FitchRatings

Banks
Universal Commercial Banks
Germany

Deutsche Bank AG

Ratings

Deutsche Bank AG	
Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Government Support Rating	ns
Sovereign Risk (Germany)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Deutsche Bank Long-Term IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Key Rating Drivers

Deutsche Bank AG's ratings reflect the bank's good restructuring progress and the stabilisation of its business model, with most significant revenue improvement and franchise stabilisation at its investment bank (IB). They also reflect the bank's sound asset quality, funding and liquidity and adequate capitalisation. The ratings remain constrained by weak historical earnings, which Fitch Ratings expects to further improve as the restructuring nears completion.

German Recession Likely in 2023: Surging energy prices and persistent supply-chain disruptions drove inflation in the eurozone to a multi-decade high in 2Q22, with an expected dampening effect on eurozone economic growth in the next quarters. Fitch expects a recession combined with rising inflation in Germany in 2023 due to the halt in Russian gas exports.

Restructuring Nears Completion: The positive outlook on the bank's business profile score signals our expectation that the revenue contribution and cost-to-income ratio of its Corporate Bank (CB) and Private Bank (PB) will improve. Successful execution of the cost-reduction plans in combination with stable revenue is key to mitigating the earnings volatility inherent in the IB and should result in a business profile score that is commensurate with the 'a' category.

Improving Risk Controls: Large investments and improved anti-financial crime controls since 2019 have reduced litigation costs and regulatory fines, even though the bank's business model will remain exposed to these risks. Appetite for market risk is fairly limited despite sizeable trading operations, but the leveraged lending business remains exposed to valuation losses.

Asset Quality Rating Strength: Deutsche Bank's impaired loans ratio has so far been resilient due to the bank's large exposure to Germany and good record of managing credit risk globally. We expect defaults to rise as the economic environment deteriorates, but the bank's exposure to borrowers that are more vulnerable to a halt in Russian gas supply is manageable. Our expectation that the impaired loans ratio will exceed 3% next year drives the negative outlook on the asset quality score. Non-loan assets generally carry low credit risk.

Improving Earnings: The bank's operating profit/risk-weighted assets (RWAs) weighs on the ratings and is still weaker than most global peers', which tend to benefit from better pricing power in their home markets. The positive outlook on the profitability score signals our expectation that rising net interest income (NII) and lower operating costs will offset higher loan-impairment charges (LICs) in 2H22 and 2023 and maintain operating profits/RWAs above 1%.

Adequate Capitalisation: Capitalisation metrics are adequate in light of declining restructuring risk, and reflect the bank's improving, but still modest, capital generation relative to peers. We expect the common equity Tier 1 (CET1) capital ratio to remain above the management's 12.5% floor in the next two years. The fully-loaded leverage ratio is on track to meet the bank management's target of around 4.5% from 2022, as improved capital generation offsets exposure growth.

Diversified Funding; Comfortable Liquidity: The bank's solid domestic deposit franchise limits its reliance on wholesale funding. The latter is well-diversified but remains more confidence-sensitive than most peers'. Excess liquidity from deposit inflows and central bank tenders (TLTRO) has been deployed in lending. We expect liquidity to remain close to the management's target as weaker loan growth should offset declining deposit inflows and maturing TLTRO.

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms Deutsche Bank at 'BBB+'; Outlook Positive (September 2022)

Global Economic Outlook (September 2022)

German, Italian Bank Prospects at Risk from Russian Gas Cut-Off (August 2022)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The Positive Outlook and the ratings could come under pressure if the bank fails to execute its cost-reduction plan or if revenue significantly declines due to market-wide disruptions or franchise erosion in core businesses relative to its peers'. Rating pressure would also arise if the global economic downturn hinders adequate profits, for example by triggering persistently high LICs and eroding the CET1 ratio materially below 12.5% without swift recovery prospects.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of the Viability Rating (VR) and Long-Term Issuer Default Rating (IDR) would require a moderate impact of the economic downturn on the bank's capitalisation, with CET1 and leverage ratios sustainably above 12.5% and 4.5%, respectively. An upgrade would also require better efficiency and sustainable, balanced revenue resulting in an operating profit/RWAs of at least 1.5% on average, with good prospects of maintaining sound profits in the long term.

An upgrade of the Long-Term IDR would lead to an upgrade of the Short-Term IDR only if we upgrade the funding & liquidity score to 'a' from 'a-'. This would require maintaining a liquidity buffer in line with management's targets and clear evidence (such as tighter funding spreads, driven by more certainty that the bank's business model and capital generation are firmly strengthening) that the bank's funding has become durably less sensitive to market confidence levels.

Other Debt and Issuer Ratings

	Deutsche Bank AG	Deutsche Bank Australia Ltd.	Deutsche Bank Trust Corporation	Deutsche Bank AG, London Branch	Deutsche Bank Securities, Inc.	Deutsche Bank Trust Company Americas
IDRs	BBB+/Positive/ F2	-	BBB+/Positive/ F2	BBB+/Positive/ F2	BBB+/Positive/ F2	BBB+/Positive/ F2
VR	bbb+	-	-	-	-	-
Government Support Rating	ns	-	-	-	-	-
Shareholder Support Rating	-	-	bbb+	-	bbb+	bbb+
Derivative Counterparty Rating	A-(dcr)	-	-	A-(dcr)	A-(dcr)	-
Deposits	A-/F2	-	-	A-/F2	-	-
Senior Preferred Debt	A-/F2	-	-	A-/F2	-	-
Senior Non-Preferred Debt	BBB+	-	-	BBB+	-	-
Senior Unsecured Debt	-	F2	-	-	-	F2
Subordinated Tier 2 Notes	BBB-	-	-	BBB-	-	-
Hybrid Tier 1 Notes[a]	BB	-	-	-	-	-
State-Guaranteed Notes	A+	-	-	-	-	-

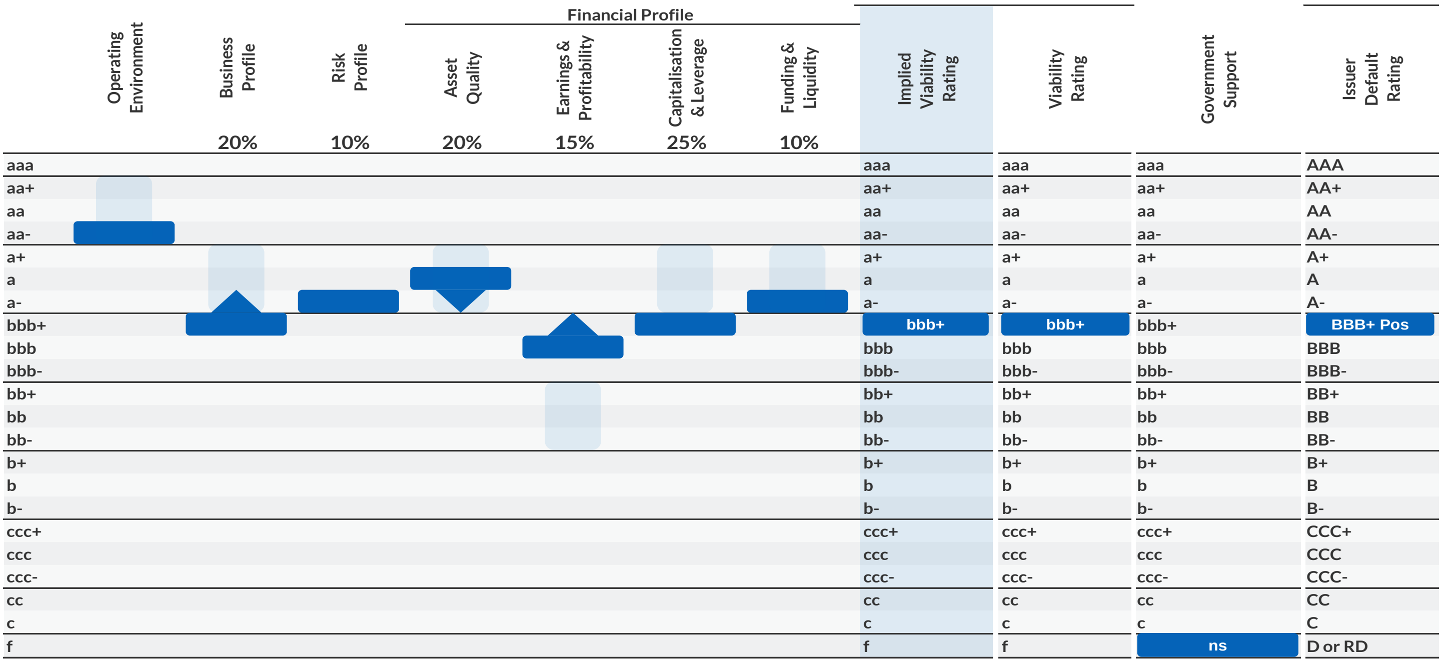
[a] Includes notes issued by Deutsche Postbank Funding Trust I/III
Source: Fitch Ratings

The bank's Derivative Counterparty Rating (DCR), long-term deposit and senior preferred (SP) debt ratings are one notch above its Long-Term IDR, and the senior non-preferred (SNP) debt rating is aligned with the Long-Term IDR. This reflects the protection of preferred creditors by large SNP and junior debt buffers (18.1% of RWAs at end-1H22). The buffers are underpinned by the bank's subordinated minimum requirement for own funds and eligible liabilities (MREL) of 24.8% of RWAs, which is higher than its total loss-absorbing capacity (TLAC) requirement of 22.5%.

We rate the Tier 2 notes two notches below the VR to reflect the above-average loss severity arising from their subordination. We rate Deutsche Bank's CRR-compliant additional Tier 1 (AT1) notes and legacy Tier 1 notes issued by Deutsche Postbank Funding Trust I and III four notches below the VR (two notches for deep subordination and two notches for non-performance risk given their non-easily activated coupon omission). At end-1H22, the bank had a broadly stable and sufficient buffer of 253bp over the minimum required to pay coupons on its CRR-compliant AT1s.

Senior and Tier 2 bonds issued by DSL Bank are notched up three times from Deutsche Bank's Long-Term IDR, reflecting their outstanding recovery prospects. The German government (AAA/Stable), which guarantees these bonds until maturity, is extremely likely to fully reimburse the grandfathered creditors if Deutsche Bank defaults. However, we see no certainty that a reimbursement would be on a timely basis as the DSL Transformation Act from 1999, on which the state guarantee is based, does not oblige the government to honour the guarantee on first demand.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The business profile score of 'bbb+' is below the 'a' category implied score, due to the following adjustment reason: strategy and execution (negative).

The earnings and profitability score of 'bbb' is above the 'bb' category implied score, due to the following adjustment reason: historical and future metrics (positive).

The capitalisation and leverage score of 'bbb+' is below the 'a' category implied score, due to the following adjustment reason: internal capital generation and growth (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Deutsche Bank operates globally. Its credit exposures are widely spread, geographically, with a main focus on markets with strong operating environments and highly developed regulatory and legal frameworks, chiefly its home market Germany and the US and key European markets. The bulk of its IB operations is conducted out of US and UK entities, largely with international corporate and institutional clients, and the bank has a sound access to capital markets globally. However, Germany has a strong influence on our overall assessment of Deutsche Bank's operating environment as domestic (mostly corporate and retail) loan exposure accounts for about 50% of the bank's total.

Fitch expects that the recent stop of Russian natural gas supplies via pipeline to Germany will lead to a recession and rising inflation in 2023. Russian gas accounts for 19% of primary energy consumption in Germany, which lacks viable short-term alternative sources. Consequently, Germany has adopted energy-saving measures, raised its gas-storage target, and announced three fiscal packages worth 2.6% of 2021 GDP, mainly to support low-income households. However, the extent to which Germany will use its large fiscal headroom to support corporates remains unclear.

We maintain a stable outlook on German banks' and Deutsche Bank's operating environment score. The gas crisis could trigger material asset quality deterioration for most banks, particularly on exposures to vulnerable corporate sectors. However, this is not an immediate rating sensitivity for most banks, whose asset quality indicators are sound. Pre-impairment operating profitability, the German banking sector's key weakness for many years, should improve at most large German banks in the coming quarters as rising interest rates should offset weaker business growth.

Business Profile

Deutsche Bank, Germany's largest bank and a global systemically important bank, has a large presence in Europe, the US and Asia. The restructuring it started in 2019 to lift its profitability and capitalisation after a decade of weak earnings and declining market shares will be mostly complete by 4Q22. Key improvements include sizeable cost reduction and a run-down by the Capital Release Unit (CRU) of less profitable, capital-intensive non-core IB businesses. The core bank's four segments (IB, CB, PB and asset management (AM)) focus on key strengths and more predictable revenues.

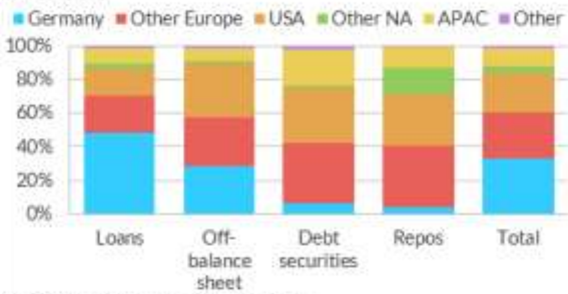
With 43% of group revenue and 69% of the core bank's pre-tax profit in 1H22, the IB's relative weight is at the upper end of the peer group, but should fall to about a third once market conditions normalise and higher interest rates, growth, and strategic initiatives feed into CB and PB revenues. The IB focuses on businesses where it has top five positions, such as foreign exchange, rates and flow credit products. Primary market debt underwriting and advisory, which includes large and profitable franchises in leveraged, structured and commercial real estate (CRE) finance and asset-backed securities, are also strategic. The smaller equity capital markets business mostly focuses on Europe. The IB has strengthened its franchise in the past twelve months and completed the sale of its prime brokerage business to BNP Paribas at end-2021. Negative spill-overs from exiting businesses and cutting staff are limited, and equity capital markets revenue grew significantly in 2020 and 2021 despite the exit from the secondary equities business in 2019.

The CB has become more important under the new business model. Its comprehensive and sophisticated product suite and global network can add modest pricing power compared to domestic peers. However, we expect high price competition in the German market to maintain strong pressure on corporate banking margins. Multi-year investments in technology and controls will also continue to weigh on profitability. The bank is a leading euro-clearer, and in trade finance it is well positioned to serve its large base of export-driven German corporate clients. The CB also offers trust and securities services and lending to corporate and institutional clients, as well as business banking for SMEs. Until 2025 the bank plans to grow fees from cash management and payments, institutional business and ESG transition offering.

The PB generates about 60% of its revenues in Germany, 10% in international retail banking and 30% in international wealth management. Its international operations (mainly in Italy, Spain, Belgium and India) target growth through lending (especially higher-margin loans), investment products and SME banking from a relatively low base. Foreign clients generate about 50% more revenue and business volume on average than German clients despite Deutsche Bank's modest franchises in Italy, Spain and Belgium. The PB targets 4%–5% annual revenue growth until 2025 by raising over EUR150 billion of ESG-compliant assets under management (AuMs), investing in distribution channels and retail client advisory, and by expanding its wealth-management business. The latter manages about EUR550 billion from mainly ultra-high-net-worth individuals and generates a high share of its revenues in emerging markets.

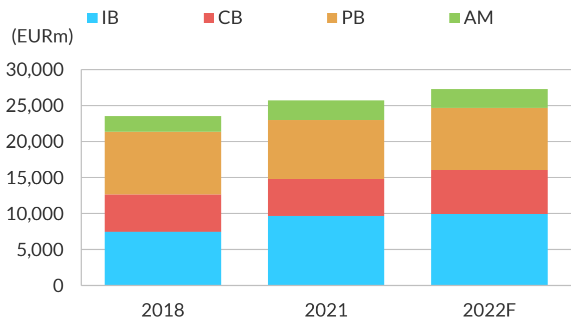
DWS, the bank's 79.5%-owned AM business with EUR833 billion AuM at end-1H22, is a reliable but relatively small revenue contributor. It has good market shares in Germany, where it is a leading provider of retail funds and, to a lesser extent, in Europe, where it is a top-3 provider of retail exchanged-traded funds. DWS aims to become a top-10 asset manager globally, to expand its international reach, particularly in Asia, and targets annual AuM inflows of 4% until 2024, driven by passive and alternative investments and ESG offerings. We believe it is well positioned to meet its 2022 revenue target, even amid challenging markets. Net AuM outflows of EUR25 billion in 2Q22 were almost exclusively in low-margin products and not related to greenwashing allegations, and half was recouped in July.

Credit Exposure by Geography
(End-2021)



Source: Fitch Ratings, Deutsche Bank

Core Bank Revenue



Source: Fitch Ratings, Deutsche Bank

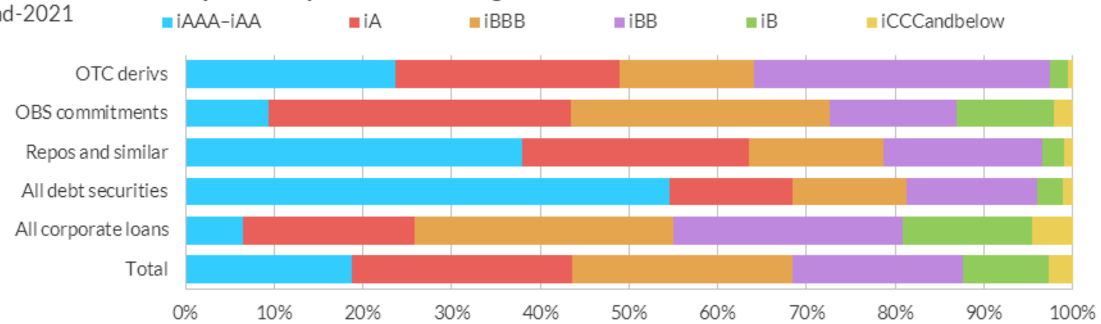
Risk Profile

Deutsche Bank's business model is exposed to material operational, reputational, market and counterparty risk. Non-financial risk controls still lag behind those of peers, but over EUR3 billion investments since 2019, tight scrutiny from regulators and consistent management focus on strengthening anti-financial crime controls have brought about significant improvements in the past two years. Strengthening anti-money-laundering and know-your-customer controls remain a priority, for which the bank has increased its technical capabilities and resource allocation significantly. In 2021, the bank also created the role of Chief Administrative Officer, responsible for anti-financial crime and compliance at board level. The same role was added to DWS's board in a move to strengthen governance and control framework, following the departure of DWS's CEO upon greenwashing allegations, which the bank denies. Litigation costs have decreased and, with the exception of a sector-wide investigation in the bank staff's use of social media for work, the bank faces fewer demands from regulators for remediation than it did a few years ago. However, its business model will continue to expose it to this type of risk.

The bank is exposed to interest-rate risk in its banking book and traded market risk in the IB. Trading assets and derivatives account for about a third of total assets. Maximum value at risk (VaR; 99%, 1-day) and maximum stressed VaR (99%, 10 days) averaged EUR47 million and EUR256 million in 2Q21, respectively, despite the high market volatility. The bank also booked a EUR150 million mark-to-market loss on its leveraged finance exposure in 2Q22 and remains exposed to additional valuation losses in 2H22.

Interest-rate risk in the banking book is largely hedged. A 200bp upward parallel shift of the yield curve would have reduced the economic value of the bank's equity by EUR3.5 billion at end-2021, about a third of its excess capital over regulatory requirements. This is mitigated by the fact that this upward parallel shift would augment the NII by EUR1.4 billion. Based on end-1H22 forward rates and a static end-2021 balance sheet, the bank expects NII to rise by EUR700 million (+6%) in 2022 and over EUR2 billion (+18%) in 2025 from 2021, mainly in CB and PB.

CB and IB Gross Exposure by Internal Rating
End-2021



Source: Fitch Ratings, Deutsche Bank

Financial Profile

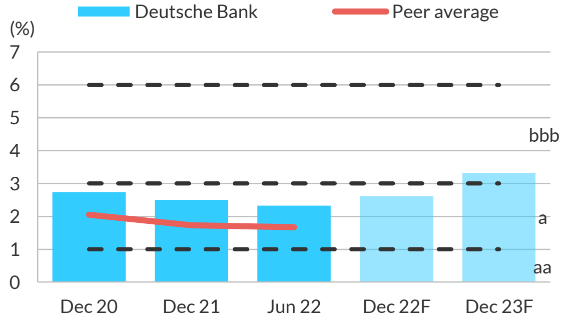
Asset Quality

Deutsche Bank's resilient Stage 3 loans/gross loans ratio, including purchased or originated credit impaired loans, benefits from its good credit risk management globally and its large exposure to Germany. German retail mortgages (almost a third of total loans) are low-risk (0.7% are impaired) and overall adequately collateralised (81% have a loan-to-value (LTV) ratio of less than 70%). German consumer loans (6% of total loans) are mainly of instalment loans and, to a lesser extent, credit cards. The international retail and SME books (8%) are somewhat weaker and concentrated in Italy and Spain. Wealth management (11%) includes highly collateralised Lombard loans, mortgages and structured loans, with reduced LICs in the past years.

The CB and IB's credit quality is reasonable, with more than two thirds rated investment-grade, and well-diversified, with extensive risk mitigation. 85% of corporate loans are to multinationals and mid-caps, most of which have global production facilities and will be less affected by surging energy prices and potential gas rationing in Germany. Fitch estimates that sectors more vulnerable to energy price disruptions account for less than 10% of total loans, which we view as manageable. Exposures more vulnerable to rising interest rates include the leveraged finance and CRE hold books. CRE loans (7% of gross loans) are primarily originated in the US, which we view as higher-risk than Germany. They are generally secured by first-lien mortgages and extended with moderate LTV ratios of 75%. The bank's direct gross exposure to Russian corporates and institutions amounted to 0.2% of credit exposure at end-1H22.

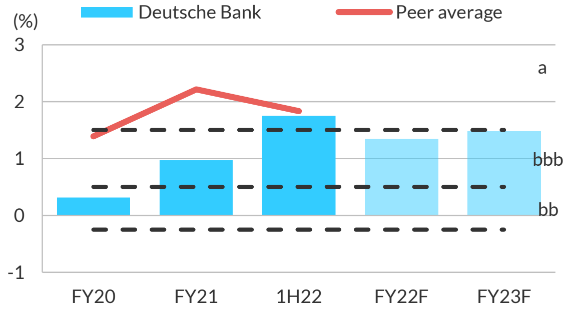
The bank's LICs in 1H22 (22bp of gross loans) were mostly precautionary in light of the deteriorating macroeconomic environment and monetary tightening in the US. We expect precautionary provisioning to increase in 2H22, when models and ratings reflect the stop in Russian gas supplies. This should, in our view, lead to higher LICs than the 25bp guided by the bank for 2022. Excluding potential mitigation from government support measures, the bank estimates that an end of gas deliveries to Europe would inflate LICs by up to 20bp of gross loans over 18 months. We expect a broadly stable Stage 3 loans ratio at end-2022, rising above 3% as defaults materialise in 2023 and 2024. Level 3 fair-valued assets (2% of total assets at end-1H22) include complex derivatives, illiquid trading securities and other illiquid assets such as leveraged loans and distressed debt. The bank's sensitivity analysis shows a potential fair-value loss of EUR1.5 billion if it used more conservative but reasonable alternative valuation inputs for these assets at end-1H22. This is mitigated by EUR900 million capital deductions for prudent valuation of level 3 assets.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Deutsche Bank's profitability weighs on its ratings and still lags behind that of all peers but Credit Suisse, which made losses in 2021 and 2H22. However, we expect its operating profits/RWAs to rise further and remain firmly above 1%. High market volatility and client re-engagement boosted fixed-income, FX and emerging markets trading revenue and more than offset lower debt and equity origination fees and credit trading revenue in 1H22. Growing business volumes, higher interest rates and deposit repricing also increased CB and PB revenues.

We believe the bank is on track to meet its EUR26 billion–27 billion revenue guidance for 2022 as interest rate hikes should make up for reduced business volumes in 2H22. The bank targets a 3.5%–4.5% annual revenue growth to EUR30 billion in 2025 from higher interest rates, business volume growth and strategic initiatives in the CB and PB, to deliver at least 10% return on tangible equity, up from 3.8% in 2021. We view the revenue growth targets as ambitious in the current environment, but we expect Deutsche Bank to defend its share of wallet and at least maintain stable revenue over the next two years. We also believe that both inflationary pressure and geopolitical uncertainties will remain elevated and sustain trading revenue in the coming quarters, offsetting lower origination and advisory fees.

A total of EUR8.6 billion restructuring and transformation charges since 2019 have enabled a EUR2 billion decline in operating costs to EUR21.5 billion in 2021. We expect a further decline to about EUR20 billion in 2022 as restructuring and transformation charges (EUR1.5 billion in 2021) fall significantly. We expect operating costs excluding restructuring and transformation charges broadly in line with 2021 as investments in anti-financial crime controls, higher compensation costs to retain and attract talent, US dollar appreciation and unplanned provisions for a regulatory investigation are likely to offset cost relief arising from IT optimisation, process automation and headcount reduction.

The bank has revised its cost-to-income ratio target for 2022 to up to 75% from 70% but has confirmed its cost-to-income target of below 62.5% for 2025, based on a planned reduction of operating costs to EUR18.5 billion–19 billion. In particular, it expects EUR600 million from the run-down of the CRU, and EUR700 million from lower bank levies and litigation charges. The cost benefits of up to EUR300 million from the integration of its two retail IT platforms will be reinvested.

The bank also plans efficiency measures, such as cutting the number of branches by about one third, to offset volume-driven incremental costs, reinvestments and inflation. We believe execution risks on the cost cutting plan remains high, both in the short term as the restructuring programme nears its end and in the medium term, as inflation and US dollar dynamics could persist. However, even a partial execution of the cost-cutting measures, combined with the end of transformation costs, should lift operating profits/RWAs above 1.5% once credit costs normalise.

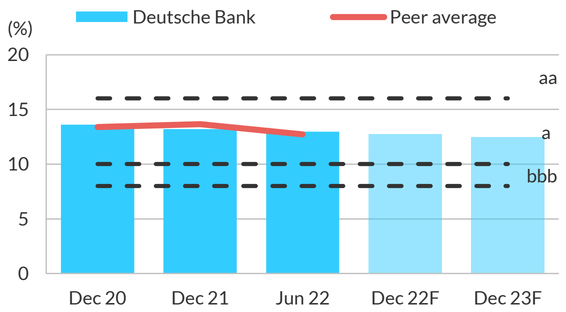
Capital and Leverage

Deutsche Bank's capitalisation is adequate in light of increasingly manageable execution risk from the restructuring as well as modest but improving capital generation relative to peers. Its CET1 ratio is in line with management's guidance of 13% and offers sufficient headroom over the management's 12.5% floor to accommodate an expected 10bp impact from regulatory RWA inflation in 2H22. Capital ratios could come under pressure in the coming quarters if the economic downturn leads to worse-than-expected rating migration and market risk RWA growth.

The bank plans to distribute EUR5 billion to shareholders from 2022 to 2025 through progressive dividends and share buybacks. It also expects the implementation of Basel IV to inflate RWAs by EUR25 billion by end-2025 before mitigating actions. Both effects would reduce the CET1 ratio by about 210bp in total. We expect the CET1 ratio to remain above 12.5% in the next four years, based on our earnings and business growth forecast. The regulatory CET1 ratio requirement will rise to about 11% from February 2023 (2022: 10.4%) following the implementation of a countercyclical buffer of 0.75% for Germany and a sectoral systemic risk buffer of 2% for German residential real estate exposures. This will reduce the buffer over distribution-relevant requirements from 256bp at end-1H22 toward management's target of 200bp.

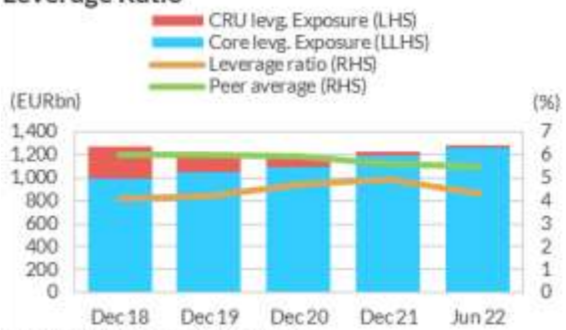
The leverage ratio declined to 4.3% at end-1H22 (end-2021: 4.9%). About 40bp of the decline came from the end of the temporary exclusion of central bank exposures, and 20bp mainly from exposure growth in the core bank and the appreciation of the US dollar. This was partially offset by a EUR750 million AT1 issuance in 1Q22, increasing the total AT1 issued since end-2020 to EUR3.3 billion. The leverage ratio is below peers' but offers a reasonable buffer over the regulatory requirement of 3% at end-1H22 (rising to 3.75% from 2023), and we believe it is on track to meet management's target of about 4.5% from 2022, as improved capital generation should offset exposure growth.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Leverage Ratio



Source: Fitch Ratings, Deutsche Bank

Funding and Liquidity

Deutsche Bank's funding benefits from a well-established retail and wealth management deposit base mostly sourced in Germany, which accounted for more than half of the bank's EUR613 billion deposits at end-1H22. The remaining deposits are mainly from large corporate clients. Deposits account for about 70% of total external funding, excluding derivatives. The bank made good progress in 2021 and 1H22 in passing on negative interest rates to corporate depositors and selective PB clients, with EUR292 million revenue from charging on EUR144 billion deposits in 1H22. This revenue will cease following the ECB's interest rates raises. However, we expect German deposit volumes to remain resilient and the bank should benefit from this relatively cheap funding the more interest rates increase.

Wholesale funding is well diversified by investors, products and currencies. Its debt maturity profile is comfortable and its reliance on short-term unsecured wholesale funding is modest. Market funding remains more confidence-sensitive than peers', but tightening issuance spreads in 2021 relative to peers show improving market confidence as the restructuring progresses and performance prospects improve. Deleveraging driven by maturing trading liabilities and strong deposit inflows in recent years have lowered the bank's annual debt issuance needs to EUR15 billion–20 billion. The bank exploited its tightened issuance spreads to pre-fund opportunistically in 2021 and had executed around three quarters of its 2022 funding plan by end-July, which provides a cushion against deteriorating markets.

Deutsche Bank's eligible debt buffer exceeded by a comfortable EUR15 billion its transitional MREL of 29.41% of RWAs at end-1H22. We expect the bank to issue mainly senior preferred debt in the current market environment, given the comfortable EUR23 billion buffer over the MREL subordination requirement.

The bank's liquidity ratios have benefitted from sound core deposit inflows and extensive, opportunistic use through the pandemic of the ECB's TLTRO III, which we expect the bank to maintain until maturity. Redeployment of excess liquidity into new lending has reduced high-quality liquid assets to EUR207 billion at end-1H22, while maintaining a liquidity coverage ratio equivalent to a EUR51 billion surplus over minimum requirements. At end-1H22, 86% of high-quality liquid assets were held in cash, but we expect the bank to increasingly shift its liquidity portfolio towards high-quality, higher-yielding securities in the coming quarters. We expect liquidity to remain sound in the next two years.

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's economic forecasts, sector outlook and bank-specific considerations. As a result, they may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

The dashed lines represent implied scores for Fitch's core financial metrics for banks operating in environments scored in the 'aa' category. The light-blue columns represent Fitch's forecasts. The peer averages include Credit Suisse Group AG (VR: bbb), Barclays plc (a), Societe Generale S.A. (a-), BNP Paribas S.A. (a+), HSBC Holdings plc (a+), UBS Group AG (a+), JPMorgan Chase & Co. (aa-), Citigroup Inc. (a) and Bank of America Corporation (aa-).

Financials

Financial Statements

	30 Jun 22		31 Dec 21	31 Dec 20	31 Dec 19
	6 months - interim (USDm) Reviewed - unqualified	6 months - interim (EURm) Reviewed - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	6,490	6,248	11,155	11,526	13,749
Net fees and commissions	5,460	5,257	10,934	9,424	9,520
Other operating income	2,651	2,552	3,322	3,079	36
Total operating income	14,601	14,057	25,411	24,029	23,305
Operating costs	10,727	10,327	21,523	21,247	24,056
Pre-impairment operating profit	3,874	3,730	3,888	2,782	-751
Loan and other impairment charges	545	525	493	1,761	706
Operating profit	3,329	3,205	3,395	1,021	-1,457
Other non-operating items (net)	0	0	-5	0	-1,177
Tax	797	767	880	397	2,631
Net income	2,532	2,438	2,510	624	-5,265
Other comprehensive income	997	960	1,334	-1,386	-808
Fitch comprehensive income	3,530	3,398	3,844	-762	-6,073
Summary balance sheet					
Assets					
Gross loans	512,334	493,244	476,074	431,803	427,630
- of which impaired	11,953	11,508	11,925	11,848	9,567
Loan loss allowances	5,000	4,814	4,754	4,808	3,990
Net loans	507,333	488,430	471,320	426,995	423,640
Interbank	8,208	7,902	7,342	9,130	15,837
Derivatives	335,478	322,978	299,732	343,455	332,931
Other securities and earning assets	243,843	234,757	230,001	249,755	258,443
Total earning assets	1,094,862	1,054,067	1,008,395	1,029,335	1,030,851
Cash and due from banks	183,923	177,070	192,021	166,208	137,592
Other assets	161,542	155,523	123,577	129,716	129,231
Total assets	1,440,327	1,386,660	1,323,993	1,325,259	1,297,674
Liabilities					
Customer deposits	636,291	612,583	519,435	492,599	499,352
Interbank and other short-term funding	6,658	6,410	142,484	124,643	124,171
Other long-term funding	212,434	204,519	150,149	154,634	144,626
Trading liabilities and derivatives	376,472	362,445	341,826	372,091	353,571
Total funding and derivatives	1,231,856	1,185,957	1,153,894	1,143,967	1,121,720
Other liabilities	136,378	131,297	101,541	117,775	111,781
Preference shares and hybrid capital	8,154	7,850	8,833	7,145	6,678
Total equity	63,938	61,556	59,725	56,372	57,495
Total liabilities and equity	1,440,327	1,386,660	1,323,993	1,325,259	1,297,674
Exchange rate		USD1 = EUR0.96274	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, Deutsche Bank

Key Ratios

	30 Jun 22	31 Dec 21	31 Dec 20	31 Dec 19
Profitability				
Operating profit/risk-weighted assets	1.8	1.0	0.3	-0.5
Net interest income/average earning assets	1.2	1.1	1.1	1.3
Non-interest expense/gross revenue	74.0	85.0	88.9	103.7
Net income/average equity	8.1	4.3	1.1	-8.6
Asset quality				
Impaired loans ratio	2.3	2.5	2.7	2.2
Growth in gross loans	3.6	10.3	1.0	5.7
Loan loss allowances/impaired loans	41.8	39.9	40.6	41.7
Loan impairment charges/average gross loans	0.2	0.1	0.4	0.2
Capitalisation				
Common equity Tier 1 ratio	13.0	13.2	13.6	13.6
Tangible common equity/tangible assets	3.6	3.9	3.7	3.8
Basel leverage ratio	4.3	4.9	4.8	4.3
Net impaired loans/common equity Tier 1	14.0	15.4	15.8	12.6
Funding and liquidity				
Gross loans/customer deposits	80.5	91.7	87.7	85.6
Liquidity coverage ratio	133.0	133.1	144.8	141.2
Customer deposits/total non-equity funding	68.8	59.3	59.8	61.5
Net stable funding ratio	116.0	121.0	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, Deutsche Bank

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A+ to A-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Deutsche Bank's Government Support Rating (GSR) of 'no support' reflects our view that, due to German resolution legislation, senior creditors cannot rely on receiving full extraordinary state support if the bank becomes non-viable.

Subsidiaries and Affiliates

Deutsche Bank AG, London Branch's ratings are equalised with Deutsche Bank's as they refer to the same legal entity. The IDRs of Deutsche Bank's US subsidiaries Deutsche Bank Securities, Inc., Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas are based on their SSRs, which are aligned with Deutsche Bank's Long-Term IDR. This reflects the subsidiaries' high integration and core roles in supporting the group's capital-market activities.

Deutsche Bank Australia Ltd.'s commercial paper programme rating is aligned with Deutsche Bank's short-term preferred debt ratings based on the strong support available from the parent.

The DCR of Deutsche Bank Securities Inc. also reflects the protection that could accrue to derivative counterparties from the bail-in debt and equity buffers at the level of the intermediate holding company DB USA Corporation.

The ratings of the above-mentioned entities are primarily sensitive to Deutsche Bank's IDRs, from which they are derived. The subsidiaries' ratings are also sensitive to a perceived decline in their strategic importance to the group.

Environmental, Social and Governance Considerations

Overall ESG

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Environmental (E)

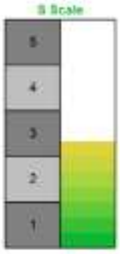
General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
Exposure to Environmental Impacts	2		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

E Scale

Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
Exposure to Social Impacts	2		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile

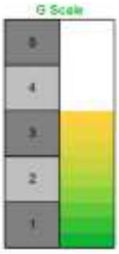
S Scale



Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	3		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)

G Scale



The highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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