Deutsche Bank AG

Deutsche Bank Q4 2025 Fixed Income Conference Call

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Transcript

Speakers:
James von Moltke, President and Chief Financial Officer
Raja Akram, Chief Financial Officer Designate
Richard Stewart, Group Treasurer
Philip Teuchner, Investor Relations

Slide 2 – A transformed bank delivering increased profitability

- Thank you, Philip, and welcome from me
- Over the last few years, we have significantly strengthened our foundations and positioned Deutsche Bank to further increase value creation in the years ahead by scaling our Global Hausbank
- Post-tax return on tangible equity in 2025 was 10.3%, meeting our full-year target of above 10%. We see this as a great start from 2025 towards our commitment of greater than 13% by 2028
- Let's look at how we delivered the improved profitability
- As we explained at our Investor Deep Dive in November, we have transformed Deutsche Bank into a simpler, more focused business with a significantly improved financial profile
- We delivered on our revenue ambition of around 32 billion euros in 2025, an increase of 7% year on year or 26% since 2021, due to our diversified business mix and revenue composition
- Cost discipline remained strong in 2025; noninterest expenses came in at 20.7 billion euros, down 10% year on year. We kept adjusted costs broadly flat and achieved a material reduction in nonoperating costs reflecting lower litigation expenses
- Our 2025 cost base is nearly 1 billion euros lower than in 2021, a reduction of around 4% over this period. Operational efficiencies enabled us to self-fund foundational investments in our technology architecture, control environment and client franchise
- This cost reduction, combined with our strong revenue growth, created significant operating leverage
- In 2025 alone, we delivered operating leverage of 17% and our pre-provision profit was 11.4 billion euros, up threefold since 2021

Slide 3 – Disciplined strategy execution driving higher returns across all businesses

- All four businesses have delivered a reduction in their cost/income ratios and a substantial improvement in profitability since 2021, leading to double-digit returns in 2025 as you can see on slide 3
- Corporate Bank delivered revenue growth of more than 40% since 2021. The revenue mix benefited from a normalized interest rate environment and, importantly, from our actions to increase fee income. This helped us to deliver stable revenues in 2025 despite lower rates and FX pressures

- Going forward, the actions we took in recent years mean the Corporate Bank is well positioned to scale the Global Hausbank model by further leveraging its global network, product capabilities and client relationships
- Our Investment Bank has also transformed over the past few years. In FIC, our efforts were focused on deepening and broadening the franchise with targeted investments which led to gaining market share and increasing client activity by a further 11% in 2025 compared to the previous year
- We are also repositioning Investment Banking & Capital Markets, or IBCM, building on our German leadership and focused client offering, investing in sector and product expertise to expand our Advisory and ECM capabilities while maintaining the strength of our Debt franchise
- Private Bank has made tremendous progress with its transformation, creating a more focused, efficient and connected franchise with an improved cost/income ratio of 70% and returns above 10% in 2025
- Our Asset Management arm DWS attracted 85 billion euros of net new assets since 2021, with assets under management surpassing 1 trillion euros in 2025

Slide 4 – Fully focused on delivering the next phase of strategic agenda

- I want to briefly address the next phase of our strategy on slide 4
- At the Investor Deep Dive in November, we set out a roadmap to increase return on tangible equity from over 10% in 2025 to greater than 13% over the next three years
- We also set out our plans to further improve our cost/income ratio to below 60%, from 64% in 2025
- We plan to achieve this via three levers: focused growth, strict capital discipline and scalable operating model
- As we made clear in November: we have all the levers to achieve our goals in our hands today. We also see upside to our targets if the environment develops positively
- 2026 is about taking the next steps to successfully deliver our strategy and we are encouraged by the strong start we have made so far to the year
- Delivering on our 2028 agenda will enable us to put our long-term goal into reach: to become the European Champion

Slide 5 – Banking book NII stable through 2025 despite lower policy rates

- Let us now look back at a successful year with an overview of the quarterly developments, starting with net interest income on slide 5
- NII across our key banking book segments and other funding was 3.4 billion euros in the fourth quarter and 13.3 billion for the full year, in line with our plans when adjusted for FX effects
- The Private Bank continued to deliver steady NII growth, and improved its net interest margin by around 30 basis points year on year reflecting higher deposit revenues and the ongoing rollover of our structural hedge portfolio
- Momentum continued in FIC Financing with sequential growth in NII supported by loan growth
- Corporate Bank NII was slightly up quarter on quarter reflecting a significant deposit increase which positions us strongly going into 2026
- For 2026, we expect NII across key banking book segments to increase to around 14 billion euros
- We expect this increase to be mainly driven by the structural hedge rollover, expected to yield around 600 million euros more in 2026 compared to the prior year, of which over 90% is locked in through existing hedge activity, in addition to targeted portfolio growth in both deposits and loans
- Further details on the hedge portfolio can be found in the appendix

Slide 6 – Loan growth in key segments while maintaining capital discipline

- Looking at the development of the loan book on slide 6, we can see that during the fourth quarter, loans grew by 5 billion euros within operating businesses, adjusted for FX effects
- The underlying quality of the loan book remains strong
- Within FIC Financing, the growth momentum continued, mainly driven by new loan originations in asset backed financing and infrastructure lending as well as by acquisition of an aviation portfolio
- We have also seen continued growth in the Corporate Bank portfolio, primarily within our flow and structured Trade Finance business
- In the Private Bank, we continued to deliver on our strategic commitment to a capital-efficient balance sheet through further targeted mortgage reductions
- This net growth within our businesses has been partially offset by the repayment of a legacy position within Corporate & Other in addition to some hedge accounting effects, amounting to 2 billion euros in total

- As we look towards 2026, we aim to further grow in most value-accretive segments whilst maintaining strict capital discipline
- Growth is expected to be most pronounced within FIC Financing and the Corporate Bank, with the latter benefitting from fiscal stimulus tailwinds in Germany

Slide 7 – Stable and well diversified deposit portfolio

- Moving now to deposits on slide 7
- Our well-diversified deposit book grew by 29 billion euros during the fourth quarter, adjusted for FX effects
- Our portfolio continues to be of high quality, supported by a strong domestic footprint and a substantial level of insured retail deposits
- Deposit growth was most pronounced in the Corporate Bank where we saw substantial growth in sight deposits from corporate clients
- While we expect some normalization of this growth in the first quarter, we are overall pleased with the strong client engagement and franchise strength
- The Private Bank portfolio also grew during the quarter, supported by ongoing deposit campaigns in Germany
- In 2026, our focus remains on growing SVA accretive deposits in the Private Bank and the Corporate Bank

Slide 8 – Sound liquidity and funding base supporting future growth

- On slide 8, we highlight the strength and resilience of our liquidity and funding base
- We managed our Liquidity Coverage Ratio to 144% at quarter-end, reflecting our robust liquidity position
- The surplus over the regulatory minimum increased, driven by higher HQLA – now at 260 billion euros
- Notably, the increase in HQLA this quarter was supported by inflows to our Corporate Bank deposits at year-end
- We maintain a high-quality liquidity buffer, with 96% of HQLA held in cash and Level 1 securities, ensuring immediate access to liquidity
- The Net Stable Funding Ratio remains solid at 119%, with available stable funding rising to 650 billion euros

- This reflects our diversified funding base, underpinned by a strong domestic deposit franchise and longer-dated capital market issuances

Slide 9 – CET1 ratio remains strong

- Turning to capital on slide 9
- Our fourth-quarter Common Equity Tier 1 ratio came in at 14.2%, a decrease of 30 basis points compared to the previous quarter, with a 44 basis points reduction related to one-off effects as discussed last quarter
- These effects included the discontinuation of the transitional rule for unrealized gains and losses on sovereign debt and the annual update of operational risk-weighted assets
- Higher market risk RWA reduced the ratio by 8 basis points as trading activity picked up to more normalized levels in the quarter, whilst credit risk RWA growth was offset by a securitization
- The impact of these items on the ratio was partially offset by 21 basis points of capital generation reflecting our strong fourth quarter earnings net of AT1 coupon and dividend deduction

Slide 10 – Capital ratios well above requirements

- Our capital ratios remain well above regulatory requirements as shown on slide 10
- The CET 1 MDA buffer now stands at 293 basis points or 10 billion euros of CET1 capital
- The 32-basis-points quarter on quarter decrease reflects the lower CET1 ratio and one basis point of higher systemic risk and countercyclical buffer requirement driven by RWA changes
- The buffer to the total capital requirement decreased by 12 basis points and now stands at 351 basis points

Slide 11 – Leverage ratio stable

- Moving to slide 11
- Our fourth-quarter leverage ratio remained flat at 4.6%
- The discontinuation of the transitional OCI filter had an impact of 6 basis points

- The 10-basis-point reduction relating to an increase in cash and reverse repo was more than offset by a 13-basis-point increase due to our 1-billion-euro AT1 issuance in November 2025 and the other CET1 capital increase drivers
- Following the FSB decision to reduce the bank's G-SIB bucket from 1.5% to 1.0%, the 2026 leverage ratio requirement will reduce by 25 basis points

<u>Slide 12 – Significant buffer over MREL/TLAC requirements</u>

- We continue to operate with a significant loss-absorbing capacity, well above all requirements, as shown on slide 12
- The MREL surplus of 23 billion euros, our most binding constraint, decreased by 3 billion euros in the last quarter
- Our surplus thus remains at a comfortable level which continues to provide us with the flexibility to pause issuing new eligible liabilities for at least one year

<u>Slide 13 – Rating trajectory reflects continued progress</u>

- Let me touch on our credit ratings on slide 13
- After receiving two upgrades from each of the major rating agencies since the start of our transformation, we made further progress in 2025, evidenced by upgrades from both solicited and unsolicited agencies
- In addition, Standard and Poor's raised our outlook to '*Positive*' in the fourth quarter, driven by improving earnings and greater resilience
- We are pleased by this recognition and continue to work hard to further improve our fundamental ratings with our mandated agencies
- I would also like to inform you about two specific decisions we have taken:
- Driven by our efforts to optimize the liability stack and further improve our cost of funding, we will reduce our senior non-preferred issuance volumes compared to last year, also in light of further anticipated deposit growth
- As a consequence, we will no longer seek to benefit from the notch related to Moody's Advanced Loss Given Failure or LGF analysis that is currently reflected in our senior non-preferred rating
- Please note that this is a voluntary decision by the bank, bringing us in line with our European peers
- The 10% threshold has been more binding for us than regulatory MREL requirements

- The second decision concerns the number of mandated rating agencies at group level
- To streamline our efforts and reduce costs, we will discontinue the MDBRS group mandate and focus on Moody’s, S&P and Fitch going forward

Slide 14 – 2026 issuance plan at € 10-15bn

- Let us now look at our issuance plan on slide 14
- We closed 2025 with a total issuance volume of 18.7 billion euros, which is in line with our target range of 15 to 20 billion euros
- During November and December 2025, we issued roughly 3 billion euros in senior preferred and AT1 format
- In 2026, we have materially lower funding requirements compared to 2025 and target a full year issuance volume of 10 to 15 billion euros
- The biggest driver of the reduction is lower senior non-preferred volumes following the decision regarding the Moodys LGF notch
- Looking further into the future, our balanced maturity profile over the coming years results in relatively modest maturities of 11 to 12 billion euros per year
- As you will have seen, we took advantage of strong market conditions in early January and issued a one billion Euro Tier 2 bond
- This transaction, alongside our recent one billion euro AT1 security, achieved our tightest spreads since the introduction of these debt classes, underscoring the bank’s improved credit profile
- We have an upcoming call decision for a GBP AT1 instrument which is callable in April 2026 by giving notification not later than March 31st
- Based on current markets, there is a small positive revaluation impact on this instrument at current FX rates, and the coupon would reset to roughly 8.2%
- As usual, we will take a decision on this security closer to the call date after considering several factors, including capital demand, refinancing levels versus reset, FX effects impacting CET1 as well as market expectations
- Finally on issuance: we updated our Sustainable Instruments Framework yesterday which, amongst other things, allows us to issue bonds compliant with the European Green Bond Standard, something we plan to make use of over the coming months

Slide 15 – Summary & outlook

- To summarize on slide 15 and looking ahead, the delivery of all of our 2025 targets and objectives provides a firm basis for the next phase of our strategy to 2028: Scaling the Global Hausbank
- Business momentum going into 2026 has been good and sets us up well as we start scaling our franchise and benefit from the investments we are making
- As we said at our investor day in November, we plan to show improvements in operating performance every year, including in 2026
- Our asset quality remains solid and we continue to expect provision for credit losses to trend moderately downwards in 2026, towards a lower expected average run rate of around 30 basis points through 2028
- And finally, as we just discussed, our issuance needs this year are lower compared to prior years as we optimize our liability stack
- Before turning to your questions, I would like to take this opportunity to thank James for his support and guidance over the past years, and to congratulate him on his achievements in Deutsche Bank's successful transformation journey
- Let us now start the Q&A session, where Raja, whom I am very much looking forward to working with, will join James and me

Questions & Answers

Lee Street (Citigroup)	Hello. Good afternoon, all. And thanks to you for the call. I've got a couple of questions, please. Firstly, on Slide 13, and the decision not to defend the LGF notch for your non-preferred senior anymore. Just, I mean, the question what does that mean to your end state stack in terms of the amount of non-preferred you have outstanding? And I guess why now? Is it a question of cost? I mean, what's the driver? And second question, just on the idea of talking about becoming a European champion and you've got your 2028 targets, I suppose, how should we measure that in practice? And who's the peer group for this? Because I guess if I look at your 2028 return targets and cost/income ratio, there's obviously still quite a lot of banks that will be likely better than that. So I mean, how are we actually supposed to think about that and measure that as actually being achieved? That would be my two questions?

Richard Stewart

Lee, and thank you for joining the call. Happy Friday. So I guess I'll take the first couple of questions on the liability stack and the LGF, and then maybe Raja and James can talk about the European champion metrics.

So I guess you had two questions. One was around, I guess, why now? And I guess then the second one was around what the impact could be. So I'll start with why now. It's very simple, really.

We have been benefiting from the LGF notch in our senior non-preferred rating during our transformation phase, which is now in the rear-view mirror. And during that period, we've seen two upgrades of our ratings with Moody's, which positions our senior non-preferred rating well within investment-grade territory.

Therefore, we feel now is the right time to kind of move our positioning from defense to offense to do this step-in order to optimize our funding composition and cost base further. This step also aligns us with our European peers, which do not carry the option in their senior non-preferred rating.

And so the decision will allow us over time, as you rightly intuit, to partly rebalance our capital market stack from senior non-preferred to senior preferred, making the overall balance sheet more efficient.

In terms of kind of like what's the sort of the impact around issuance volumes and how we think about that, then clearly, we can reduce the volume of outstanding senior non-preferred issuances now that given that before the Moody's LGF was our binding constraint. This will lead to a managed reduction of the headroom we have over TLAC as well as subordinated MREL requirements.

It's important to note that the TLAC and MREL headroom also depends on changes of, as you know, DB's RWA trajectory, leverage exposure and maturity structure of our issuance books. But when you take all that into effect as well, we'll continue to maintain an appropriate buffer over our regulatory requirements when we're thinking about our 2026 issuance plan.

And as you can see, we're still going to be looking to issue 5 billion euros to 7 billion euros of senior non-preferred this year. But over time, we expect a lower yearly SNP requirement than in previous years and also in light of our balanced maturity profile. So hopefully, that answers your questions as well. I will hand over to Raja on the 2028 thinking.

Raja Akram

Thank you very much, Richard. First of all, thanks for giving the opportunity to answer this question. On Page 4 of the deck, we have kind of laid out a little bit of our path to the European champion.

And as we said in the Investor Day, our medium-term targets are around 2028, where we want to take our return on tangible equity up from 10% to 13%, which we think is the intermediate step to what ultimately is a longer-term objective to be the European champion.

And I think it's a really valid question to see what does it really mean to be a European champion definitionally? So assuming we get to 13% and we have high confidence around that.

But the way we think about it is that in all the key segments that we engage in as a European bank or European-based bank, whether it's FIC or Wealth Management or Asset Management, do we want to be in market-leading position.

We already have a leading position in FIC in Europe. We are number three in Asia. We are number seven in the U.S. So we have aspiration to be number five in the U.S, and that would actually make us the leading European bank in that space.

The second more quantitative threshold for that would be that from a returns perspective, we should be leading the returns versus our European peers, which today we have a little bit of a gap to.

So I would say it's business positioning, it's quantitative returns. And obviously, a little bit of it is what kind of bank we are and we think we need to be an AI-powered bank.

The last thing that is actually not on the page, but we as a management team talk a lot about is, we also want to be a destination of choice to a place to work. Like I think if you have that reputation as a leading bank, then I think this is also a destination of choice for talent.

And in terms of how you can measure it, I think over time between now and 2028, we intend to obviously show, as Richard said, gradual improvement in all of our financial metrics, but it is also our intention to give the drivers underneath those growth, whether it's how we are growing deposits, how we're bringing new client assets, what we're doing with new client money and how our market share is evolving, especially in the investment banking side.

So I would say it's one of those things you will kind of see it when we get there. But in the meantime, we intend to provide the progress markers that we have set for ourselves.

Lee Street	All right. That’s very clear. I wish you best of luck and I wish James the best of luck in the future. Thank you, all.
Corinne Cunningham (Autonomous)	Good afternoon, everyone and thanks for the detail on the senior there. I wanted to come back to a slightly different angle, the commercial real estate and this has been dragging on for a while now. You've been given guidance or guiding that we should be at the end of the problem and then we're seeing higher provisions again. So specifically, what's going on there? And I suppose what's cropping up that you haven't already foreseen and provisioned that's meaning that you continue to have to keep topping up provisions on that? Thank you.
James von Moltke	Thanks, Corinne. It's James. Look, in a sense, we're following the new facts on the portfolio as we build additional provisions. And that can be, for example, new appraisals that come in lower than the early appraisals that underscored our marks. It can be lease activity in for a specific building that we have lent against. And so if the tenants are departing, then the cash flows in that project obviously are impaired and that changes the valuation. And it can also be valuations in the marketplace that are visible and that we see outside of the cadence of appraisal updates. So those are the types of things that

then feed into our valuations and cause us to build the provisions.

In the quarter, as we said yesterday, there was one exposure sort of a larger single name event that characterizes commercial real estate but was outside of the office. So, these things will happen from time to time.

But in the broader commercial real estate, I would say the focal point remains office, West Coast office. And as we think about the tail, when we do see that stability in the marketplace in appraisals, in letting behavior, we'd likely see the CLPs drop dramatically.

And just to be clear, West Coast is really our exposures that are challenged are in Seattle and L.A. And hence, I think some of the disclosure we've provided since the outset of this cycle, hopefully has been helpful in giving you a sense of what we've been seeing and contending with.

Corinne Cunningham	Thank you. Any signs of light at the end of the tunnel or are you just taking it day by day?
James von Moltke	As I said on the yesterday call, that I had seen sort of, if you like, false dawns before, where we thought we'd seen stabilization in either appraisals or market only to see the market find another floor. So I'm cautious, my risk colleagues are cautious about calling the floor. That said, this late into the cycle and with hopefully, behavior starting to change and stability coming to the markets, we'd hope we're at the tail end.
Corinne Cunningham	Thank you.
Robert Smalley (MacKay Shields)	Hi, thanks very much for taking my question. And first, I want to say, James, I have appreciated the engagement, speaking for myself and this group here and that it’s everything you've done with respect to the fixed income community has really reflected in the bank's access and the bank's cost of funds over the years. And we've all really appreciated it. So thanks very much. You've done a lot of heavy lifting. And good luck in your next endeavour.
James von Moltke	Thank you. Before everybody says it on the call, maybe I'll jump in to say thank you for the kind words to you

and the other investors and analysts out there. The engagement with all of you has been great and particularly those who've followed the story really carefully and been great supporters of the name in the marketplace, but also great sources of feedback for us. So I really appreciate the partnership over the years and thank you for your words.

Robert Smalley

So do we. So thank you again and best of luck in your next endeavor. Just one comment in terms of the rating notch and your plan. I think for the bank, it's important to follow economic and business imperatives rather than manufactured frameworks. Let's leave it there. Just in terms of two questions following up on Corinne.

So as we look for resolution in CRE over the next couple of quarters, by its nature, it's pretty lumpy anyways, but can we expect some lumpiness in terms of resolution down the road, so we wouldn't be surprised at that? That's my first question.

And secondly, just the German yield curve is at its steepest since 2019. How is that impacting the way you look at the balance sheet funding? And what should we look for in terms of curve movement that might be beneficial or detrimental to the outlook?

James von Moltke

Thank you for the questions, Robert. I will continue with the CRE questions. Look, if I knew for sure, obviously, I would tell you or we would already have booked to it. Generally, though, I mean, the portfolio, there's some granularity to the portfolio. And the types of adjustments that I mentioned in answer to Corinne's question will typically not be all that lumpy. I mean, they're sort of, again, valuation adjustments on a portfolio level.

It would be - where there are lumps, it's when there's an event around a single larger exposure and that event could be a restructuring or a sale. And there's only a handful of situations that could really produce that depending on kind of the course of a resolution action. So I wouldn't expect lumpiness. Again, setting aside the one larger exposure that, as I mentioned, is not office and has a different sort of characteristic to it.

And I will draw your attention again that we've pretty much every year since the cycle started, sold some portfolios. And the nice thing about those sales is they've given us a sense of kind of market pricing at each point in time, generally conformationally relative to the valuations that we've had. And again, some of the individual assets that have been part of those loan portfolio sales have been relatively larger, again, giving us some sense that at each point in time, we were reasonably marked. So a little bit of color, but in general, we wouldn't expect lumpiness.

Richard Stewart

Hey, Rob, it's Richard here. And thanks for joining the call. So it's pretty simple on the rate side of things. So in terms of funding credit spreads are much more important for us when it comes to funding, because we manage our interest rate risk at the point of issuance.

And then from an NII kind of hedging perspective, as you know, we have a sort of, as with others, replicating portfolio, that essentially, as rates - as those swaps roll off, if we can extend those swaps into 10 years at a higher rate than it is today, then that's beneficial.

So, all things being equal, we benefit from a steeper credit curve and tighter credit spreads is how to think about it. But in terms of our overall NII strategy that you've seen over the last few years as you kind of given those disclosures, we are pretty well hedged from an interest rate perspective for parallel moves up and down. But just the nature of that hedging strategy we have, we do benefit from higher long-term rates over time.

Robert Smalley

That’s great. Thank you.

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

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