

Bulletin:

## Deutsche Bank Reports Solid 2020 Results

February 4, 2021

LONDON (S&P Global Ratings) Feb. 4, 2021--S&P Global Ratings notes the good results for financial year 2020 that Deutsche Bank reported today.

Our base case for Deutsche Bank since we assigned the negative outlook in April 2020 has centered on two key expectations: it would emerge from this deep, but short-term, cyclical downturn with a resilient balance sheet; and it would clearly benefit from a more efficient, focused, and well-controlled business and operating model. We see this second element as critical to allow management to deliver its targeted 8% return on total equity by 2022. Most importantly, it will also enable the bank to achieve the operating and franchise stability and the sustainable, predictable performance that it has lacked since 2014.

Today's results indicate that Deutsche Bank's operational restructuring remained on track. Buoyant capital markets activity and strong client demand for risk management solutions supported the bank's revenue base, offsetting margin pressure in its retail and corporate banking businesses. Despite higher credit provisions and ongoing restructuring costs, the bank reported a pretax profit of €1.0 billion and net profit of €0.6 billion. Throughout the year, it also maintained sound capital and liquidity buffers.

Consistent with our unchanged view of a negative trend for economic risk in Germany and many other major European economies, we remain highly mindful of downside risks from the COVID-19 pandemic to our base case. We consider this, and related profitability challenges, in our negative outlooks on Deutsche Bank and many of its European peers. We continue to reflect not only on the extent of the downside risk to this economic base case, but also the likely strength of Deutsche Bank's prospects in 2022 and beyond, as the profit drag from the Capital Release Unit recedes but in the face of a likely continued difficult revenue environment.

This report does not constitute a rating action.

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