

Rating Action: Moody's places Deutsche Bank AG's ratings on review for upgrade

17 May 2021

Frankfurt am Main, May 17, 2021 -- Moody's Investors Service ("Moody's") has today placed on review for upgrade all ratings and rating assessments of Deutsche Bank AG (DB), including the bank's A3/P-2 long- and short-term deposit and long-term senior unsecured debt ratings as well as its Baa3 junior senior unsecured debt ratings. DB's ba1 Baseline Credit Assessment (BCA) has also been placed on review for upgrade.

For a list of all affected ratings and assessments, please refer to the end of this press release.

RATINGS RATIONALE / FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

-- BCA AND LONG-TERM RATINGS

The review for upgrade takes account of DB's swift and pronounced progress towards its objective of achieving a more balanced and sustainable business model, that -- coupled with the bank's unchanged solid capital and liquidity buffers -- is exerting upward pressure on the bank's standalone credit profile, as expressed through Moody's BCA.

Since DB announced its strategic overhaul in summer 2019, it has provided for almost €7 billion of restructuring and transformation charges and €1.8 billion in loan loss provisions. Moreover, DB's regained earnings strength; its reduced capital and leverage exposure consumption; as well as significantly lower operating costs, strong liquidity and reduced dependence on confidence-sensitive market funding have allowed it to self-finance its strategic overhaul without a significant impact on its key capital ratios.

During the review period, Moody's will assess the sustainability of the bank's most recent achievements in growing revenues and earnings, in particular its ability to maintain robust capital markets revenues in a less favourable market environment, without increasing its risk appetite. In addition, the rating agency will investigate the potential for the higher earnings DB expects to generate in its retail and corporate banking, segments that are currently pressured by the ultra-low interest rate environment. Further, the review will focus on the magnitude of risk exposures within DB's generally well-diversified loan book, in particular exposures to sectors that have been most affected by the pandemic, such as commercial real estate, aviation and leisure. Finally, Moody's will review the bank's progress in its digital transformation and its ambition in developing itself into a sustainability leader amongst its peers.

--LONG-TERM RATINGS

The review for upgrade on DB's long-term ratings reflects the review for upgrade on its ba1 BCA. This further reflects Moody's unchanged Advanced Loss Given Failure (LGF) analysis in assessing the bank's existing volume of loss-absorbing debt and the resulting loss severity for its different debt classes. For deposits and senior unsecured debt, this continues to lead to three notches of rating uplift from the bank's ba1 Adjusted BCA. For junior senior unsecured debt, Moody's Advanced LGF analysis continues to lead to one notch of rating uplift from the bank's ba1 Adjusted BCA.

Moody's also maintained its assumption of a moderate probability of government support for junior depositors and senior unsecured creditors to be forthcoming to DB, in case of need. This assumption continues to lead to one notch of additional rating uplift for the bank's and its subsidiaries' as well as branches' deposit and senior unsecured debt ratings, where applicable.

DB's ratings are likely to be upgraded should Moody's conclude its review by assessing that DB is likely to make continued progress towards meeting its medium-term targets, in particular by being able to sustain adequate profitability while continuing to invest to strengthen its technology platform and controls and risk management infrastructure. Moody's assessment of the bank's ability to keep contained loan loss charges and maintain a prudent and well controlled risk appetite that is aligned with its corporate governance priorities will also be important factors that could contribute to an upgrade.

Downward rating pressure would develop if DB suffered a reversal in moving towards meeting its strategic milestones, particularly with respect to achieving sustainable revenue generation, realized cost saves and related de-risking costs in its non-core unit. The ratings could also be downgraded if DB's earnings were strained by sustained market headwinds or additional litigation costs that materially exceed existing reserves. In addition, the ratings could be downgraded should DB experience a material risk management failure or material deterioration in asset quality, liquidity or capital.

LIST OF AFFECTED RATINGS

Issuer: Deutsche Bank AG

..Placed on Review for Upgrade:

...Long-term Counterparty Risk Ratings, currently A3

...Short-term Counterparty Risk Ratings, currently P-2

...Long-term Bank Deposits, currently A3, outlook changed to Ratings under Review from Stable

...Short-term Bank Deposits, currently P-2

...Long-term Counterparty Risk Assessment, currently A3(cr)

...Short-term Counterparty Risk Assessment, currently P-2(cr)

...Long-term Issuer Rating, currently A3, outlook changed to Ratings under Review from Stable

...Baseline Credit Assessment, currently ba1

...Adjusted Baseline Credit Assessment, currently ba1

...Senior Unsecured Regular Bond/Debenture, currently A3, outlook changed to Ratings under Review from Stable

...Senior Unsecured Shelf, currently (P)A3

...Senior Unsecured Medium-Term Note Program, currently (P)A3

...Junior Senior Unsecured Regular Bond/Debenture, currently Baa3

...Junior Senior Unsecured Shelf, currently (P)Baa3

...Junior Senior Unsecured Medium-Term Note Program, currently (P)Baa3

...Subordinate Regular Bond/Debenture, currently Ba2

...Subordinate Shelf, currently (P)Ba2

...Subordinate Medium-Term Note Program, currently (P)Ba2

...Preferred Stock Non-cumulative, currently B1(hyb)

...Commercial Paper, currently P-2

...Other Short Term, currently (P)P-2

..Outlook Action:

...Outlook changed to Ratings under Review from Stable

Issuer: Deutsche Bank AG, London Branch

..Placed on Review for Upgrade:

...Long-term Counterparty Risk Ratings, currently A3

...Short-term Counterparty Risk Ratings, currently P-2
...Long-term Counterparty Risk Assessment, currently A3(cr)
...Short-term Counterparty Risk Assessment, currently P-2(cr)
...Senior Unsecured Regular Bond/Debenture, currently A3, outlook changed to Ratings under Review from Stable
...Senior Unsecured Shelf, currently (P)A3
...Senior Unsecured Medium-Term Note Program, currently (P)A3
...Backed Senior Unsecured Medium-Term Note Program, currently (P)A3
...Junior Senior Unsecured Regular Bond/Debenture, currently Baa3
...Junior Senior Unsecured Shelf, currently (P)Baa3
...Junior Senior Unsecured Medium-Term Note Program, currently (P)Baa3
...Backed Junior Senior Unsecured Medium-Term Note Program, currently (P)Baa3
...Subordinate Regular Bond/Debenture, currently Ba2
...Subordinate Shelf, currently (P)Ba2
...Subordinate Medium-Term Note Program, currently (P)Ba2
...Other Short Term, currently (P)P-2

..Outlook Action:

....Outlook changed to Ratings under Review from Stable

Issuer: Deutsche Bank AG, New York Branch

..Placed on Review for Upgrade:

...Long-term Counterparty Risk Ratings, currently A3
...Short-term Counterparty Risk Ratings, currently P-2
...Long-term Bank Deposits, currently A3, outlook changed to Ratings under Review from Stable
...Short-term Bank Deposits, currently P-2
...Long-term Deposit Note/CD Program Takedown, currently A3, outlook changed to Ratings under Review from Stable
...Long-term Counterparty Risk Assessment, currently A3(cr)
...Short-term Counterparty Risk Assessment, currently P-2(cr)
...Senior Unsecured Regular Bond/Debenture, currently A3, outlook changed to Ratings under Review from Stable
...Senior Unsecured Shelf, currently (P)A3
...Senior Unsecured Medium-Term Note Program, currently (P)A3
...Junior Senior Unsecured Regular Bond/Debenture, currently Baa3
...Junior Senior Unsecured Shelf, currently (P)Baa3
...Junior Senior Unsecured Medium-Term Note Program, currently (P)Baa3

...Subordinate Regular Bond/Debenture, currently Ba2

...Subordinate Shelf, currently (P)Ba2

...Subordinate Medium-Term Note Program, currently (P)Ba2

..Outlook Action:

...Outlook changed to Ratings under Review from Stable

Issuer: Deutsche Bank AG, Paris Branch

..Placed on Review for Upgrade:

...Long-term Counterparty Risk Ratings, currently A3

...Short-term Counterparty Risk Ratings, currently P-2

...Long-term Bank Deposits, currently A3, outlook changed to Ratings under Review from Stable

...Short-term Bank Deposits, currently P-2

...Long-term Counterparty Risk Assessment, currently A3(cr)

...Short-term Counterparty Risk Assessment, currently P-2(cr)

..Outlook Action:

...Outlook changed to Ratings under Review from Stable

Issuer: Deutsche Bank AG, Singapore Branch

..Placed on Review for Upgrade:

...Long-term Counterparty Risk Ratings, currently A3

...Short-term Counterparty Risk Ratings, currently P-2

...Long-term Counterparty Risk Assessment, currently A3(cr)

...Short-term Counterparty Risk Assessment, currently P-2(cr)

...Senior Unsecured Medium-Term Note Program, currently (P)A3

...Junior Senior Unsecured Regular Bond/Debenture, currently Baa3

...Junior Senior Unsecured Medium-Term Note Program, currently (P)Baa3

...Other Short Term, currently (P)P-2

..Outlook Action:

...Outlook changed to Ratings under Review from Stable

Issuer: Deutsche Bank AG, Sydney Branch

..Placed on Review for Upgrade:

...Long-term Counterparty Risk Ratings, currently A3

...Short-term Counterparty Risk Ratings, currently P-2

...Long-term Counterparty Risk Assessment, currently A3(cr)

...Short-term Counterparty Risk Assessment, currently P-2(cr)

...Senior Unsecured Medium-Term Note Program, currently (P)A3

...Junior Senior Unsecured Regular Bond/Debenture, currently Baa3

...Junior Senior Unsecured Medium-Term Note Program, currently (P)Baa3

...Subordinate Medium-Term Note Program, currently (P)Ba2

...Other Short Term, currently (P)P-2

..Outlook Action:

...Outlook changed to Ratings under Review from Stable

Issuer: Deutsche Bank Capital Finance Trust I

..Placed on Review for Upgrade:

...Junior Subordinated Regular Bond/Debenture, currently Ba3(hyb)

No Outlook assigned

Issuer: Deutsche Bank Financial LLC

..Placed on Review for Upgrade:

...Backed Senior Unsecured Medium-Term Note Program, currently (P)A3

...Backed Subordinate Medium-Term Note Program, currently (P)Ba2

...Backed Commercial Paper, currently P-2

No Outlook assigned

Issuer: Deutsche Finance (Netherlands) B.V.

..Placed on Review for Upgrade:

...Backed Senior Unsecured Regular Bond/Debenture, currently A3, outlook changed to Ratings under Review from Stable (assumed by Deutsche Bank AG)

...Backed Junior Senior Unsecured Regular Bond/Debenture, currently Baa3 (assumed by Deutsche Bank AG)

No Outlook assigned

Issuer: Deutsche Postbank Funding Trust I

..Placed on Review for Upgrade:

...Preferred Stock Non-cumulative, currently B1(hyb)

No Outlook assigned

Issuer: Deutsche Postbank Funding Trust II

..Placed on Review for Upgrade:

...Preferred Stock Non-cumulative, currently B1(hyb)

No Outlook assigned

Issuer: Deutsche Postbank Funding Trust III

..Placed on Review for Upgrade:

...Preferred Stock Non-cumulative, currently B1(hyb)

No Outlook assigned

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1261354 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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