



Deutsche Bank AG

Deutsche Bank Q3 2025 Fixed Income Conference Call

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Transcript

Speakers:

James von Moltke, Chief Financial Officer

Richard Stewart, Group Treasurer

Philip Teuchner, Investor Relations



Slide 2 – Positive operating leverage drives increasing profitability

- Thank you, Philip, and welcome from me
- We delivered record profitability in the first nine months of 2025
- We are tracking in-line with our full-year 2025 goals on all dimensions
- Nine-month revenues, at 24.4 billion euros, are fully in line with our full-year goal of around 32 billion euros, before FX effects
- Adjusted costs are consistent with our guidance
- Post-tax return on tangible equity is 10.9%, meeting our full-year target of above 10%, and our cost/income ratio, at 63%, is also consistent with our target of below 65%
- Operating leverage drove our profit growth: Pre-provision profit was 9 billion euros in the first nine months of 2025, up nearly 50% year on year, or nearly 30% if adjusted for the impact of Postbank litigation impacts in both periods
- We saw continued revenue growth of 7% with momentum across all businesses; net commission and fee income was up 5% year on year, while net interest income across key banking book segments and other funding was essentially stable
- 74% of revenues came from more predictable revenue streams, the Corporate Bank, Private Bank, Asset Management and the Financing business in FIC
- Cost discipline remains strong; noninterest expenses were down 8% year on year with significantly lower nonoperating costs, largely due to the non-repeat of Postbank litigation provisions, while adjusted costs were flat
- And our asset quality remains solid, provisions were in line with expectations, and we had no exposure to recent high-profile cases
- Let me now turn to our progress on the pillars of strategy execution, on slide 3

Slide 3 – Disciplined execution of 2025 objectives

- We are on track to meet, or exceed, all our 2025 strategy goals
- The compound annual revenue growth rate since 2021 was 6%, in the middle of our range of between 5.5 and 6.5%



- In a changing environment, we are benefiting from a well-diversified earnings mix
- Operational efficiencies stood at 2.4 billion euros either delivered or expected from measures completed – in other words, 95% of our 2.5-billion-euro goal
- Capital efficiencies have already reached 30 billion euros in RWA reductions – the high end of our target range, and we continue to see scope for further efficiencies through year-end
- During the quarter, we launched our second share buyback program of 2025, with a value of 250 million euros, which we completed last week
- This brings cumulative distributions since 2022 to 5.6 billion euros
- Let us now turn to some remarks on our businesses, on slide 4

Slide 4 - Continued execution of divisional strategies

- We are delivering strength and strategic execution across all four businesses in our *Global Hausbank*
- All businesses have delivered double-digit profit growth, and all four have delivered double-digit RoTE, in the first nine months
- The Corporate Bank continues to further scale the *Global Hausbank* model and delivered strong fee growth of 5% in the first nine months and was recognized as the 'Best Trade Finance Bank'
- Our Investment Bank has been there for clients through challenging times this year and has seen an increase in activity across the whole client spectrum
- Private Bank has made tremendous progress with its transformation so far this year, with nine-month profits up 71%. Our growth strategy in Wealth Management is paying off: Assets under management have grown by 40 billion euros year to date, with net inflows of 25 billion euros
- And in Asset Management the combination of fee-based expansion with operational efficiency drives sustainable returns of 25%. We are benefitting from our strength in European ETFs and are expanding our offering in that area



Slide 5 – Banking book NII expected to increase in 2025 and beyond

- Turning now to net interest income on slide 5
- NII across key banking book segments and other funding was 3.3 billion euros in the quarter
- Private Bank continues to deliver steady NII growth supported by the ongoing rollover of our structural hedge portfolio and deposit inflows
- Corporate Bank NII is slightly down quarter on quarter, principally driven by lower one-offs, while it continues to be supported by underlying portfolio growth as well as hedge rollover benefits
- With respect to the full year, we are on track to meet our plans on a currency-adjusted basis

Slide 6 – Long-term hedge supports NII

- Turning to slide 6, which reflects market-implied forward rates as of quarter-end, we can see that our hedge portfolio positions us well
- In the third quarter, the total volume invested longer-term stayed at around 245 billion euros, or around 200 billion euros excluding equity hedges
- The result of our hedge approach is that a larger proportion of our future NII is now locked in. In addition, the absolute NII contribution of the hedge portfolio grows steadily as new hedges are executed above the rate of maturing hedges
- In the appendix, you can also see that our NII sensitivity remains contained with little change quarter over quarter

Slide 7 – Growth in targeted portfolios during the quarter

- Looking at the development of the loan book on slide 7, we can see that during the third quarter, loans grew by 3 billion euros, adjusted for FX effects
- The underlying quality of the loan book remains strong
- Around two thirds of our clients are located in Germany and Europe
- Our loan portfolio in the Investment Bank shows sustained growth driven by FIC as well as encouraging momentum in O&A



- In the Private Bank, we continued to deliver on our strategic commitment to a capital-efficient balance sheet through further targeted mortgage reductions, while we also saw encouraging growth in Wealth Management
- In the Corporate Bank, client demand remained muted this quarter as geopolitical uncertainties continued to persist
- However, looking ahead, we expect lending in the Corporate Bank to benefit from the fiscal stimulus in Germany and to accelerate over the course of 2026
- The lending outlook also remains strong in FIC and reflects our strategic focus on growing the franchise and expanding market share

Slide 8 – Stable and well diversified deposit portfolio

- Moving now to deposits on slide 8
- Our well-diversified deposit book has grown by 10 billion euros during the third 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 deposits
- Deposit growth has been most pronounced in the Private Bank where we saw continued momentum and strong inflows from our retail campaigns in Germany
- The Corporate Bank portfolio has also grown during the quarter, driven by inflows in sight deposits on the back of high client engagement
- For the remainder of the year, we expect further inflows from deposit campaigns in the Private Bank, while we also see opportunities for growth and portfolio optimizations in the Corporate Bank

Slide 9 – Sound liquidity and funding base

- On slide 9 we highlight the development of our key liquidity metrics
- We managed our Liquidity Coverage Ratio to 140% at quarter-end, thereby demonstrating the inherent strength and resilience of our balance sheet
- The surplus above the regulatory minimum increased by about 5 billion euros due to slightly higher HQLA and reduced net cash outflows



- We continue to maintain a high-quality liquidity buffer and hold about 95% of HQLA in cash and Level 1 securities
- The Net Stable Funding Ratio slightly decreased to 119%, with a surplus above regulatory requirements of 101 billion euros

This reflects our stable funding base with more than two thirds of the Group's funding sources coming from our global deposit franchise

Slide 10 – CET1 ratio increase driven by strong Q3 2025 earnings

- Turning to capital on slide 10
- Strong third-quarter earnings net of AT1 coupon and dividend deductions led to an increase in the CET1 ratio to 14.5%, up 26 basis points sequentially
- RWA remained flat during the quarter as an increase in credit risk RWA, driven by higher loans and commitments, was offset by a reduction in market risk, notably in SVaR
- As we head into the fourth quarter, let me remind you of the 27-basis-points CET1 benefit we still have from the adoption of the Article 468 CRR transitional rule for unrealized gains and losses, which will expire at the end of the year
- Also, following revised EBA guidance from June 2025 regarding the calculation of operational risk RWA under the new standardized approach, we must now perform the annual update of operational risk RWA already by the end of 2025, which is expected to lead to a 19-basis-points draw down in CET1 ratio terms

All else equal, applying these two items to our third-quarter CET1 ratio would result in a pro-forma CET1 ratio of approximately 14%, which is also roughly where we expect currently to finish the year

Slide 11 – Capital ratio buffer further increased

- Our capital ratios remain well above regulatory requirements as shown on slide 11
- The CET 1 MDA buffer now stands at 325 basis points or 11 billion euros of CET1 capital



- The 25-basis-points quarter on quarter buffer increase reflects our higher CET1 ratio buffer
- The buffer to the total capital requirement decreased by 8 basis points and now stands at 362 basis points

Slide 12 – Leverage ratio stable

- Moving to slide 12
- Our third quarter leverage ratio was 4.6%, down 11 basis points, principally from higher loans and commitments alongside increased settlement activities at quarter-end
- Tier 1 capital was essentially flat in the quarter as the derecognition of the 1.25 billion US-Dollar AT1 instrument that we called in September materially offset the quarter-on-quarter increase in CET1 capital

Slide 13 – Significant buffer over MREL/TLAC requirements

- We continue to operate with a significant loss-absorbing capacity, well above all requirements, as shown on slide 13
- The MREL surplus, our most binding constraint, increased by 2 billion euros to 26 billion euros
- Our surplus thus remains at a comfortable level which continues to provide us with the flexibility to pause issuing new eligible liabilities instruments for at least one year

Slide 14 – 2025 issuance needs met

- Moving now to our issuance plan on slide 14
- Credit markets developed constructively in the third quarter and our spreads also benefitted from this trend
- Our senior non-preferred bonds tightened by around 20 basis points on average in the quarter, allowing us to issue at attractive funding costs
- With year-to-date issuance of 15.1 billion euros, we have already reached the lower end of the range of our full year guidance. We reaffirm our target range of 15 to 20 billion euros for the full year



- Since the last Fixed Income call in July, we issued 4.2 billion euros, primarily in senior non-preferred format across euros and US-Dollar
- The residual funding for the year 2025 will be focused on senior preferred instruments. Such issuance typically takes the form of private placements or retail-targeted issuance, as opposed to public benchmarks
- We expect 2026 requirements to be in a similar, possibly slightly lower range as compared to 2025
- As usual in the fourth quarter, we may consider prefunding 2026 requirements, depending on market conditions

Slide 15 – Summary & outlook

- To summarize on slide 15
- We are on track to meet our full-year 2025 targets and remain confident in our trajectory to deliver a return on tangible equity of above 10% and a cost/income ratio of below 65%; our year-to-date performance supports our revenue and expense objectives
- Our asset quality remains solid and despite uncertainty from developments around commercial real estate as well as the macroeconomic environment, we continue to anticipate lower provisioning levels in the second half of the year
- Our strong capital position and third-quarter profit growth provide a solid foundation as we head into 2026
- With year-to-date issuance of 15 billion euros, we have substantially met our issuance needs for the year
- With that, let us now turn to your questions

Questions & Answers

Lee Street
(Citi)

Hello, good afternoon. Thank you for doing the call. And thank you for taking my questions. I have two questions, please. Firstly, and I'm not trying to front-run your Investor Day, but as we look ahead for the next few years, do you think it's reasonable to presume that a 10% return on tangible equity should be the floor of where we should be seeing Deutsche Bank perform on an annual basis? That'd be my first question.

And secondly, you helpfully gave details of your private



credit exposure, it looked quite light. You give a lot of detail on your commercial real estate exposures, and you have done for some time. Setting those two sectors aside, what other areas are on your watch list at the moment, where you were paying attention and getting briefings on? They'd be my two questions. Thank you.

James von Moltke

Thanks, Lee. Hi, it's James. Happy to take the questions. Look, without being drawn to specific numbers, we certainly are working, over the years to come, to put a good amount of distance between where we are operating at a given time and sort of a low point. This through-the-cycle thinking is not lost on us, in other words. And I do believe that this structural profitability of the company has risen to the point where numbers like what you throw out are entirely possible.

I think the other thing, specifically for from a credit investor's perspective, the PPNR, and we still disclose the PPNR in Christian's slides in the equity deck, the PPNR that's associated with that profitability has become a larger and larger potential loss-absorbing kind of layer. As is the capital that's disregarded in the ratio as you go through the year on the payout level. So, without changing the ratio, you have some loss-absorption as the year goes by. So, I do believe it paints a more and more robust picture as time goes on.

On the credit side, you called out those two areas. Obviously, private credit for us was not a source of concern. It's a source of kind of watch, given the potential read-across, and we've done some work on that. CRE has remained a soft spot, for sure, and you've seen that in our quarterly reporting. We do expect, in time, there to be a healing of that market. And we've seen some initial positive indicators, but I think it remains a watch item.

I'd say beyond that, earlier this year, you'll recall, we'd done a fair amount of work looking at our portfolio in terms of potential sensitivity to the trade changes and policy changes, as well as specifically the automotive



and manufacturing sectors in Germany. We've actually seen that hold up very well this year, and are pleased with the performance. But no doubt, as the world moves on, time moves on, it will remain a watch area for us.

And I think the last thing to call out is geopolitical risks. We tend to see very little exposure in our portfolios to the events that you've seen. But we, of course, continuously stress-test for either real or potential events. And that's also an ongoing area of focus for us. I hope that helps, Lee.

Lee Street

Very helpful, thank you very much, both.

Daniel David
(Autonomous)

Good afternoon. Thanks for taking my questions, and congratulations on the results. I've got three, if possible. The first maybe is just leading on from what Lee was just asking. I think as a result of one of your French peers, receivable financing is kind of the latest buzzword. Can you just talk about your exposure in that area and where we would see it in the Deutsche Bank balance sheet if you do have exposure?

The second one is on Tier 2. So, you've maintained a Tier 2 deficit offset by the surplus in AT1 for a while now, is that how we should think about your capital stack going forward? Is that likely to change? And then, the third one is a bit more broad, on the topic of sustainability. Noting the ongoing political developments in Europe, do you feel at a competitive disadvantage compared to US peers as a result of the sustainable landscape in Europe? Would appreciate any thoughts. Thanks.

James von Moltke

Sure, Dan. It's James. I'll perhaps take the first and third, and ask Richard to take the capital stack question. Receivables financing, I can't tell you the size of the portfolio, but in trade finance we do some sort of supply chain financing. I don't think it's a large exposure, but it's certainly something that we do in trade finance. And there can be some exposures of that nature in ABS as well, in ABS format. So, we have some exposures, but I would not think of it as a significant



exposure for us as a group.

As always, I don't want to recite all of the controls that we put around our book as a whole, but obviously anything we do in receivables financing has the same type of first and second line scrutiny as we do in other secured and unsecured financing types.

On the sustainability side, I would not think of it as a competitive disadvantage. Let me make a few points. Firstly, we've made a tremendous amount of progress in our overall sustainability agenda in the firm over the years, represented or recognised, among other things, in our ESG ratings, which have improved, but also the business activity that we do with clients as they think about their transition plans, sustainable financing, transition financing. I don't want to go so far as to say it's a competitive advantage but, to a certain extent, the fact that it gets de-emphasised, perhaps, by some of our peers across the Atlantic gives more of that space to us and others who remain engaged on the topic.

I noticed an article this week that spoke to a higher financing level for renewable energy sources this year than carbon-based energy sources. So, to give you an example, the market's evolving, and clearly there's also a revenue and business opportunity attached to some of this, which can be impacted by changes in the landscape. So, we don't think of it as a competitive disadvantage.

The last point to make is just on the disclosure requirements. Of course, we do embrace simplification and standardisation of disclosure requirements and taxonomies, because we've been through a big build phase in the world and in what the requirements are for banks. Obviously, one can simplify that landscape without losing the benefit of some of the models, taxonomies, definitions that we've created over the years, obviously that's a benefit to the banks.

Richard Stewart

Hi, Dan, it's Richard here. And thanks for joining and I'll pick up the Tier 2 question. So, when we think about our capital stack, we first set our Tier 1 capital needs



first. And so, once that is addressed, we account the combination of both the Tier 1 and Tier 2 bucketing. And as you have seen over the last couple of years, we probably overpopulated our AT 1 bucket, just to solve for client demand for leverage. And so that is something that has been the approach we've taken over the last few quarters, and we kind of expect our current thinking for that to continue. Having said that, our Tier 2 instrument is still a useful instrument for us. We still think it's valuable. And so, it's not something we're precluding from issuing in that space in the future.

Robert Smalley
(MacKay Shields)

Hi, thanks for taking my questions and doing the call. I have two. First, on commercial real estate, which has been nettlesome, could you talk a little bit about specifically where the issues are? I know on the REIT side we get building-by-building type of disclosure, but can we talk about where they are, what the plan is, and how much restructuring you're looking at, versus kind of nursing these things along for another couple of quarters? And if we are seeing restructuring, will it manifest itself in charge-offs in the fourth quarter?

And then, my second question, on the supplement that came out yesterday, on page 12, about 40% plus of stage 1, stage 2 loans are off balance sheet positions. Could you characterise what those are, generally? Because they don't go into stage 3. Is it mostly timing issues, etc., that puts them into stage 1? And is there possibly a better way to do this than bucketing them in stage 1, stage 2, and stage 3? Because it seems to pump up the numbers, but it seems to overstate the stage one and stage two numbers, but they seem to cure pretty easily. Thank you.

James von Moltke

Thanks, Rob. It's James. There's a couple of answers to questions. On the CRE, the concentration of the CLPs that we've seen in the past couple of quarters has been in those exposures on the West Coast that we've referred to. So, 60%, 70%, let's say, of the credit loss provisions this quarter has related to West Coast, and that's particularly California and Washington State. Where that goes from here, I spoke a little bit about



yesterday. But what we do is look at the portfolio on a forward basis, first of all, looking at which loans are coming up for refinancing or extension and taking a view as to which will be money-good loans that are eligible for refinancing or extension. For those loans that are either on the border or look to be troubled, we work intensively with the sponsors on what the strategy is for value preservation/creation.

I'd say that the tone of that effort has been has deteriorated a little bit, as more of the equity has been consumed in the projects, but still remains overall positive. And we look to create good outcomes and sharing of the burdens. There's a small portfolio of real estate owned as well.

To your question of what does that mean for the future, it's always going to be somewhat path-dependent on what happens to appraisals, what happens to the individual buildings in terms of their lease footprint, in terms of sponsor decisions. But at each quarter we essentially mark the portfolio to the most recent appraisal and our expectations as to outcomes of those discussions. And we feel good about the marks. Including, incidentally, in the most recent quarter, having taken a portfolio to the market and seen bids come back that have been, by and large, very close to where we had those positions marked. So short version of all that, it's too early to call an end to the trend. But as I said yesterday, certainly, we'd like to think we're much closer to the end than the beginning, even on the West Coast, although that's where the uncertainty lies.

Your reference to page 12, you are, in essence, right. Obviously, we follow what the accounting standard requires in terms of the IFRS 9 provisioning and the portfolios against which the provisions are taken. You can see that on our balance sheet provision, which are which are overwhelmingly, essentially, derivatives, and in some cases, committed facilities, so the amounts that are not recognised on the balance sheet. There tends to be a huge bias towards, obviously, stages 1 and 2. Much of that represents our trading businesses.



You may recall, Rob, that in disrupted market environments, we sometimes have migrations of those portfolios down, but it's typically temporary, as your question refers. I don't know if there's a better way to disclose, but as you can see, the associated provisions are relatively nominal, and I'm not sure how helpful, at the end of the day, the disclosure is. Hopefully, that all helps. And, Rob, nice to have you with us.

Robert Smalley

Thanks. And thank you, and good to be with you. Appreciate your answers. That's very helpful, as always.

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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 Q3 2025 Preliminary Financial Data Supplement, which is available at investor-relations.db.com.

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