

**Loan loss provisions remain above the bank's usual run rate****Stage 3 provisions declining**

Sources: Company reports and Moody's Ratings

The coverage ratio of Stage 3 loans improved to 31% (Q2 2024: 29%), but declined sequentially (Q1 2025: 32%), still low compared with peers but partly reflecting the highly collateralized nature of the bank's loan book. We expect NPL formation to slow into the second half of 2025 as declining formation in the bank's CRE books is likely to offset higher formation from the turning credit cycle in other books. In addition, forward-looking provisions on performing Stage 1 and 2 loans of €1.4 billion continue to provide an ample buffer against unexpected shocks.

**Noteworthy segment considerations**

**All figures relate to Q2 2025 and comparisons are made with Q2 2024, unless otherwise indicated.**

The **Investment Bank** reported a pretax profit of €826 million, up 11% year over year. Revenue rose by 3% to €2.7 billion, driven by continued double-digit growth in FIC, up 11%, more than offsetting a significant 29% decrease in O&A revenue. O&A's performance has been affected by ongoing market uncertainty and the deferral of some material transactions to the second half of the year. Notably, the Debt Origination business experienced a sharp 43% decline, driven by a contraction in the fee pool and increased selectivity in new committed transactions. FIC's revenue was supported by both Financing and Macro products, in the context of high volatility and increased client activity in the quarter.

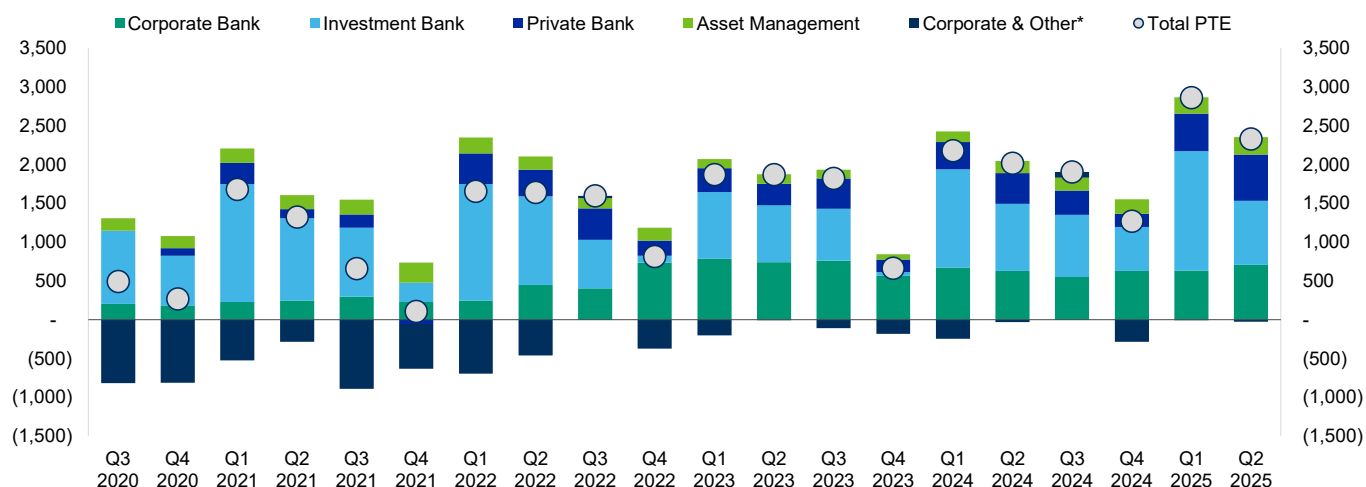
DB outperformed its US peers in FIC but showed a weaker trend in O&A. FIC revenue rose by 17% in US dollar terms versus the aggregate increase for US peers of 14%. O&A revenue fell by 25% in US dollar terms versus an aggregate increase for US peers of 8%, largely reflecting the strong advisory performance delivered by certain peers during the quarter, as well as US banks' strong primary Equities business, where DB does not compete.

**Asset Management** reported a pretax profit of €225 million, up 41% year over year. Revenue increased by 9% to €725 million mainly thanks to the stronger contribution of performance fees, which rose to €58 million from €10 million a year earlier, driven by fees in Alternative Infrastructure and Real Estate funds. Revenue also benefited from higher average AUM, driving a 3% increase in management fees, the segment's main source of revenue. AUM was up by 8% year over year to €1.0 trillion, but was fairly stable sequentially for the second consecutive quarter, also because of the negative foreign-exchange rates impact. In coming quarters, the slight decline in asset valuations globally will make it difficult to sustain a strong performance against a likely declining AUM base.

Exhibit 3

**DB's revenue benefited from strong performances in IB and AM**

Adjusted quarterly pretax profit by business line (excluding litigation, impairments, DVA and one-offs), € millions



Restatement for 2023 numbers are in line with the new bank's divisional reporting.

\*Capital Release Unit (CRU) discontinued from 2023 and restated in 2022 (moved to C&amp;O). Quarterly 2019-21 figure for C&amp;O reflects combined CRU and C&amp;O.

Sources: Company reports and Moody's Ratings

The **Corporate Bank** reported a pretax profit of €738 million, up 22% from a year earlier. The performance was underpinned by a sharp 84% decrease in loan loss provisions and a 4% decrease in noninterest costs, which more than offset a 1% decrease in revenue. The segment's revenue remains under pressure from the ongoing normalization of deposit margins, though mitigated by hedging, and foreign-exchange headwinds, driving a 9% drop in NII, partially offset by a 6% rise in fee and commission income. The reduction in loan loss provisions was primarily driven by a model update that positively affected Stage 1 and Stage 2 loans within the segment.

The **Private Bank** reported a pretax profit of €606 million, up 56% from a year earlier, underpinned by a 2% increase in revenue and an 8% decrease in costs, as well as a 21% reduction in provisions due to the model update. The segment's revenue was supported by moderate growth in both the Personal Banking (1%) and Wealth Management & Private Banking (2%) businesses, as higher revenue from deposits and investment products more than offset a decline in lending, aligning with DB's strategic shift away from capital-intensive loan products. AUM increased 5% from year earlier and 2% sequentially despite negative foreign-exchange rate effects, reflecting both net inflows (a positive €6.3 billion) and positive market developments.

### Rating considerations

Deutsche Bank has a Baseline Credit Assessment of baa2 and is rated A1 for deposits, A1 for senior unsecured debt and Baa1 for junior senior unsecured debt, and is assigned a Counterparty Risk Assessment of A1(cr)/P-1(cr) and Counterparty Risk Ratings of A1/P-1. The long-term senior debt and deposit ratings carry a stable outlook.

## Moody's related research

### Credit Opinion

- » [Deutsche Bank AG](#), May 2025

### In-Depth Reports

- » [Global Investment and Universal Banks - US: Q2 Update: Credit positive results despite economic, market and regulatory uncertainty](#) July 2025
- » [Global Investment and Universal Banks – Europe: Capital markets volatility supports revenues despite weakness in primary markets](#), April 2025
- » [Universal Banks – Cross Region: Market leadership, strong governance will help sustain benefits of universal model](#), April 2023
- » [Most diversified G-SIBs deliver more robust, predictable earnings through the cycle](#), September 2022

### Latest Rating Action(s)/Announcement(s)

- » [Moody's Ratings announces completion of a periodic review of ratings of Deutsche Bank AG](#), March 2025
- » [Moody's Ratings affirms Deutsche Bank AG's long-term deposit ratings, outlook stable](#), June 2024

### Rating Methodology

- » [Banks Methodology](#), November 2024

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

### Endnotes

- <sup>1</sup> The ratings shown are the bank's deposit rating, senior unsecured debt rating and Baseline Credit Assessment.
- <sup>2</sup> Per DB disclosures. Excluding litigation charges and restructuring and severance payments.

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