ISSUER COMMENT
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Deutsche Bank AG

Record fixed income and stable core businesses drive strong second-quarter earnings

All figures in this report relate to Q2 2026 and comparisons are made with Q2 2025, unless otherwise indicated.

On 29 July, Deutsche Bank AG (DB, A1 positive/A1 stable, baa2[1]) reported net income of €1.9 billion for the second quarter of 2026, up 10% from a year earlier. On a Moody's-adjusted basis[2], net income of €1.8 billion was up 16% and corresponded to an annualised net return on risk-weighted assets (RWA) of 195 basis points (bp), a return on assets of 47 bp and a net return on shareholders' equity of 10.7% (reported return on tangible equity was 11.0%).

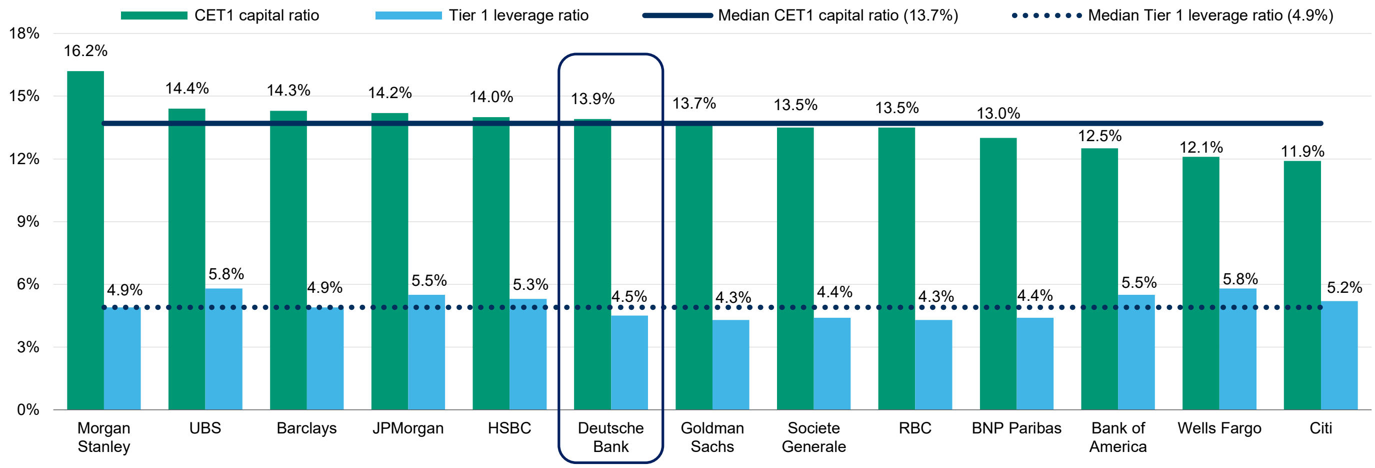
Overall group revenue was up 9%, reflecting a strong performance in the Investment Bank (IB) and Private Bank (PB) segments, where revenue grew by 19% and 8%, respectively. Corporate Bank (CB) revenue grew by 1%, while Asset Management (AM) revenue was up by 4%, supported by very strong net new money inflows and solid market performance. Costs were up by 8% at €5.3 billion, in-line with the bank's full-year ambition of non-interest expenses of slightly above €21 billion, but included exit costs relating to PB's retail franchise in India.[3] The cost-to-income ratio (CIR) of 63.0% was virtually unchanged from 63.6% a year earlier.

For 2026, DB expects net interest revenue to slightly exceed its prior guidance of around €14 billion, with further positive effects expected from its structural hedging approach in 2027 and 2028. DB expects expenses to remain within the announced budget while retaining flexibility on the timing and pace of investments, particularly in PB. As a result, the bank remains on track to achieve both its 2026 and medium-term (2028) targets despite the very challenging geopolitical and macroeconomic environments, a credit positive.

DB's high-quality liquid assets rose 2% to a strong €237 billion in Q2, while its liquidity coverage ratio increased to 140% from 136% a year earlier. The bank's solid liquidity buffers and stable funding continue to support its credit profile. Deposit balances generated from DB's sizeable domestic and international corporate and retail banking franchises grew by 7% to €698 billion, while loans were up by 4% year over year at €491 billion.

In Q2 2026, DB's Tier 1 leverage ratio declined to 4.5% from 4.7% in the prior-year quarter, mainly reflecting a 10% increase in leverage exposures (Exhibit 1). The bank's Common Equity Tier 1 (CET1) capital ratio was 13.9%, down from 14.2% a year earlier.

Exhibit 1
CET1 ratio and Tier 1 leverage ratio for Global Investment Banks as of 30 June 2026



1) Data is as of Q1 2026 for HSBC and Societe Generale; Q2 2026 for all others. 2) The Tier 1 leverage ratios of UK and European banks are calculated per the Capital Requirement Regulations and exclude certain central bank balances as temporarily allowed; for US banks we show the supplemental leverage ratio (SLR). 3) The CET1 capital ratio for US banks is calculated under the advanced approach.
Sources: Company reports and Moody's Ratings

DB's Q2 loan loss charges of €460 million were once again higher than anticipated, driven by around €120 million of charges related to further de-risking of its nonperforming US commercial real estate (CRE) exposures. Overall, loan loss charges came in above the €423 million recorded in Q2 2025 and below the €519 million reported in Q1 2026, the latter including a €90 million overlay and additional charges for CRE-related risks. The US CRE portfolio now stands at €11 billion, down 41% from 2022. Q2 2026 charge-offs were 38 bp of gross loans, down from 36 bp and up from 43 bp of gross loans in Q2 2025 and Q1 2026, respectively.

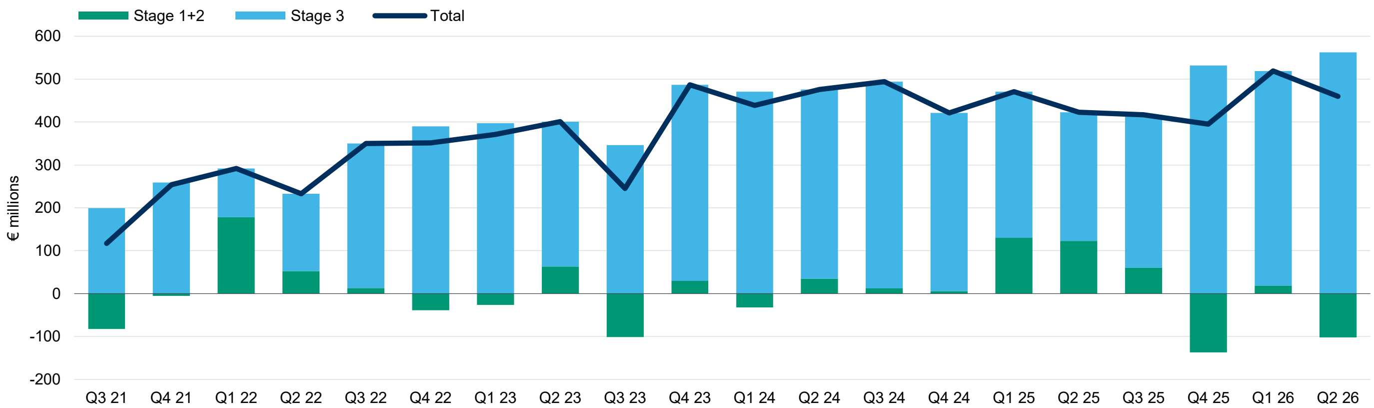
The bank also booked high Stage 3 provisions of €562 million during the quarter, up 87% year over year and up 12% from the previous peak recorded last quarter. The increase in Stage 3 provisions was driven by the aforementioned CRE portfolio de-risking as well as additional PB charges following model updates. Stage 1 and Stage 2 provisions recorded a release of €102 million against a charge of €123 million a year earlier, manly owing to overlay releases (see Exhibit 2).

DB's ratio of nonperforming loans (NPL) to gross loans was 3.2% during the quarter, broadly in line with Q1 2026 and the prior-year quarter (both 3.1%), with total doubtful loans (Stage 3 at amortised cost) of €15.6 billion, up from €14.7 billion a year earlier. The coverage ratio of Stage 3 loans improved to 33% (Q2 2025: 31%) but remains low compared with peers, partly reflecting the highly collateralized nature of DB's loan book. In addition, forward-looking provisions on performing Stage 1 and Stage 2 loans of €1.2 billion continue to provide ample buffer against unexpected shocks.

Exhibit 2

Loan loss provisions remain above the bank's usual run rate, driven by planned CRE portfolio disposal

Stage 3 provisions at highest level since 2021



Sources: Company reports and Moody's Ratings

Noteworthy segment considerations

All figures relate to Q2 2026 and comparisons are made with Q2 2025, unless otherwise indicated.

The **Investment Bank** reported a pretax profit of €1.31 billion, up 59% year over year. Revenue increased by 19% to €3.2 billion (see Exhibit 3), driven by strong growth in Fixed Income & Currencies (FIC) and Investment Banking & Capital Markets (IBCM) revenue, which rose by 16% and 36%, respectively.

FIC revenue was mainly supported by credit trading and rates businesses, which both benefitted from the elevated market volatility since March. IBCM's performance benefited in particular from higher advisory and equity origination revenue in the context of a higher industry fee pool across large institutions. US peers reported stronger IBCM revenue growth (40% for DB compared with 46% aggregate growth for US peers in US dollar terms), while DB recorded stronger growth in FIC revenue (19% versus 12% aggregate growth). However, unlike its US peers, DB lacks an equities sales&trading (S&T) franchise and therefore did not benefit from the exceptionally strong equities trading environment, which drove a 38% aggregate increase in FIC and equities revenue for US peers, supported by robust client activity, elevated single-stock dispersion and higher prime brokerage balances. However, the absence of an equities S&T business reduces DB's market risk and limits earnings volatility.

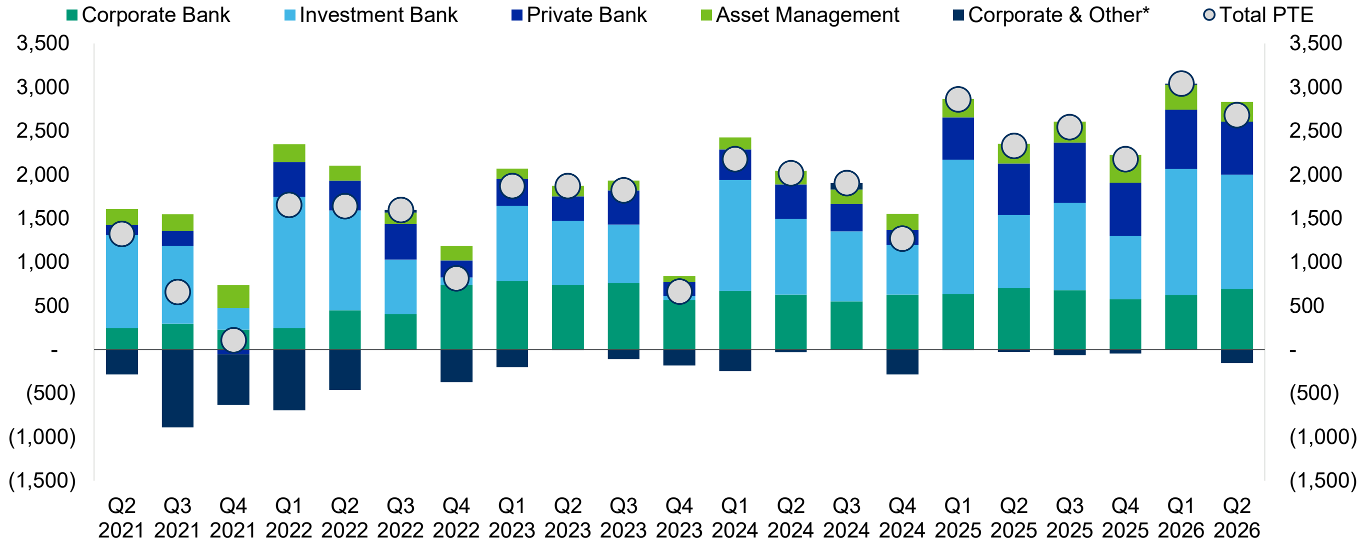
Segment costs increased by 6%, reflecting higher personnel investments through increased hiring and bonus compensation. Loan loss provisions declined by 33% to €174 million, largely reflecting a favourable comparison with the prior-year quarter, which included model-related adjustments. Nevertheless, provisioning remained elevated at 58 bp of average loans, reflecting DB's planned exit and related charges from a portfolio of nonperforming CRE exposures.

Asset Management reported a pretax profit of €224 million, flat year over year. Revenue increased by 4% to €756 million due to significantly higher average assets under management (AUM), which drove a 13% increase in management fees, the segment's main source of revenue. AUM rose by 18% year over year and by 9% sequentially to €1.2 trillion, supported by strong markets, net inflows, particularly in Passive and Cash products, and favourable foreign exchange. The strong performance in management fees was offset by a sharp decline in performance fees due to the lower contribution from Alternatives products, and a 7% increase in costs.

Exhibit 3

DB's revenue benefitted from solid business performance across segments and a strong IB

Adjusted quarterly pretax profit by business line (excluding litigation, impairments, Debit Valuation Adjustments and one-offs), € millions



Restatement for 2023 numbers are in line with the bank's revised divisional reporting. 2026 revenues are not adjusted.
*Capital Release Unit (CRU) discontinued from 2023 and restated in 2022 (moved to Corporate and Other [C&O]). Quarterly 2021 figure for C&O reflects combined CRU and C&O.
Sources: Company reports and Moody's Ratings

Corporate Bank reported a pretax profit of €691 million, down 6% from a year earlier but up 11% sequentially. The year over year contraction reflects 4% higher costs and a €16 million (or 76%) increase in provisions, partly offset by a mild increase in revenue. The segment's net interest income (NII) remained broadly stable year on year, supported by interest rate hedging and growth in deposits (+9%) and average loans (+7%). Deposit growth reflected higher cash management balances, while loan growth mainly reflected higher trade finance volumes. Net commission and fee income was up by 4% and drove the higher revenue in the segment. Loan loss provisions rose to €38 million but remained contained at 13 bp of average loans.

Private Bank reported a pretax profit of €605 million, essentially flat year over year, as the 8% increase in revenue was offset by an 8% increase in costs and a 51% increase in loan loss provisions. Revenue benefitted from 11% growth in Wealth Management and 6% growth in Personal Banking. Revenue growth mainly reflected significantly higher deposit and investment product revenue, which drove a 10% increase in net interest income. The increase in segment costs mainly reflects upfront charges associated with the announced sale of the Private Bank's India franchise, as well as higher severance costs. AUM rose by 13% year over year and by 5% sequentially, driven by net inflows and positive foreign exchange effects. Loan loss provisions increased to €177 million due to releases related to model updates in the prior-year quarter, but remained in line with DB's expectations at 29 bp of gross loans.

Rating considerations

Deutsche Bank has a Baseline Credit Assessment of baa2 and is rated A1 for deposits, A1 for senior unsecured debt and Baa1 for junior senior unsecured debt, and is assigned a Counterparty Risk Assessment of A1(cr)/P-1(cr) and Counterparty Risk Ratings of A1/P-1. The long-term senior unsecured ratings carry a stable outlook, while the outlook for DB's bank deposit ratings is positive.

Moody's related research

Credit Opinion

» Deutsche Bank AG, February 2026

In-Depth Reports

» Deutsche Bank: Stronger earnings, robust capital, and a resilient risk profile underpin positive outlook, February 2026

» Global Investment and Universal Banks – Europe: Q1 2026 Update: Revenue growth outpaces inflationary pressures, February 2026

» Global Investment and Universal Banks - US: Q2 2026 Update: Capital markets strength boosts earnings, capital buffers narrowing, July 2026

» Universal Banks – Cross Region: Market leadership, strong governance will help sustain benefits of universal model, April 2023

» Most diversified G-SIBs deliver more robust, predictable earnings through the cycle, September 2022

Latest Rating Action(s)/Announcement(s)

» Moody's Ratings affirms Deutsche Bank AG's ratings; outlook on deposit ratings changed to positive from stable, February 2026

» Moody's Ratings takes action on 69 banking groups in Western Europe following update of Banks methodology, November 2025

Rating Methodology

» Rating Methodology: Banks, November 2025

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

1 The ratings shown are the bank's deposit and senior unsecured rating and its Baseline Credit Assessment.

2 Excluding litigation charges and using a tax rate of 35%.

3 Excluding the exit costs, non-interest expenses grew by around 6%.

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