

Research Update:

Deutsche Bank Outlook Revised To Positive On Improving Earnings And Focused Strategy; 'A/A-1' Ratings Affirmed

December 4, 2025

Overview

- We think Deutsche Bank AG is well-positioned to strengthen its franchise, earnings, and resilience to stress as it begins to fully capitalize on the opportunities of its diversified business model, following a successful multiyear transformation into a more focused, efficient, and predictable organization.
- We consider Deutsche Bank's new financial targets ambitious, although achievable if market and economic conditions remain supportive. Recent performance has been robust, and we think this has strengthened management's credibility in narrowing the profitability gap with higher-rated peers.
- We revised our outlook on Deutsche Bank and related entities to positive from stable, and affirmed our 'A/A-1' long- and short-term issuer credit ratings on the bank and related entities.
- The positive outlook reflects our expectation that Deutsche Bank will achieve balanced franchise and revenue growth, maintain cost and underwriting discipline, and demonstrate positive operating leverage.

Rating Action

On Dec. 4, 2025, S&P Global Ratings revised its outlook on Deutsche Bank AG, its branches, and its European and U.S. subsidiaries to positive from stable.

At the same time, we affirmed its 'A/A-1' long- and short-term issuer credit ratings on all these entities, our 'A+/A-1' resolution counterparty ratings, and our issue ratings on all related debt instruments.

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Rationale

In our view, Deutsche Bank demonstrates solid earnings momentum. The positive outlook reflects our view that the bank's franchise, earnings prospects, and creditworthiness are strengthening, on an improved market position, enhanced cost and capital efficiency, disciplined risk appetite, and a more robust governance framework. We view the revised strategic agenda as generally supportive of creditworthiness, as it focuses on capitalizing the potential of the bank's diversified business model and management's intention to avoid large mergers and acquisitions, which typically present significant execution risks. We anticipate no material change in risk appetite or a shift in business mix that could lead to greater earnings volatility. Successful execution--via balanced franchise and revenue growth alongside ongoing cost and underwriting discipline--would likely enable Deutsche Bank to demonstrate sustained earnings growth and align its credit profile with peers at the 'a-' stand-alone credit profile (SACP), including Barclays, Citigroup, and Goldman Sachs.

Management has built up credibility as it stretches toward its more ambitious targets.

Deutsche Bank aims for a return on tangible equity (RoTE) above 13% and a cost-to-income ratio below 60% by 2028, surpassing the 10.9% and 63%, respectively, in the first nine months of 2025. Despite potentially tightening market conditions from 2026 onward, recent performance strengthens management's credibility in achieving these ambitious targets. We base our view on management's focused strategy to increasingly capitalize and monetize its global franchise and past investments, benefiting from Germany's fiscal package and robust client demand amid ongoing uncertainties (for more information, see "[Bulletin: Deutsche Bank's Raised Targets Reflect Continued Progress](#)," Nov. 17, 2025). Notably, the bank expects €1.2 billion of the projected €5.0 billion revenue increase by 2028 to come from the rollover of interest rate hedges.

Revenue targets remain sensitive to competitive pressures and market conditions. Intense competition in Germany and international markets presents a risk, and Deutsche Bank could struggle to achieve anticipated market share gains in corporate and investment banking, as well as in expanding capital-light fee income and lending products like Lombard lending. Revenue targets within the bank's asset gathering business are particularly vulnerable to market valuations, which remain close to all-time highs. A significant deterioration in economic conditions or adverse market events could negatively affect these valuations, investor risk appetite, and client activity. Some market trends could disproportionately challenge Deutsche Bank compared with peers, potentially reducing investment banking fee income. This business remains less diversified and primarily focused on fixed income and currency products, with a strong presence in Europe and Asia-Pacific, and anticipated growth in the U.S. While Deutsche Bank has made frontloaded investments in senior hires, and product and platform development, we expect efficiency initiatives to effectively mitigate cost inflation, which we think remains largely within management's control, particularly in technology and the private bank. However, beyond these planned measures, we think limited cost flexibility would exist to mitigate a severe market downturn without affecting strategic investments in personnel, products, and platforms.

Deutsche Bank's capitalization remains strong. The bank plans to increase its dividend payout ratio to 60% (from 50%), while also improving balance sheet efficiency through greater use of significant risk transfer (SRT) strategies. Management's capital guidance remained consistent, projecting a common equity Tier 1 ratio of 13.5% to 14.0% through 2028, following a reported 14.5% as of September 2025. As a result, we anticipate our risk-adjusted capital ratio will remain strong and comfortably above our 10% threshold, likely at 10.8%-11.3% at year-end 2027,

compared with 10.9% at year-end 2024. This projection is underpinned by improving earnings, the benefit of recognized SRTs in reducing regulatory exposure, and regulatory risk-weighted asset (RWA) inflation that does not fully translates in our RWA calculations.

In our view, Deutsche Bank can withstand Germany's economic underperformance and global trade uncertainty. We project annual credit loss provisions in 2025 to remain elevated and comparable to 2024, at 35-40 basis points (bps), reflecting ongoing challenges in the bank's U.S. commercial real estate (CRE) lending book, as well as economic and trade risks. From 2026, we expect credit losses to decrease toward the bank's guided approximately 30 bps annually, as we anticipate a positive impact from the German government's fiscal package on business sentiment and economic growth, and a gradual stabilization of CRE prices and lower refinancing risks. Positively, well-collateralized mortgages constitute about two-thirds of Deutsche Bank's domestic loan book, and the bank's diversified corporate exposure provides material risk mitigation.

Deutsche Bank maintains solid funding and liquidity profiles. The 140% liquidity coverage ratio and 119% net stable funding ratio as of Sept. 30, 2025, were consistent with the bank's internal targets. We view positively that 68% of the deposit base came from the bank's home market, and, excluding bank deposits, with a significant portion of the deposit base was insured. Under our suite of S&P Global Ratings-adjusted funding and liquidity metrics, Deutsche Bank is typically neither a positive nor negative outlier.

Outlook

The positive outlook reflects our expectation that consistently improved earnings prospects, owing to a stronger competitive position, could enhance Deutsche Bank's resilience to stress. Our assessment also incorporates our expectation of sound governance and controls, solid balance-sheet metrics, and the maintenance of strong capital and liquidity ratios aligned with management's guidance.

Downside scenario

We could revise the outlook to stable if Deutsche Bank's prospects for delivering a stronger, more consistent performance weaken. This could be prompted by a failure to achieve sustainable franchise and revenue growth or a significant escalation of economic or geopolitical risks that materially impairs the bank's asset quality and earnings.

Upside scenario

Within the next 12-24 months, we would consider raising the long-term issuer credit ratings if Deutsche Bank consistently executes its strategic agenda and establishes a track record of balanced franchise growth, along with sustained and predictable stronger financial performance. These developments would better position the bank's creditworthiness with that of peers with the 'a-' group SACP.

A one-notch upward revision of the group SACP would result in a one-notch upgrade to the bank and related senior unsecured and subordinated debt issued by Deutsche Bank and its affiliated entities.

Rating Component Scores

Rating Component Scores

| | |
|-----------------------------|---------------------------|
| Issuer Credit Rating | A/Positive/A-1 |
| SACP | bbb+ |
| Anchor | bbb+ |
| Business position | Adequate (0) |
| Capital and earnings | Strong (1) |
| Risk position | Moderate (-1) |
| Funding and liquidity | Adequate and Adequate (0) |
| Comparable ratings analysis | 0 |
| Support | 2 |
| ALAC support | 2 |
| GRE support | 0 |
| Group support | 0 |
| Sovereign support | 0 |
| Additional factors | 0 |

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: National And Regional Scale Credit Ratings Methodology](#), June 8, 2023
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Bulletin: Deutsche Bank's Raised Targets Reflect Continued Progress](#), Nov. 17, 2025
- [Update: Deutsche Bank AG](#), July 10, 2025

Ratings List

Ratings List

Ratings Affirmed; Outlook Action

| | To | From |
|--|-----------------|--------------|
| Deutsche Bank AG | | |
| Deutsche Bank AG (Canada Branch) | | |
| Deutsche Bank AG (Cayman Islands Branch) | | |
| Deutsche Bank AG (London Branch) | | |
| Deutsche Bank AG (Madrid Branch) | | |
| Deutsche Bank AG (Milan Branch) | | |
| Deutsche Bank Luxembourg S.A. | | |
| Deutsche Bank National Trust Co. | | |
| Deutsche Bank Trust Co. Americas | | |
| Deutsche Bank Trust Co. Delaware | | |
| Deutsche Bank Trust Corp. | | |
| Issuer Credit Rating | A/Positive/A-1 | A/Stable/A-1 |
| Deutsche Bank Securities Inc. | | |
| Issuer Credit Rating | | |
| Local Currency | A/Positive/A-1 | A/Stable/A-1 |
| Ratings Affirmed | | |
| Deutsche Bank AG | | |
| Issuer Credit Rating | | |
| Turkey National Scale | trAAA/--/trA-1+ | |
| Deutsche Bank AG | | |
| Deutsche Bank AG (Canada Branch) | | |
| Deutsche Bank AG (Cayman Islands Branch) | | |
| Deutsche Bank AG (London Branch) | | |
| Deutsche Bank AG (Madrid Branch) | | |
| Deutsche Bank AG (Milan Branch) | | |
| Deutsche Bank Luxembourg S.A. | | |
| Resolution Counterparty Rating | A+/-/-A-1 | |
| Deutsche Bank National Trust Co. | | |
| Deutsche Bank Trust Co. Americas | | |
| Deutsche Bank Trust Co. Delaware | | |
| Resolution Counterparty Rating | A/-/-A-1 | |
| Deutsche Bank Securities Inc. | | |
| Resolution Counterparty Rating | | |
| Local Currency | A/-/-A-1 | |
| Deutsche Bank AG | | |
| Subordinated | BBB-p | |
| Junior Subordinated | BB | |
| Certificate Of Deposit | A-1 | |
| Certificate Of Deposit | A | |

Ratings List

| | |
|---|------|
| Commercial Paper | A-1 |
| Deutsche Bank AG | |
| Deutsche Bank AG (London Branch) | |
| Resolution Counterparty Liability | A+ |
| Deutsche Bank AG | |
| Deutsche Bank AG (London Branch) | |
| Deutsche Bank AG (New York branch) | |
| Senior Unsecured | A |
| Senior Subordinated | BBB |
| Deutsche Bank AG | |
| Deutsche Bank AG (New York branch) | |
| Subordinated | BBB- |

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