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Transcript

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Tarik El Majjad: Good morning, everyone, and welcome to the second day of the conference. Thank you all for being here this morning.

Raja, you joined about a year ago, have now been fully in charge for six months, and Germany promptly decided to make things interesting for you. We had a fiscal package big enough to change the macro conversation, an election calendar nobody can ignore, Chase turning up to the competition for German deposits and European consolidation very close to home. So, most CFOs have a honeymoon period, but you appear to have been handed the live agenda. But the good news is that the bank arrives here in rather best shape than the backdrop: the 2028 plan with above 13% RoTE targets, revenues that finally look diversified rather than dependent, and a capital story that has moved from repair to return.

So, we have 40 minutes here and we'll try to get underneath all of it. Maybe you can start with the general macro, and welcome Raja.

Raja Akram: Thank you, Tarik. Thanks for having me here and very pleased to be here representing Deutsche Bank.

Look, I think from my perspective, yes, the macro is complicated, but the direction of travel in Germany is, from my perspective, still very encouraging. If you look at stepping back, what has actually happened in Germany, last year, we actually had a 50% increase in foreign direct investments. We just did a survey of international investors and Germany is still on top of the list for a desired location. We had 0.3% growth in the second quarter. The projections for the growth rates in this full year and next year are actually creeping upwards.

What I also find encouraging is the corporate sentiment, despite what you read, is actually quite positive. We can see corporates getting engaged. They're making investment decisions. Where you see a little bit of lack of obvious consistency is in the SME sector. So, the corporate confidence has not clearly and consistently transferred to SMEs. That's why you perhaps see a little bit less of that.

The other thing to think about it from a Germany perspective is last year alone, the VC funding was up by almost 44%. There were 3,000 new startups. So, I would say, all in all, while Germany is not where we thought it would be when the stimulus and the defense package came in, I think it would not be prudent to conclude that nothing is happening. We, as the largest bank based in Germany, certainly see activity and that we can see in our working capital finance transactions and our loan growth transactions. So, all in all, I would say what we need is more of the same, but at a faster pace. But to say that momentum is not happening is probably not accurate either.

Tarik El Mejjad: We'll see how that translates into your guidance shortly. But before that, on the German politics, I mean, how would you really describe the political landscapes? Because the recent elections in different federal states point to some instability potentially at the government and mayor's level and what implications on the fiscal stimulus and actually the speed of actually investment that you just mentioned and the growth. How do you see these implications?

Raja Akram: I'm probably the least equipped to opine on German politics given I've only been there less than a year. But look, I think you have to find the commonality. One thing is clear that Germany needs more reforms, more economic progress, more growth that goes down all the way, not just at the corporate sector. So, from my perspective, that is the most important part is that there's alignment that there needs to be done more.

I think from my personal perspective, any views that take away from a European perspective and lead towards more of an isolationist is probably not the one that we want, but clearly, the reform agenda is on the table, the defense spending and infrastructure spending we already see playing out. So, while the politics is something that we have to closely watch, at this point, I think what we see is that activity is happening and we'll see how it plays out.

Look, it's a decentralized political system. So in the end of the day, the government of the center is the one that actually is really important and I think that's where we need to focus.

Tarik El Mejjad: Thank you. Turning next to your strategic plan. You presented the 2028 timeline in November last year. So, now almost a year in, and we'll go into detail on each area, which areas do you see as more challenging to achieve, and where do you see more upside?

Raja Akram: Sure. Look, in your introduction, you were kind enough to acknowledge the overall landscape, but I would like to say I'm super happy about the start. We had a record first half with RoTE close to 12%. So, from a start perspective to my own start, but also a start to new strategy cycle, I said we would be doing pretty well.

Look, we're just starting with no any particular order. If you look at what we have done on the Private Bank side where we had set a goal for one trillion euro client assets, we have, I would say, done as well as we thought we could, perhaps even better in terms of asset gathering, and that momentum is continuing. The Asset Management story is pretty clear. The long-term flows are strong. Germany and Europe are a destination and we are playing that part.

And thankfully and finally, Corporate Bank, which we always said would have a turnaround in the second half of the year. And we started showing that in the second quarter. I think given what we are seeing both in Germany and the loan growth and our flows, I think there too now, we are right back where I thought we would be, and we will talk about it a little bit more.

And finally, look, I don't need to say too much about our Investment Bank and especially our Fixed Income franchise. It is the crown jewels in some ways. It has actually done extremely well. IBCM, which actually had a little bit of slower start of the year, is finally fully participating in the US perspective. Europe is where we are strongest, which has had a little bit of slower growth. So, I think perhaps still a little bit more work to do over there. Overall, the credit quality has remained consistently where we thought we would be.

So, all in all, Tarik, I would say pretty pleased. Expenses we have managed to keep under control. And obviously, you saw the capital story that we actually started accelerating our buyback. So, I would say as a first six months ago, I would not have wanted a different start.

Tarik El Mejjad: Perfect. I terms of the overall strategy, I mean you've laid out with the CMD obviously, but this diversification on focusing more on the repeat business, the less volatile, is that something that you see really happening and at what pace? And of course, you still want to be a big IB player, but how much of the focus is on the rest, with the pension reforms in Germany and all other topics are actually pushing that angle?

Raja Akram: The pension reform was not fully baked into our 2028 plan because at that time, the proposal wasn't out. We didn't know what it would look like and when it would come. So yes, that is certainly a tailwind. Look, even today, 60% of our revenues are now coming from non-IB. So, we have clearly started to shift that mix. The PBT will follow shortly after, and then it's a matter of how much capital do we really need in IB versus non-IB. So, I think that mix, which is organic, is already happening. And if the reforms, general fiscal reforms and the pension reforms accelerate, clearly that shift will progressively go faster.

Look, what I want to point out to you is in Wealth Management, we grew revenues by almost 8% and I don't see that trajectory over the long term slowing down given that we brought in 60 billion euros of net new assets just in the first half of the year.

Tarik El Mejjad: Clear. Digging more on revenues, can you give us an overview of the key trends for each of the businesses?

Raja Akram: Sure. As I mentioned, Private Bank continuing down its journey, what we saw in the first half of the year, a strong deposit inflow in the German retail, Wealth Management continuing to bring in new assets and new investment products. I've suggested what we see for the first half of the year, I see that trajectory continuing. Corporate Bank, I've already mentioned that we believe that we will exit the year out in mid-single digits to slightly higher. And we expect to see that trajectory soon, meaning the second half of the year is already evidencing that. Asset Management, again, strong inflows. So, I feel pretty good about where we were in the second quarter and where we are in the third quarter.

And frankly speaking, on the Investment Banking side, FIC 2025 was our strongest third quarter on record. In this quarter, you have to look at a little bit on a sub-business level outside of Credit Trading, which was a record quarter by the way last year, everything else seems to be up from where we thought we would be and exactly in line with where we were.

So, putting aside the credit trading dynamic, most of the products are up. We have still six more days to go in the quarter. So, against a very strong third quarter last year, we still expect to be either flattish or slightly down. But if you remember, this is against the record quarter last year. I don't personally see the gloomy outlook in FIC over the long term that we've seen. We built a business here that is not an episodic quarter, but a sustainable one. So, I feel pretty good. IBCM, we have strong activity in M&A, ECM and DCM, offset a little bit by LDCM mostly because of the calendar. So overall, IBCM I would expect would probably be flattish.

So, all in all, depending on how the last six days go, we could come out overall Investment Bank probably flat to maybe slightly down, but we'll see where the last six days go.

Tarik El Mejjad: Okay. Thank you for that guidance. I mean, last week we had some guidance from US banks on the IB. And I think for the audience it'd be interesting to really, from your perspective, how we should read across the US guidance into Deutsche Bank, given your mix and so on overall. Not for the quarter, but in general, how?

Raja Akram: Like I mentioned, I think the FIC business, just to take that, since it's such a big portion. We had a very strong July. August is usually seasonally slow, and so there was no difference than what we would see in a normal year. September was a little bit of a mixed bag, but I think, as I mentioned, we are having a FIC quarter, which is pretty much matching up to a record third quarter last year. And as we see our product mix and diversification, I feel pretty good about where things are headed. That's why I mentioned I didn't quite get the gloomy outlook specifically. Clearly the second quarter was an outsized quarter, but when we look at our third quarter, it is entirely in line with our expectations.

Tarik El Mejjad: Thank you. And in terms of the bigger topic of super cycle AI investment and so on. Clearly it started very strongly in the US. We can see from some sector data that is starting some green shoots coming into Europe. How do we see that environment for the IB? And then specifically for you, do you have now the teams, the structure to be a key player and captures those revenues?

Raja Akram: As I mentioned, in the US, we have been participating along with the US banks in all the major transactions that happened this year. It tests our hypothesis, Tarik, that we can be a European alternative or at least alongside US banks. The way I think about it is that European corporates need a little bit less dependence solely on US. US corporates want diversification of advice. And for both, we have Deutsche Bank. So, the 3 Ds from my perspective work pretty well. If you look at the data center financing and exposure that we have, 75% is US, 25% is Europe. Europe is certainly a player, perhaps not to the same extent as US. Perhaps US is ahead. But if I think about this super cycle coming to Europe, then clearly, we will be the biggest beneficiary.

Tarik El Mejjad: And in terms of putting balance sheets at work to capture those revenues, I mean, clearly in Europe we have slightly more constraints versus US. Do you see that as a handicap to be participating on those revenues?

Raja Akram: No, within our risk appetite and what we want to do, I don't think it is a handicap. It has not kept us from deploying more or less. We are maintaining within our risk appetite. I would say our constraint is perhaps our own risk appetite and how exposed we want to be because we want to be with the hyperscalers, we want to be with the diverse companies. So, from our perspective, it is not a handicap for us for what our ambitions are.

Tarik El Mejjad: I mean still on revenues on the net interest income, I mean the shape of the curve is completely different from where you actually have your assumptions on the last year in the plan. I think you too, you suggested that there is upside to the current guidance, 14 billion euros for this year and subsequently '27, '28. Can you update us on what you see on that aspect?

Raja Akram: Sure. I think we had provided previously guidance around NII around 14 billion euros. So given the rate environment, we certainly see that we'll be slightly better than where we are. But if you think about the way our hedging program works, that we actually have a structural hedge to protect against a downside risk, which means that our upside also comes gradually and sequentially. So, it will be a bigger upside in '27 and a bigger one in '28, and go on. The advantage of that is that while you don't get an immediate impact, but when rates do go up, it stays for us much longer. And that is how we have designed our interest rate management to not be a speculator here, but to manage interest rate through the cycle.

So, from my perspective, that's what we should expect to see gradually over the outer years, as the hedges roll over and we reset them at a higher rate, we see benefits and then those benefits last much longer. Even if the rates come down, we are protected and now to the downside.

Tarik El Mejjad: Very clear. Maybe we can talk a bit about deposits and what's your assessment of the competition in Germany? Some will underplay a bit the new entrance competition really, but what do you see in the ground and how do you actually position yourself there?

Raja Akram: So, Germany is a very attractive and competitive market for deposits and it always has been. And I feel lucky that we are the largest player in one of the most attractive deposit markets because that means that we have an opportunity. We have certainly seen new entrants come in, whether they are the fintechs or whether they're large banks with promotional offers and teaser rates for a certain period of time, that causes a short-term disruption, but not a long-term impact on our strategy. We just did campaigns where we have talked about it. We never go out with the highest rate and all of our campaigns, we got what we wanted to get. I think that the difference, Tarik, is that our relationships, we have 18 million existing customers in Personal Banking Germany. Our relationships are not just paid on a proportional rate. They are usually investment products attached with it, transactional and operating deposits attached with it.

From my perspective, it has been less of an issue that would cause me to rethink our strategy. Even temporarily, if the betas are slightly higher, these deposits for us are hugely accretive. So yes, they are there. We take into consideration what they're doing, but all in all, I would say it has not forced us to change our strategy.

Tarik El Mejjad: And what do you see in terms of pricing the loan deposits and versus your deposit beta as well, any indication there?

Raja Akram: I think every new entrant has come at the very beginning with an attractive offer. The question really is how many of our clients actually leave and how many come back? The way I think about it is that when we do a promotional campaign, what was our hypothesis of people who will stay post the campaign and what they will leave? And so far, we haven't seen a material deviation. So, our model behavior has played out pretty well. As I said, temporarily you could see a higher rate dynamic play out, but these promotional rates expire eventually and clients who are solely transacting based on the rates generally tend to come back.

Tarik El Mejjad: Very clear. Now in terms of conversions of those deposits into investment products, I mean, Germany hasn't been always the forefront of that. How do you see now lots of banks introducing more and more products to convert those deposits? How is it going on your side with Asset Management?

Raja Akram: Yeah, so I think this is obviously more of a play on the retail side specifically where general clients steadily tend to sit on cash or deposits versus investment products. I talked about it in the first quarter alone, we had a record inflow of investment products and we are continuing to see that trend. Now the big game changer obviously there would be the pension reform because that will set not only a new avenue for people to invest, but also I think more importantly, it will create a culture of investing into the capital markets versus a culture of putting money into deposits. So, the awareness is slowly coming and we are actually working pretty hard on our 18 million customers in Personal Banking Germany to make sure that they have access to our products, both from inside the bank, but also DWS, which obviously is a natural advantage for us that we are the only real bank there with a large Wealth, Retail, and Asset Management presence.

Tarik El Mejjad: I'm just looking at the floor in case there's any question. There is a question in the front here.

Audience: Thank you very much. Can you give us an update on the commercial real estate exposures? Rates are now going up, I mean, virtually everywhere. The risk never really cleared. You can see some of your peers' exposures in Europe, and in Germany in particular, deteriorating. So, it doesn't look like a great picture and obviously it's something that's tripped up many players in the market. So, can you give us the state of the art on that please? Thank you.

Raja: Sure. I think as you know, commercial real estate has been a story for us for the last couple of years, including something that we took in the first quarter. Our primary exposure, first of all, our exposure, our high-risk exposure is down by almost 40 to 50% from the start of the cycle. We have significantly worked that thing out, including exits that we did in the second quarter, which were intentional to get some of the non-performing exposure out so that we don't have a revaluation or repricing risk with that. Most of our exposure that we were working through was not necessarily European, but it was the US West Coast office exposure, which we've worked through over the last two or three years. So, at this point, while that story is not fully over, we have substantially reduced both the notional, plus we have reserve for a large chunk for that.

At this point, the gap between our stress loss scenario and our actual reserves is very tiny. So, to the extent there is not a major upturning of the market, we feel cautiously optimistic that we've got at least most of the issues behind us. We're not quite seeing the stress yet, at least in our book in Europe. But I obviously cannot define on other people's place, but so far, Europe has not been really the main driver for us. In the past, it was the US commercial real estate, especially West Coast.

Tarik El Mejjad: Following up on this question, I mean, as you alluded to, in Q2, you had to take extra provisions. You mentioned it was SVA positive with the higher capital generation on the back of that. So, what should we expect for Q3? Is this something trend that will continue here or will you be doing it in opportunistic way?

Raja Akram: As I mentioned in the second quarter, we will do it in an opportunistic way and it will not be earth shattering kind of a change where if you see an opportunity to de-risk, but also to free up capital, that I would like to take that trade, Tarik. I think for the third quarter on the CLPs, as I've said, the underlying quality of the book is pretty good, both on the Private Bank and the Corporate Bank. We're not seeing the level of stress that you would expect given the economic environment. Overall, I think obviously we have an idiosyncratic charge related to a Corporate Bank exposure that has actually also been impacted a few other players as well. So, I would expect our third quarter CLP to be somewhere between first and second quarter, nothing extraordinary.

Tarik El Mejjad: Okay. And staying on asset quality, you've been very clear about what Q3, but in general, I mean, we hear lots of delinquencies and deterioration of quality in general for the SMEs in Germany. Is that something you see in your books or is it more local, smaller banks?

Raja Akram: Look, from the German consumer perspective, while the spending has been muted, but the general resiliency of the German consumer has been sound. So, we don't see that stress in our retail book at all. On the German corporate sector as well, there's probably stress in pockets, but it's not pervasive. So, all in all, I feel pretty good about where we are on both the Corporate Bank and on the Private Bank from a credit perspective. And other than the dynamic that I just mentioned about one single name, same thing on the Investment Bank. As I mentioned, most of the stuff is pretty much in line with what we thought it would be at this quarter.

Tarik El Mejjad: Yeah. On maybe a move to costs. This one was after your pillars, cost efficiency, in the plan. You have a good start with the plan on cost, good control. You've been even actually going slightly ahead of the plan. What are the areas? Is it just quick wins and basically you'll still stick to the plan in terms of the savings or do you see opportunities there in what areas?

Raja Akram: For 2026, I would like to stick to my guidance. This was an investment year for us. We're scaling up the investments through the cycle, and they're playing out really well. The two big areas where we thought we would win would be investments in Wealth Management on the advisor side and Corporate Bank on the covered side. And on both sides, we are actually seeing really good momentum. The FAs are productive, so I would like to continue with the trajectory. Longer term, I have alluded to, I think from my perspective, there's a lot of opportunity for the bank to have a structural cost base or an operating model that is actually much more positive than, frankly speaking, even what I would've expected in November last year. So that's something that we are evaluating and working on. But for the year 2026, I think we will keep costs under control. But the areas where we see an out-sized return, especially on the non-investment banking side, I like to continue to invest according to the plan.

Tarik El Mejjad: I mean, this is important point because in your plan this period was, yes, we keep control costs, but we are a growing bank, which is very different from lots of what other banks are doing, which is let's keep a grip on cost and be opportunistic on revenue growth. So, are you more into investing any potential higher savings on costs rather than actually beating a cost guidance and deliver fast cost? So, are you reinvesting all your actually cost savings above your budget?

Raja Akram: For this year, yes. I mean, but this year, the investments are being offset by the productivity. So, the investments that we are making are just not on the top line. The investments are actually, especially if you look at the Private Bank, they're actually to reduce the structural costs. We closed over a hundred branches. We have taken significant headcount out. So, I would say the trajectory for the future is that we have shown that we can grow the top line close to five, 6%. And I don't see that trend changing. That was one pillar for the investor day.

2026 was meant to be an investment year where we did a lot of these things, and then obviously the investments pretty much bear down in the next two years. What I'm saying is there's a third pillar that we had not fully digested, which is that we can actually do much better at these baseline structural cost in the outer years, what we had assumed. So, to me, another lever has now come obvious to me for the outer years that perhaps I had not fully appreciated at the time of the investor day.

Tarik El Mejjad: Yeah. So, on cost, and maybe we can talk a bit about AI, which is a clear instrument here to get to better efficiency, cost efficiency. Can you give us an example where you are, some user cases and where you are in the implementation of AI, being it on compliance credit checks or actually more embedded in your business?

Raja Akram: Just like every other bank, I heard them, we have hundreds of places where we think it could be beneficial. The two or three that excite me the most at this point where we have actually quite advanced is actually on our customer facing side, especially we have a launch on this tool on Postbank for client interaction, and we are going to scale that for our Deutsche Bank brand. On the back-office side, the transaction monitoring and the credit underwriting process, which we can shrink significant amount of time, but also do much more efficiently are probably the two biggest areas.

But the way I'm thinking about it, Tarik, is that what AI has allowed us to do, which you could ask why could you not do that without AI was when you go to deploy AI, you look at the underlying existing process where the resources are, what the spans and layers of the people are, where those people are sitting, high cost location, low cost location, what they're doing. AI has in a way allowed us to go in to redesign the whole process because it has to be redesigned when you deploy AI. So, in some ways, that's why I feel like we have a bigger opportunity, and better opportunity because it's forcing us to look at certain things that we thought had already been optimized. And when we go and deploy AI, we found actually forget about AI, there's other things that we could do without AI.

So those are the things that I think are on top of our mind. I would expect that the pace of AI implementation would be not gradual, but exponential. What I mean by that is I think if it is going to just multiply every year rather than just flat line, and that's what our hypothesis is.

Tarik El Mejjad: And in terms of AI implementation, how much are you doing in-house versus using off the shelf tools, and how do you feel really confident about controlling the cost of AI? I mean, obviously for next year, you probably have a very pretty view, but in five years' time, how confident are you in control of your spending in AI?

Raja Akram: Yeah, thankfully as a CFO, I feel very confident that we have built the controls to control the cost of token. What we have also designed is we obviously are using the tools and the models that everybody in the industry is using, which are cutting edge. What we've been very deliberate about is to make sure that the appropriate model is used for appropriate use, which means that our engineers and our software developers have access to the most sophisticated tools, which are obviously costlier, but their productivity is reflected in that. Majority of our general population has access to tools that are sufficient for their need and we are monitoring both the usage and the type of usage that we have so it's not just being used for reasons.

In general, I would say while we see some AI- related cost increase, it has been more than offset by the productivity that will come out of it. So, that is one aspect that given we have diversified our supplier base on AI tools, I feel a little bit less stressed about. What I really am focused on is if we have the tool, are we deploying it fast enough or are we actually not executing on it that quickly?

Tarik El Mejjad: Thank you. Just back a bit on the revenues, clearly you have a big M&A transaction going on in Germany. Where do you see yourself taking advantage of this situation in terms of capturing some of the revenue, the synergies potentially between HVB and Commerzbank? I had a chat with Fabrizio and he sounded very confident. At least he put task force to capture those. So, can you tell us what's really the strategy there because that can be significant.

Raja Akram: Look, I won't comment on the live transaction because it won't be appropriate. I can say, thankfully, go back to November when this transaction was not as far ahead and there was some doubts. If you look at our investor day presentation, we had very clearly said that we are going to invest in Germany, we're going to invest in corporate client coverage in Germany and we're going to take market share in Germany. So thankfully our plan was already set six, seven, eight months ago about what we wanted to do in Germany regardless of this transaction. And now it happens fortuitously that this transaction is happening and we had already started investing for that. So, from my perspective, this is a great opportunity to Deutsche Bank to take share, continue to take share in middle market, in Business

Banking where we actually have deployed a lot of resources.

As I was preparing for this conference, I asked the team, I said, "What is happening from a new client activity, especially around the space where the M&A might be happening?" And within 10 minutes, I had a dozen names of clients which are new to us. Now, this is a small sample, is not our aspiration. It should be hundreds, but what I can see sitting here, the momentum for us is already there. We are the only global investment bank based out of Germany that has capabilities across payments for corporate clients, advice on the M&A side, a Wealth Management business and an asset manager that corporates, by the way, need now for their corporate pension plan. So, I think, Tarik, we have an opportunity here. We just need to execute on it.

Tarik El Mejjad: Technically, you would see more flow of new corporates or clients once the legal entities would have merged, not before because of the diversification of those corporates or you could pick up earlier?

Raja Akram: Well, as I said, I just got examples, which I won't name already, which means that the activity is happening. Look, we have to be able to offer a compelling value proposition. People are not just going to come to us just because the merger happened. There are other options as well, but thankfully, we have the capabilities and we are a name that they can rely on. So, I think the activity on the corporate side is already there. Where we have not quite yet started seeing is on the wealth side because it might be lagging a little bit because there, they don't have a need right now, but on the corporate side, the corporates want to get ready.

Tarik El Mejjad: Perfect. Let's move around on capital topic, there is this recurring debate in Europe. I mean, do you think in Europe banks are structurally overcapitalized relative to international peers? And maybe in that context, I want to get your view on the level playing field US versus Europe and where do you see the direction of regulation in European banks?

Raja Akram: As you know, I've had the opportunity to work now in both capital regimes for 20 years in the US now. Here's my view. I think both systems are extremely well capitalized. Now, one could argue you can always have more capital, but I always go down this notion of, "Do two seat belts in a car make the car safer or do you need actually a different type of protection like airbags?" And what I mean by that is in addition to having enough capital, I think what's really needed for Europe is structurally profitable banks that can actually survive or thrive in any different kind of economic environment. So, I think that's what Europe needs. It needs banks that are adequately capitalized but are structurally profitable.

So, I am cautiously optimistic that the European commission proposal on the bank competitiveness, plus the commissioner's own remarks that the bank should be built not just for stability, but also for growth. I think it's a very, very encouraging posture. Now we just need to get these rules to be implemented. So far, as I mentioned, even in the capital-intensive businesses like Fixed Income, we have been able to all hold our own. But what I would really like to see is these proposals to be implemented. So, there's predictability about what's to come, but also more importantly, Tarik, a predictability about how the implementation will be done. And that's what we're hoping for.

Tarik El Mejjad: Can you update us on your progress on the offsetting of the potential impact from the output floors and the impact post 2028? I mean, you put these slides into your Q2 results last year and we haven't even seen the progress yet since the offset of all this. So, we have news of FRTB, obviously some others, but you had also your own management actions.

Raja Akram: Look, it's not a 2028, it's more of a 2030 event and beyond impact if the rules as they are written come into play. But if you look at the European commission report, one of the main things that they acknowledge is the discussion around unrated corporates, which kind of goes against the whole notion of European growth because Europe needs more growth in that area. So, I'm optimistic and hopeful that that thing will get addressed in any case. But in the meantime, we have to have a backup plan and we are working on what our remediation aspects would be. FRTB being one, there's something about models, there's better data. So that work stream in parallel we are operating on and every year we update on that. But in the meantime, our focus also is frankly on advocacy to make sure that some of these things that are not just important for the banks but are important for Europe also get addressed.

Tarik El Mejjad: And in that context, I mean, can you remind us, your CET1 target is 13 and a half to 14, but you want to be in a different part of this range in 2026 and then later on. Can you remind us where you see capital this year and then next and then we'll discuss on capital return after that?

Raja Akram: Sure. Look, I just want to reaffirm our guidance in the near term of being between 13 and a half and 14. I think that's a very healthy range for us. It allows us to have enough capital, but also take opportunities that are coming, as you said, in the European space. We had talked about it on the investor day that once we are sustainably above 14%, we would like to put excess distributions right at the top of the list from capital distribution perspective, but obviously we have to get there first. And 13 and a half and 14 is our range today based on our capital requirements where we think we want to be. Obviously as those things get calibrated downwards, we will revisit that range down the line.

Tarik El Mejjad: But to be clear, I mean, for example, at Q2 results, you were mentioning that it would be comfortable to be in mid-range. But can you be more precise in terms of, for example, Q3 and full year where you're going to be within 13 and a half, 14? Are you close to the 14 and then conversion towards 13 and a half later on?

Raja Akram: Look, as I said, we'd like to be somewhere in the middle. I don't think we would by design try to get to the lower end of the range. Although we are equally comfortable being there at this point, I think where we were at Q2 was actually a pretty comfortable place to be because it is allowing us to deploy our capital in very SVA-accretive transactions. But at some point, we will be above 14 sustainably and at that point would be a different conversation about what we do with the capital.

Tarik El Mejjad: So, you announced the 500 million buyback with Q2 and now we should expect you to wait for full year to see where you're positioned and then you will announce the remaining distribution, which would be around 60% or there is optionality to actually to sound more reassuring on your confidence of generating earnings and exceed that from 2026?

Raja Akram: So, first thing, look, there's a couple of pretty big changes that we made this year. One was that we increased our distribution from 50 to 60%. Secondly, we started doing for the first time in-year distributions. We had quite a meaningful impact to our investors already. We have already done a billion and a half euros this year if you consider the billion euros that we did in the beginning of the year. So that's compared to a billion all of last year. So, I think we have done a pretty meaningful change. From my perspective where I sit today, this could always change in the future, a six-month cadence to me sounds about right for these things. So yes, I would expect that when we have a little bit of clarity around the forward trajectory, we go and execute another share buyback. But to me, at this point in the first year of our new strategy, a six-month cadence seems a little bit wise for us.

Tarik El Mejjad: Very clear. Maybe a last question. I mean, Christian talks a lot about beating and raising the 13% RoTE

2028, that it could be exceeded substantially. So, putting together all what we've discussed today it looks like there's upside on NII, a bit on corporate, confidence on the FIC, costs not this year, maybe a bit next year as quality is fine, capital converse CET1. Is it all of the above that will make you confident? Because for now, I mean, you repeat that many times, but from you saying today we are sticking to the 13% and to the 2026 guidance.

Raja Akram: So look, remember our guidance was 13 plus when we started. What we said, the plus was four things that we had not put in, better AI-led productivity, Savings and Investment Union, capital reforms, and then the pension plan. All those things are playing out now. We don't have a full view on what the quantification should that be, but we have. We were always sure that 13 was our floor. We had to get some of you guys to get there to get to 13 in the first place. So, as I sit here today, Tarik, if the top line is going exactly where I thought it would be going, we have a good handle on our BAU costs. From my perspective, the cost trajectory for the outer years, the interest rate environment for the outer years, plus the pension reform at least now becoming more transparent. I have way more confidence in the plus now because the plus is now solely in our hands just by the virtue of having a better cost trajectory.

Tarik El Mejjad: So, when is the next update? The one-year anniversary of the plan for you?

Raja Akram: Look, I learned it from one of the best CEOs I've ever worked for that you have to deliver your year before you start making new promises. So, we want to deliver 2026 entirely in accordance with what we suggested, perhaps better, and then it would be time for us to make new promises.

Tarik El Mejjad: Perfect. Thank you very much Raja. Thank you.

Raja: Thank you.

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