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Asset Management
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Transcript



Slide 2 - Introduction

So good afternoon ladies and gentlemen. My name is Stefan Hoops and I'm the CEO of DWS, the asset management arm of Deutsche Bank.

People say that asset management is a very simple business, so all you have to do is gather new assets, keep margin stable, and manage costs with discipline. But of course, as many of you in the audience know, in reality it's not that straightforward. So allow me to tell you how our strong ETF platform and the renewed investor interest in Europe have driven above market net inflows over the last three years. How we are successfully addressing the industry challenge of margin dilution by building our alternatives offering, and finally how we were able to grow revenues while reducing costs, creating strong operating leverage. These three ingredients have led to a strong share price performance of the last three years, with us ranking at the top of all traditional asset managers. We have fully focused on continuing on this path of delivering significant shareholder value. Let me start with our platform.

Slide 3 – Asset Management at a glance

As you know, DWS is separately listed with Deutsche Bank owning roughly 80%. What is distinctive about DWS is the breadth of our franchise. Our 1 trillion euros in assets can be broken down across asset classes, client types and regions, and we have scale in each. Starting with asset classes, we are one of only a few global asset managers with more than a hundred billion euros in each of active equity, active fixed income, multi-asset, ETFs and alternatives. That gives us resilience through cycles without relying on any single style or capability. Our global footprint reinforces our strength. We are present in markets where wealth is growing and partnerships such as our joint venture Harvest fund management in China provide local depth while keeping us globally connected. And finally, we are well-balanced across retail and institutional clients and not reliant on captive distribution. That independence reduces event risk and gives us greater control and agility. Our diversification across products, clients, and regions provide stability, optionality, and the ability to allocate resources to the most attractive opportunities.

Slide 4 – Significantly improved financial profile

We will continue to operate with a systematic and disciplined approach to resource allocation, which we introduce at our own capital markets day in 2022. We continuously evaluate the components of our franchise, look at our relative strength versus competitors, and the structural growth outlook for each segment. In areas where we have clear strength and where the market is growing such as ETFs and alternatives, we allocate more resources to scale



faster and take share. In businesses with strong capabilities but limited structural growth, for example, in our active franchise, we maintain the level of resources with those areas, largely self-funding.

We continuously review our businesses and where we do not have scale or frankly the right capabilities, we reallocate resources towards higher return opportunities. Past examples include exiting our direct retail platform and our private equity secondary business. And in areas with clear future potential, we provide targeted seed funding, for example, in digital assets and channels. This approach to resource allocation sounds simple, but few firms execute this with discipline at scale. This discipline has created significant operating leverage for us over the last three years. On asset gathering, we've delivered net new asset growth materially above market for three consecutive years, with around a hundred billion euros in total net flows driven primarily by our great extractors ETF franchise. All of this growth was delivered while reducing costs each year, even during inflationary periods. We separate costs into volume-based good costs like custody or index fees that increase as we do more business, and discipline-based expenses, which is everything else. While volume-based costs rose due to growth, we actually reduced discipline-based expenses, so overall costs came down by 1% per annum since 2022, strengthening operating leverage. At less than 60%, our cost income ratio is comfortably within the top quartile of our peer group and continues to trend lower. Our profits have grown strongly with profit before tax up 50% since 2022. These decisions build the foundation we have today and we continue to apply the same discipline as we look ahead.

Slide 5 – Well positioned to capture future growth

We operate in highly attractive markets with structural growth. Industry assets under management are expected to compound at roughly 8% over the coming years, supported by long-term wealth creation, retirement needs, and the increased adoption of professional investment solutions. Let me break that down across the key market drivers, in particular ETF and alternatives and the evolving client preferences of both institutional and retail audiences. We see a distinct shift from higher fee active strategies towards lower fee passive products, particularly ETFs. Where this has led to overall margin pressure in the industry, we are well positioned to manage and benefit from this evolution in client demand. We are one of the leading ETF providers in Europe with a market share of approximately 11%, and we've steadily increased our market share over the last few years. In Europe, our broad offering positions us as an ETF supermarket. In the U.S and APAC, we focus on thematic ETFs rather than competing head-on with the largest index providers, that approach plays our strength and client demand.



At the same time, we are actively building higher margin areas. A core part of that strategy is private markets, where we benefit from well-diversified origination channels and a proven track record across cycles. We have more than 50 years of experience in real estate, and over 25 years in infrastructure. Infrastructure continues to scale and in real estate we are seeing renewed momentum. We are expanding our teams and are actively fundraising in both areas. We are also building out private credit in Europe, focused on asset-based finance and real economy lending. We are doing this in partnership with the Corporate Bank and the Investment Bank, benefiting from Deutsche Bank's strong underwriting expertise.

Let's move to changes in client preferences. Approximately one-third of our ETF AuM now comes through digital platforms, and we continue to broaden digital savings channels and scale higher margin active ETF solutions. For institutional clients, we are increasingly looking for outcomes, not products. We are expanding our solutions business supported by our breadth across public and private markets. These capabilities are difficult to build. ETFs, demand scale and distribution. Private markets require a proven track record. Institutional clients value holistic solutions. And retail clients expect a broad and digitally enabled product set. Everyone once you create a platform like this, but our ability to deliver across all of these fronts is quite rare and not easily replicated.

Now I want to outline how our strategic priorities actually translate into tangible actions.

Slide 6 – Focused growth with management actions

First, we aim to be the gateway to Europe for global investors. As Europe undergoes a major industrial and energy transition, global capital is seeking exposure, driving growing demand for our existing broad product set. Building on this momentum, we are also launching new products and are strengthening our presence in key growth markets, including our recent office opening in Abu Dhabi.

Second, we aim to be a top five foreign asset manager in each of the world's top five economies. Germany remains our anchor where we are strengthening our leading position and are well-placed to benefit from upcoming pension reforms through scalable long-term retirement solutions. In China, we hold 30% of Harvest Fund Management, the country's fifth-largest asset manager. In India, we recently announced plans to enter a strategic collaboration with Nippon Life India Asset Management, focusing on alternatives, ETFs, and global distribution. In Japan, our long-standing partnership, Nippon Life, continues to deepen and in the US we are already the sixth-largest foreign asset manager with future growth and focus.



Third, we are investing for the future of finance. In digital assets, we've translated a bold vision into tangible progress. Our joint venture AllUnity launched EURAU, the first fully regulated Euro-denominated stablecoin out of Germany, a milestone in our approach to digital assets. Going forward, we will continue to broaden our crypto capabilities, develop further products around AllUnity and prepare to tokenize our first fund. On the client side, we are building embedded investment solutions through an API-driven model, aiming to connect investors seamlessly to products wherever they want to invest. We will apply artificial intelligence across our investment process, leveraging decades of proprietary data and accumulative decisions of nearly a thousand portfolio managers. We will also enhance real-time data infrastructure and deploy an AI investment companion to support and challenge portfolio managers helping to elevate disciplined insight-driven asset management. Together, these initiatives differentiate DWS and will embed us more deeply into the digital architecture of our clients in the broader financial system.

Slide 7 – Scalable operating model

Now, the progress you see in our numbers is not the result of one-off levers. It reflects a multi-year effort to build a platform that can scale efficiently and support sustainable growth. We have systematically simplified and strengthened the firm. We've made targeted investments in our operating model streamlined structures, further developed our enabling functions, and built up teams in India and the Philippines creating scalable cost-effective hubs. At the same time, we have focused on developing talent from within. On the one hand, we quadrupled our graduate intake and increased our training budget, where on the other, we are limiting external hiring. So together these measures are deepening our capabilities organically over time. And it is worth underscoring that asset management is a talent business. Sustaining performance means investing in people not cutting compensation.

Our portfolio manager retention is strong and we continue to invest to make DWS a place where the best people want to build their careers.

Alongside internal developments, we've made targeted strategic hires in areas where we see long-term growth, including critical hires in alternatives, enhancing our Xtrackers ETF platform, expanding our sales force, and investing in our digital capabilities.

Importantly, all of this investment has been self-funded. We've now reached a level of maturity where no additional structural investment is needed. From here, the only costs we expect to rise are volume-based, the good costs that naturally increase as assets grow. Of course, we'll continue to invest, but our investments will be self-funded through efficiency gains. We will focus on the areas in highly-attractive parts of the market, where we already have clear



competitive advantages. Our utmost priority is maintaining our leading German retail franchise. In addition, we are accelerating growth in Xtrackers and alternatives, where client demand and our capabilities are both strong.

So to summarize, our commitment is clear. Growth investments will be self-funded, which means that the cost base is essentially staying flat, except for the good costs. On this basis, we remain confident in maintaining a cost/income ratio below 60% and delivering 10% CAGR in pre-tax profit through 2028.

Slide 8 – Leveraging the Global Hausbank

Now, in addition to our own capabilities, being part of Deutsche Bank Group presents a significant competitive advantage. We have three major divisions of the Global Hausbank as partners, and this gives us access to origination and distribution that most other asset managers simply do not have at scale. The Private Bank remains our number one distribution partner globally, and together, we are jointly building investment products including our recent alternatives, ELTIF. For both the Corporate Bank and the Investment Bank, we see material upside in cross-selling to clients.

In Germany, specifically, that collaboration extends to developing comprehensive pension offerings across all pillars, an area where we see significant long-term need and opportunity, as Christian has outlined. And when it comes to private credit, this partnership will give us preferred access to origination. On the Corporate Bank side, that means asset-backed financing and SME lending. On the Investment Bank side, it covers a variety of private market assets from direct lending to more bespoke special situations within FIC financing. Having started my career in FIC, and having overseen the Corporate Bank for a few years, this is a partnership that is very close to my heart. And while we are seeing good early momentum, the opportunity remains significantly larger.

So what will this strategy deliver?

Slide 9 – Our path forward

By 2028, we will aim to have cumulative long-term net flows of more than 160 billion euros. This will translate to compound revenue growth of around 5%. Furthermore, we are confident to achieve 10% CAGR in profit before tax through to 2028, and we will deliver a strong return on tangible equity of more than 40%, consistent with our scalable business model. We can deliver on these ambitions because we have a diversified, proven business model underpinned by strong product capabilities, deep distribution reach, and scalable platforms. These strengths have enabled superior earnings growth in



recent years, and we intend to build on that momentum as a leading European asset manager with global footprint. Thank you. Now, I'll now hand over to Ioana.



Cautionary Statements

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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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