Banks
Universal Commercial Banks
Germany

# Deutsche Bank's Strong IB Revenue Offsets High Impairments

## Credit Comment

Deutsche Bank AG's operating profit/risk-weighted assets (RWAs) ratio (9M24: 2.1%; 9M23: 1.9%) is in line with Fitch Ratings' forecast for 2024 and consistent with the bank's 'A-' Long-Term Issuer Default Rating. The ratio excludes EUR0.9 billion litigation provisions related to the Postbank takeover, which we view as non-operating. The latter declined by EUR0.4 billion in 3Q24 following settlements with the plaintiffs, but further releases are unlikely after a court ruled against Deutsche Bank on the day it announced 3Q24 results. Net return on tangible equity should therefore fall below the 2023 level of 7.4% in 2024.

### Loan Impairment Charges Rise

Loan impairment charges (LICs) rose to 39bp of average gross loans in 9M24 (9M23: 28bp), above the bank's 30bp maximum stated at the beginning of the year. The higher-than-expected impairments mainly resulted from the EUR37 billion non-recourse commercial real estate (CRE) portfolio (9.2% impaired at end-September), collection backlogs in German retail banking, and large defaults in the corporate loan books, partially hedged with collateralised loan obligations. The impaired loans ratio rose to 3.2% (end-2023: 2.8%).

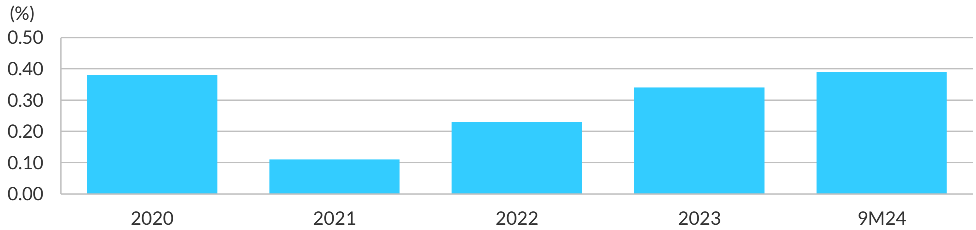
The bank now guides for EUR1.8 billion LICs (38bp of average gross loans) for 2024, which is at the higher end of our forecast of 30bp–40bp, and for around EUR1.4 billion LICs in 2025. CRE LICs were down 34% quarter on quarter, and also included provisions for expected sales in 4Q24, indicating that pressure on the portfolio could have eased. LICs could increase in the corporate book if economic growth in Germany remains subdued, in our view, despite the bank's reassurance of stable asset quality indicators in this portfolio.

### 2024 Revenue Target in Sight

The bank is on track to reach its EUR30 billion revenue target for 2024. Reported net interest income declined in 9M24, but was essentially flat after netting for accounting asymmetries, in line with the bank's guidance for the full year. It benefitted from deposit growth, lower unsecured funding spreads and higher gross margins in corporate and investment banking, all of which offset rising deposit betas and a declining loan book.

Net commission income increased substantially in 9M24, driven by growth in all segments, in particular in origination and advisory. Trading revenue also rose from a high 9M23. Litigation expenses remain high, even when excluding the Postbank one-off. Non-interest expenses, excluding litigation, restructuring, and bank levies, increased only slightly in 9M24, reflecting good cost management. Similar to European peers, the bank benefitted from significantly lower bank levies.

### Loan Impairment Charges/Average Gross Loans




Source: Fitch Ratings, Fitch Solutions, DB

### Ratings

| Foreign Currency | |
|---|---|
| Long-Term IDR | A- |
| Short-Term IDR | F2 |
| Derivative Counterparty Rating | A(dcr) |
| Viability Rating | a- |
| Government Support Rating | ns |
| **Sovereign Risk (Germany)** | |
| Long-Term Foreign-Currency IDR | AAA |
| Long-Term Local-Currency IDR | AAA |
| Country Ceiling | AAA |
| **Outlooks** | |
| Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Foreign-Currency IDR | Stable |
| Sovereign Long-Term Local-Currency IDR | Stable |

### Related Research

Deutsche Bank (July 2024)
Fitch Affirms Deutsche Bank at 'A-'; Outlook Stable (June 2024)
Large European Banks' Commercial Real Estate: No Outsized Credit Losses Expected (May 2024)
Postbank Takeover Litigation Costs Will Be Neutral to Deutsche Bank's Credit Profile (April 2024)
German Banks' Commercial Real Estate: Credit Losses to Stay High (February 2024)

### Analysts

Marco Diamantini
+49 69 768076 114
marco.diamantini@fitchratings.com

Rafael Quina
+33 1 44 29 91 81
rafael.quina@fitchratings.com