Press Release

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Insight beyond the rating.

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

Industry: Fin.Svc.--Banks & Trusts

DBRS Ratings GmbH (DBRS) 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.

KEY RATING CONSIDERATIONS
The confirmation of DB's ratings with a Negative trend reflects the Bank's new strategy and restructuring plans, announced on July 7, 2019, which have the potential to turn DB into a more profitable, simpler and lower risk financial institution over the longer-term. At the same time, DBRS acknowledges the significant execution risks associated with the plans, which includes numerous senior management changes. These initiatives follow various restructurings and management changes in recent years, which have not proven to be successful.

The ratings continue to incorporate DB's significant global corporate banking franchise, its strong position within Germany catering to retail and corporate customers, combined with solid capital levels and well-managed credit risk. The ratings also consider DBRS's expectation that the DB management team will be able to execute on its new strategy. In maintaining the Negative trend, DBRS takes into account the considerable challenges the Bank faces in growing revenues and recovering lost market share in some areas amid a difficult operating environment. The Bank also needs to absorb sizable restructuring costs and make continuing investments in systems and process enhancements, while balancing the need to compensate its employees in order to retain top talent.

RATING DRIVERS
Given the Bank's current financial profile and the challenges it faces in executing the new strategy while preserving and strengthening its franchise, positive rating pressure over the near-to-medium-term is unlikely. A trend reversal to Stable would require i) a stabilisation of the franchise demonstrated by stable to growing revenues, ii) significant cost reductions, while iii) maintaining adequate capitalisation.

Negative rating pressure would arise, in case of i) significant revenue declines or material market share losses in its core businesses, ii) delays in executing the strategy within the indicated timeframe, or iii) unexpected events that could negatively impact the Bank's financial position or its reputation.

RATING RATIONALE

On July 7, 2019 DB announced a new strategy and restructuring plan, which, in DBRS's view, is the most far-reaching so far. DB has had a series of restructuring programmes since 2012, led by three different CEOs. And, although it has improved its balance sheet and internal controls, reductions to the cost base have not achieved any of its profitability or cost/income targets. In the meantime, the Bank has lost market share in the investment banking league tables.

Overall, DBRS is of the opinion that the new strategy has the potential to turn DB into a leaner, simpler, less risky and more focused franchise. DBRS views the Bank's intention to swiftly implement the proposed restructuring plans positively. However, given the size and the scope of the measures, there is a significant degree of execution risk involved, especially as the changes are being implemented from a position of relative weakness, following years of more limited restructurings and numerous management changes.

The Bank is expected to undergo a period of weak earnings, including losses in 2019, as a result of the restructuring. This is occurring during a time when investment banking revenues have already weakened, interest rates remain low, and economic indicators point to a slowdown, possibly negatively impacting earnings in other segments. Furthermore, other universal bank peers have largely completed restructurings and recapitalizations, resulting in increased competition for DB. In the meantime, Deutsche Bank remains exposed to various litigation, reputational and other risks.

It is the Bank's intention to completely exit the Equity Sales and Trading business and to reduce Fixed Income Sales and Trading, notably in the Rates business. Assets from the discontinued businesses segments are to be transferred to a newly created Capital Release Unit (CRU), which will hold EUR 74 billion in risk weighted assets (RWA) or EUR 288 billion of leverage exposure representing approximately 20% of the Bank's balance sheet.

DB plans to separate the Investment Bank from the Corporate Bank, whereby the Corporate Bank will include the Global Transaction Bank and focus on traditional banking services. The Investment Bank will be focused on financing, advisory, fixed income and currency services for mainly corporate customers. In DBRS's view, this is a more client-centric approach. However, the franchise has been negatively impacted by past uncertainty, negative headlines and perceived weakness and needs to demonstrate that it can recover some lost ground.

The restructuring includes a workforce reduction of approximately 18,000. Total cumulative restructuring charges are expected to amount to EUR 7.4 billion. However, this number includes a significant amount of non-cash charges including deferred tax assets (DTAs) write-downs, as well as goodwill and software impairments, which also have a limited impact on regulatory capital. As a result, the total Common Equity Tier 1 (CET 1) impact of EUR 5.1 billion in charges taken in 2019 will be approximately EUR 2.0 billion, part of which should be offset by the capital release from the winding down of assets in the CRU.

DB targets a minimum CET 1 ratio of 12.5%. This is well below its current level of 13.7%, but appears reasonable given the Bank's planned balance sheet and risk reduction. A relatively swift wind-down of the CRU is expected to release further capital, not only supporting capital levels in face of the restructuring charges, but also taking into account future regulatory changes. However, managing this within the indicated timeframe will be a key rating driver.

DBRS expects the Bank's liquidity profile to improve, as trading assets are expected to decline to around 13% of liabilities in 2022 from 21% in 2018. As the need for wholesale funding declines, deposits as a proportion of total liabilities are expected to increase to 67% from 56% in 2018.

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

Notes:
All figures are in EUR unless otherwise noted.

The principal applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (June 2019). This can be found can be found at:
http://www.dbrs.com/about/methodologies

The sources of information used for this rating include company documents, Coalition, Dealogic and S&P Global Market Intelligence. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS 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 twelve-month period. DBRS's outlooks and ratings are under regular surveillance

For further information on DBRS 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.

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

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Initial Rating Date: 27 February 2015
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For more information on this credit or on this industry, visit www.dbrs.com.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Deutsche Bank AG	Long-Term Issuer Rating	Confirmed	A (low)	Neg	Jul 9, 2019
Deutsche Bank AG	Long-Term Senior Debt	Confirmed	A (low)	Neg	Jul 9, 2019
Deutsche Bank AG	Long-Term Deposits	Confirmed	A (low)	Neg	Jul 9, 2019
Deutsche Bank AG	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	Jul 9, 2019
Deutsche Bank AG	Short-Term Debt	Confirmed	R-1 (low)	Stb	Jul 9, 2019
Deutsche Bank AG	Short-Term Deposits	Confirmed	R-1 (low)	Stb	Jul 9, 2019
Deutsche Bank AG	Senior Non-Preferred Debt	Confirmed	BBB (high)	Neg	Jul 9, 2019
Deutsche Bank AG	Long Term Critical Obligations Rating	Confirmed	A (high)	Neg	Jul 9, 2019
Deutsche Bank AG	Short Term Critical Obligations Rating	Confirmed	R-1 (middle)	Neg	Jul 9, 2019

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Deutsche Bank Trust Company Americas	Long-Term Issuer Rating	Confirmed	A (low)	Neg	Jul 9, 2019
Deutsche Bank Trust Company Americas	Long-Term Senior Debt	Confirmed	A (low)	Neg	Jul 9, 2019
Deutsche Bank Trust Company Americas	Long-Term Deposits	Confirmed	A (low)	Neg	Jul 9, 2019
Deutsche Bank Trust Company Americas	Short-Term Issuer Rating	Confirmed	R-1 (low)	Stb	Jul 9, 2019
Deutsche Bank Trust Company Americas	Short-Term Debt	Confirmed	R-1 (low)	Stb	Jul 9, 2019
Deutsche Bank Trust Company Americas	Short-Term Deposits	Confirmed	R-1 (low)	Stb	Jul 9, 2019

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