Deutsche Bank AG

Deutsche Bank Q2 2025 Analyst Conference Call

Thursday 24th July 2025 | 11:00 CEST

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 – On track to deliver 2025 targets due to disciplined execution

- Thank you Ioana, and a warm welcome from me
- Our first-half results demonstrate clearly where Deutsche Bank stands today
- Our strategy has proven itself in different environments; our *Global Hausbank* served clients at times of elevated volatility in the second quarter and thanks to our diversified model, we delivered resilient revenues which grew 6% to 16.3 billion euros, in line with our full-year goal of around 32 billion euros, and, while it is still early, we are encouraged by the strong start of the third quarter
- Noninterest expenses declined 15% year on year to 10.2 billion euros, in line with our full-year outlook, resulting in a cost/income ratio of 62%
- This strong operating leverage produced a return on tangible equity of 11% in the first half year, which means we delivered returns in line with our target of greater than 10% in both quarters, including the second quarter that was impacted by increased volatility
- Our CET1 ratio of 14.2% enables us to deploy capital to grow our business and to support clients, while increasing returns to shareholders
- And we are absolutely focused both on delivering our year-end targets, and on preparing the next phase of our strategy, to further boost returns and value generation for our shareholders beyond 2025

Slide 3 – Positive operating leverage drives increasing profitability

- As you can see on slide 3, we delivered a pre-provision profit of 6.2 billion euros in the first half, nearly double the same period in 2024
- Adjusting for Postbank takeover litigation impacts, pre-provision profit was up 29% year on year, on the back of strong operating leverage of 10%, resulting in a 37% increase in the pre-tax profit over what was already a strong operating performance last year
- Robust revenues reflect our well-diversified business mix, with 74% from more predictable revenue streams in the Corporate Bank, Private Bank, Asset Management and FIC Financing
- Net commission and fee income increased by 4% year on year, in line with our goal to boost revenues from fee-based and capital-light businesses

- As anticipated, net interest income in key banking book segments and other funding also remained resilient
- Excluding the impacts of the Postbank takeover litigation provision in both periods, noninterest expenses declined 4%
- Adjusted costs remained flat and, as we intended, significant progress on our operational efficiency measures is offsetting business investments and inflation
- Now let's look at divisional developments on slide 4

<u>Slide 4 – Continued execution on divisional strategies to drive further growth and profitability</u>

- All four businesses delivered double-digit returns in the first half of this year
- And we believe they will continue to build on this. Our diversified business mix is poised to perform in a fast-changing environment, particularly as our focused investments to serve clients are paying off across the platform
- Our Corporate Bank has a leading market position in Germany and, with deep roots in our home market, is perfectly positioned to help clients capitalize on opportunities created by investment programs in Germany and Europe and the improving business momentum overall
- We expect revenue momentum to pick up again, once government investments and initiatives to support the economy show their impact. We are already preparing for this; as an example, we are cooperating with KfW and EIB to support clients in Germany with tailored solutions
- Additionally, its global market presence positions the Corporate Bank well to support multinational clients as they respond to the rapidly evolving environment
- The Investment Bank is focused on consolidating its position as the leading European FIC franchise, while Origination & Advisory is looking to grow market share, specifically in Advisory, aided by recent investments, driving further revenue diversification
- Our platform is ideally placed to help institutional and corporate clients serve the German and European infrastructure and defense agenda, especially in Germany where we have the leading O&A franchise, including in Aerospace & Defense, where we have recently invested further in our dedicated sector coverage team

- And our Investment and Corporate Banks have already seen increased demand for defense finance. Our O&A team has been involved in deals spanning Equity Capital Markets, M&A, and financing, while the Corporate Bank sees growth potential, particularly in Trade Finance solutions for short-term and long-term financings
- In the Private Bank, we are pleased to see the progress on our transformation, reflected in the improvement in returns seen year to date. Personal Banking continues to drive efficiency through workforce reductions and branch network optimization, mainly in Germany. These steps, combined with increasing digitalization, are enabling us to streamline operations and innovate our offerings
- At the same time, we are focusing on investments in growth across Wealth Management and Private Banking, deepening segment coverage, leveraging the bank's broader product suite for our clients
- Progress made and the fact that the Private Bank is well positioned to help clients take advantage of current trends, make us confident we will see returns improve further in the medium term
- Asset Management stands to build from its diversified assets under management of more than 1 trillion euros, and we believe it is ideally placed not only to serve German and European investors, but also to act as a gateway to Europe for global investors
- Clearly, both our asset gathering businesses will support one of the strategic initiatives of the Savings and Investment Union: fostering citizens' wealth by broadening their access to capital markets, as we are Germany's leading Wealth Manager and Retail Fund Manager, in addition to being its leading capital markets bank
- Before I hand over to James, let me conclude on the progress toward our 2025 delivery on slide 5

Slide 5 – Progress on strategic agenda for delivery in 2025 and beyond

- Let's start with revenue growth. Since 2021 we have achieved a compound annual growth rate of 5.9%, in the middle of our target range of 5.5% to 6.5%
- Second, we have achieved around 90% of our 2.5-billion-euro target for operational efficiencies, with 2.2 billion euros in cost efficiencies either delivered or expected from completed measures

- And we continue with our strict cost management approach, which includes strategic and tactical measures to deliver our profitability and efficiency targets
- Third, capital efficiencies have reached a cumulative total of 30 billion euros, already at the high end of the bank's target range for full-year 2025 and contributing to our strong CET1 ratio. We delivered another 2 billion euros of RWA reductions this quarter through securitization transactions
- And we are not stopping here; we already see opportunities to deliver further capital efficiencies in the second half of 2025
- With a CET1 ratio of 14.2% this quarter, we feel very comfortable with our commitment to surpassing our 8-billion-euro target for total distributions to shareholders
- In fact, we already applied for a second share buyback in addition to the previously announced 2.1-billion-euro distribution for this year
- And James will shortly cover our pathways to materially reduce or potentially eliminate the impact of the output floor from the implementation of CRR 3
- To sum up, our first-half results demonstrate that we are on track to meet our 2025 financial targets, and we are fully focused on delivering them
- In parallel, we are working on the next phase of our strategic agenda to further increase value generation beyond 2025
- We see significant potential to unlock additional value from the combination of our strategic actions and market opportunities arising from growth stimulus, defense spending and structural reforms in Europe
- The 'Made for Germany' initiative, which we launched together with leading German companies earlier this week, underscores a shared commitment by both government and industry to prioritize growth and competitiveness. We also see increasing global investor demand to deploy funds into the German economy. All in all, given our unique domestic positioning and global reach, this is a clear net positive for us
- We have built a resilient and diverse business mix and a strong capital base, and we are now in the sustainable growth stage
- This allows us to fine-tune our business model and extract further value by strictly applying our SVA framework, targeted re-engineering and further developing our leadership culture

- We look forward to updating you in more detail on our plans later this year
- With that, let me hand over to James

JAMES VON MOLTKE

Slide 7 – Key performance indicators

- Thank you, Christian, and good morning
- As you can see on slide 7, we saw continued strong delivery this quarter against all the broader objectives and targets we set ourselves for 2025
- Our revenue growth, cost/income ratio and RoTE are all developing in line with our full-year objectives
- Our year-to-date performance continues to support our revenue and noninterest expense objectives, before FX effects, of around 32 and 20.8 billion euros, respectively. Note, if current FX rates were to persist, the weaker US dollar would result in a small headwind to pre-tax profit, as the negative impact on revenues would be slightly greater than the benefit on expenses
- Our capital position is strong and our liquidity metrics are sound; the liquidity coverage ratio finished the quarter at 136% and the net stable funding ratio was 120%
- With that, let me now turn to the second quarter highlights on slide 8

Slide 8 – Q2 2025 highlights

- We continued to demonstrate strong franchise momentum across the bank
- And our diversified and complementary business mix resulted in reported revenue growth of 3% year on year, or 5% if adjusted for foreign exchange translation impacts
- Our cost/income ratio of 63.6% remained in line with our guidance for 2025. Second quarter nonoperating costs benefitted from a modest provision release mainly driven by further settlements related to the Postbank takeover litigation matter
- Profit generation was robust, and our post-tax return on tangible equity of 10.1% continues to support the ambition to deliver sustainable returns of greater than 10% in 2025 and beyond

- In the second quarter, diluted earnings per share was 48 cents and tangible book value per share increased to 29 euros and 50 cents, up 3% year on year; the sequential development mainly reflects AT1 coupon and dividend payments, as well as FX impacts
- Before I go on, a few remarks on Corporate & Other, with further information in the appendix on slide 38
- C&O generated a pre-tax profit of 28 million euros in the quarter, mainly from positive revenues in valuation and timing, partially offset by shareholder expenses and other funding and liquidity impacts
- Let me now turn to some of the drivers of these results starting with net interest income on slide 9

Slide 9 – Net interest income (NII) / Net interest margin (NIM)

- NII across key banking book segments and other funding was 3.4 billion euros, stable quarter on quarter despite headwinds from a weaker US dollar
- Private Bank continues to deliver strong NII supported by our structural hedge portfolio, while Corporate Bank NII remained stable, supported by the ongoing hedge rollover, loan income and a one-off benefit from hedge portfolio optimization
- FIC Financing benefitted from loan growth in the first quarter, with strong lending margins offsetting FX effects
- With respect to the full year, we confirm our prior guidance of 13.6 billion euros
- Underlying drivers of the year-on-year development continue to be an increasing contribution from the long-term hedge portfolio rolling over at higher rates, which we detail in the appendix on slide 25, and volume growth combined with stronger lending income in FIC as well as lower funding costs. Together, these are more than offsetting margin normalization and FX headwinds

Slide 10 – Adjusted costs – Q2 2025 (YoY)

- Turning to slide 10, adjusted costs were just over 5 billion euros for the quarter

- Cost discipline across the franchise remained strong. Compensation costs were slightly lower on a year-on-year basis, as wage growth was more than offset by ongoing measures for workforce optimization and beneficial FX impacts
- With that, let me turn to provision for credit losses on slide 11

Slide 11 – Provision for credit losses

- Stage 3 provision for credit losses materially reduced in the second quarter to 300 million euros reflecting a model update mainly benefitting the Private Bank, while provisions for Commercial Real Estate continued to be elevated
- Stage 1 and 2 provisions remained at a high level at 123 million euros and also included an impact from the aforementioned model updates as well as portfolio-related effects and moderate charges relating to forward-looking information, net of the overlay we built in the first quarter
- The model updates mainly impacted CRE-related provisions and reflect updates to Loss Given Default assumptions to align with the latest EBA requirements, incorporating a change in assumptions applied in portfolio level calculations
- On a year-to-date basis, overall CRE provisions stand at 430 million euros. As guided in prior quarters, the impact from new non-performing items is limited, but we are seeing ongoing valuation pressure on existing non-performing exposures, particularly on the US West Coast
- While developments around CRE as well as the macroeconomic environment continue to create uncertainty, we feel comfortable with our broader portfolio performance and asset quality, and we currently anticipate provisions to ameliorate in the second half of the year
- With that, let me turn to capital on slide 12

Slide 12 – Capital metrics

- Strong second-quarter earnings net of AT1 coupon and dividend deductions, combined with diligent resource management, led to a CET1 ratio of 14.2%, up 42 basis points sequentially
- Lower risk-weighted assets were driven by credit risk, benefitting from continued execution of capital efficiency measures, predominantly through two securitization transactions during the quarter

- Market risk remained flat. Increases at the beginning of the quarter, reflecting market turbulence at the time, have been offset through strict risk management and hedging
- Our second quarter leverage ratio was 4.7%, up by 8 basis points, principally driven by FX effects, as higher Tier 1 capital was mostly offset by higher trading inventory
- With regards to bail-in ratios, we continue to operate with significant buffers over all requirements
- Before we turn to our divisional performance, I want to offer my perspective on the bank's most recent CRR 3 disclosure on slide 13

Slide 13 – CRR 3 does not change distribution policy or financial targets

- We see clear pathways to materially reduce or eliminate the hypothetical impact of CRR 3 and let me say upfront; our distribution policy and financial targets are unaffected
- Before we go into detail, we need to remember that the implementation of CRR 3 is a multi-year journey, including several transitional arrangements that are subject to reviews and will mostly apply through 2032, and we are not planning franchise-changing decisions today for an outcome that is almost certain to change
- The hypothetical RWA inflation of 118 billion euros in 2033 includes a 64-billion-euro impact from the output floor and 54 billion euros from the potential expiry of the transitional arrangements in 2033, based on an unmitigated balance sheet as of March 31, 2025
- We expect the output floor impact to decline by at least 45 billion euros through a combination of low-cost mitigation measures and the full application of already final CRR 3 rules not reflected in the March pro-forma. We see this mitigation as virtually certain and without any meaningful cost
- We will address the remaining RWA impact of around 20 billion euros via additional mitigation measures like business mix reviews through the application of disciplined, SVA-driven decisions on balance sheet optimization
- As a result, the output floor will only become binding in 2030 at the earliest, instead of 2028
- Based on the March pro-forma numbers, we would subsequently face a further RWA impact of 54 billion euros if transitional rules expire, which you can see on the right side of the slide

- Even at this early stage, we are confident we can reduce this impact by at least 15 billion euros through additional measures, such as expanding private rating agency coverage for unrated corporates, and further potential additional balance sheet optimization actions
- In addition, considering developments in the US, rule changes in Europe are expected to ensure European banks can operate on a level playing field and continue to support lending to European corporates and overall economic growth
- As an example, around 30 billion euros of the 54 billion euros RWA under transitional rules relate to unrated corporates; it is crucial for the EU's bank financing-dependent corporate sector that banks can continue to provide this funding at appropriate capital costs
- If transitional arrangements are extended or made permanent, there would be no additional RWA impact
- Let us now turn to performance in our businesses, starting with the Corporate Bank on slide 15

Slide 15 – Corporate Bank

- Corporate Bank revenues were essentially flat in the second quarter as interest hedging, higher average deposits and growth in net commission and fee income have offset ongoing margin normalization
- Revenues were impacted by adverse FX movements, which were compensated by one-off interest hedging gains from portfolio optimization
- We continued to make good progress further accelerating noninterest revenue development with 6% growth in reported net commission and fee income and a particularly strong contribution from our Institutional Client Services business
- For the third quarter, we expect revenues to be slightly lower and in line with the prior year, reflecting the aforementioned FX headwinds and a lower level of one-offs
- Adjusted for FX movements, loans increased by 3 billion euros year on year and sequentially, with the growth primarily coming from our Trade Finance & Lending business. Deposit volumes remained strong as volumes were up by 9 billion euros year on year and remained essentially flat sequentially
- Noninterest expenses were lower year on year driven by a litigation provision release

- Provision for credit losses declined to 22 million euros as Stage 3 provisions remained overall contained whilst Stage 1 and 2 benefitted from a model update
- This resulted in a post-tax return on tangible equity of 17.6% and a cost/income ratio of 60%, both improving sequentially and year on year
- I'll now turn to the Investment Bank on slide 16

Slide 16 – Investment Bank

- Revenues for the second quarter increased 3% year on year, despite a significant FX headwind, with strength in FIC more than offsetting a decline in O&A revenues
- FIC revenues increased 11%, primarily driven by strong performances in both Financing and Macro products
- FIC Financing continued its momentum with revenues again higher than the prior year period, reflecting an increased carry profile following targeted balance sheet deployment in line with our strategy, in addition to robust fee income
- Excluding Financing, FIC revenues increased versus the prior year period despite the extreme market volatility seen in early April, as we continue to support our clients through these uncertain times, with year-on-year activity increasing across institutional, corporate and our priority clients
- Moving to O&A, revenues were significantly lower when compared to a strong prior year, with the business impacted by market uncertainty, most notably in our areas of strength, combined with the delay of some material transactions into the second half of the year
- Debt Origination saw the biggest impact, with the Leveraged Debt Capital Markets industry fee pool declining year on year, while the business was also selective in relation to new committed transactions in a volatile environment
- Advisory performance was robust, with revenues increasing year on year, while the pipeline for the second half of the year is encouraging
- Noninterest expenses were 5% lower year on year reflecting reduced litigation charges, with adjusted costs essentially flat

- Provision for credit losses was 259 million euros, significantly higher year on year with the increase driven by Stage 1 and 2 provisions, particularly in CRE due to the aforementioned model updates, as well as forward-looking indicator impacts, while Stage 3 impairments declined
- Let me now turn to Private Bank on slide 17

Slide 17 – Private Bank

- In the Private Bank, disciplined strategy execution drove 10% operating leverage and a 56% increase in profit before tax. Return on tangible equity grew both sequentially and year on year, to 10.8%
- The Private Bank recorded stronger revenues as net interest income grew by 5% year on year while net commission and fee income rose by 1% year on year, supported by investment revenues, despite market volatility. Sequential revenue trends reflect seasonal investment activity typically concentrated early in the year
- Personal Banking benefitted from better deposit and investment product revenues mainly in Germany, leveraging successful deposit campaigns as well as the bank's leading advisory product offering. The growth was partially offset by lower lending revenues following the strategic decision to reduce capital intensive loans
- Wealth Management and Private Banking revenues grew 2% year on year, driven by discretionary portfolio mandates, despite FX headwinds and market volatility. Good business momentum continued, with the majority of net inflows of 6 billion euros in the quarter coming from these businesses
- The Private Bank continued the transformation of the Personal Banking business, closing a further 25 branches in the second quarter, bringing total closures to 85 this year. Workforce was reduced by 700 in the first half, continuing the trajectory in line with plan
- Transformation effects more than offset inflationary pressure leading to a 5% reduction in adjusted costs. Noninterest expenses declined by 8% reflecting lower restructuring charges, with the cost/income ratio improving by 7 percentage points to 69%
- Provision for credit losses benefitted from updated Loss Given Default model assumptions, while underlying portfolio performance remained stable. Provisions in the prior year quarter benefitted from a non-performing loan sale

Slide 18 – Asset Management

- Turning to slide 18; my usual reminder, the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Profit before tax improved significantly by 41% from the prior year period, driven by higher revenues and resulting in an increase in return on tangible equity of 8 percentage points to 26% for this quarter
- Revenues increased by 9% versus the prior year. Higher management fees of 630 million euros, driven by Passive products, reflected higher average assets under management
- Performance fees saw a significant increase from the prior year period, mainly due to the recognition of fees from an infrastructure fund
- Noninterest expenses and adjusted costs were essentially flat, resulting in a decline in the cost/income ratio to 60%
- Quarterly net inflows of 8 billion euros represent the fourth consecutive quarter of positive net flows, including a further 3 billion euros into Passive products
- Cash and Alternatives saw combined net inflows of 9 billion euros, which more than offset 4 billion euros in outflows from Active products and Advisory Services
- Assets under management remained above 1 trillion euros. An increase from positive market impact and net inflows was offset by negative FX effects
- In the quarter, DWS and its partners received BaFin approval to issue Germany’s first fully regulated euro-denominated stablecoin and the division also extended its strategic distribution partnership with DVAG for another ten years
- For further details please have a look at DWS’s disclosure on their Investor Relations Website
- Finally, let me turn to the Group outlook on slide 19

Slide 19 – Outlook

- We are on track to meet our full-year 2025 targets and remain comfortable with our trajectory to deliver a RoTE of above 10% and a cost/income ratio of below 65%; our year-to-date performance supports our revenue and expense objectives

- Our diversified and complementary businesses are performing well and the strong revenues in the first half year put us on course to deliver our ambition for revenue growth

- We remain committed to rigorous cost management, while maintaining our focus on controls and investments, as we continue to benefit from ongoing delivery of our cost efficiency initiatives

- As outlined, the current FX rates marginally impact our return and efficiency ratios, but this has been more than offset by a greater-than-expected reduction in nonoperating costs, which we expect to carry into the remainder of the year

- Our asset quality remains solid and despite uncertainty from developments around CRE as well as the macroeconomic environment, we currently anticipate a reduction in provisioning levels in the second half year

- Our strong capital position and second-quarter profit growth provide a solid foundation as we head into 2026. As we plan capital distributions for 2026 and beyond, we also plan to return excess capital to our shareholders when sustainably exceeding a 14% CET1 ratio

- To date, we have announced 2.1 billion euros of capital distributions, including the 1.3-billion-euro dividend paid in May and the two-thirds-complete 750-million-euro share buyback announced in January and we await approval for our second share buyback

- In short, we remain comfortable with our capital position and reiterate our commitment to outperforming our 8-billion-euro distribution target

- We are also steadfast in our commitment to further improved profitability and increasing shareholder returns beyond 2025

- With that, let me hand back to Ioana, and we look forward to your questions

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of March 13, 2025 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from investor-relations.db.com.

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 Q2 2025 Preliminary Financial Data Supplement, which is available at investor-relations.db.com.

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