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Accelerating value creation

Investor Deep Dive 2025

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Transcript



Slide 2 – Introduction

How are you doing and good afternoon. I'm Raja Akram and I'm thrilled to be here presenting as the next Chief Financial Officer of Deutsche Bank. When I initially evaluated the opportunity to join Deutsche Bank, I did my homework, as you would expect. I spent several years at Morgan Stanley, another bank that had successfully transformed itself to be a world-leading institution. So I've been really lucky to see firsthand what it takes to be a growth-oriented, shareholder value-creating organization. My initial outside in assessment of Deutsche Bank was that this was a bank that had successfully stabilized itself but was still transforming itself under the leadership of Christian and James.

But I have to say I was very pleased with what I found. Deutsche Bank is now a bank that is now ready to be bold and be the European champion. The extent of our capabilities here and the upside potential exceeded my expectations. We are strategically placed to be the Global Housebank and from my own perspective, there is no reason why we should not be punching above our weight in the years to come based on the solid foundation that we have laid.

Now I've spent the last several weeks stress-testing all the assumptions and the scenarios that I will be presenting to you today. But before I lay out the path ahead, I just wanted to share some thoughts with you as I come new into this organization. These thoughts are my guiding principles and I'll have a relentless focus on these. So, what are they?

Number one, we are going to have complete and clear business position discipline. We'll only invest in those businesses and markets where we can win and can be amongst the leaders. Number two, they must fit our strategic profile. Number three, we must have strategic patience. We're setting long-term objectives. We must stick to them with conviction and measure our progress with rigor.

And lastly, we must be ready to take advantage of artificial intelligence, the German fiscal stimulus, the changing demographic of our workforce and the need for retirement savings. It is with these principles that we will chart a path ahead. Now, I'm actually super excited to work with this entire management team to deliver on each one of these goals and I look forward to sharing the progress with you all on a regular basis. From my perspective, what this team has accomplished over the last few years should give us all a lot of confidence in our ability to deliver.

Slide 3 – Taking the next step

So, this is the way we think about our path forward. In the near term, we intend to accelerate growth by focusing on those businesses with high earnings potential and the ability to capture market share. Now is the absolute right



time to prudently invest if we want to harness the full power of our franchise and to take advantage of the macro trends. We have aligned all our investment plans to our strategy and developed success criteria and milestones.

Then, in the medium term, we will be driving towards higher return on tangible equity and earnings as well as an improved balance sheet productivity. All of this will be done on the back of the positioning we have and the investments we're making. While we're investing with extreme discipline, we will continue our utmost focus on our resource consumption, both expenses and capital. And in the long term, our ambition is to become the undisputed European Champion with market-leading returns.

Slide 4 – Accelerating value creation with full focus on SVA

Christian has set out three levers to our strategy, focused growth, strict capital discipline, and the scalable operating model. So let me now lay out our financial targets relating to these with absolute clarity and conviction. Our baseline target is a greater than 13% return on tangible equity by 2028. This will be accompanied by our ambition to deliver a revenue CAGR above 5% as well as a greater than a hundred basis points improvement in revenues over RWA. And we target a gradual and consistent reduction in the cost/income ratio reaching below 60% in 2028.

Now, it goes without saying that all of this will be done while maintaining complete financial resilience around capital and liquidity. And our CET1 operating level of 13.5 to 14.0% remains unchanged.

Slide 5 – Unlocking shareholder value across divisions

Now, you've already heard from all four of our divisions about how they will unlock shareholder value in line with the guiding principles I laid out at the beginning. In fact, the shareholder value we aim to create over the next three years is expected to be around \$1 billion euros each from the Private Bank, Corporate Bank, and the Investment Bank with meaningful contribution from Asset Management. I want to reiterate another important data point. By 2028, we expect more than 70% of our tangible shareholder's equity to be allocated to business units exceeding our internal hurdle rate. My three partners, Claudio, Stefan, Fabrizio, have set out detailed plans and the progress towards these objectives will be tracked via a set of performance indicators. As you can see on the right-hand side, all divisions are aiming for double-digit returns on tangible equity and this will support our greater than 13% return on tangible equity target at a Group level despite excess capital we hold at Corporate & Other.



Slide 6 – Consistent improvement in financial performance

Let me now turn to Group financials. We are aiming for two things. One, growth and two, consistent improvement in financial performance over the medium term. The focus growth areas Christian introduced, should drive continued momentum. Combining this with our cost discipline, we aim to deliver significant positive operating leverage. As a result, profitability should improve and we intend to deliver a higher return on tangible equity and unlock shareholder value every year, not just at the end of 2028.

Slide 7 – Focused growth to drive revenue momentum

I want you all to take away three key messages from this page. First and on the left you can see how we expect our focus growth areas to make an outsize contribution to our CAGR of around 8%. They should deliver 5 billion euros of incremental revenues by '28, taking overall revenues from 32 to around 37 billion euros over a three-year period. Now, as a leading bank in Germany, around 2 billion of this growth should be generated via our home market with around half of this stemming from the German fiscal stimulus.

Second, divisional growth should also be balanced and as you can see in the pie chart in the center with around 70% from the Private Bank, Corporate Bank and Asset Management. The remaining 30% from the Investment Bank includes our powerhouse FIC franchise, which will be a continuing strength for us.

Third, as you can see from the smaller pie charts on the right-hand side, we expect that approximately 2.6 billion euros will stem from net commission and fee income and we also expect around 2.3 billion euros from net interest income across key banking book segments and other funding. Remaining income includes revenue from our trading activities, which is expected to be broadly stable.

Slide 8 – Expected uplift from NII

Now let me turn to NII, which is a key component of our conviction on future revenue growth. Our structural hedge will continue to provide a long-term tailwind to our interest income. As we replace the hedges entered into low historical rates, we expect around 1.2 billion euros of NII growth between '25 and '28, and we anticipate further interest income growth from the expansion in our balance sheet. We expect a majority of this NII growth to come from deposits as we take full advantage of our market leading franchise in Germany.

Loan growth should also contribute a meaningful share, but we make some allowance for market compression, especially in FIC financing and in the



Private Bank, you should expect to see some shifts from retail lending in Personal Banking towards Wealth Management. And in the Corporate Bank, we are very well positioned to benefit from the fiscal expansion in Germany and expect increased lending opportunities, particularly in infrastructure and defense.

Slide 9 – Disciplined investing and effective cost control

Now, let's focus at our cost trajectory over the next three years. Our ultimate goal is to create a scalable operating model and deliver an operating leverage of around 6% in 2028. The investments we have talked about, will provide the forward-looking capabilities needed for accelerated revenue growth and the structural cost takeout. The operating efficiency was of at least 2 billion euros should offset the incremental investments of 1.5 billion and some of the volume related and inflation costs.

These efficiencies will be an output of both new investments and those we have made in the prior years. We also intend to execute additional targeted efficiency programs where we believe we see a path to being best in class. As a result, we aim to deliver a material improvement in cost/income ratio targeting below 60% in 2028.

And let me add one more important detail, which will form part of our journey. We expect approximately 20% of our global workforce to reach their retirement age over the next 10 years, ramping up from about 1% per year in the coming years to more than 2% in the early years of the next decade. Of this, nearly three quarters are in Germany and are naturally more senior and more highly compensated. While we need to be mindful of the skills and the experience leaving the bank, this also represents enormous opportunity to deploy technology and AI and have a new workforce strategy. This should achieve a meaningful reduction in costs over time without the need for expensive restructuring.

Slide 10 – 2026 investments to fuel the next step

Let me now zoom into 2026 before I move into divisional details. What I want you to take away from this slide is that the targeted and incremental investment we're making over the next 12 months should unlock growth and efficiencies as early as next year. These include both technology and AI, which are future-proofing the bank and business-led investments. And we are doing this without compromising our overall cost/income efficiency ratio, which we expect to remain below 65%. Excluding business-led investments, our year-on-year expense space should only increase by 1%.



Slide 11 – Incremental investments to support efficiencies and growth

Now you have heard from the various businesses about their plans and this page brings it all together. On the left, you can see the breakdown of the 1.5 billion euros of incremental investments by division with 70% of non-tech investments geared towards the p

Private and the Corporate Bank. We will also make targeted investments in Fixed Income and selected sectors in Investment Banking as Fabrizio laid out earlier.

We are incrementally investing starting in 2026 and we aim to offset this with the 2 billion euros of operational efficiencies. These come from front-to-back optimization, process re-engineering, and an improved IT infrastructure. As you can also see, a large proportion is geared at initiatives across our Infrastructure Functions.

And on the right-hand side, the potential revenue benefit in 2028 over 2025 is greater than 3 billion euros. This entire management team has high conviction in this plan that we need to invest now to take advantage of the market opportunities we see.

Slide 12 – SVA guiding principle to drive optimized capital usage

We have talked a lot about shareholder value add today. One key aspect of this is our capital consumption, so let's discuss resource deployment. Our balance sheet management will focus on redeploying financial resources from areas that don't fit our strategic agenda and instead grow capital- accretive businesses. We intend to complement these efforts for the additional asset distribution, synthetic and cash sales.

Now, as you know, discussions are ongoing on changing the FRTB implementation timeline to ensure European banks can compete on a level playing field. But for now, we continue to plan for an impact of 7 billion euros of RWA in 2027 or around 25 basis points in CET ratio terms. And let's not forget that an optimal capital usage also includes the supply side where capital deductions will be carefully managed. We expect our CET1 ratio to remain strong throughout providing the basis for increasing shareholder distributions and we continue to expect no impact from the CRR output floor until 2030.

Slide 13 – SVA guiding principle to improve balance sheet velocity

Our plans are intended at least to boost and improve capital and balance sheet productivity. First, we aim to redirect RWA deployment to SVA-accretive



areas including capital release from potentially inorganic measures. Second, we aim to translate the higher return aspiration into higher return on equity hurdle rates for products across divisions. Third, we plan to expand our originate-to-distribute capabilities beyond current platforms. We expect at least 25% of additional capital relief from risk transfers and securitization programs for assets for which are capital intensive for banks, but very attractive for investors.

Linking it back to our divisional ambitions and our strategy, the focus growth areas are expected to improve by 400 basis points on revenues over RWA significantly contributing to the expected hundred basis points uplift at the Group level.

Slide 14 – SVA guiding principle to deliver higher shareholder returns

And as Christian has said, the actions we are taking in our new plan mean that you can expect a materially improved franchise. A substantial majority of our business units should exceed internal hurdle rates by 2028 with more than 70% of our equity allocated to shareholder value creating activities up from 40% in 2025. The charts show that transitions from below to above hurdle rates from 2025 to 2028 for the various businesses. And we believe that over time this proportion will increase. This will support our path to our return over tangible equity target of 13% at a Group level by 2028.

Slide 15 – Maintaining financial resilience

Maintaining financial discipline is another theme you have heard about today. Let me be crystal clear. Maintaining a strong capital position, strong liquidity profile and a robust balance sheet is completely non-negotiable. The past has shown these provide our clients and broader stakeholders with comfort and confidence in engaging with us. As far as provision for credit losses are concerned, the improving German macroeconomic backdrop, normalize CRE-related losses along with our portfolio supports a lower CLP run rate of 30 basis points through 2028.

Robust and targeted loan growth will be supported by absolute underwriting discipline and we want a strong diversified loan book. We aim to continue to protect ourselves from the downside, having built up hedges in the past and with plans to continue to do so.



Slide 16 – Optimized capital deployment

Let me now turn to our principles of capital deployment. We will cautiously monitor all our capital and liquidity buffers to withstand adverse macroeconomic developments, in a world where uncertainty has become the norm rather than the exception.

With this strong foundation, we want to carefully balance and increase shareholder distribution, both in dividends and share buybacks and only where we have high conviction and a clear opportunity, we will invest organically in targeted businesses with strong market positions and scalable and predictable earnings potential. And if we do decide to pursue inorganic opportunities, it'll only be done if they make sense strategically, financially and culturally. Our capital deployment plans have dual objectives, safety and soundness while maximizing shareholder returns.

Slide 17 – Increasing ordinary distributions to 60%

Now to my favorite slide, with the renewed confidence we have in our plans, we intend to increase our payout ratio raising it significantly from 50% of net income to shareholders to 60% in 2026. Also, we want to deliver modest but continuous growth in dividends per share with buybacks achieving the balance of distributions.

In aggregate, this means that investors should see a 10 percentage increase and a more predictable stream of ordinary distributions earlier. This positions Deutsche Bank amongst best in class in peers in Europe. And when the CET1 ratio is sustainably above 14%, in line with the capital deployment framework I just laid out, we aim to deliver either additional shareholder distributions or deploy excess capital to support value-accretive growth opportunities. Ultimately, our earnings and distribution plan should also continuously grow tangible book value per share and we expect a double-digit percentage growth by end of 2028.

Slide 18 – Further RoTE upside from our >13% target

Before I move to our targets, I wanted to reiterate some points which Christian made about certain trends that are not entirely within our control but are beneficial to us. But it was a deliberate choice not to incorporate these in our base plans because we want to deliver our targets regardless of the eventual outcomes here.

First, the pace and the scale of German fiscal stimulus and the structural reforms where accelerated loan growth in defense and infrastructure would



particularly benefit us and I could foresee our revenue growth rate being in excess of 6% if that happens.

Second, if you can learn anything from tech history, it is that technology grows exponentially. So the benefits of tech and AI could well exceed what we have modeled having a direct impact on the cost base and the 2 billion euro of savings we are targeting. Third, the savings and investment union offers immense potential to ease capital flows and capital rotation. We could therefore see higher fee income. And finally, we are already seeing European regulators and politicians in Germany acknowledging the need for reforms to spur growth and level the playing field with US peers. For example, recalibrated capital buffers or administrative requirements could improve capital efficiency. However, when comparing us to US peers, one should also consider other regulatory differences such as the capital treatment of software. Let me add one more point from my heart and experience that is actually not on any of these pages. For many years, this management team's attention has been on resolving legacy items and foundational capabilities, which also impacted where we directed investment spend in the past. Now we find ourselves with an opportunity to have a full focus on growth and competitiveness while staying resilient. Based on my prior experience, this in itself is a massive tailwind. So we have the conviction to target a greater than 13% return without the benefit of any of these developments, but we are ready to capitalize on all of them.

Slide 19 – Our targets and objectives for 2028

Let me conclude with the two clear financial targets we have set. One, a more than 13% return on tangible equity, and second, a cost/income ratio of below 60%. At the same time, we are steadfast in our capital objectives. Maintaining a strong operating CET1 ratio of 13.5% to 14.0%, and delivering attractive shareholder returns with an increased payout of 60%.

We are confident in these targets and objectives because of the strong and stable platform we have built over the last few years. The divisions have shown how they intend to build on that at scale with greater efficiencies and an absolute focus on those areas where we can best add value. All of this adds up to a very attractive plan for the future. It is an achievable plan and one with immense discipline at its core, but it is also planned with potential for considerable upside. The foundational work has been done. With a plan for focus growth, strict capital discipline, and a scalable operating model we are well positioned to take advantage of the macroeconomic backdrop and the AI revolution.

On a personal level, I'm very excited to become part of this exceptional team and I want to thank my partner James for such a smooth transition. So, this is



our collective path. Together we plan to deliver lasting success for Deutsche Bank's clients and shareholders. Thank you and we look forward to starting the Q&A shortly.



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