

Bulletin:

Deutsche Bank Fourth-Quarter Results Show Continued Challenges

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LONDON (S&P Global Ratings) Feb. 4, 2019--S&P Global Ratings said today that its ratings on Deutsche Bank AG (BBB+/Stable/A-2) are unchanged after the bank announced a €319 million pretax loss for fourth-quarter 2018. Full-year 2018 net profit was €341 million, a 0.5% return on tangible equity (ROTE), which was in line with our expectations, and was the bank's first profitable year since 2014. The fourth-quarter result was a little worse than market expectations--despite management achieving its targets on headcount and cost control--principally because of weaker than expected revenues in some corporate and investment bank segments. Deutsche Bank's balance sheet metrics remained solid in the fourth quarter.

The results confirm our view that management's biggest challenge is to improve profitability and bolster the bank's customer franchise. In comparison with global peers, these unsurprising results remain weak, and the restructuring protracted. Litigation and regulatory risks have reduced substantially in recent years, but the ongoing drip of cases and adverse news flow continues to undermine management's efforts to improve stability, in our view. We anticipate that management will remain cautious as it continues to adjust the blend and size of its liquidity buffer over the coming year.

Management continues to target a relatively modest--by peer standards--4% post-tax ROTE in 2019, aided in part by cutting annual underlying costs to €21.8 billion or less. However, the bank has said that about 1% of this 3.5%

ROTE improvement could be affected by market sensitive factors, which are beyond management's control. The achievement of these targets--while retaining the solid support of clients--will be an important barometer of the bank's strategic execution, in our view. Deutsche Bank's long-term target remains a far more stretching ROTE of about 10% in a normalized operating environment, which would align it with the best-performing peers and support greater franchise stability.

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- Deutsche Bank Long-Term Rating Lowered To 'BBB+' On Elevated Strategy Execution Risks; Outlook Stable, June 1, 2018

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