FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Deutsche Bank at 'A-'/Stable; Upgrades Short-Term IDR to 'F1'

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Fitch Ratings - Paris - 02 Jun 2025: Fitch Ratings has upgraded Deutsche Bank AG's Short-Term Issuer Default Rating (IDR) to 'F1' from 'F2'. Fitch has also affirmed Deutsche Bank's Long-Term IDR at 'A-' with a Stable Outlook and Viability Rating (VR) at 'a-'. The ratings of Deutsche Bank's subsidiaries and debt ratings were also affirmed. A full list of rating actions is provided below.

The upgrade of the Short-Term IDR is driven by Fitch's revised assessment of Deutsche Bank's funding and liquidity, reflecting improvements in investor confidence, liquidity resilience to stress and events, and funding costs.

KEY RATING DRIVERS

Improved Resilience: Deutsche Bank's ratings reflect its global operations and fairly diversified business model, although with a large contribution from more volatile trading revenue and a lack of domestic pricing power compared with higher-rated global trading and universal bank (GTUB) peers. The bank's risk appetite, asset quality and liquidity remain sound amid increased economic uncertainty, while we view the bank's funding as less sensitive to investor confidence than in the past.

Fitch expects Deutsche Bank's continued strategic execution to further improve profitability in 2025. Higher earnings are important for capitalisation, as the bank's high regulatory requirements result in tighter buffers than at most large European banks.

contribution and cost/income ratios of the CB and the PB have substantially improved in the past five years, although PB's profitability remains subdued. They, together with AM, accounted on average for about two-thirds of total revenue in the past two years.

Enhanced Risk Controls: Litigation costs and regulatory fines have so far been materially above the peer average. Most legacy legal cases were resolved, and investments have improved anti-financial crime controls, but we believe that Deutsche Bank's business model is intrinsically exposed to these risks. At the same time, the bank has a good record of managing credit and counterparty risk in most businesses. Appetite for market risk is fairly limited, despite sizeable trading operations.

Good Credit Risk Management: Loan quality benefits from extensive credit risk mitigation. We expect the impaired loans ratio to remain at about 3% at end-2025, above the sector's and Deutsche Bank's long-term average. This is because higher corporate defaults and continued pressure on commercial real estate markets, to which the bank has larger exposure than European peers, could offset recoveries. Adequate collateralisation of impaired loans and lower precautionary provisions result in lower loan loss allowance coverage than at peers. Non-loan assets are generally of good credit quality.

Improving Earnings: Litigation costs overshadowed Deutsche Bank's satisfactory core profitability in 2024. The sound operating profitability continued into 1Q25, supported by strong trading revenue and improved cost control. We expect revenue from the bank's hedge portfolio to mitigate a decline in deposit margins and stabilise net interest income in 2025, while the bank has potential to increase trading and fee income. This, combined with lower litigation and restructuring costs, should lift the bank's operating profit to above 2% of risk-weighted assets (RWAs) in 2025.

Adequate Capitalisation: Capitalisation is adequate, considering the bank's high regulatory capital and leverage requirements, which result in lower maximum distributable amount buffers than most European peers. It also benefits from improved internal capital generation. We expect the common equity Tier 1 (CET1) capital ratio and the Basel leverage ratio to remain at least 13.5% and 4.5%, respectively, in the next two years, as capital retention should offset regulatory-driven RWAs growth.

Diversified Funding; Sound Liquidity: Deutsche Bank's funding and liquidity profile has

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings could come under pressure from a deterioration of credit conditions, weaker cost-efficiency or a loss in market share resulting in operating profit durably below 1.5% of RWAs. Rating pressure would also arise if the CET1 ratio falls consistently below 13%, for instance, if internal capital generation weakens and Deutsche Bank materially increases shareholder distributions.

We could also downgrade the ratings if the bank's liquidity metrics fall more than expected, leading to loss of market confidence, without swift recovery prospects or following considerably larger-than-anticipated operational losses, for example, from civil litigation or regulatory fines.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade would require a further strengthening of the bank's business model and a successful turnaround of the domestic retail business supporting an improvement of PB's operating profit/RWA to levels that are more in line with that of its other businesses and closer to international peers'. This would result in a more balanced earnings profile, reduced operating profit variability and substantially better cost-efficiency, as seen at higher-rated peers.

An upgrade would also require operating profit/RWAs sustainably at 2% or above, a CET1 ratio of at least 13.5% and an impaired loans ratio of below 3%, while maintaining a sound risk appetite.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Deutsche Bank's Short-Term IDR of 'F1', which was upgraded from 'F2', is the higher of the two short-term ratings mapping to the Long-Term IDR of 'A-' and reflects the revision of the group's funding and liquidity score to 'a' from 'a' previously.

Deutsche Bank's Derivative Counterparty Rating (DCR), long-term deposit and senior preferred (SP) debt ratings are one notch above its Long-Term IDR, and its senior non-

Deutsche Bank's short-term deposit and SP debt ratings of 'F1' are rated in line with the Short-Term IDR and are the lower of two options mapping to the long-term debt ratings of 'A', as Deutsche Bank's funding and liquidity score is below the required threshold for a higher short-term rating.

We rate the Tier 2 notes two notches below the VR to reflect the poor recovery prospects of these instruments. We rate Deutsche Bank's additional Tier 1 (AT1) notes and legacy Tier 1 notes issued by Deutsche Postbank Funding Trust I and III four notches below the VR (two notches for poor recovery prospects and two notches for non-performance risk). The bank had a broadly stable and sufficient buffer of 252bp over the minimum required before mandatory AT1s coupon omission threshold at end-March 2025.

Senior and Tier 2 bonds issued by DSL Bank are notched up three times from Deutsche Bank's Long-Term IDR, reflecting their outstanding recovery prospects. The German government (AAA/Stable), which guarantees these bonds until maturity, is extremely likely to fully reimburse the grandfathered creditors if Deutsche Bank defaults. However, we see no certainty that a reimbursement would be on a timely basis as the DSL Transformation Act from 1999, on which the state guarantee is based, does not oblige the government to honour the guarantee on first demand.

No Government Support: Deutsche Bank's Government Support Rating (GSR) of 'no support' reflects our view that due to the resolution legislation in place in Germany since 2015, senior creditors cannot rely on full extraordinary support from the sovereign if the bank becomes non-viable.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

Deutsche Bank's Short-Term IDR would be downgraded if the funding & liquidity score is lowered to 'a-' from 'a'. An upgrade of the Short-Term IDR would require an upgrade of the Long-Term IDR and an upward revision of the bank's funding & liquidity score to 'aa-'.

The DCR, long-term deposit and senior debt ratings are primarily sensitive to changes in the Long-Term IDR. The DCR, long-term deposit and SP debt ratings could also be downgraded if the subordinated and SNP debt buffers fall below 10% of RWAs, which we do not expect.

non-performance, if we no longer expect the bank to maintain a buffer of over 100bp over distribution-relevant requirements.

The ratings of the state-guaranteed bonds issued by DSL Bank are primarily sensitive to changes in Deutsche Bank's Long-Term IDR, and to the timely execution of the guarantee by the sovereign, should the bank be unable to honour its obligations.

An upgrade of the GSR would require a positive change in the sovereign's propensity to support the bank's senior creditors. While not impossible, this is highly unlikely, in our view.

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

Deutsche Bank AG, London Branch's ratings are equalised with those of Deutsche Bank as they refer to the same legal entity.

The IDRs of Deutsche Bank's US subsidiaries Deutsche Bank Securities, Inc., Deutsche Bank Trust Corporation, Deutsche Bank Trust Company Americas (DBTCA) and Deutsche Bank National Trust Company, are based on their Shareholder Support Ratings of 'a-', which are aligned with Deutsche Bank's Long-Term IDR. This reflects the subsidiaries' high integration and core role in supporting the group's US operations.

DBTCA's long-term deposit rating and Deutsche Bank Securities Inc.'s DCR are one notch above their respective Long-Term IDRs because Fitch expects DBTCA's depositors and Deutsche Bank Securities Inc.'s derivative counterparties to be protected by junior and SNP debt and equity buffers that Deutsche Bank has pre-placed at its intermediate holding company DB USA Corporation and that depositor preference in the US would result in good recovery prospects.

The 'F1' rating of DBTCA's short-term deposits is the lower of the two short-term ratings mapping to the 'A' long-term rating, reflecting our assessment of the ultimate parent's funding and liquidity.

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

The ratings of the above entities are primarily sensitive to Deutsche Bank's IDRs, from which they are derived. The subsidiaries' ratings are also sensitive to a perceived decline in

The earnings and profitability score of 'a-' is above the 'bbb' category implied score due to the following adjustment reason: historical and future metrics (positive).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The IDRs of Deutsche Bank Securities, Inc., Deutsche Bank Trust Corporation, DBTCA and Deutsche Bank National Trust Company are linked to Deutsche Bank's Long-Term IDR.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Deutsche Bank AG	LT IDR	A-	Affirmed	A-
	ST IDR	F1	Upgrade	F2

	DCR	A(dcr)	Affirmed	A(dcr)
	Government Support	ns	Affirmed	ns
Senior non-preferred	LT	A-	Affirmed	A-
Senior preferred	LT	A	Affirmed	A
subordinated	LT	BBB	Affirmed	BBB
subordinated	LT	BB+	Affirmed	BB+
long-term deposits	LT	A	Affirmed	A

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 31 Jan 2025) (including rating

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Deutsche Bank AG	EU Issued, UK Endorsed
Deutsche Bank AG, London Branch	EU Issued, UK Endorsed
Deutsche Bank National Trust Company	EU Issued, UK Endorsed
Deutsche Bank Securities, Inc.	EU Issued, UK Endorsed
Deutsche Bank Trust Company Americas	EU Issued, UK Endorsed
Deutsche Bank Trust Corporation	EU Issued, UK Endorsed
Deutsche Postbank Funding Trust I	EU Issued, UK Endorsed
Deutsche Postbank Funding Trust III	EU Issued, UK Endorsed

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