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A transformed bank

Investor Deep Dive 2025

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Transcript

Slide 2 – Introduction

Good afternoon, a warm welcome also from me. My name's James von Moltke, President and Chief Financial Officer of Deutsche Bank. My role today is to talk to you about the journey that we've been on, the bank we've created, and the foundations we've laid for the growth that lies ahead. On a personal level, it's an opportunity to look beyond the incremental quarter-by-quarter progress that we've reported to you and instead show how it's added up to something transformational.

I'm immensely proud of what we've collectively accomplished. Our achievements reflect the leadership that Christian's provided, the hard work and partnership of my fellow Management Board Members, and Group Management Committee members. But, most importantly, it reflects the dedication of our 90,000 employees around the world. It's been a team effort, but I'm also confident that there's more to come. Let me start by saying this is a transformed bank. We're now well-placed for profitable growth, and we've made the necessary foundational investments. The ambitions we will set out today are, in many respects, a continuation of what we've achieved in recent years, but now with the wind at our backs.

Slide 3 - Delivered on our transformation objectives

From 2018, just after I arrived and Christian was appointed Chief Executive, we initially focused on stabilizing the company. We needed a clear business model to reset our cost structure and to address gaps in our capabilities. We had achieved all of those goals by the last time we spoke to you at our Investor Deep Dive in March of 2022. Since then, we've delivered sustainable and increasing profitability while making targeted investments.

We've significantly strengthened our foundations, rebuilt stakeholder confidence, and positioned the bank for sustainable value creation above our cost of capital in the years ahead. We've embedded operational efficiencies and created a culture of accountability and control. Christian, Claudio, Stefan, Fabrizio, and Raja will tell you where the bank is headed. But to set the stage, let me tell you where we are today.

Slide 4 - Germany's leading bank with global reach

We are Germany's leading bank with the four complementary businesses you see on the left.

We are dedicated to our client's lasting success, exemplified by the 1.7 trillion euros of assets entrusted us to invest. We are also dedicated to their financial security, holding 660 billion euros in deposits on their behalf and around 4 trillion euros of assets under custody we safe-keep for them. We have around 19 million private clients in Germany alone and support all our clients as they pursue their ambitions across 60 markets around the world.

Slide 5 - Offering broad capabilities and solutions

The Global Hausbank concept is at the heart of our strategy. As the Global Hausbank, our goal is to build deep and lasting relationships with our clients, leveraging our talented people, advisory capabilities, international network, technology platform, and our strong balance sheet. We have three types of clients under one roof, private individuals, corporations, and institutions. Our franchise has a balanced revenue profile across these three groups, with all of our divisions working closely together to serve them.

Slide 6 - Significantly improved our financial profile

We have transformed Deutsche Bank into a simpler, more focused business with a significantly improved financial profile.

We expect the strong franchise performance momentum across the bank to deliver our revenue ambition of 32 billion euros for 2025. Our efficiency program has helped to deliver declining expenses and sustainable core operating leverage of 28% since 2021. Our tangible book value per share has increased by 22% to over 30 euros since 2021. We've also improved shareholder reward, including the one-euro dividend per share we expect to pay next year and additional expected share buybacks. We should comfortably exceed our 8 billion euros cumulative distribution target.

Let's look at how we've done this.

Slide 7 - Reshaped the revenue base

First, as shown on the left, we reduce revenue volatility, simplifying our Investment Bank and focusing on four core divisions. Second, we have a balanced revenue mix, which is helping us to meet our targets in different operating environments and through business cycles. There's been a steady relationship between net interest income and non-interest revenues. Our revenue base is also diversified by region, with around 20% from the Americas and just under 15% coming from Asia. Third, our growth since 2021 reflects broad-based contributions across the businesses. Our compound annual growth rate of around 6% over this period results in revenue growth of around 6.6 billion euros. This shows the success of the Global Hausbank strategy in action, with all divisions contributing to our revenue objective.

Slide 8 - Improved efficiency and self-funded investments

We also significantly improved operational efficiency, raising our target for cumulative cost takeout from 2 billion to 2.5 billion euros, a level we expect to achieve by year-end. Of this amount, 28% has been delivered through the optimization of our distribution platforms in Germany. Among other projects, we completed the IT migration of Postbank, leading to 300 million euros of annual savings. We closed around 200 branches in Germany over the past two years and continued to optimize our workforce, particularly in non-client-facing roles. Another 28% comes from front-to-back process redesign, for example, in the Corporate Bank operations and our know-your-client platform. And 44% of the 2.5 billion was achieved from technology and infrastructure efficiencies, with over 2000 applications retired and a 30% reduction in office space.

We've made self-funded foundational investments that were absolutely necessary to enhance our technology architecture, control environment, and franchise while partly offsetting inflation. Our cost base in 2025 is expected to be about 1 billion euros lower than in 2021, a reduction of over 4% over this period, creating significant positive operating leverage, as I said, as we increased our revenues by nearly 7 billion euros over the same period. We've also closed out the majority of our legacy items that were unresolved at the time.

Together with a diminishing need for restructuring costs, we intend to normalize our reporting of non-interest expenses from the first quarter of next year and no longer focus attention on adjusted costs.

Slide 9 - Executed on foundational investments

Let me touch on the investments made. Some supported our business momentum, shoring up the client and product franchise where there was a need to rebuild or close gaps. This included strategic hires in wealth management and the revitalization of our corporate and investment banking client coverage.

We also invested in our FIC and Corporate Bank client delivery platforms. We've continued enhancing our compliance and control framework with steady progress towards a business-as-usual environment while recognizing that the Anti-Financial Crime and Compliance landscape will continue to evolve. And in technology, we have simplified our architecture migrating business-critical systems to Google Cloud, and we have readied ourselves for scalable AI adoption.

Slide 10 - Further strengthened balance sheet in all dimensions

These investments have gone hand in hand with prudent balance sheet management. We expect to have increased our CET1 ratio since the end of 2021 to around 14% or by 80 basis points by the end of 2025, and our capital buffer has risen to nearly 300 basis points above our regulatory requirements. This reflects organic capital generation, as well as our capital optimization efforts, where we've achieved the higher end of our target range of 25-30 billion euros of RWA efficiencies. We achieved this ratio increase despite higher distributions and in a more conservative measurement regime, including the introduction of CRR3 and significant additions to RWA due to model revisions. A strong, stable liquidity position was maintained throughout, with high-quality liquid assets of around 240 billion euros and a liquidity coverage ratio of approximately 140% expected at year-end. We increased the funding contribution from lower-cost deposits while reducing outstanding unsecured debt instruments, making our balance sheet more efficient.

Slide 11 - Enhanced risk profile

Our resilient risk profile is supported by well-established risk management and controls. We're navigating macroeconomic uncertainties as we've done throughout our history. Group risk appetite is calibrated to earnings capacity, capital adequacy, and operational stability. We relentlessly scan the operating landscape to identify and monitor risks, and we conduct regular as well as targeted stress tests to identify vulnerabilities. Compared to before our transformation, our market risk, measured by value at risk, has significantly declined and has been running at an average of 35 million euros since 2018, when Christian and I took over, and remain broadly stable despite a number of volatile periods. And we have achieved record high revenues in our markets businesses. On the credit risk side, our loan book is high quality, well-diversified, and highly secured, and we deploy hedging strategies to manage concentration risks.

Slide 12 - Foundations set for improved shareholder value

From this position of strength, we're now embracing our shareholder-value-add or SVA methodology, implementing tools to measure value creation not only by looking at profitability, but also by taking into account the resources deployed. At a divisional level, we've set a 13% hurdle rate to assess contributions. This pivots our capital allocation towards more profitable activity while offsetting the drag from the corporate center. To be clear, 13% is not the RoTE target we aspire to for each of the businesses. Rather, SVA measures, in euro terms, the shareholder value each activity produces. We've built sophisticated allocation mechanisms and reporting infrastructure to help our businesses understand how to drive value-accretive client engagement, price end-to-end value chains, and create SVA-positive commercial outcomes. We've already seen improvements with the proportion of business activities meeting the SVA hurdle, increasing to around 40% in 2025, up from around 20% in 2021. Going forward, we will manage the bank increasingly under this paradigm, resulting in a sharpened business model generating greater shareholder value. Christian will explain how we think about this later on.

Slide 13 - Sustainability successfully embedded

Before I close, I want to say a few words about sustainability, which has been a central element of our management agenda since we launched our Compete to Win strategy in 2019. We've made tangible progress and shown consistent commitment to ESG principles across our businesses and are now a leader within our peer group. Carbon intensity targets are directly tied to long-term compensation for the Management Board. Our culture, controls, risk management, and governance all feed into how our bank can be not only sustainable but also sustainably profitable. Looking at the very detailed submissions to the agencies every year, as I do, I believe the numerous ESG rating upgrades since 2021 exemplify the transformation the bank has achieved across all dimensions. This too reflects the solid foundations we've built for well-controlled growth.

Slide 14 - On track to deliver our 2025 targets and objectives

Let me now turn to our financial performance in 2025. We are on track to deliver on our financial targets, starting with a greater than 10% RoTE. Our diversified, complementary business mix is driving strong revenue performance with an expected compound annual growth rate of approximately 6% since 2021. Increasing cost efficiency and delivery of our critical programs is expected to result in a cost-income ratio of below 65%. Our capital base is stronger than ever, with an expected CET1 ratio of 14% at year-end, and we have increased shareholder returns with distributions of more than 8 billion euros expected for the years 2021 to 2025.

Slide 15 – Ready to scale

The results of disciplined work across the organization is a transformed bank ready to scale. We have a more balanced and stable revenue profile. We have continued to right-size operating costs while self-funding investments and managing inflationary pressures. The majority of legacy litigation items are now closed, reducing tail risks. We've strengthened our capital base and launched substantial shareholder distributions. As I said, I'm very proud of what we've collectively achieved. Deutsche Bank can now accelerate value creation through a rigorous SVA-driven approach. The cultural shift across the bank is equally, if not more important, with a strong sense of accountability and purpose, as well as better collaboration across the divisions.

I'm proud too to be handing the reins as CFO of this company to Raja Akram at a point where we have built solid foundations and we're positioned to succeed. Raja and I have known each other for more than 16 years, and we worked together closely for eight of those. But we've never worked harder or better together than since he joined Deutsche Bank, and he and I have worked to build the strategic and financial plan, which he'll have the job of presenting shortly. Thank you. And with that, I'll hand over to Christian.

Cautionary Statements

Forward-Looking Statements

This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

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ESG Classification

Sustainable financing and ESG investment activities are defined in the "Sustainable Finance Framework" and "Deutsche Bank ESG Investments Framework" which are available at investor-relations.db.com. Given the cumulative definition of the sustainable financing and ESG investment target, in cases where validation against the Frameworks cannot be completed before the end of the reporting quarter, volumes are disclosed upon completion of the validation in subsequent quarters. For details on ESG product classification of DWS, please refer to the section "Sustainability in Our Product Suite and Investment Approach – Our Product Suite" in DWS Annual Report 2024