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Private Bank

Investor Deep Dive 2025

Monday, 17 November 2025

Transcript

Slide 2 – Introduction

Thank you, Christian, and a warm welcome to everyone in the room and online. I'm Claudio de Sanctis and I'm the head of the Private Bank. And over the next 25 minutes, I'm going to present you a plan that is clear, predictable, and compelling. One which is based on a strong track record of past execution, one which is built on a consistent and focused strategy with many of the levers already underway or in our hands to deliver, a plan which will generate 1.2 billion euros of incremental SVA with further potential upside.

Slide 3 – Private Bank at a glance

In the first part of my presentation, I will show you how we have delivered one of the most compelling operating leverage improvements and how that has laid the foundation for the future growth of our two businesses, Personal Banking and Wealth Management. In the main section, I will explain the key levers that will deliver our future incremental SVA. Specifically, in Personal Banking, we will focus on all three levers: revenue, cost, and capital. In Wealth Management, on the other hand, we will now invest to accelerate asset gathering, to scale up the business. And finally, I'll close by sharing with you a couple of additional growth drivers which will highlight further potential upside to the plan.

Slide 4 – Focused strategy where we can compete to win

So let's look at our track record, and let's start by showing you how we delivered our operating leverage improvement. This was, first of all, the result of a consistent strategy of strict focus on clear segments and geographies where we can compete to win. In Personal Banking, we are market leader in our home market with 18 million clients, banking a quarter of Germany through two distinct and complementary propositions: Deutsche Bank as the Hausbank for financial advice, and Postbank for digital-first everyday banking.

Internationally, we're focusing on emerging affluent clients as a pipeline for wealth segments. In wealth segment, our competitive strength lies in delivering our Global Hausbank to ultra high net individuals and their family offices, from LA, through Europe, the Middle East, all the way to Asia. Through our bank for entrepreneurs, we are ideally positioned to advise European family entrepreneurs, offering one holistic approach for both their private and their company needs. And finally, we're focused on providing investment advice to affluent clients in Germany, in Italy, in Spain, and in Belgium.

Slide 5 – Deep business transformation driving operating leverage

Since 2021, driven by disciplined execution, we have transformed the Private Bank into a more focused, efficient and connected franchise with a significantly improved cost/income ratio, which has reduced from 96% in 2021 to less than 70% today. This was achieved by growing revenues by 18% and reducing noninterest expenses by 15%. Looking now more in detail at the two businesses, which were created as separate segments in 2023. In Personal Banking, we are now seeing the benefits of our transformation, with a 10-percentage-points reduction in cost/income ratio, 9 of which was just in the last year. This was achieved with a 650-million-euro reduction in noninterest expenses and a 18% reduction of staff. To give you an example of these cost initiatives, in Germany, we have closed an additional 183 branches, roughly 20%, whilst at the same time making available to our clients 12,000 retailers for cash withdrawals, hence improving a critical service at a significantly lower cost. We have also migrated all Postbank clients to the DB platform and have upgraded all our German clients to a common, cloud-based, online and mobile banking app - this has resulted in savings of around 300 million euros. But in Personal Banking it has not been only about costs: we have also delivered strong revenue growth in key areas such as deposits and investments, which grew by 14% in the last two years. And we have also started optimizing capital, where we have for example discontinued the DSL brand in Germany, our white label mortgage business. In Wealth Management, we keep executing our focused strategy and have become one of the most efficient in the street: since 2023, we have improved the cost/income ratio by 13 percentage points to 63%. Focused strategy means that we exited non-strategic areas such as our DB Financial Advisors business in Italy and the LatAm business booked in Germany, and we dramatically simplified our business model in the US. On the revenue side, we have delivered double-digit growth in APAC, Middle East and UK, where most of the strategic hiring took place. At the same time, we also grew globally our revenues from Discretionary Portfolio Mandates by 70%.

Slide 6 – Strong asset gathering and profitability turnaround

Looking at asset gathering we have strong momentum across both our businesses, a solid foundation for the future. Since 2023, we have grown our Personal Banking assets under management by 9% per annum, driven by strong deposit and investment volumes. In the same period in Wealth Management, we have generated nearly 60 billion euros of net new assets, a 4% net new assets/asset under management growth rate. Additionally, we launched our flagship Strategic Asset Allocation to great success, with around 17 billion euros inflows into these solutions. In aggregate, this has led to a significant improvement in the Private Bank's return on tangible equity: rising from negative 2% in 2021 to 10% today. With this track record in mind, let me now take you through the main levers of our plan.

Slide 7 – Focused growth by client acquisition and deeper engagement

As I mentioned earlier, in Personal Banking we are focusing on all three SVA levers, revenue, cost and capital. Let me start with revenues. We expect a prolonged period of structurally higher interest rates, which will continue to support higher margins and drive demand for deposits. So far this year, we have attracted 15 billion euros in fresh deposits, much of which came through low-cost digital channels. For example, during the last Postbank campaign 75% of all new accounts were opened digitally. Looking ahead to 2026-2028, we anticipate generating around 50 billion euros of additional gross new deposits, mostly, again, via digital or remote channels. The expected fiscal and pension reform in Germany presents a significant opportunity for us given our competitive position as the leading German bank for investment advice. We will help our clients manage their pension needs through dedicated discretionary and investment solutions. Finally, digitalization and AI are radically transforming how we engage with clients, enabling greater personalization and actionable insights. AI-powered analytics help us anticipate needs, attract clients, and increase the number of multi-product relationships. This requires a doubling of our investments into digital marketing. So, altogether we plan to grow revenues in the Private Bank at a 5-6% compound annual growth rate between 2025 to 2028 with Personal Banking anticipated to grow slightly below that range, but at a steady rate.

Slide 8 – Accelerate front-to-back cost transformation

Turning to noninterest expenses, we continue to get additional run-rate benefits from our existing programs. For example, as we already announced, we will close a further 100 branches by the end of next year and we will continue to review our sales network in line with customers preferences. In fact, around 35% of the cost savings in the next 3 years have already been negotiated and started. But, of course, we are also launching new cost programs. Considering operations, we had to increase staffing and slow down the pace of digitalization and automation given the issues we faced around the integration of the Postbank platform. Since we have now remediated the backlogs and restored customer service, we are ready to deploy agentic AI to fully modernize and automate this critical function, whilst at the same time providing enhanced client experience. This will entail, extending digital onboarding to more clients, increasing self-service in our digital channels, improving our communication to customers by providing in-app notifications and much more. But we will also radically simplify business processes to reduce duplication and to drive standardization. For example, we will consolidate our KYC processes from 27 to 2, aligned by client risk type. As a result, by 2028 we expect noninterest expenses of operations to reduce by around 100 million euros.

Slide 9 – Launch a new AI-enabled operating model

But by far the largest driver will be the overall transformation of the Private Bank's operating model. Today, globally we operate 15 different core banking systems. Going forwards, they will be consolidated into two modern, cloud-based platforms: one for Personal Banking and one for Wealth Management. Agentic AI will play a key role in accelerating the modernization of our technology landscape, through discovery, data management, and code translation. To further simplify our operating model, we will also redesign our applications landscape and expect to reduce the number of applications we use by around 40%. This will be a multi-year program leveraging the expertise we have gained from recent transformation programs, starting first in Germany and later being rolled out internationally. The phased approach and the significant experience we gained in the past 3 years, makes us confident that we can deliver this program mitigating the implementation risk. We are not simply looking to improve today's operating model. We are building the model for the future: one that fully leverages the best technologies available today. Overall, during the next 3 years we plan to spend around 600 million euros in IT, operations and AI, and we anticipate run rate savings of around 300 million euros by 2028. Together, these initiatives are expected to continue to deliver positive operating leverage in Personal Banking and we anticipate that we will reduce the cost/income ratio to around 60%.

Slide 10 – Optimize and re-deploy capital

Finally, we will continue to free up capital from low returning portfolios in Personal Banking and redeploy some into Wealth Management and some into the transformation of our operating model. The rest will be used to reduce the shareholders' equity required to run the Private Bank. By 2028, we expect to decrease the shareholder equity in Personal Banking by around 15%. And to achieve this, building on the recent successes in Germany and Italy, we are investing in a true sale platform which will allow us to launch new types of securitizations. In parallel we will also continue to optimize portfolios that do not meet our strategic focus and/or do not generate positive SVA. For example, we will continue to transform our Personal Banking activities outside of Germany where and when we do not have the scale to compete effectively.

Slide 11 – Rapidly scale franchise with asset gathering

Let's turn to Wealth Management now. Here we will continue to invest in increasing client assets, expanding the focus we had on assets under management to also include assets under custody, as we see assets under custody as an important feeder for investments. This effort will be underpinned by two key investments: Since 2023, we have successfully attracted 143 U/HNWI bankers, while systematically managing out low performers, resulting in a 10% net reduction. We now plan to hire approximately 250 bankers, focused on Germany, Italy, UK, Middle East and Asia. Whilst we will keep enforcing rigorous performance management, given the work done in the last 3 years, the overall number of bankers will grow materially. We have been working on a strong pipeline, and hence we expect the majority of bankers to start in 2026, bringing in assets during the same year and becoming already value-accretive in 2027. Second, European affluent wealth is one of the largest pools of uninvested wealth globally. We are already serving nearly two million affluent clients, spanning three of the four largest Eurozone economies. And in order better capture this opportunity, we are developing a new digital investment solution to support the wealth planning needs of this segment. At the heart of this offering will be customizable discretionary mandates via a goal-based planning interface. This will empower our clients to save and invest more effectively as their lifespan increases, and their private pension needs grow: with this we expect to double our DPM volumes in the next three years. Overall, we expect these asset gathering initiatives to lead to an increase in our annual net new assets to assets under management growth rate to around 6%.

Slide 12 – Invest in our offering to support growth

In addition, we will continue to invest in our product offering to support our growing client base. For example, we are integrating private markets allocations into our DPM solutions, working with best-in-class strategic providers, such as our recent collaboration with Partners Group and DWS. This will give our clients access to new sources of return and provide further diversification, reinforcing our position as a leading Eurozone provider for DPM solutions. We also plan to grow lombard lending, which allows our clients to keep their core assets invested, while still accessing liquidity for new opportunities. We will embed lombard lending into our asset allocation framework across Wealth Management including our digital propositions. In summary, over the next three years, we will invest around 300 million euros in Wealth Management in talent, in platforms and in solutions. As a result, we plan for a revenue growth in Wealth Management that is above the 5-6% compound annual growth rate of the overall Private Bank. And ultimately, we expect the SVA of Wealth Management to double by 2028.

Slide 13 – Next generation banking with AI voice enabled agent

Let me now show you two additional revenue upsides, which are largely in our control, but are not yet fully baked into our plans. We have just discussed the impact of agentic AI as a powerful driver of cost efficiency but looking ahead, we see a significant opportunity to leverage agentic AI to open new revenue opportunities. One of the most exciting developments will be the introduction of an AI voice-enabled agent, which will act as an AI banking butler - the next generation of banking. Let me explain how it will work: the AI banking butler service will interact through conversational voice as an intelligent, proactive agent that understands the client context and behavior. It will initially support customer assistance through our mobile app and call centers, to over the time expand to manage end-to-end transactions. With the power of artificial intelligence, we can democratize access and extend high-end, personalized service. It will also collect specific personalized customer feedback and analyze it in real-time, reinventing the net promoter score approach and providing a real time roadmap on how to best develop itself. Within the next three years our goal is to extend this service to also provide advisory and investment solutions. From there the step to non-banking services is a small but truly transformational one.

Slide 14 – Bringing the Global Hausbank offering to Private Bank clients

In Wealth Management, as you heard also from Christian, our Global Hausbank proposition is truly our competitive advantage. Through the fantastic partnership with Fabrizio and his IB team, we have perfected the connectivity which provides our U/HNW clients access to the superior Fixed income and FX capabilities of our Investment Banking franchise. Our partnership with DWS provides our clients with access to institutional bespoke investment solutions and it is with Stefan and his team that we will partner to launch the digital investment platform for affluent clients, as well as jointly develop pension products. However, there is one area where we have yet to fully realize the potential of the Global Hausbank, and that is with the German Mittelstand and with the European family entrepreneurs. As the Global Hausbank, we are uniquely positioned to serve family entrepreneurs, not only in Europe but also globally where European connectivity matters. The Corporate Bank plays a key role in bringing the Bank for Entrepreneurs to life, with joint client acquisition and providing essential services such as cash management and trade finance. Together with our wealth management capabilities, this creates a single integrated value proposition for our clients, serving both their company and their private needs in one joined up approach. I could not be more excited to work with Michael and Ole to bring this opportunity to life and I am confident that there is further upside to our plan in that partnership

Slide 15 – Our path forward

In conclusion, this is a clear and simple plan, rooted in a strong track record with most of the levers in our control. And this plan shall increase client assets to 1 trillion euros. We plan to grow revenues by 5-6% per year, aiming to maintain positive operating leverage every year, and bringing the cost/income ratio to 60%. Finally, we strive to achieve a return on tangible equity greater than 18% by 2028.

Thank you. Let me now hand over to Stefan.

Cautionary Statements

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