Bulletin:

Deutsche Bank's First Quarter Results Underscore Its Improving Resilience

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LONDON (S&P Global Ratings) April 28, 2021--S&P Global Ratings notes the solid first-quarter results Deutsche Bank reported today. While buoyed by cyclical investment banking revenues, the underlying trends are consistent with the improvements that we recognized when we revised our outlook to positive two months ago (see "Deutsche Bank Outlook Revised To Positive On Improving Resilience; Ratings Affirmed And "May-Pay" Notes Upgraded," Feb. 26, 2021).

As we said in February, our primary focus is on whether the final phase of strategic execution of the restructuring plan will deliver much stronger profitability from 2022, close to management's targeted 8% return on total equity. This more efficient, focused, and well-controlled business and operating model should deliver the operating and franchise stability and sustainable, predictable performance that the bank has lacked since 2014. Easing residual downside risks related to the pandemic, notably on asset quality, would also support a higher rating.

We see several positive takeaways from today's results:

- Continued rigorous delivery of the group's operational transformation, with reducing earnings drag from the bank's Capital Release Unit.
- Very limited need for additional credit provisions, after the marked uptick in 2020, with an improved credit outlook for the rest of the year.
- Robust risk management of its prime brokerage exposure to failed client Archegos Capital, a business that it will have exited anyway by year-end.
- Continued solid capital, liquidity, and bail-in buffer metrics, in line with our expectations.

Nevertheless, we continue to look for further progress in the bank's operational restructuring, and for evidence of an ability to grow customer activity and revenues in the Corporate Bank and Private Bank divisions amid the unsupportive low interest rate environment.

This report does not constitute a rating action.