Deutsche Bank AG

Deutsche Bank Q3 2026 Fixed Income Conference Call

Thursday 29th October | 15:00 CET

Transcript

Speakers:
Raja Akram, Chief Financial Officer
Richard Stewart, Group Treasurer
Philip Teuchner, Investor Relations

Slide 2 – Strategy execution delivers record 9M results and underpins path to targets

- Thank you, Philip, and welcome from me
- We delivered record performance and strong momentum in the first nine months of 2026
- We grew revenues to 25.5 billion euros, well on track to meet our full-year ambition of around 33 billion euros
- We have now completed a large portion of this year's investments, and we continued to maintain cost discipline. As planned, we have largely self-funded incremental investments with efficiency gains
- This enabled us to deliver a record profit before tax of 8.4 billion euros for the first nine months of the year, along with a record third quarter
- Post-tax return on tangible equity was 11.5% and our cost/income ratio was 61.4%
- A few words on our progress on Scaling our Global Hausbank
- We made tangible progress on all three levers of our strategy in the first nine months of the year
- We continue to deliver focused growth. Revenues increased by 5% versus last year, in line with our planned trajectory through 2028. Our focused growth areas contributed nearly 80% of the increase and grew by 6%
- Second, we maintained strict capital discipline. Our initiatives included further capital-accretive actions on non-performing exposures and progress with our securitization programs
- Third, we made further progress on our scalable operating model. We continued to simplify our processes and made targeted investments in upgrading our infrastructure
- Across all three levers, we are driving strong performance across our businesses, investing in growth and efficiency and reinforcing client connectivity

Slide 3 – All divisions delivered a RoTE of 12% or higher

- Turning to slide 3, all divisions delivered a RoTE of 12% or higher for the first nine months of the year, while each division increased profit before tax in every quarter of the year

- Private Bank net flows reached 17 billion euros, a record for the Private Bank, with around two-thirds from Wealth Management. Year-to-date inflows have already exceeded the full-year 2025 level
- Asset Management grew AuMs to over 1.2 trillion euros with record net flows of 31 billion euros in the third quarter
- The Corporate Bank delivered record quarterly revenues, with sustained growth in loans, deposits and client activity across every segment. We delivered strong revenue growth in Germany, underlining the strength of our home market franchise
- And the Investment Bank delivered strong results. FIC revenues were close to the record prior-year quarter despite less favorable market conditions, and in IBCM we increased our EMEA market share by 160 basis points year on year
- Our franchise, business performance and balance sheet have remained resilient despite heightened fiscal uncertainty across Europe in an already challenging global economic backdrop
- The path to our 2028 targets and objectives has become clearer as we make progress against our strategic priorities. This strengthens our view that a RoTE above 13% represents a floor

Slide 4 – Balance Sheet

- Turning to Treasury-specific topics, starting with our net balance sheet on slide 4
- We continue to operate with a strong and conservative balance sheet, underpinned by robust capital and liquidity buffers
- Compared to the prior-year period, we have demonstrated strong volume growth in both loans and deposits, up by 22 billion and 53 billion euros respectively
- This resulted in a loan-to-deposit ratio of 69%
- Capital remained robust in the third quarter. Our CET1 capital ratio was 14.0%, at the high end of our operating range
- Our leverage ratio was 4.4%, reflecting higher leverage exposure at quarter-end

Slide 5 – Provision for credit losses

- Let us turn to provision for credit losses on slide 5 for which we recorded 501 million euros in the quarter
- We continued to take proactive, capital-accretive actions to further de-risk our CRE portfolio, which are reflected in our provisions for the quarter
- In addition, provisions in the Corporate Bank were impacted by an idiosyncratic event in Asia
- Underlying asset quality remains strong, with leading indicators showing a stable or improving picture across the majority of portfolios
- As shown in the appendix on page 25, CRE is the primary driver of the elevated Group provision run rate. The run rate reflects the proactive de-risking measures and valuation updates on legacy defaulted positions
- Our higher-risk CRE portfolio has declined materially since 2022. In the US, where we have seen the majority of stress, the book is down 42% since 2022 and about 20% year on year, reflecting repayments and our proactive derisking measures
- There is no evidence of broader portfolio weakness, with the Private Bank and Corporate Bank portfolios remaining stable and resilient
- Our medium-term expectations remain unchanged: a gradual but steady decline in CRE provisions in 2027 and, in 2028, a further improvement in the Group provision run rate, normalizing at around 30 basis points

Slide 6 – Capital metrics

- Moving to quarterly capital developments on slide 6
- We ended the quarter at 14.0%
- Risk-weighted assets decreased by 3 billion euros, excluding FX effects of 1 billion euros
- The quarter-on-quarter reduction was driven by the Investment Bank, which carefully contained market and credit risks in a volatile environment
- The increase in the Other category includes the impact of model simplification efforts
- Net income net of deductions for AT1 coupons contributed 43 basis points, reflecting strong third quarter earnings, while deductions for distributions of 26 basis points represent the 60% payout ratio

- The 16-basis-point reduction in Other includes an immaterial impact from recent increases in government bond yields, reflecting prudent portfolio positioning and risk management
- Note that the majority of our government bond portfolio in the banking book is accounted for at amortized cost and overall, we remain comfortable with our sovereign bond exposures
- Looking toward year-end, we expect our CET1 ratio to remain within our operating range, reflecting ongoing business activity and the annual update of operational risk RWA, including the impact of higher 2026 revenues
- As you have seen, our SREP requirement will be lower from next year, bringing our Total Capital ratio requirement down by 25 basis points

Slide 7 – Capital and leverage ratio requirements

- Our capital ratios remain well above regulatory requirements as shown on slide 7
- The CET1 MDA buffer now stands at 283 basis points or 10 billion euros, reflecting the quarter-on-quarter increase in the CET1 capital ratio
- The buffer to the total capital requirement is 321 basis points
- On the leverage side, we ended the quarter at 4.4%, which is 9 basis points lower than in the prior quarter, still with a very comfortable MDA buffer equivalent to 12 billion euros of Tier 1 capital

Slide 8 – MREL/TLAC ratio requirements

- We continue to operate with a significant loss-absorbing capacity, well above all requirements, as shown on slide 8
- The TLAC surplus of 19 billion euros, our most binding constraint, decreased by approximately 3 billion euros compared to the prior quarter, predominantly from higher Leverage Exposure
- This surplus provides us with meaningful flexibility to manage eligible-liability issuances and, if market conditions or economics warrant, to pause new issuance for at least one year

Slide 9 – Loans

- Moving now to the development of the loan book on slide 9
- During the third quarter, loans grew by 6 billion euros, or 1%, to 497 billion euros
- The underlying quality of the loan book remains strong, reflecting our conservative underwriting standards across all businesses
- Looking at the Private Bank, we are pleased with the strong Wealth Management growth which is only partially offset by further strategic reductions in non-SVA accretive retail portfolios
- In the Corporate Bank, we saw growth in Flow and Structured Trade Finance products, while we also continued to optimize the underlying Lending portfolio
- In line with our strategy, our loan portfolio in FIC Financing has also shown further encouraging growth during the third quarter
- For the remainder of the year, we see further growth opportunities across all businesses whilst our focus remains on value accretion and capital discipline

Slide 10 – Deposits

- On slide 10, we provide details on the quarterly deposit development
- Our deposit book grew by 18 billion euros, or 3%, during the third quarter, to 716 billion euros
- Growth has been largely driven by the Corporate Bank, where we saw substantial inflows within Corporate Cash Management
- While we expect some normalization until year-end, these inflows demonstrate the underlying strength of the franchise
- Our Private Bank portfolio also grew during the quarter, driven by continued inflows from our campaigns in Germany and slight growth in Wealth Management
- Looking ahead, we remain focused on delivering our strategy and selectively growing the portfolio, while maintaining a high-quality and diversified funding mix



Slide 11 – Net interest income and net interest margin

- Moving to net interest income on slide 11
- NII was solid at 3.7 billion euros across the key banking book segments and other funding
- Deposit-related NII continued to benefit from underlying volume growth and the contribution from our hedge portfolio, while loan NII benefited from strong volume growth
- Looking at the divisions, in the Private Bank, margins continued to progress steadily, particularly in deposits
- In the Corporate Bank, net interest income also went up sequentially, supported by higher business volumes
- In FIC Financing, the results reflect continued strong demand for lending

Slide 12 – Interest rate hedge

- On slide 12, which is based on market-implied forward rates as at the end of September, you can see the multi-year NII tailwind from rolling our hedge portfolio
- Our hedge strategy stabilizes deposit NII through the rate cycle while enabling gradual repricing and growth in hedge income over time
- The total volume of hedges has been stable compared to the prior quarter with around 210 billion euros invested longer term
- Over the course of the year, we have also used attractive market opportunities to add forward-starting hedges, increasing the proportion of hedge income already locked in to around 90% for 2027 and around 80% for 2028
- The yield of hedges maturing in 2026 is around 40 basis points on average, compared with the 10-year euro swap rate of around 3.2%
- Looking beyond the numbers shown on the slide, we expect the yield differential in 2029 to increase compared to 2028, reflecting the prevailing interest rate environment in the past
- The sensitivity of our reported NII for 2027 and 2028 to rate moves has further reduced as a result, and you can see that in the usual appendix slide

Slide 13 – Liquidity

- Turning to slide 13, our liquidity and funding position remained strong in the third quarter
- We managed our Liquidity Coverage Ratio to 143%, reflecting our robust liquidity position which remains comfortably above the regulatory requirement
- We ended the quarter with 242 billion euros of high-quality liquid assets, an increase of 5 billion euros
- Around 93% of the buffer was held in cash and Level 1 securities
- Our Net Stable Funding Ratio increased to 120%, with available stable funding rising to 678 billion euros
- This reflects the strong funding contribution from deposits and issuances during the quarter, which was partly offset by higher required stable funding from business growth
- Taken together, these metrics demonstrate the strength and diversification of our liquidity and funding profile

Slide 14 – 2026 issuance plan

- Let us now turn to our issuance activity on slide 14
- Despite ongoing geopolitical uncertainty, credit market sentiment remained resilient for most of the quarter, before spreads widened amid macro headwinds from late September onwards
- Taking advantage of the predominantly supportive market conditions, we issued 6 billion euros since the last Fixed Income call, taking our year-to-date total to 15 billion euros
- This effectively completes our issuance plan of 10-15 billion euros
- Issuance highlights in this quarter included a series of successful transactions across AT1, Tier 2, senior non-preferred and senior preferred in euros, US dollars, pounds sterling and Swiss francs
- Particularly noteworthy was the 1.25-billion-euro AT1 transaction which achieved the tightest ever reset spread for Deutsche Bank for this asset class
- For the remainder of the year, we will focus on opportunities to prefund our 2027 requirements, which we expect to be a little higher compared to this year

- As usual we will present further details on next year's funding plan in the Q4 Fixed Income call

Slide 15 – Outlook

- To conclude on slide 15
- We are on track to deliver revenues above 33 billion euros, assuming markets remain constructive
- We continue to expect total expenses of around 21.3 billion euros, reflecting continued investment discipline, operating efficiencies and any one-off items
- Excluding the impact of proactive de-risking actions and the idiosyncratic event, we expect provision for credit lossess to be broadly in line with our earlier guidance: slightly lower in 2026 compared to the prior year
- We will provide an update on progress of our strategy when we report our full-year 2026 results
- And as we discussed on the previous slide, we have effectively completed our funding requirements for the year
- With that, let us turn to your questions

QUESTIONS & ANSWERS

Lee Street (Citigroup)	Hello. Good afternoon. Thank you for taking the questions. I have two questions, please. Firstly, are you able to give any detail on what drove the reduction in your SREP ratio that you announced earlier this week, quite a significant move? And secondly, at a bigger picture level, strategically, obviously, you've done really well and your performance has improved a lot year-on-year for many, many years. I guess at the same time, I look at most other banks' G-SIB, we've seen their performance improve as much, if not more. Does that put any pressure on you to look at bolt-on opportunities or inorganic growth? That's basically my question.
Raja Akram	So, look, I think this follows actually a smaller SREP reduction in 2025. I think we went down by 5 basis points, which I would say was probably more of a model technical tweak than anything fundamental.

But I think, as you know, we've been very clear about changing and shifting our business model towards more sustainable revenue stream businesses. We have built obviously a capital that is higher and sustainably, we have operated within a higher operating range.

Profitability has improved, especially from our non-capital-intensive businesses. We have obviously taken active derisking actions in terms of our commercial real estate portfolio and got some of the other, I would say, overhangs out of the way.

So obviously, we get some level of visibility through qualitative conversations. We obviously don't have a view into their actual model. But I would say the feedback is reflective of actually the pivot that the bank has made towards a more stable, less risky, structurally and sustainably profitable bank.

And I know we're happy about this one. But honestly, I would hope and expect that as we continue this pivot that we have more extra productions to come. Richard, do you want to take the G-SIB one?

Richard Stewart

Yes. I mean I'll start, but I think you might want to hop in at some point because I think it's a wider strategy question. How I think about it is we've been rebuilding the bank, since 2019, building those foundations and now we're kind of moving more to offense from defense.

And I think, Raja, just for your benefit, I think this question was more we have a sequential PBT growth. We continue to do well, but peers are also doing well, arguably a little bit better. And therefore, how we see ourselves evolving from there.

So, I think it's kind of rebuilding the bank and moving on from there. And I think the next move is really around us controlling our own destiny, because there's a lot of things that we can do to generate excess profits, and we're kind of very comfortable with that kind of overall strategic trajectory. And Raja, do you want to add anything to that, but that's how I think about the bank?

Raja Akram

Yes. I appreciate. Thanks. I understand a little bit better now. Yes, look, I think as we laid out at the Investor Day, our primary path for the time being is certainly an organic one,

because we feel like we have work to do ourselves on capital and also on business model, also on costs.

But that said, I think we were also clear that it was one of the things that was on my list about uses of capital. We certainly think that in certain businesses, scale could be helpful, assuming that it's the right fit for us.

And I would say, down the line, if there was an opportunity to look at something that was meaningful in the asset or wealth management space, it would certainly be something that would be interesting to us. That's just not on top of mind right now. Absolutely, the positioning for us is important. The relative positioning for us is important.

We are trying to close the return gap first on our own. And if I was to look down the line, then obviously, it's not just important for us to be closing the return gap, but at some point, our ambition is to actually be in the front.

And for that, obviously, down the line, something like an inorganic move would be important. But right now, honestly, there's enough work for us to keep us busy with what we have to do in-house.

Lee Street — That's very clear. Thank you.

Sushrut Deo (Bernstein Autonomous) — Hi. Thanks for all the details. I have a couple of questions. The first one being your P2R has reduced by 25 basis points. So, can you provide any details as to if there are any specific risks which has been mitigated? And will this change or reduce your CET1 in the longer term?

And secondly, you have two AT1 calls coming late next year. So how early will you consider refinancing and is an LME alongside a new deal on the table for the first of the calls? Thank you.

Raja Akram — Yes. So, I'll let Richard take the second one. I think I just, in some ways, answered the P2R question as a response to the first question. I don't think it's just a matter of risk mitigation. I think it's essentially a matter of us basically making our business model more predictable, more structurally profitable.

And along with the derisking that we've been doing on our commercial real estate portfolio is just one example. Obviously, if you look at our litigation risks and our

contingent liabilities that we disclosed, they have come down year-over-year.

But I would say, it's a totality of better governance, better risk management, better business model, and as I said, but the work there is not done. It's actually continuing. So, I hope that we are going to be seeing more and more of these reductions as the years go by.

So, I would say, it's all about profitability and obviously, overall risk mitigation. And if you can see, ours was the largest P2R reduction year-over-year amongst all of our peers.

Now we may have also had a slightly higher starting point, but it's still very fulfilling to see that we got a 25-basis point reduction in just one go. That's on the back of 5 basis points from last year. So, Richard, I don't know if you want to talk about AT1s.

Richard Stewart — Yes, sure. Thanks for the question. Yes, you're right. We have a couple of calls in AT1 in Q4 of next year. So, the actual assessment around the economics will assess close to the date. As I said in my earlier remarks, we're still kind of working through the issuance plan for next year. Typically, there is always some AT1 or Tier 2 issuance. And so whether we call and replace, still to decide depending on our balance sheet needs at the time.

Sushrut Deo — Makes sense. Thank you. And if I can just fit in one more, please, on the MREL SNP supply. Is it expected to be lower next year as a result of the requirement reduction last quarter? Thank you.

Raja Akram — Yes. Same sort of response in general. So, we're still kind of working through that issuance plan. Like you said, I think in previous years, we typically issue between 15 billion and 20 billion euros, and this year is a little bit less than that. So, I'd say, we haven't sort of finalized that plan, but I would imagine it would be very comparable to previous years. And within that, there'll be an SNP component as has been in the last few years. So that's probably my guidance I can give at this stage.

Sushrut Deo — Got it. Thank you so much.

Ravi Prakriya — Hi there. Thank you very much. One quick question on

(Junto Capital) deposits, very strong growth this quarter, I think, led by Corporate Bank. Maybe you could just share the character or the operational stability of those deposits.

And I think Richard mentioned, he expects that to normalize in the year-end. Do you mean that you expect deposits to shrink from here from this strong starting point? Thank you.

Richard Stewart So in terms of Q3 in the Corporate Bank, the growth is really coming more from sight deposits, which come in line with our kind of wider strategy. And then I'll say a decent chunk of that is also coming out of our German deposit base, sort of two-thirds to three-quarters kind of the increase in the quarters came from there.

One thing, what we're trying to say, there were some quarter end temporary balances that came into the Corporate Bank. We're just saying that those are unlikely to stay with the company, and we expect sort of a more normalized level in Q4. But the overall trajectory remains one of growth across all of our product ranges and segments globally, but in particular in Q3, it was coming from Germany.

Ravi Prakriya Thank you.

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