

## DBRS Morningstar Confirms Deutsche Bank's A (low) Long-Term Issuer Rating, Trend Remains Negative

### BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) confirmed the ratings of Deutsche Bank AG (DB or the Bank), including its Long-Term Issuer Rating of A (low) and its Short-Term Issuer Rating of R-1 (low). The trend on all long-term ratings remains Negative. The Intrinsic Assessment (IA) for the Bank is A (low), while its Support Assessment remains SA3. Concurrently, the ratings of Deutsche Bank Trust Company Americas were withdrawn at the Bank's request.

### KEY RATING CONSIDERATIONS

In confirming the ratings, DBRS Morningstar takes into consideration DB's global franchise, including a strong position within Germany, its well managed credit and market risk profiles, and solid balance sheet fundamentals. It also incorporates the progress made in de-risking the Bank in recent years. The ratings are constrained by DB's still very weak profitability, the remaining work required in completing the Bank's ambitious transformation plan, and the Bank's need to further improve internal controls and processes.

The maintenance of the Negative trend reflects DBRS Morningstar's view that the wide scale of economic disruption caused by the COVID-19 pandemic is negatively affecting the Bank's operating environment, and this is likely to adversely affect the Bank's earnings generation and risk profile.

### RATING DRIVERS

Given the uncertainty created by the COVID-19 pandemic, a rating upgrade is unlikely. A change in the trend to Stable would require the Bank to demonstrate continued progress in executing the transformation plan, including further improvement in internal controls and a return to sustainable profitability.

The ratings would be downgraded in case of a sustained revenue decline or material market share losses in the Bank's core businesses, or materially higher than anticipated credit losses. Significant challenges in executing the strategy within the indicated time-frame, or any unexpected events that negatively impact the Bank's financial position or its reputation could also lead to a downgrade.

### RATING RATIONALE

With total assets of EUR 1.5 trillion at end-Q1 2020, DB is one of the largest financial institutions globally and has a well-established global franchise across diverse products and geographies. In July 2019 DB announced a strategic transformation program, which DBRS Morningstar considers to be a continuation of the Bank's effort to become a smaller, more focused, less risky and more efficient bank, albeit at a faster pace. With the Investment Bank division shrinking further, and the revenue contribution from traditional banking in Germany increasing proportionately, we expect the Bank to report more stable earnings going forward.

DBRS Morningstar notes that the Bank has laid out clear interim targets and has executed on these targets to date.

DB's profitability has been significantly challenged in recent years. Revenues have been adversely impacted by the low interest rate environment, low levels of client activity, the refocusing of businesses and heavy fines. Expense reductions have been the main driver in the effort to restore profitability. The restructuring plan announced in July 2019 has shown first results, pointing to a stabilisation of revenues and client relationships. However, due to the challenges from COVID-19 both revenues and profits are likely to be affected in different ways. Given the uncertain environment DBRS Morningstar will pay particular attention to DB's performance relative to peers as well as areas that the Bank has more control over, such as progress in general cost cutting and the wind-down of the Capital Release Unit (CRU), which holds non-core assets.

In DBRS Morningstar's view, DB has maintained a good credit risk profile and manages its market risk well, although operational risk issues persist. Given prior conduct-related issues, DBRS Morningstar will look for a further track record of improved operational risk controls, but recognises the progress made in advancing systems and technology. In light of the current COVID-19 pandemic, credit risk will be a key focus for the coming quarters. In Q1 2020, DB provisioned EUR 506 million for credit losses, or 0.44% (annualised) of total loans, up significantly from 0.13% a year earlier. During Q1 2020, provisioning was mainly related to a general deterioration of the economic environment. The Bank expects to see a more noticeable increase in Stage 3 loans in coming quarters and has guided towards roughly EUR 800 million of credit provisions for Q2 2020, which management expects to represent the peak quarter in terms of provisioning. Overall, DB anticipates loan loss provisions to be 35-45 basis points of total loans. While provisioning appears lower at Deutsche Bank than its peers, it is broadly in line with the Bank's historical loss experience including stressed periods. In DBRS Morningstar's view, this is due to a combination of a low percentage of unsecured consumer loans and DB's resilient German home market.

DB's funding and liquidity profile has proven to be resilient. The Bank has a substantial customer deposit base of EUR 572 billion versus loans of EUR 430 billion at end-2019. The wholesale funding profile is diversified by instrument and maturity. Liquidity reserves totalled EUR 205 billion at end-Q1 2020. Due to COVID-19 related drawdowns on credit lines during Q1 2020, the liquidity coverage ratio (LCR) dropped to 133% from 141% at the end of Q4 2019, but was still well above requirements.

In DBRS Morningstar's view, DB's capital ratios are solid, but internal capital generation remains very weak. Similar to a number of banks, DB's capital ratios declined during Q1 2020, due to a combination of COVID-19 and other regulatory items, with the CET1 ratio dropping by 79 bps (basis points) to 12.8%. Regulators have lowered capital requirements for banks in order to facilitate continued lending during the COVID-19 crisis. For DB, the temporary capital relief is 114bps, resulting in a 240 bps buffer above regulatory requirements.

## ESG CONSIDERATIONS

Corporate Governance is a material rating factor for the Bank and is reflected in the Risk building block. In the past, compliance failures have led to significant fines. DB still has to improve its systems and processes with regards to Anti-Financial Crime / Anti-Money Laundering compliance.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>

The Grid Summary Scores for DB are as follows: Franchise Strength – Good; Earnings Power – Moderate; Risk Profile – Good; Funding & Liquidity – Strong; Capitalisation – Good/Moderate.

Notes:

All figures are in EUR unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (8 June 2020).

<https://www.dbrsmorningstar.com/research/362170/global-methodology-for-rating-banks-and-banking-organisations>.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>.

The sources of information used for this rating include Deutsche Bank Annual Accounts (2015 - Q1 2020), Deutsche Bank Investor Presentations (2015 - Q1 2020), Dealogic and S&P Global Market Intelligence. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12-month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/363438>.

Ratings assigned by DBRS Ratings GmbH are subject to EU and U.S. regulations only.

Lead Analyst: Sonja Förster, Vice President - Global FIG

Rating Committee Chair: Elisabeth Rudman, Managing Director - Global FIG

Initial Rating Date: 27 February 2015

Most Recent Rating Update: 9 July 2019

DBRS Ratings GmbH

Neue Mainzer Straße 75

Tel. +49 (69) 8088 3500

60311 Frankfurt am Main Deutschland

Geschäftsführer: Detlef Scholz

Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit [www.dbrsmorningstar.com](http://www.dbrsmorningstar.com).

## Ratings

### Deutsche Bank AG

Date Issued	Debt Rated	Action	Rating	Trend	Issued
03-Jul-20	Long-Term Issuer Rating	Confirmed	A (low)	Neg	

Date Issued	Debt Rated	Action	Rating	Trend	Issued
03-Jul-20	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	<b>EU</b>
03-Jul-20	Senior Non-Preferred Debt	Confirmed	BBB (high)	Neg	<b>EU</b>
03-Jul-20	Short-Term Debt	Confirmed	R-1 (low)	Stb	<b>EU</b>
03-Jul-20	Short-Term Deposits	Confirmed	R-1 (low)	Stb	<b>EU</b>
03-Jul-20	Long Term Critical Obligations Rating	Confirmed	A (high)	Neg	<b>EU</b>
03-Jul-20	Short Term Critical Obligations Rating	Confirmed	R-1 (middle)	Neg	<b>EU</b>
03-Jul-20	Long-Term Deposits	Confirmed	A (low)	Neg	<b>EU</b>
03-Jul-20	Long-Term Senior Debt	Confirmed	A (low)	Neg	<b>EU</b>

### Deutsche Bank Trust Company Americas

Date Issued	Debt Rated	Action	Rating	Trend	Issued
03-Jul-20	Long-Term Deposits	Disc.-W/ drwn	Discontinued	--	<b>EU</b>
03-Jul-20	Long-Term Issuer Rating	Disc.-W/ drwn	Discontinued	--	<b>EU</b>
03-Jul-20	Long-Term Senior Debt	Disc.-W/ drwn	Discontinued	--	<b>EU</b>
03-Jul-20	Short-Term Debt	Disc.-W/ drwn	Discontinued	--	<b>EU</b>
03-Jul-20	Short-Term Deposits	Disc.-W/ drwn	Discontinued	--	<b>EU</b>
03-Jul-20	Short-Term Issuer Rating	Disc.-W/ drwn	Discontinued	--	<b>EU</b>

ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE [DISCLAIMERS AND LIMITATIONS](#). ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON [WWW.DBRS.COM](http://WWW.DBRS.COM).

### Contacts

#### Sonja Förster

*Vice President - Global Financial Institutions Group*

+49 69 8088 3510

[sonja.forster@dbrsmorningstar.com](mailto:sonja.forster@dbrsmorningstar.com)

**Elisabeth Rudman**

*Managing Director, Head of European FIG - Global FIG*

+44 20 7855 6655

[elisabeth.rudman@dbrsmorningstar.com](mailto:elisabeth.rudman@dbrsmorningstar.com)

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). Morningstar Credit Ratings, LLC is a NRSRO affiliate of DBRS, Inc. For more information on regulatory registrations, recognitions and approvals of DBRS group of companies and Morningstar Credit Ratings, LLC, please see: <http://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS group and Morningstar Credit Ratings, LLC are wholly-owned subsidiaries of Morningstar, Inc.© 2020 Morningstar. All Rights Reserved.

The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. No DBRS entity is an investment advisor. DBRS does not provide investment, financial or other advice. Ratings, other types of credit opinions, other analysis and research issued or published by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrsmorningstar.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrsmorningstar.com>.