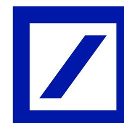


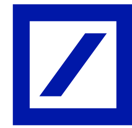
Deutsche Bank AG

Deutsche Bank Q4/FY 2024 Analyst Conference Call

Thursday, 30th January 2025 | 11:00 CET

Prepared remarks CEO and CFO

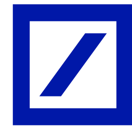
Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer
Ioana Patriniche, Head of Investor Relations



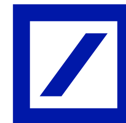
CHRISTIAN SEWING

Slide 2 – Actions taken in 2024 position Deutsche Bank to deliver return target in 2025 and beyond

- Thank you Ioana, and a warm welcome from me
- Before we discuss our preliminary 2024 financials in detail, I wanted to offer you my perspective on 2024
- This was a vital transition year for us, which has seen us deliver crucial building blocks in the transformation of our business model. We have moved past a number of legacy items, absorbing a series of nonoperating costs, predominantly litigation matters, which have masked the underlying strength of our business. Our operating performance demonstrated execution against our plans, as our pre-provision profit increased by 19% compared to 2023, if adjusted for certain specific items
- Importantly, however, we are now set for a clean and significantly more profitable year in 2025, with the foundation now built for further improvements in the years beyond
- Let me spend a bit more time talking through this turnaround work, which has resulted in a fundamentally different bank in terms of earnings power, in combination with a better risk profile and improved resilience, all of which are visible in our 2024 financials
- Let's start with the top line. First and foremost, we have successfully positioned all our businesses to perform, by strengthening our market position, reinforcing our focus on clients, and working with deep dedication as their *Global Hausbank*
- Our businesses have clear momentum, which is visible through our revenue delivery of over 30 billion euros, well above what we thought would be achievable when we first set our 2025 targets
- And we are very pleased with the strong start of this year, which again demonstrates our clear franchise momentum
- Second, on expenses, we delivered on our adjusted cost guidance of 5 billion euros each quarter, when excluding the already-guided exceptional items. We have continued to execute on our operational efficiency measures, which gave us room to make critical investments into business growth, technology and controls, while reducing redundancies in our cost base in line with our plan. We believe these investment decisions will strengthen our delivery in 2025 and beyond

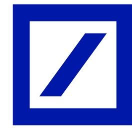


- Third, importantly, we continued to improve our risk profile in 2024, which did come at a cost of 1.7 billion euros, across three specific litigation items
- And while these items of course impacted our reported results, moving forward, our position to deliver returns is not only strengthened for 2025, but also for future years, particularly given the supportive market backdrop for our businesses
- Looking ahead, as we have continued to make conscious investments into our franchise, coupled with stickier inflation, we now expect to end 2025 with a cost/income ratio of below 65%
- We know we need to continue to focus on cost management in the near and medium-term, and we have a clear management agenda to address this
- Crucially, for this year we expect to deliver strong positive operating leverage as we increase revenues by 2 billion euros year on year while keeping adjusted costs flat
- Fourth, on distributions, we remain committed to capital returns and today we are announcing a 750-million-euro share buyback program, in addition to a dividend per share of 68 cents in respect of 2024, which we plan to propose for approval at our Annual General Meeting
- Together, this represents a total of 2.1 billion euros of capital distributions announced so far this year
- As we have said before, we want to maintain a prudent approach to capital management, and we will of course look to do more for our shareholders in line with our performance; our strong CET1 ratio of 13.8% sets us up well for this heading into the rest of the year
- And we remain committed to surpassing our total shareholder distribution target of 8 billion euros
- To summarize, 2024 has not been easy, but it was an important year for us, as we took important management actions to secure our trajectory and cement our path to a return on tangible equity above 10% for 2025
- Beyond that, we have defined a clear management agenda for further developing our *Global Hausbank* offering and sustainably increasing returns in 2025 and in the years thereafter
- Let’s now discuss each of these points in detail, starting with our operating momentum on slide 3



Slide 3 – Resilient full-year results reflecting ongoing strong operating performance

- We increased 2024 pre-provision profit by 19% compared to 2023, if adjusted for three specific litigation items, as well as the goodwill impairment in 2023
- The specific litigation items in 2024 comprised the Postbank takeover litigation matter, elevated provisions for Polish FX mortgages and the de-recognition of the reimbursement asset for the RusChemAlliance litigation matter, which James will elaborate on further
- Pre-provision profit remained broadly stable on a reported basis, as our operating strength enabled us to absorb even large exceptional items
- We have delivered sustained operating leverage of 5%, excluding the specific litigation items in 2024 and the goodwill impairment in 2023
- Growth was driven by both revenue momentum and cost discipline
- Revenues grew by 4% year on year, supported by our deep dedication and client engagement, and around 75% came from more predictable revenue streams in Corporate Bank, Private Bank, Asset Management and FIC Financing
- A well-diversified revenue mix enabled us to grow through the interest rate cycle
- Commissions and fee income increased by 13% year on year, in line with our strategy and driven by our strategic investments
- Net interest income in key banking book segments and other funding outperformed our prior guidance and remained broadly stable year on year
- Adjusted costs decreased 1% year on year to 20.4 billion euros, or 2% to 20.2 billion euros excluding the pre-guided real estate measures and UK bank levy true-up in the fourth quarter. Excluding these items, we delivered four quarters of adjusted costs of around 5 billion euros, in line with our plans
- We have made steady progress on our efficiency program. This offset conscious investments in the franchise and inflationary pressures
- We have now completed measures with delivered or expected gross savings of 1.85 billion euros, almost three quarters of our 2.5-billion-euro goal, with around 1.67 billion euros in savings already realized
- As part of this program, we have removed 3,500 roles, primarily reducing non-client facing roles, focused in high-cost locations, while

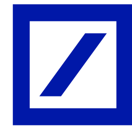


recent hires have been focused on technology and controls as well as revenue-generating areas

- Turning to slide 4, let us now look at the momentum we have created in each of our businesses, against the goals set in 2022

Slide 4 – Clear traction across divisions set to deliver sustainable growth and higher profitability

- At our investor day in March 2022, we set ambitious objectives for 2025
- With twelve months to go, our business-growth-focused strategies are delivering strong results against these objectives
- The Corporate Bank remains at the core of the Deutsche Bank franchise, and we have further enhanced its value proposition through a strengthened client franchise and investments in technology, supported by our global network. As an example, incremental deals won with multinational clients have increased by around 40% since 2022
- The division outperformed its revenue growth ambition despite normalizing interest rates, and delivered a return on tangible equity of 13% in 2024, three times its 2021 level
- The Investment Bank is outperforming its revenue growth target and delivered a RoTE of 9% in 2024, cementing its position as a leading European investment bank; we are also particularly pleased we have outperformed the peer average for the full year, as we continue to see our investments paying off
- The business has demonstrated sustained revenue performance through the cycle since 2021, supported by further diversifying its income streams and increasing market share in Origination & Advisory by around 50 basis points in 2024
- In Fixed Income & Currencies, we have built strong market share and demonstrated sustained growth in Financing, which is up 12% year on year in 2024
- And we achieved significant year-on-year growth of over 60% in O&A in 2024 through considerable market share increases in a growing fee pool
- Since 2021, the Private Bank created two distinct businesses to sharpen the commercial focus and to better serve clients' changing needs; we scaled up the Wealth Management franchise, successfully turning around profitability in core markets, while strengthening our number 1 positioning in Germany; in Personal Banking, we have launched a major

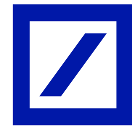


efficiency transformation, with a decisive review of our service model and branch footprint optimization

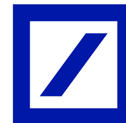
- The business continues to leverage its leading market position with net inflows of 29 billion euros, supporting noninterest revenue growth of 5% last year, in line with our strategy. Overall, the division grew revenues in line with target since 2021
- The business has made transformative efficiency gains since 2021, closing a further 125 branches in 2024 increasing the total to almost 400 closures since 2021, in addition to reducing full-time employees by a further 1,300 in 2024 alone
- Looking at the fourth quarter more closely, adjusted costs were down 9%, reflecting delivery of savings, despite ongoing inflationary pressures
- Profitability and higher returns, especially in German Personal Banking, will remain top priorities and we expect to deliver them via further streamlining of our branch network and the modernization of both our brands, while leveraging the synergies from our unified IT environment
- In short, the Private Bank continues its path to sustainably transform the business, which we believe will translate into substantially better returns which will be visible this year and beyond
- Asset Management again grew assets under management in 2024, by 115 billion euros, and surpassed 1 trillion euros for the first time, boosted by net inflows of 42 billion euros into passive investments. Exceeding this mark shows the scale and competitiveness of our Asset Management division
- Overall, the business demonstrated its strength and showed increased cost efficiency, leading to an RoTE of 18% in 2024
- Driven by the benefits of higher AuM levels and revenue-growth initiatives already in place, we expect the compound revenue growth rate in Asset Management to turn positive in 2025 and approach its original ambition
- On slide 5, let me now turn to the question, why we feel confident in reaching our 2025 revenue growth ambitions

Slide 5 – Strong execution and positioning underpin confidence in revenue trajectory

- Since 2021, we have delivered a compound annual growth rate of 5.8%, in line with our upgraded target range



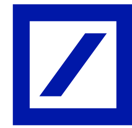
- In 2025, we expect continued franchise momentum and our capital-light businesses to drive further growth supported by our investments, increasing the revenue CAGR to around 5.9%
- We have a clear roadmap towards our 2025 target
- In the Corporate Bank, we expect revenues to grow by around 5.5% or 400 million euros largely from scaling of commissions and fee income, predominantly in Trade Finance and fee-based institutional businesses, and repricing of existing clients. Resilient net interest income will provide further support
- Investment Bank revenues are expected to grow by around 8% as we see encouraging trends in the market, good levels of corporate activity and confidence, solid financing conditions and pent-up private equity dry powder
- The main growth driver is expected to be O&A with an increase in revenues of approximately 600 million euros, reflecting growth globally, but led by the US. We have positioned ourselves well to benefit from these trends and grow market share further, supported by our investments reaching their full potential
- We also expect FIC to show continued growth in 2025, driven by ongoing strength and further focused investments in Financing. We will continue to develop our wider platform in both existing and adjacent businesses, with a focus on the US and Flow Credit
- In the Private Bank, we expect revenue growth of around 400 million euros or about 4% driven by higher NII from continued business volume growth and the deposit hedge rollover as well as growing noninterest income, harvesting benefits from higher assets under management and growth in Investment Solutions
- Finally, we expect Asset Management to grow revenues by around 300 million or 12.5%. We expect the business to benefit from the growth in assets under management during 2024 and a strong equity market development this year, which should boost management fees in 2025. We furthermore expect continued growth in Passive, including X-trackers, and in Alternatives
- These drivers underline our confidence in achieving our revenue goal of around 32 billion euros in 2025 before FX benefits. At year-end FX rates, we expect this number to be around 32.8 billion euros
- Importantly, all divisions are contributing to this substantial growth, from both noninterest revenues and NII, which once again reflects our well-diversified business mix; around 75% of this growth is expected to come from our more predictable revenue streams



- Let me now turn to costs on slide 6

Slide 6 – Significantly lower expenses in 2025, with ongoing focus on execution of efficiency measures

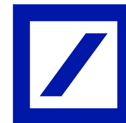
- In 2025, our goal is simple, deliver a significant normalization of nonoperating costs and essentially flat adjusted costs, despite our ongoing investments into growth
- Moving past significantly elevated litigation and other restructuring charges in 2024, we are planning with a clear reduction of 2.1 billion euros in nonoperating costs this year
- Turning to adjusted costs, since we presented our ambitions for 2025 at our investor day in 2022, we have navigated dynamically through a volatile and fast-moving environment, and this resulted in some additional costs, as we chose to make investments in technology, controls and business growth, and with inflation proving to be more persistent than anticipated
- In respect of the additional investments, we have positioned the bank for sustainable growth in 2025 and beyond by investing into two key areas:
- Firstly, growing our franchise beyond our original revenue ambition to better serve our clients and deliver higher rewards for shareholders
- Secondly, expanding our initially-planned mandatory and strategic investments into technology, controls and regulatory remediation. In 2024, we hired 1,300 technology specialists and added 400 targeted revenue-generating roles, supporting long-term cost improvement and growth
- In 2024 alone, we also invested a further 1.2 billion euros into controls, taking the total since 2019 to more than 6.5 billion euros
- Some of these additional expenses will stay with us this year. However, we expect to offset much of the impact through our cost measures, in line with our plan, which we expect to yield further benefits in 2025 and beyond
- Our optimization initiatives in Germany are expected to generate savings of close to 200 million euros
- Investments to reduce the complexity of our organization by improving technology and optimizing the workforce across infrastructure are expected to deliver a further 300 million euros



- And automation of processes, alongside better alignment of our front-to-back setup, should deliver another 200 million euros
- Our initiatives include the previously-announced closure of additional branches in 2025, the implementation of new branch formats as well as decommissioning of further applications or moving them to the cloud
- The net effect is that we expect to hold our adjusted cost base flat year on year, while reducing nonoperating costs significantly. James will detail the year-on-year cost walk later
- This, combined with the anticipated revenue growth of 2 billion euros we just discussed, will create substantial operating leverage
- As a result, we now target a cost/income ratio of below 65% this year, marginally higher than our original target, though this will support further growth and business momentum in and beyond 2025
- As I said earlier, this does not compromise delivery of our greater than 10% RoTE target, or our plans for capital distributions
- Let me now turn to these, starting with the path to our return on tangible equity target, on slide 7

Slide 7 – Set to achieve >10% RoTE target with positive operating leverage

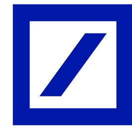
- We remain on a clear path to achieve our RoTE target of above 10% in 2025 driven by focused execution across all three delivery pillars of our *Global Hausbank* strategy
- As you saw, we have a business-by-business roadmap to grow revenues to around 32 billion euros in 2025, in line with our target growth rate of 5.5 to 6.5%
- Operational efficiencies play a key role in keeping adjusted costs flat in 2025, and thereby reducing total noninterest expenses as nonoperating costs normalize
- Capital efficiencies have delivered cumulative RWA equivalent reductions of 24 billion euros, close to our end-2025 goal of 25 to 30 billion euros. In the fourth quarter alone, we delivered 2 billion euros of RWA equivalent reductions driven by data and process improvements
- We are confident we will reach the upper end of our target range by year-end 2025 through further securitizations and data and process improvements
- Delivery on these pillars gives us a clear path to a RoTE above 10% in 2025



- The non-repeat of significant litigation items in 2024 gives us a starting point of an adjusted RoTE above 7%
- Firstly, reaching our around 32-billion-euro revenue goal is expected to add more than 2 percentage points to our 2025 RoTE
- Around 20% of this growth is expected to come from an increase in net interest income by roughly 400 million euros, primarily due to the roll-over of hedges
- Another 40%, or roughly 800 million euros, should come from higher noninterest revenues from more predictable income streams, including from scaling actions and monetizing client relationships in the Corporate Bank or the spillover effect from higher AuM levels in Asset Management and Private Bank
- The remaining revenue increase is expected to come primarily from market share expansion in a growing fee pool in O&A
- From a regional perspective, we expect increasing revenues in the Americas, supported by an improving market backdrop and reflecting our targeted investments, while further growth is expected to come from Asia and the Middle East, as well as Germany
- Secondly, we expect an additional contribution of around 60 basis points from the reduction in noninterest expenses we just discussed
- Together, this would bring us already to our targeted RoTE level
- And finally, we expect a contribution of around 40 basis points from the reduction of credit loss provisions in 2025 towards more normalized levels, in line with our guidance with our third-quarter results
- All in all, we see a clear path to achieving our RoTE target of above 10%
- Let me now discuss the implications for capital distributions

Slide 8 – Creating value for shareholders and increasing distributions

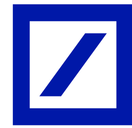
- The value we have created for our shareholders is visible in the growth in tangible book value per share by more than 20% since 2021 to almost 30 euros
- This was driven by strong organic capital generation and greater capital efficiency, which supported both rising shareholder distributions and business growth
- We have received regulatory approval for a share buyback of 750 million euros



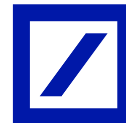
- Additionally, and as guided, we plan to propose a dividend per share of 68 cents for 2024 at our upcoming Annual General Meeting in May, amounting to a distribution of around 1.3 billion euros
- Together, these initiatives result in shareholder distributions of around 2.1 billion euros announced so far in 2025
- The announced distributions for 2024 would bring cumulative capital return to around 5.4 billion euros since 2022, in line with our promise back in July 2019 when we announced our *Compete to Win* strategy
- Looking ahead, our guidance for a dividend of 1 euro per share in respect of financial year 2025 would equal roughly 1.9 billion euros. With that, modest additional share buybacks this year or next year would be sufficient to get to our 8-billion-euro target
- However, we are committed to surpassing this target, as we have said before, and it remains our priority to reward our shareholders in line with our performance, and we are confident that we will continue to deliver rising distributions in the coming years
- Before I hand over to James, let me give you a brief outlook on our next phase on slide 9

Slide 9 – Driving the next phase of Deutsche Bank's evolution beyond 2025

- With the end of 2024, the foundation of the *Global Hausbank* has been laid successfully. And as you heard, we are set to deliver the return target we have set ourselves for this year, supported by the momentum and operating strength of our franchise
- And of course, the management team also looks beyond 2025 towards our longer-term ambitions, and we are committed to step up
- We are already implementing measures today to elevate Deutsche Bank's performance beyond 2025, which will make us a more profitable bank. This focuses on client work, our own operations, and the way we work and lead
- In short, we want to be even more dedicated to our clients' needs while continuing to embed our clear purpose in our daily activities. This will drive further revenue growth
- We are determined to make this bank more efficient, and that means changing how we do things. It starts with a simpler organizational setup and a smaller workforce. And it requires us to become even more technology driven, which will also enhance client experience



- We will put full focus on the productive allocation of capital to improve shareholder value and further balance out our earnings profile
- In the end, we aim to become a much more profitable bank overall than our 2025 RoTE target
- Our management agenda for 2025 and beyond focuses on three key points; growing value generation, re-engineering our target operating model and stronger leadership
- Firstly, we aim to further grow value generation for our shareholders by sharpening our focus on capital allocation and RWA optimization at both business and client level, to boost returns
- We see tremendous potential from further improving resource productivity across the portfolio via repricing and reallocating capital to high-return franchises, supporting further revenue growth
- We plan to drive higher resource productivity through capital-light origination, in line with our strategy, and accelerated asset rotation
- We aim to boost the profitability of lower-return businesses through front-to-back efficiency improvements, and be disciplined in redeploying capital elsewhere, including making exits if necessary. We have already started these reviews in some lending portfolios, such as mortgages, and are seeing benefits of these choices
- Secondly, we plan to achieve the next phase of operational efficiencies beyond our 2.5-billion-euro goal by re-engineering our target operating model
- Our clear ambition is to operate the bank with a lower headcount, and we aim to run a much leaner platform, as our investments in technology, automation and controls mature
- We are tackling inefficiencies by giving business leaders more control over their cost base coupled with further front-to-end streamlining of processes
- We plan to actively reduce management layers and roles, and integrate teams as part of our workforce optimization initiatives, in particular scrutinizing those areas where we do not see the required efficiency improvements
- Thirdly, our management agenda emphasizes strengthening risk management and accountability and evolving our culture through a purpose-led framework we call "This is Deutsche Bank"



- With our investments, we are well-positioned to grow the *Global Hausbank* model, make it more efficient and generate more capital for deployment in the businesses and shareholder distributions
- Our management agenda provides significant scope to further improve our return profile and deliver sustainably growing earnings beyond 2025, unlocking the full potential of this bank
- We will provide you with more details on our aspiration and actions beyond 2025 over the course of this year, but our immediate focus remains on demonstrating disciplined execution
- With that, let me hand over to James

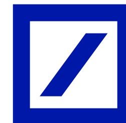
JAMES VON MOLTKE

Slide 11 – Key performance indicators

- Thank you, Christian and good morning
- As usual, let me start with a few key performance indicators on slide 11
- Notwithstanding the items in the fourth quarter that improve our risk profile, we maintained a level of resiliency we could not have shown a few years back, underscoring the successful transformation to date
- Our capital position remained robust with the CET1 ratio at 13.8% at year-end, despite absorbing the specific litigation items throughout the year and the capital deduction for the 750-million-euro share buyback announced today
- Our liquidity metrics remained sound; the liquidity coverage ratio was 131%, in line with our target, and the net stable funding ratio was 121%, at the upper end of our target range
- Let me now turn to the fourth-quarter highlights on slide 12

Slide 12 – FY 2024 and Q4 2024 highlights

- Group revenues were 7.2 billion euros, up 8% on the prior year quarter
- Provision for credit losses was 420 million euros equivalent to 35 basis points of average loans, down 67 million euros year on year
- Noninterest expenses were 6.2 billion euros, up 14%, reflecting exceptional nonoperating and adjusted cost items



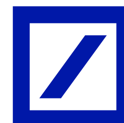
- Nonoperating items were 945 million euros in the quarter, including net litigation charges of 659 million euros and restructuring and severance charges of 286 million euros
- Adjusted costs were 5.3 billion euros, including charges for optimizing the bank's own real estate footprint of 100 million euros as well as a true-up for bank levies in the UK of 134 million euros
- And despite the exceptional cost items, we generated a profit before tax of 583 million euros and a net profit of 337 million euros
- Our tax rate in the fourth quarter came in at 42%. Excluding the aforementioned litigation matters, the tax rate would have been 28%. We expect the 2025 full-year tax rate to range between 28% and 29%
- In the fourth quarter, diluted earnings per share was 15 cents and tangible book value per share was 29 euros and 90 cents, up 5% year on year
- Let me now turn to some of the drivers of these results and start with a review of our net interest income on slide 13

Slide 13 – Net interest income (NII) / Net interest margin (NIM)

- NII across key banking book segments and other funding was strong at 3.3 billion euros, up sequentially and broadly flat on the prior year quarter
- Compared to the third quarter, slightly higher deposit volumes, in particular overnight deposits, offset the expected beta convergence in the Corporate Bank
- Private Bank NII was up sequentially, as we guided before, and FIC Financing continued to grow its loan portfolio, with a corresponding increase in quarterly revenues
- With that, let me turn to the full-year NII trends and the outlook for 2025 on the next page

Slide 14 – Net interest income (NII)

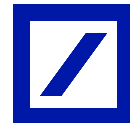
- Given the stronger NII in the fourth quarter, we outperformed our prior 2024 full-year guidance of 13.1 billion euros, reporting 13.3 billion euros across our key banking book segments and other funding



- This is about 100 million euros higher than 2023, reflecting the resilience of our NII, even during an environment of falling rates and beta convergence
- For 2025, we expect NII yet again to increase to around 13.6 billion euros, a sequential increase of around 400 million euros. This is in line with our guidance provided last quarter but reflective of the outperformance in the fourth quarter
- The key drivers are the rollover effect from our hedges, supported by portfolio growth in the Private Bank, Corporate Bank and FIC Financing
- As a reminder, our hedge portfolio stabilizes our income by extending the tenor of interest rate risk, but it also protects us against a drop in interest rates. We provide further details in the appendix on slide 38
- Based on forward rates at the end of December, we expect the income from the hedge book to grow by several hundred million euros each year, as we roll maturing hedges
- In current rate conditions, we are more sensitive to the long-term rate development and are less sensitive to short-term movements in policy rates

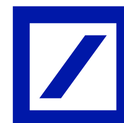
Slide 15 – Adjusted costs – Q4 2024 and FY 2024 (YoY)

- Turning to slide 15, adjusted costs were 5.3 billion euros for the quarter
- We have seen lower costs across all categories versus the prior year quarter and reduced adjusted costs excluding bank levies by 2% or 118 million euros. Bank levies were driven by the true-up in the UK of 134 million euros
- In line with our guidance in earlier quarters, we managed adjusted costs excluding bank levies closer to 4.9 billion euros if adjusted for 100 million euros from optimizing our own real estate footprint and the other unfavorable impact from exchange rate developments of around 60 million euros. We have included further details in the appendix on slide 29
- On a full-year basis, adjusted costs excluding bank levies increased by around 100 million euros on a constant FX basis, as savings from streamlining our IT platform and lower spend for professional services were offset by higher costs for compensation and benefits, driven by wage growth, higher performance-related compensation and the impact from increased internal workforce
- With that, let me turn to our cost guidance for 2025 on slide 16



Slide 16 - Noninterest expenses - FY 2024 results and FY 2025 outlook

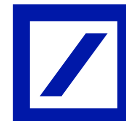
- As Christian said earlier, a lot has happened since we embarked on our *Global Hausbank* strategy in 2022
- And while we have taken opportunities to not only create a more resilient franchise but to also ensure we are better positioned for sustainable growth, there have also been headwinds, which we have not been able to fully offset
- Noninterest expenses in 2024 included a number of specific items, which are either non-recurring in nature or aimed at improving our risk profile and supporting target delivery in 2025
- Total nonoperating costs were 2.6 billion euros, driven by litigation charges for three specific items which amounted to 1.7 billion euros
- Firstly, the Postbank takeover litigation matter had a full-year net impact of 906 million euros, reflecting the initial provision and the settlement agreements we entered into in the third quarter
- Secondly, the industry-wide FX mortgage matter in Poland resulted in additional provisions of 329 million euros in the fourth quarter to reflect our updated estimation of the impact of developments in the market. The total impact for the year was 500 million euros
- And lastly, the RusChemAlliance litigation matter, which had an impact of 262 million euros in the fourth quarter and affected the Corporate Bank. Recent developments led to the de-recognition of a reimbursement asset, as the recovery of the claim through an indemnification obligation could no longer be assessed as virtually certain. However, we believe we are in possession of a valid reimbursement claim and will vigorously assert our position
- Other litigation charges of 366 million euros were broad based across a number of smaller items
- Additionally, restructuring and severance charges were elevated in the year, at around 530 million euros, slightly higher than the 400 million euros we initially expected for the year, and included additional actions taken during the fourth quarter. We made further progress, particularly in the Private Bank, to support our strategic transformation which is aimed at rationalizing our branch footprint in Germany while improving the access to advisory solutions for all our retail clients
- Assuming a normalization of overall nonoperating costs, the noninterest expense step-off for 2025 would have been 20.9 billion euros



- For 2025, we expect overall adjusted costs to remain flat year on year at around 20.3 billion euros, which translates to around 20.7 billion euros at year-end FX rates
- This is higher relative to our prior guidance, mainly driven by additional investments and business growth opportunities that we identified during our last planning cycle
- These investments, particularly into our Corporate Bank and Investment Bank businesses, support our targeted revenue growth this year and position us for further growth beyond
- We also see continued demand for controls and remediation investments to ensure the bank fulfils all of its regulatory obligations and expectations
- In line with our original target, nonoperating costs are expected to materially reduce to around 400 million euros in 2025, as litigation and restructuring and severance charges normalize
- As a result, noninterest expenses in 2025 are expected to be around 20.8 billion euros, resulting in a full-year cost/income ratio of below 65% but delivering a significant implied operating leverage of 16%. The investments leading to a higher cost base will also support further operating leverage beyond 2025
- In short, although the reported numbers for 2024 are higher than originally planned, Christian and I are encouraged regarding our trajectory going into 2025
- Let us now turn to provision for credit losses on slide 17

<u>Slide 17 – Provision for credit losses</u>

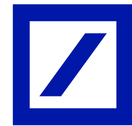
- In line with guidance provided in October, full-year provisions stood at 1.8 billion euros, equivalent to 38 basis points of average loans
- Provisions were impacted by specific headwinds including transitional effects from the Postbank integration which continue to taper off, two relatively fast-paced larger corporate events impacting provisions at a level unusual compared to historical standards, and which were materially hedged, as well as a cyclically higher level of Commercial Real Estate provisions, which we expect to decrease on a full-year basis in 2025
- You will find the full-year update on transitory headwinds on slide 42 of the appendix



- When looking at the fourth quarter, provision for credit losses was 420 million euros, or 35 basis points of average loans
- As guided, the sequential decrease in provisions of 74 million euros was due to a reduction of Stage 3 provisions, as the Corporate Bank benefitted from a larger recovery on a legacy workout situation
- Investment Bank provisions were lower, benefitting from a further small reduction of provisioning levels in CRE. During the fourth quarter, the bank completed the loan portfolio sale in the US
- Stage 3 provisions decreased sequentially to 415 million euros. Provisions were mainly driven by the Private Bank, which included impacts from a small number of legacy cases in Wealth Management, as well as the Investment Bank, where CRE remained the main driver
- Stage 1 and 2 provisions were negligible, as various portfolio effects were offset by slightly improved macroeconomic forecasts and overlay recalibrations in the fourth quarter
- Before we move on, a few remarks on asset quality
- We maintain tight underwriting standards and continue to conservatively manage our loan book including single-name concentration risks through comprehensive hedging programs with the total notional volume of hedges standing at 42 billion euros
- Our regular and comprehensive portfolio reviews show that overall credit quality remains stable and forward-looking indicators such as rating migration and trends in our non-investment grade portfolio as well as watchlist ratios do not suggest a noteworthy deterioration in asset quality
- We also see broadly stable developments in our domestic market, as outlined on slide 45 of the appendix, and we are carefully monitoring the developments surrounding it
- With that, let me turn to capital on slide 18

Slide 18 – Capital metrics

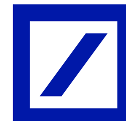
- Our fourth-quarter Common Equity Tier 1 ratio came in at 13.8%
- CET1 capital decreased, primarily reflecting the deduction of the 750-million-euro share buyback from excess capital
- As expected, market risk RWA decreased, driven by SVAR and Incremental Risk Charge from careful positioning into year-end



- The marginal increase in credit risk was driven by model changes, largely offset by reductions from capital efficiency measures
- With respect to the CRR3 go-live effective January 1st, 2025, our pro-forma CET1 ratio was 13.9%, around 5 basis points above our ratio for year-end 2024
- However, the CRR3 go-live will also lead to around 5 billion euros of RWA equivalent impact from operational risk to come in the first quarter; hence, the total impact of CRR3 is a CET1 ratio burden of around 15 basis points, consistent with prior guidance
- At the end of the fourth quarter, our leverage ratio stood at 4.6%, flat sequentially, as the benefit from Additional Tier 1 capital issuance in the quarter was offset by the CET1 deduction for the 750-million-euro share buyback announced today and FX effects
- With regards to bail-in ratios, we continue to operate with significant buffer over all requirements
- In short, our capital position remains strong and already reflects our approved share buyback
- And with that, let us turn to performance in our businesses, starting with the Corporate Bank on slide 20

Slide 20 – Corporate Bank

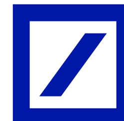
- Corporate Bank revenues in the fourth quarter were 1.9 billion euros, 1% higher sequentially driven by growth in deposit revenues from interest hedging and higher volumes offsetting ongoing margin normalization
- In 2024, we have made good progress on our growth initiatives to offset the normalization of deposit revenues by further accelerating non-interest revenue growth, with 5% growth in commissions and fee income across all regions and a particularly strong contribution from our Trade Finance business
- The deposit base remained strong throughout the entire year as deposits increased by 23 billion euros year on year driven by higher sight deposits in Corporate Treasury Services and favorable FX movements
- Provision for credit losses stood at 23 million euros, significantly lower driven by a larger recovery



- Noninterest expenses were higher driven by the RusChemAlliance litigation matter, while adjusted costs decreased by 6% year on year driven by lower direct costs and internal service cost allocations
- This resulted in a post-tax return on tangible equity of 7.1% and a cost/income ratio of 81%
- I will now turn to the Investment Bank on slide 21

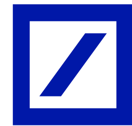
Slide 21 – Investment Bank

- Revenues for the fourth quarter were 30% higher year on year on a reported basis, with strong growth across the franchise
- Revenues in Fixed Income & Currencies increased by 26%, with year-on-year improvements across all businesses. This represented the highest fourth-quarter revenues on record
- Financing revenues were significantly higher reflecting strong fee income across the business combined with an increased carry profile
- Rates revenues were significantly higher, whilst Credit Trading, Foreign Exchange, and Emerging Markets increased, benefitting from heightened market activity and client engagement
- Moving to Origination & Advisory, revenues were significantly higher both year on year and sequentially, with market share gains across business lines in a growing industry fee pool
- Advisory revenues were significantly higher, reflecting material market share gains year on year in a static industry fee pool
- Debt Origination revenues also increased and reflected strength in Leveraged Debt, driven by strong pipeline execution in an active market
- Noninterest expenses were lower year on year due to the non-repeat of a goodwill impairment in the prior year quarter. Adjusted costs were essentially flat when excluding the increase in UK bank levies mentioned earlier
- Loan balances increased compared to the prior year driven by the impact of FX translation combined with growth in Financing
- Provision for credit losses was 101 million euros or 37 basis points of average loans, significantly lower year on year due to the non-repeat of Stage 1 and 2 model related provisions in the prior year, while Stage 3 provisions also decreased
- Let me now turn to Private Bank on slide 22



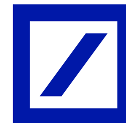
Slide 22 – Private Bank

- The Private Bank is making progress, both in creating revenue momentum and putting transformation-related costs and transitory credit costs behind us
- Revenues of 2.4 billion euros in the quarter reflect noninterest revenue growth of 6% year on year, on the back of higher investment product revenues. NII declined by 5%, driven by continued higher funding costs from the impact of minimum reserves, the group-neutral impact of certain hedging costs as well as a benefit from episodic lending revenues in the prior year quarter. Excluding these effects, fourth-quarter revenues in the Private Bank would have been up 6% year on year
- Personal Banking revenues were impacted by aforementioned higher funding allocations and hedging costs, partially offset by higher deposit revenues
- Wealth Management and Private Banking revenues were essentially flat, as higher investment product revenues and lending growth was offset by the non-recurrence of episodic lending revenues in the prior year
- The business attracted net inflows into assets under management of 2 billion euros, supported by deposit campaigns in Germany; outflows in investment products were mainly driven by specific and isolated client transactions
- As outlined in the third quarter, we see cost savings coming through as the Private Bank continues its transformation, with further 74 branch closures in the fourth quarter, bringing the total to 125 this year, and accelerated headcount reductions of more than 1,300 FTE in the last twelve months, mainly in Germany
- The substantial improvement in adjusted costs of 9% reflects benefits from transformation initiatives and lower regulatory as well as client service remediation costs, which are now effectively behind us. Noninterest expenses declined by 5% year on year, despite higher restructuring and severance costs
- Provision for credit losses reflects continued workout activities of a small number of legacy cases in Wealth Management, while transitory effects from operational backlog are tapering off as expected; the overall quality of our domestic and international loan portfolios remains solid



Slide 23 – Asset Management

- Let me now turn to Asset Management on slide 23 which reached a key milestone during the fourth quarter by surpassing 1 trillion euros of assets under management for the first time. Scale is becoming increasingly important in this industry and for the DWS franchise, favorable market trends support our strategic positioning, especially given our strong position in Passive Products
- And my usual reminder: the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Profit before tax more than doubled from the prior year period, driven by higher revenues
- Revenues increased by 22% versus the prior year. This was primarily from higher management fees of 647 million euros, from both Active and Passive products driven by growth in average assets under management. Additionally, performance fees more than doubled from the prior year period, primarily due to the recognition of a substantial Multi Asset performance fee
- Other revenues principally reflected a negative revaluation of the fair value of guarantees and lower investment income partly offset by lower treasury funding
- Noninterest expenses and adjusted costs were both essentially flat compared to the prior year
- Passive products continue their strong performance driven by Xtrackers, with a further 14 billion euros in the quarter, contributing to 42 billion euros of net inflows for the year
- Cash, Alternatives, Quantitative Solutions and Multi Asset also achieved good results with combined net inflows of 6 billion euros, more than offsetting net outflows in Active Equity and Fixed Income products
- Assets under management increased by 49 billion euros in the quarter driven by positive FX effects and net inflows
- The cost/income ratio for the quarter declined to 67% and return on tangible equity was 21%, both improving from the prior year quarter
- This morning, DWS communicated its outlook for 2025 and introduced new medium-term strategic targets including 10% earnings per share growth per year from the starting point in 2025 to 2027; for further details please have a look at the DWS disclosure on their Investor Relations website



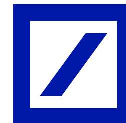
- Moving to Corporate & Other on slide 24

Slide 24 – Corporate & Other

- Corporate & Other reported a pre-tax loss of 621 million euros this quarter driven by the provision increase for foreign currency mortgages of 329 million euros resulting from updates to the provision model parameters, to reflect impacts of recent developments in the estimated cost of the legal risk. This compares to a pre-tax profit of 104 million euros in the prior year quarter which included a provision release of 287 million euros relating to legacy litigation matters
- Revenues were negative 99 million euros this quarter primarily driven by retained funding and liquidity impacts. This compares to negative 64 million euros in the prior year quarter, with the decrease driven by valuation and timing differences, which were positive 87 million euros in the quarter, compared to positive 143 million euros in the prior year quarter
- Pre-tax losses associated with legacy portfolios primarily reflect the aforementioned litigation matters
- At the end of the fourth quarter, risk-weighted assets stood at 34 billion euros, including 13 billion euros of operational risk RWA. In aggregate, RWAs have reduced by 6 billion euros since the prior year quarter mainly reflecting a change in the allocation of operational risk RWA
- Leverage exposure was 38 billion euros at the end of the quarter, slightly lower than the prior year quarter
- For 2025, we expect a significantly lower pre-tax loss for Corporate & Other of approximately 200 million euros per quarter or around 800 million euros for the full year, mainly reflecting the non-recurrence of legacy litigation matters. As usual this includes some uncertainty, particularly associated with valuation and timing differences
- Finally, let me turn to the Group outlook on slide 25

Slide 25 – Outlook

- We believe we are on track to deliver increased revenues of 2 billion euros to achieve this year's revenue goal of around 32 billion euros, which translates to around 32.8 billion euros at year-end FX rates
- We remain committed to rigorous cost management and will manage our cost base to a cost/income ratio of below 65% for 2025



- Although this is higher than the level we were previously aiming for, we feel good that the level of investment in 2025 positions us for incremental opportunities and higher returns over time, while also further improving our control environment
- We continue to expect an amelioration of provision for credit losses in 2025 as the transitory headwinds we called out previously subside. This should result in a reduction to around 350 to 400 million euros of average quarterly provisions, with further normalization expected in the following years
- Our strong capital position gives us a solid step off for our 2025 and 2026 distribution objectives and we remain committed to our capital distribution target
- The 750-million-euro share buyback announced today and the dividend of 68 cents per share which we plan to propose at our Annual General Meeting, brings us to 2.1 billion euros of capital distributions so far this year
- Our full attention remains on delivering an RoTE of above 10% in 2025 driven by continued revenue momentum, cost control and balance sheet efficiency
- And these are the levers to also deliver further improved profitability beyond 2025
- With that, let me hand back to Ioana, and we look forward to your questions

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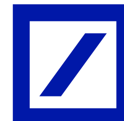

This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to the Q4/FY 2024 Preliminary Financial Data Supplement, which is available at investor-relations.db.com.

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