Deutsche Bank AG

Deutsche Bank Q4 2022 Analyst Conference Call

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Prepared remarks CEO, CFO and CRO

Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer
Olivier Vigneron, Chief Risk Officer
Ioana Patriniche, Head of Investor Relations

CHRISTIAN SEWING

Opening Remarks

- Thank you, Ioana, and welcome from me, too!
- Today marks a very significant milestone for us
- Three and a half years ago, in July 2019, we came together with you to discuss our plans for a fundamental transformation of Deutsche Bank, and we set ourselves some key financial goals for the end of 2022
- Today, we would like to talk you through what we have achieved, despite facing significant challenges from a pandemic and the war in Ukraine. We would also like to highlight how Deutsche Bank today is a fundamentally different bank, positioning us for further sustainable growth
- Let's start with the five decisive actions we took as we launched our transformation strategy in 2019 on slide 1

Slide 1 – Five decisive actions executed since July 2019 have transformed the Group

- Firstly, we created four client-centric divisions, which have delivered stable growth as promised. In 2022, these four businesses contributed to our best profits for fifteen years
- These divisions complement each other and provide well-diversified earnings streams
- We are now a better-balanced bank. We are particularly pleased that the Corporate and Private Banks together more than doubled their contribution since 2018, contributing just over 70 percent of the Group's pre-tax profits in 2022
- Secondly, we exited businesses and activities which were not core to our strategy
- We exited equities trading, transferred our Global Prime Finance business, re-focused our Rates business, and downsized or disposed of other non-strategic activities
- Our Capital Release Unit reduced leverage exposure from non-strategic activities by 91% and risk weighted assets by 83% excluding RWAs from operational risk. This has enabled us to re-deploy capital into our core businesses

- Thirdly, we cut costs. Compared to the pre-transformation level of 2018, we reduced our cost/income ratio by 18 percentage points. We achieved this while absorbing more than 8 billion euros of transformation-related effects and facing an inflation rate we have not seen for decades
- Fourthly, we committed to, and invested, in controls and technology to support growth
- We also signed state of the art agreements with Google Cloud and other partners. Our focus on technology has allowed us to grow revenues through closer interface with clients, reduce costs by removing complexity in our technology and improve our control environment
- Finally, we managed and freed up capital. As promised, we kept our CET1 ratio above our target minimum of 12.5% through all fourteen quarters of transformation and finished the year at 13.4%. This was despite an impact of around 170 basis points from regulatory changes, 100 basis points from transformation-related impacts and of course supporting the growth of our businesses
- The Capital Release Unit played an important role here too, contributing around 45 basis points, on a net basis, to our CET1 ratio
- All of this progress since 2018 has enabled us to start returning capital to our shareholders, through both share repurchases and dividends. We plan to propose a dividend of 30 cents per share in respect of 2022 and we reaffirm our commitments for 2025
- Most importantly, pride returned to the organization, which in turn supports our positive momentum. Commitment and enablement scores materially improved over the last three years. This positive atmosphere will of course help to further shape the future of our bank and even accelerate our momentum
- Let me now turn to our performance in 2022 on slide 2

Slide 2 – Positioned the Group for sustainable profitability, growth and greater resilience

- These five decisive actions, and the renewed belief and pride of our people, have positioned us to build and maintain a trajectory of sustainable growth and this is reflected in our 2022 results
- Revenues are above 27 billion euros, well ahead of what we had planned in 2019, despite the business exits I mentioned

- All four core businesses produced positive operating leverage compared to their pre-transformation levels. In 2022, our reported return on tangible equity was above 9% including a deferred tax asset valuation adjustment James will outline in more detail
- In terms of profitability, we delivered our highest profits since 2007, at 5.6 billion euros before tax. Our cost/income ratio is 75% and significantly below the pre-transformation level of 93% in 2018
- Pre-provision profit for the Group was nearly 7 billion euros in 2022, and diluted earnings per share were 2 euros 37 cents
- Deutsche Bank has proved its resilience during the challenging environment of the past few years. We have maintained disciplined risk management and a strong balance sheet, as Olivier will discuss in a moment, and we maintained robust capital and leverage ratios
- Germany's provision of support to households and industries during times of stress is another testament to the strength of operating in the German economy as our home market
- Let’s now discuss the key aspects of our transformation in more detail, starting with revenues on slide 3

<u>Slide 3 – Revenue performance has exceeded expectations, reflecting refocused core businesses</u>

- In 2019, we re-focused our business and looked to grow our Core Bank and our efforts have clearly paid off
- 2022 revenues were over 27 billion euros, 7% higher than pre-transformation levels and well ahead of our original aspirations, thanks to growth across all our core businesses
- This more than offset the forgone revenues from business exits, as the core businesses outperformed their targets for revenue growth
- So, as a result, we are now not only operating a more focused bank, but also a more productive one. Revenues per employee are now 16% higher than pre-transformation levels
- Turning now to our costs on slide 4

Slide 4 – Reduced cost/income ratio by 18 percentage points since 2018

- Our cost/income ratio in 2022 was 75%, an improvement of 18 percentage points compared to pre-transformation levels, at the higher end of our guidance
- We significantly reduced costs and generated annual run-rate savings of more than 3 billion euros from our transformation
- Our focused restructuring efforts more than offset investments in our franchise, and investments in technology and controls, which I will discuss in a moment
- As a result, profit growth has been driven by significant operating leverage
- But we know we also need to continue to focus on generating further operational efficiency
- In addition to the 2 billion euros of efficiency measures we announced in March 2022, which James will provide an update on later, we will focus our efforts on generating further incremental cost savings
- These additional measures will relentlessly focus on a more efficient workforce structure, including but not limited to reviews of layers, cost per seat and location. We will also streamline our non-client facing divisional functions and infrastructure teams. And of course, this also means a continuation of a very disciplined and agile management of our total headcount numbers
- Furthermore, we will also take advantage of further automation opportunities for our front to back experience, leveraging technology to augment client service processes in the Corporate and Private Banks
- Over the last three years we have successfully developed internal tools, which together with external benchmarking gives us the support and transparency to drive these incremental cost savings
- We are pleased with the progress we have made to date with the drivers of the 2 billion euros of efficiency measures and hence we are confident we can deliver these additional items
- Let me now go through the diversification of our businesses on slide 5

Slide 5 – Diversified business with greater resilience

- The Core Bank produced pre-provision profits of nearly 8 billion euros in 2022, more than double pre-transformation levels, and diversification has been a key contributor

- The Corporate and Private Banks together contributed about 5 billion euros, more than 60% of the Core Bank total
- With four strong businesses, we have delivered resilient financial performance through a very unpredictable economic environment and volatile financial markets. This enabled the Core Bank to deliver a return on tangible equity of 11.3% in 2022
- Let me now turn to the performance of these businesses in more detail on slide 6

Slide 6 – Four client-centric businesses with improved revenue growth and profitability

- All four core businesses have significantly improved profitability through the transformation period, on all key metrics; revenue growth, cost/income ratio improvements, and higher returns
- The Corporate Bank delivered its best-ever profit before tax, of over 2 billion euros in 2022, with a cost/income ratio of 62% and return on tangible equity of 12%
- The business leveraged our global network and capabilities to build out its franchise; deposits are up by nearly 35 billion euros over pre-transformation levels, enabling us to take advantage of rising interest rates, and loans are around 8 billion euros higher than in 2018
- The Investment Bank has tripled its return on tangible equity and improved its cost/income ratio by more than 20 percentage points since 2018
- The work undertaken within our FIC business since 2019 has led to significant revenue growth. While we appreciate this took place in supportive markets, importantly, we have also been able to materially grow market share, supported by improved external ratings allowing clients to come back to the platform
- The investment into our diversified platform will enable us to consolidate our current market position, whilst continuing to identify targeted areas of further growth
- In 2022, FIC revenues were nearly 9 billion euros, the highest for a decade and up around 60% over 2018
- We have further strengthened our European bond franchise in the Investment Bank. We were number 1 by volume in European investment grade bond issuance, and we saw our highest electronic

market share of EGBs for over 10 years, building on 2021, which was the previous high

- Lower activity and volumes negatively impacted Origination and Advisory in 2022, but the business had areas of positive momentum including regaining the number 1 position in German M&A
- Private Bank has significantly improved both cost/income ratio and return on tangible equity, outperforming their targets and resulting in profit before tax of 2 billion euros, its highest-ever
- The business has adapted to the changing needs of clients, automated processes, made progress on consolidating our IT platform in Germany, and reduced branches by nearly 500 since 2018. Business volumes have grown by 130 billion euros over pre-transformation levels with new client loans of around 50 billion euros and assets under management up by about 80 billion euros, since 2018
- Asset Management has seen its return on tangible equity rise to 17% since 2018 while improving its cost/income ratio by around nine percentage points
- The business has continued to invest in the future and demonstrated its resilience in tougher financial markets. Despite challenging markets in 2022, assets under management are now around 160 billion euros higher than at the end of 2018
- Simply put, all four businesses have demonstrated positive momentum on all three dimensions, and this positions us well for the future
- Again, supported by our improved ratings with all three leading rating agencies, we continue to see clients coming back to the platform. Combined with the continued expected interest rate tailwinds and the strength of our underlying franchise, we are confident that our strong performance will continue
- Let me now turn to another of our key decisions in 2019, investing in technology and controls, on slide 7

<u>Slide 7 – Targeted investments in technology and internal controls</u>

- We committed to spending a cumulative 15 billion euros on technology, and an additional 4 billion euros on our control environment as part of our transformation. The benefits of our delivery for clients, costs and controls have been substantial. Let me give you a few examples
- We took advantage of Cloud technology, both through strategic partnerships and our own efforts. We now have more than 200 apps in

Google Cloud and have migrated over 1,000 databases to Oracle Private Cloud

- We simplified our IT landscape by retiring apps, which helped deliver a reduction in annual spend of around a quarter of a billion euros per year
- We have built a closer interface with FIC clients by automating our flow trading capabilities
- We made progress in migrating contracts of Postbank clients and related business volumes onto the Deutsche Bank IT platform. This migration is expected to be completed halfway through the year, with planned run-rate savings of around 300 million euros by 2025 in the Private Bank
- We have reinforced our control functions, increasing the number of dedicated professionals by more than a quarter
- We continue to focus investments on our cyber security capabilities and we have improved our processing capacity and improved quality assurance in KYC
- Building a more sustainable Deutsche Bank was also part of our transformation agenda. We have made considerable progress, which we summarize on slide 8

Slide 8 – Sustainable Finance volume target for 2022 exceeded

- We have rolled out a comprehensive sustainability strategy and installed a clear governance structure which establishes sustainability as a core part of the way we run Deutsche Bank
- We set clear targets for business volumes in ESG financing and investment and made each business accountable for delivering on these targets. We have strengthened our controls further and have embedded sustainability criteria into senior executive compensation
- Our businesses have outperformed against our original targets, and this enabled us to accelerate the timeframe for delivery, twice
- From 2020 to 2022, we outperformed our target of 200 billion euros in cumulative ESG financing and investment volumes, with a total of 215 billion euros in our core businesses excluding DWS. In last year’s difficult market environment, we increased volumes by 58 billion euros
- In the fourth quarter of 2022, we published pathways to net zero for the most carbon-intensive sectors in our loan book and we have created a

Net Zero Alignment Forum in which Business, Risk and the Sustainability Office manage our footprint accordingly

- We look forward to providing you with an update, and details of our future plans, at our second Sustainability Deep Dive on March 2nd this year
- Before I hand over to Olivier, let me say a few words on the next phase of our strategy through to 2025 on slide 9

Slide 9 – Global Hausbank strategy leaves the Group well-positioned for sustainable growth and operational efficiency

- The progress we have made in transforming Deutsche Bank leaves us well positioned to deliver sustainable growth through 2025
- When we set out our strategy in March last year, we outlined the key themes which underpin these goals and ambitions, and these themes have become even more important in the light of the geopolitical and macro-economic upheavals of 2022
- In an environment of macro-economic and geo-political uncertainty, we will leverage the more favorable interest rate environment, deploy our risk management expertise to support clients, and allocate capital to high-return growth opportunities
- With sustainability being so important, we will deepen our dialogue with and support for clients, expand our product range, and broaden our agenda for our own operations
- And as technology continues to evolve, we will reap further cost savings, accelerate our transition to a digital bank, and expand on our strategic partnerships, which are already creating significant value
- Our platform is positioned to deliver sustainable growth and seize the opportunities of the evolving environment

Slide 10 – Confirmation of 2025 targets

- Finally, a word on our 2025 targets on slide 10
- We are confident we can build on the momentum we have generated, in all our core businesses, on all dimensions, as we continue to transform the bank
- And we reaffirm the financial goals we set out last March

- Our target is a return on tangible equity of above 10% in 2025. The performance of our Core Bank in 2022 gives us confidence that this goal is very achievable
- We reaffirm our target for compound annual revenue growth of between 3.5% and 4.5%, supported by the momentum we already have in our core businesses from a dynamic interest rate environment, and the performance we have delivered in the divisions to date
- With this revenue growth, and the additional efficiency drivers I outlined, we also reaffirm our goal for a cost/income ratio of below 62.5% in 2025
- For 2023, we remain focused on continuing to deliver positive operating leverage and our strong performance in January supports this
- We also confirm our capital objectives
- We will build capital to support profitable growth and absorb future regulatory changes; and we continue to aim for a CET1 capital ratio of around 13%
- We aim to achieve our capital distribution objectives through a combination of dividends and share repurchases, in line with our previous guidance, aiming for a payout ratio of 50% from 2025 onwards
- We outlined a clear dividend path, which we reaffirm today. We propose a dividend of 30 cents for the financial year 2022, but given the remaining uncertainties in the market environment, it is too early to comment on the exact amount and timing of share repurchases in this year
- With that, let me hand over to Olivier

OLIVIER VIGNERON

Slide 12 – Ongoing disciplined risk management and strong balance sheet metrics

- Thank you, Christian. I am Olivier Vigneron and as you know, I became Chief Risk Officer in May
- I am proud to say that I rejoined a bank with a strong and stable balance sheet but more importantly, a bank that is renowned for its disciplined risk management
- This has enabled Deutsche Bank to withstand many challenging and uncertain environments in recent years, and to demonstrate its resilience during times of stress

- In my first months as CRO I have been particularly pleased to experience a strong risk culture supported by well-established risk appetite frameworks
- In order to maintain this discipline going forward, we continue to invest in our people and risk management capabilities, as well as controls and technology which support timely and proactive risk management
- This enables us to manage risks dynamically within our frameworks and most importantly within our risk appetite. We continuously monitor emerging risks, run downside analyses and stress tests, and operate a comprehensive limit framework across all risk types
- In this way we can respond proactively to changes in our operating environment, as you have seen us do in 2022 during the escalating war in Ukraine and the stress on European energy supplies
- Despite challenges throughout the year, our risk management approach helped us maintain strong risk and balance sheet metrics
- Our CET1 ratio was 13.4% and our provision for credit losses was 25 basis points of average loans for 2022, in line with our guidance provided back in March
- Our liquidity metrics have remained sound, and we managed to keep operational risk losses stable over the course of our transformation

Slide 13 – Navigating through an evolving risk environment

- Entering 2023 on this strong foundation positions us well to continue navigating through an evolving and uncertain risk environment
- We relentlessly scan the operating landscape to identify and monitor risks that impact us, and the wider banking sector, making sure we are proactive in our positioning for any emerging risks
- On slide 13 you can see which themes we believe may influence the banking sector in 2023 and beyond. These range from geopolitical developments, volatility in financial markets and a potentially deteriorating credit outlook, to various other risks
- We are able to manage these challenges because our risk framework provides us with multiple layers of protection, which we outline on slide 14

Slide 14 – Disciplined risk framework provides the basis for managing through times of stress and uncertainty

- Our risk appetite is calibrated to capital adequacy and earnings stability with the key metrics of the bank cascaded down to individual businesses
- We employ thousands of risk limits, across country, industry, asset class and individual clients, and across a variety of risk factors and markets
- In addition, we manage credit and market risk limits dynamically, and monitor liquidity daily on multiple dimensions
- We also strictly control appetite for non-financial risks. Our non-financial risk monitoring has more than 1,200 controls that are mapped to different risk types and regularly assessed for their effectiveness
- In October 2022 we introduced sector-specific targets to reduce the carbon intensity of our loan book
- We mitigate risk through extensive use of credit enhancements via external hedging in addition to high-quality collateral and structural protection, such as selecting ‘first lien’ positions
- Our loan portfolio thus benefits from 39 billion euros in collateralized loan obligation and credit default swap hedges, as well as other risk mitigation through private risk insurance on certain portfolios
- Our dynamic market risk hedging strategy has again proven highly effective in the volatile environment of 2022
- Our rigorous stress testing approach takes into account a range of severities and is built around a number of historical and hypothetical scenarios
- This enables us to identify and address potential vulnerabilities in our portfolios, including emerging risks, and supports assessment of non-financial risks
- We benefit from well-established crisis management procedures, robust non-financial risk management frameworks, and clear governance around our risk culture and conduct
- We have established our internal framework for net zero targets, and we will continue to extend the scope of these in 2023
- We continually review the maturity of the bank’s security framework and employ a threat-driven approach to direct and adjust our investments in information security

- Finally, our people are the critical success factor, embedding our strong risk culture throughout the organization

Slide 15 – Conservative risk profile and diversified loan book across geographies, businesses and sectors

- Let me now turn to our loan book on slide 15
- Almost half of our 489 billion euro loan book is in Germany
- We see this as an advantage as Germany is well positioned to withstand times of stress and volatility
- It is Europe's most stable economy and has many multinational companies which have displayed great resilience in times of uncertainties in the past
- And according to the most recent consensus, Germany is not expected to see an energy supply squeeze in the remainder of this winter
- Outside Germany, around 40% of the loan book is equally distributed across EMEA and North America with the remainder largely in the APAC region
- Looking at our business mix, almost 80% of our portfolio is in stable and mostly lower-risk businesses in our Private Bank and Corporate Bank
- The Investment Bank accounts for 21% of the book, distributed across a variety of product and regional portfolios
- Lastly, you can see how well-diversified our loan book is. Household loans, which are mainly low-risk mortgages and, to a small extent, consumer finance, account for 44% of the portfolio
- 24% of the loan book relates to financial and insurance activities, which span a variety of client segments, from exposures with top tier banks to collateralized activities with funds
- The remaining 158 billion euros, or 32% of the total loan book, is split across multiple sectors and remains well diversified
- All exposures are tightly managed, based on conservative underwriting standards
- In the next slides I will provide more detail on our confidence in the credit quality and resilience of selected key portfolios

Slide 16 – Confidence in German loan book driven by conservative lending standards and well-diversified exposures

- Let me start with some additional detail on our German loan book of 235 billion euros on slide 16
- Around three quarters of this book is within the Private Bank and nearly 90% thereof are low-risk German retail mortgages
- In the German mortgage market, clients typically lock in fixed rates for 10 or more years, so our portfolio comprises long-term, fixed-rate loans with a loan-to-value of 66% based on current market values
- As a consequence, this portfolio is generally not at risk of being impacted by the rising rate environment and demonstrates good repayment discipline
- We view German mortgages as low-risk, supported by high employment levels and low household indebtedness
- However, in light of the current environment, we have adjusted input criteria for our decision engine to account for price levels of goods, energy and interest rates. We have seen stable default and recovery rates since 2019
- Only 16 billion euros of the Private Bank's German exposure relates to consumer finance, mainly personal loans, and we continue to see good repayment discipline, despite the more challenging environment
- We do not operate a significant credit card financing business
- Our corporate loan book of 63 billion euros in Germany consists mainly of trade finance and commercial lending
- This exposure is also well diversified across a large number of clients and the average exposure per client is around 260,000 euros
- In line with our frameworks, we have limited concentration risk, and the top 15 names account for only 6% of this portfolio
- Credit quality is high with 71% of loans rated investment grade, and the exposure is predominantly to multi-national corporates
- The portfolio is closely monitored and actively managed with threshold-based hedging and the use of collateral and guarantees for risk mitigation purposes
- We have intensified the dialogue with clients in order to identify pockets of risk early, and we continue to support clients with their needs

- All in all, our strong and high-quality portfolio gives us comfort around our German exposures, supported by a resilient corporate backdrop and ongoing government actions

Slide 17 – Well-managed exposure across Commercial Real Estate and Leveraged Lending

- Despite their relatively low share of our loan book, our Commercial Real Estate focus portfolio and Leveraged Lending exposures remain in focus due to their vulnerability to rising interest rates and market volatility as well as the ongoing impact of post-pandemic trends on selected CRE sub-portfolios
- So let me give you some additional color on these categories on slide 17
- The CRE focus portfolio of 33 billion euros, or 7% of our loan book, consists of non-recourse lending within the core CRE business units in the Investment Bank and the Corporate Bank
- Our CRE lending activities are mainly first lien mortgage-secured and structured with moderate loan-to-values
- The portfolio is well-diversified across regions with 51% in the US, 36% in Europe and 13% in Asia
- Loan originations are primarily focused on assets in liquid regional markets such as top-tier gateway cities, and with high quality institutional sponsors
- The portfolio is well diversified by property type also, with the largest concentration in Office, at 34%, while Hospitality and Retail account for only 12% and 10%, respectively
- While Office is facing headwinds and uncertainty from the adoption of hybrid working models, we benefit from good quality assets in primary markets, moderate LTVs and, again, strong sponsors
- Weighted average LTV is around 61% in the Investment Bank CRE portfolio and 53% in the Corporate Bank. The latter portfolio has shown strong resilience, with no credit losses through recent volatility including the pandemic
- Other real estate exposures, such as our recourse lending, are of a high quality and have seen low losses in the past
- Stage 3 provisions in the Investment Bank CRE portfolio increased in 2022 as market conditions deteriorated in the second half of the year.

However, the increase in provisions was well within the business' earnings capacity

- We expect the challenging market conditions to continue into 2023, and we continue to closely monitor loan performance with a focus on near-term maturities
- We are proactively working with our clients to find optimized refinancing solutions in order to reduce leverage in specific transactions
- And we are also tightly managing our CRE underwriting pipeline and reduced our market risk limits in 2022
- Our Leveraged Lending portfolio of 4 billion euros represents just 1% of our total loan book
- The portfolio is well diversified across industry sectors without any undue concentration risks and the top-10 names account for only 11% of the portfolio on a gross notional basis
- Around 79% of the exposure is in the form of first lien secured credit facilities, mostly of revolving nature
- The remaining 21% is asset-based lending, which is almost entirely US-based and has a negligible loss history
- In the more uncertain market environment in 2022, we actively curtailed our underwriting risk appetite and de-risked our underwriting pipeline
- Overall, Leveraged Lending remains core to our franchise. We are entering 2023 well positioned and with a significantly de-risked underwriting pipeline
- While the macro outlook will weigh on the portfolio, we see limited refinancing pressure due to an overall low maturity profile in 2023
- Now, moving to slide 18, I will take you through our management of market risks and non-financial risks

Slide 18 – Continued active management of other risks

- Market risk has been another focus area over a period of increased volatility throughout last year and this is expected to persist in 2023
- We have supported our clients in navigating through this volatile environment and will continue to do so
- At the same time, we continue to manage exposures tightly and ensure we stay within our risk appetite

- Risk-weighted assets associated with market risk have been at elevated levels throughout 2022, driven by an increase in market volatility that translated into higher Value-at-Risk, which for the fourth quarter rose to 47 million euros, compared to 34 million euros in the prior year quarter
- To manage elevated volatility throughout the year, we have been proactive in containing and mitigating exposure in periods of stress. We did so during the first half of the year during the volatility caused by the war in Ukraine, and continued to support issuers and clients throughout the Gilt market volatility in the third quarter
- We actively managed balance sheet interest rate risk over this period of unprecedented rate rises in order to protect capital, as well as managing the risks around our net interest income
- Moving to non-financial risk exposure, we are satisfied with the progress we have made on risk remediation, and have reduced the highest-category risks by 47% since January 2021
- In addition, we have made good progress in increasing the number of key controls assessed through our quality assurance process
- This improves robustness and transparency of our risk and control assessment, which is a cornerstone of our non-financial risk management framework
- At the same time, we remain proactive in the identification and mitigation of potential threats and control vulnerabilities
- We regularly conduct scenario analyses and deep dives that help us understand potential risk exposures
- We continually review the maturity of the bank's security framework and employ a threat-driven approach to direct and adjust our investments in information security
- Finally, let me turn to provision for credit losses on slide 19

Slide 19 – Sound track record in in managing provision for credit losses through challenging and volatile period

- We have a very good track record when it comes to our guidance for provisions for credit losses, even through volatile and unpredictable environments
- This is due to our robust lending and underwriting, our active portfolio monitoring and provisioning processes, reflecting the true risk we anticipate

- We have outperformed our peers over a 5-year average period, which reflects our asset quality, but also risk management that keeps our risk profile less pro-cyclical and more stable
- And even though 2022 was characterized by a high level of uncertainty, we again delivered provision for credit losses in line with our guidance, without any reliance on excessive overlays
- In June we introduced a downside scenario which implied an additional 20 basis points over an 18-months period in case of a severe gas supply disruption in Europe
- This scenario did not materialize. Gas supply remained stable and storage levels high, as gas from Russia was substituted through other sources and the winter was milder than expected
- For 2023, we initially expected provision for credit losses to be in a range of 25 to 30 basis points of average loans, reflecting persistent macroeconomic and geopolitical uncertainties
- Unlike 2022, we expect provisions for this year to be driven by single-name losses rather than deterioration of macroeconomic forward-looking indicators
- As such and given the recent improvement in the global macroeconomic outlook, we now foresee provisions at the low end of this range
- With that, let me make a few closing remarks on slide 20

<u>Slide 20 – Summary</u>

- We have again navigated well through another year of significant market volatility
- Our disciplined risk management provided a strong foundation which allowed us to be proactive in identifying, monitoring and managing risks
- We have a conservative risk profile and a well-diversified loan book across clients, regions, products and businesses
- Our strategic positioning benefits us with a low-risk and high-quality German portfolio
- As a result, provisions could remain contained closer to 25basis points of average loans for 2023, or essentially flat to 2022
- Let me now hand over to James, who will take you through our financial performance in more detail

JAMES VON MOLTKE

Slide 22 – Delivering our transformation plan

- Thank you, Olivier
- Let me now cover the impact delivering the transformation plan has had on our profitability and financial stability
- We are pleased that all divisions delivered significant positive operating leverage on an annual basis since 2018. We intend to continue to deliver operating leverage for the Group on an annual basis going forward
- Our returns have improved every year since 2019
- We have reduced noninterest expenses over the period. We will continue to be disciplined on costs including working on additional measures to offset cost pressures, in line with our 2025 target of a cost/income ratio below 62.5%
- Finally, our capital remains resilient. Since 2018 we absorbed around 270 basis points of capital headwinds, from regulatory impacts and our transformation plan and ended the year at 13.4%, around 300 basis points above our regulatory requirements
- Let's now turn to the fourth quarter and full year 2022 performance on slide 23

Slide 23 – Q4 / FY 2022 Group financial highlights

- Starting with the fourth quarter, total revenues for the Group were 6.3 billion euros, up 7% on the fourth quarter of 2021
- Noninterest expenses of 5.2 billion euros reduced by 7% year on year, with all cost categories flat or down, which I will detail later
- Our provision for credit losses was 351 million euros or 28 basis points of average loans
- We generated a profit before tax of 775 million euros, up from 82 million euros in the fourth quarter of 2021
- Our net profit of nearly 2 billion euros reflects a positive year-end deferred tax asset valuation adjustment of 1.4 billion euros
- This deferred tax benefit reflects a recovery in the accounting value of our tax loss carryforwards in the US, as profitability has significantly improved since 2019, due to the successful transformation of our US business

- The return on tangible equity for the Group for the quarter was 13.1%
- Our cost/income ratio came in at 82%, down 12 percentage points compared to the prior year period
- Tangible book value per share was 26 euros and 70 cents, up 23 cents on the quarter, and 8% year on year
- We reported diluted earnings per share of 92 cents for the quarter, which brings the full year total to 2 euros and 37 cents
- For the full year 2022, we generated a pre-tax profit of 5.6 billion euros, up 65% over 2021
- Return on tangible equity for the Group was 9.4% for the full year, compared to 3.8% in 2021
- Excluding the benefit of the deferred tax asset valuation adjustment, our return on tangible equity would have been 6.7% for the year and our full year tax rate would have been 24% in line with our previous guidance
- For 2023 we expect an effective tax rate of 29%
- Let’s now turn to the Core Bank’s performance on slide 24

<u>Slide 24 – Q4/FY 2022 Core Bank financial highlights</u>

- Starting again with the fourth quarter, Core Bank revenues were 6.3 billion euros, up 7% on the prior year quarter
- Noninterest expenses declined 4% year on year with adjusted costs also down 4% for the same period
- We reported a profit before tax of 1 billion euros, more than double the prior year quarter
- Our Core Bank return on tangible equity for the quarter was 14.9%
- Our cost/income ratio came in at 79%, down from 88% in the prior year period
- On a full year basis, revenues in the Core Bank were 27.2 billion euros, up 7% compared to 2021, while noninterest expenses of 19.5 billion euros were down 3%
- The cost/income ratio improved to 71% from 79% in 2021
- In 2022, we generated a pre-tax profit of 6.5 billion euros, up 37% year on year and the highest since we began our transformation in 2019

- We reported a return on tangible equity of 11.3%, or 8.5% excluding the deferred tax asset valuation adjustment, slightly below our target of above 9%

Slide 25 – Net interest margin (NIM)

- Turning to net interest margin on slide 25, we can see the continued favorable impact of the interest rate environment with NIM at slightly above 1.5% in the fourth quarter
- This increase has been achieved despite the non-recurrence of the third quarter buyback gains
- Net interest earning assets are slightly down, due to the impact of the weaker US dollar, and the partial prepayment of TLTRO III
- We expect NIM to remain strong given the ongoing rate rises and we expect to see a material year-on-year NII tailwind in 2023, which I will detail on slide 26

Slide 26 – Net interest income (NII) development

- Let me now provide an update on the interest rate tailwind we expect to see going forward. In March 2022, we guided that interest rate tailwinds, net of funding cost offsets, would add approximately 1 percentage point to the revenue compound annual growth rate from 2021 to 2025
- This figure has risen to approximately 1.5 percentage points from our 2022 landing point, based on rates and funding spreads as of January 20th
- You can see, the divisional CAGRs net of funding impacts on the right of the slide
- As we want to give you a consistent view across rate and funding cost impacts, these figures are based on the evolution of our planned liability stack rather than a purely static balance sheet, but do not include the impacts of planned lending growth
- In 2023, we expect to see strong interest rate impacts due to the timing effects from the rapid pace of interest rate rises
- By 2025, the rollover of our hedge portfolios will have offset the reduction in this timing effect, resulting in the NII benefit being maintained

- As I noted at our third quarter analyst call, the sequential tailwind from 2022 to 2023 is expected to be approximately 1 billion euros for the full year
- Moving to costs on slide 27

Slide 27 – Adjusted costs – 2018 to 2022

- We reduced adjusted costs excluding transformation charges and bank levies by 3.1 billion euros or 14% since 2018. Excluding FX movements, costs were down 16% during this period
- Compensation and benefits costs decreased by 1 billion euros driven by changes in workforce size and composition
- Non-compensation costs were lower across all categories. Both professional services and IT spend were down by nearly half a billion euros
- The IT spend reduction was in line with the overall cost reduction
- As Christian indicated, our cumulative IT spend was 15 billion euros over the past four years
- Within this spend, we saw reductions in our running IT operating expenses, as the benefits from simplified architecture came through. At the same time, we continued to invest into our technology and people to future proof the bank
- The 1.1 billion lower costs in the 'Other' category reflects reductions across a number of line items with major contributions from building costs, regulatory fees, operational taxes and insurance expenses

Slide 28 – Adjusted costs – FY 2022 and Q4 2022 (YoY)

- If we look at the twelve-month comparison for 2022 on slide 28, adjusted costs excluding transformation charges and bank levies stayed flat at around 19 billion euros, or down 3% excluding FX
- Increases in compensation and benefits of 399 million euros were mostly offset by reductions in non-compensation costs
- Reductions in non-compensation expenses reflect our continued cost management efforts, specifically from reduced costs for outsourced operations and lower occupancy related spend

- You can also see that fourth quarter adjusted costs excluding transformation charges and bank levies were down by 2% year on year, or 4% excluding FX
- Let me now give you an update on the key pillars of the efficiency measures for the Group we outlined in March at our investor day, which will contribute to our 2025 targets on slide 29

Slide 29 – Efficiency measures: >€ 2bn cost saves planned for 2022-2025

- These initiatives are expected to deliver structural cost savings of more than 2 billion euros between 2022 and 2025. Let me give you some examples
- The Germany platform optimization, entailing branch reductions and the technology integration of the IT platform, shows how we are creating efficiencies by simplifying our overall architecture
- We recently completed the second migration wave, which converted around 4 million additional Postbank contracts to the Deutsche Bank IT platform. One of our key priorities for 2023 is to complete the IT migration and start decommissioning the legacy IT Postbank system
- We expect these actions to generate around 600 million euros of savings by the end of 2025
- Another part of our technology upgrade is the re-architecture and simplification of our application landscape
- In 2022, we decommissioned 9% of our total application stack and plan to decommission a further 500 applications by 2025
- Supported by our cloud-based infrastructure, we have also migrated key applications to the cloud and will continue to build on this progress
- While we expect these savings to come through closer to 2025, we expect to deliver around 600 million euros of savings overall
- Our front-to-back process re-design has also delivered tangible results with more automated processes, supported by improved controls, and we will specifically continue to focus these improvements on loans processing, risk management and reporting activities
- For example, we have designed a more efficient KYC process that will eliminate unnecessary client KYC questions by 40%, while enhancing control effectiveness, via “smart” forms and workflows determined by client-specific characteristics

- Overall, we expect these actions to deliver around 500 million euros of savings by 2025
- In addition, we have also identified around 500 million euros of cost savings primarily in infrastructure efficiencies
- In line with the plans we outlined in March 2022, we have optimized office space resulting in a significant reduction of 170,000 square meters in 2022, representing around 6% of our total global footprint
- Going forward, we will continue to focus on optimizing our workforce management including a more streamlined corporate title distribution
- Turning to provisions for credit losses on slide 30

Slide 30 – Provision for credit losses

- Provision for credit losses for the full year 2022 was 25 basis points of average loans, or 1.2 billion euros, in line with previous guidance and confirming the resilience of our loan book
- The year-on-year development reflected the impact of the war in the Ukraine and weaker macro-economic conditions, while 2021 benefited from economic recovery post the easing of COVID restrictions
- Provision for credit losses for the fourth quarter was 28 basis points of average loans on an annualized basis, or 351 million euros, very much in line with the previous quarter
- Stage 1 and 2 provision release of 39 million euros, compared to a net release of 5 million euros in the prior year quarter, benefited from a stabilization of macroeconomic forecasts towards the end of year, the release of an overlay from previous periods and improved portfolio parameters
- Stage 3 provision increased to 390 million euros, compared to 259 million euros in the prior year quarter. As with the previous quarter, the increase reflects an overall higher number of impairment events, but we have not observed specific trends emerging, and in particular did not observe a material impact of higher energy prices on provisions
- Moving to capital on slide 31

Slide 31 – Capital ratios

- Our Common Equity Tier 1 capital ratio came in at 13.4%, a 3 basis points increase compared to the previous quarter
- FX translation effects contributed 2 basis points
- 3 basis points of the increase came from capital supply changes, reflecting our strong organic capital generation from net income, largely offset by higher regulatory deductions for deferred tax assets, shareholder dividends and Additional Tier 1 coupons
- Risk weighted asset changes drove a 2-basis-point reduction in our CET1 ratio, principally due to higher market risk RWA partially offset by net reductions in credit risk RWA; operational risk RWA remained broadly unchanged quarter-on-quarter
- The higher market risk RWA resulted from higher sVaR levels, mainly driven by a change in the applicable stress window versus the previous quarter
- Credit risk RWA reduced during the quarter as the impact of regulatory model changes was more than offset by tight risk management in our Core Bank
- Looking ahead, we expect our CET1 ratio to remain subject to volatility, principally due to regulatory model reviews and ECB audits
- In 2022, amendments were made, in particular, to models for our Mid Cap portfolio and our German retail portfolio
- Now, we expect model changes for the wholesale portfolio to follow in phases; a first set was implemented in the fourth quarter of last year with a RWA impact of around 2.5 billion euros
- The models for the larger portfolio of financial institutions and large corporates are expected to follow over the course of this year
- We expect to be able to absorb model related impacts via continued retention of earnings, but the timing of regulatory model decisions is likely to create CET1 ratio volatility
- That said, we aim to end 2023 with a CET 1 ratio of 200 basis points above our Maximum Distributable Amount threshold, expected to be 11.2%
- We ended the year with a leverage ratio of 4.6%, in line with our 2022 target of around 4.5% and an increase of 25 basis points versus the previous quarter
- FX translation effects resulted in a 5 basis point leverage ratio increase

- 11 basis points came from higher Tier 1 capital, reflecting higher CET1 capital and our AT1 issuance in November 2022
- Finally, 9 basis points increase came from the seasonal reduction in trading activities at year end
- With that, let's now turn to performance in our businesses, starting with the Corporate Bank on slide 33

Slide 33 – Corporate Bank

- Full year revenues for the Corporate Bank were 6.3 billion euros, 23% higher year on year. Strong revenue growth was driven by increased interest rates and continued pricing discipline, higher commission and fee income, as well as deposit growth and favorable FX movements
- Momentum was strong in the fourth quarter, with revenues increasing by 30% year on year mainly driven by the improved interest rate environment and solid underlying business performance supported by higher client deposits
- Noninterest expenses of 3.9 billion euros decreased by 5% year on year as positive contributions from non-compensation initiatives and lower nonoperating costs were partly offset by FX movements
- Loan volume in the Corporate Bank was 122 billion euros, down by 1 billion euros compared to the prior year quarter, and down by 7 billion euros compared to the previous quarter driven by FX movements and increasing selectiveness of balance sheet deployment towards the year-end 2022
- Provision for credit losses increased from essentially nil in the prior year to 27 basis points for the full year, reflecting the more challenging macroeconomic environment
- Profit before tax was 2.1 billion euros for the year, up by 103% year on year
- The cost/income ratio came in at 62% and return on tangible equity was 12.5%, in line with our commitment for 2022
- I will now turn to revenues by business segment in the fourth quarter on slide 34

Slide 34 – Q4 2022 Corporate Bank revenue performance

- Corporate Treasury Services revenues of more than 1 billion euros increased by 26% year on year driven by increased interest rates across all markets and higher deposits
- Institutional Client Services revenues of 442 million euros rose by 28%, benefitting from higher interest rates and deposit growth
- Business Banking revenues of 273 million euros grew by 51% year on year, reflecting the transition to a positive interest rate environment in Germany
- I'll now turn to the Investment Bank on slide 35

Slide 35 – Investment Bank

- For the full year, revenues ex-specific items were 3% higher compared to what was a very strong 2021
- Revenues in FIC were significantly higher, with strong year-on-year growth across the majority of the franchise
- This was partially offset by significantly lower revenues in Origination & Advisory in an industry fee pool down 36% versus the prior year
- Noninterest expenses were slightly higher versus the prior year, but essentially flat once adjusted for the impact of FX translation and increased bank levies
- Our loan balances increased year on year driven by higher originations primarily in Financing, combined with the impact of US dollar appreciation versus the Euro
- Leverage exposure and RWAs were essentially flat year on year, as underlying business reductions were offset by the impact of FX movements
- Provision for credit losses was 319 million euros, or 32 basis points of average loans. The year-on-year increase was driven by a weakening macroeconomic environment, whilst the prior year benefitted from a post-Covid recovery and lower levels of impairments
- Turning to revenues by segment on slide 36

Slide 36 – Q4 2022 Investment Bank revenue performance

- Revenues in FIC Sales & Trading increased by 27% in the fourth quarter when compared to the prior year, the highest fourth-quarter revenues in over a decade
- Adjusting for the impact of a concentrated distressed credit position in the prior year quarter, the year-on-year performance was approximately 70% higher
- Very strong performance across the majority of the franchise was partially offset by significantly lower revenues in Credit Trading
- Rates revenues were up over 400%, with Emerging Markets and FX revenues significantly higher. The strong performance was driven by the ongoing heightened market activity and strong client flows
- Financing revenues were slightly lower year on year, as increased net interest margin was offset by reduced activity in Commercial Real Estate and the APAC business more broadly
- Credit Trading revenues were significantly lower, due to the non-recurrence of the aforementioned concentrated distressed credit position in the prior year quarter and a market environment that continues to be challenging
- In Origination & Advisory, revenues were down 71% against what was a record fourth quarter fee pool in the prior year and reflecting the underlying product mix of our businesses
- Debt Origination revenues were significantly lower due to materially reduced Leveraged Debt Capital Markets revenues. The leveraged loan market continued to be largely inactive, and we remained selective in our new business dealings, with a focus on reducing our existing commitment pipeline. Loan markdowns during the quarter were minimal
- Investment Grade debt revenues for the quarter were also significantly lower, as was the industry fee pool. From a full year perspective, our revenue decline was less than the industry average
- Equity Origination revenues were significantly lower, reflecting an industry fee pool reduction of over 60%, with the IPO market down over 80%
- Revenues in Advisory were significantly lower, as the industry fee pool declined materially against a record prior year quarter
- Turning to the Private Bank on slide 37

Slide 37– Private Bank

- Private Bank revenues were 9.2 billion euros for the full year, up 11% year on year, or 6% if adjusted for the impact of the BGH ruling in 2021 and specific items
- Those items include the previously disclosed gain on sale of around 310 million euros related to the Financial Advisors business in Italy
- From an operating perspective, revenues increased, driven by higher net interest income and continued business growth. This more than compensated lower fee income mainly reflecting current macroeconomic uncertainties
- Noninterest expenses declined by 11% supported by net releases of litigation provisions and lower restructuring expenses
- Adjusted costs declined 5% year on year, driven by savings from transformation initiatives including workforce reductions and branch closures as well as lower internal service cost allocations
- The Private Bank attracted net new business volumes of 41 billion euros, in the year with 30 billion euros of inflows in assets under management and 11 billion euros of net new client loans
- Provision for credit losses reflects a high-quality loan portfolio, especially in the retail businesses, as well as tight risk discipline. The International Private Bank was impacted by single exposures, primarily in margin lending
- Profit before tax rose to 2 billion euros for the full year, and more than doubled to 1.6 billion euros excluding specific revenue items, transformation costs and restructuring charges
- Turning now to revenues by segment on slide 38

Slide 38 – Q4 2022 Private Bank revenue performance

- Fourth quarter revenues in the Private Bank Germany were up 7%, or 10% if adjusted for the net impact of the BGH ruling, since the fourth quarter in 2021 included a positive true-up associated with estimated revenue losses
- Higher net interest income more than compensated for lower fee income, which was impacted by lower client activity and more challenging markets as well as reduced fees from insurance products reflecting long-term contractual changes

- The business attracted net inflows into investment products of 2 billion euros in the quarter
- In the International Private Bank, revenues were up 49% or 10% adjusted for the gain on sale and specific revenue items from Sal. Oppenheim workout activities. We do not expect material contributions from this portfolio going forward
- Revenues excluding specific items increased by 11% in Wealth Management & Bank for Entrepreneurs, driven by higher deposit revenues mainly in Germany and EMEA, as well as the positive impact of FX movements during the year
- Premium Banking revenues increased by 6% reflecting higher deposit revenues which more than compensated lower loan and investment product revenues
- Business growth continued, with net inflows in assets under management of 4 billion euros in the quarter, of which 3 billion euros in investment products, mostly in Italy and EMEA. Business volume growth of 29 billion euros in the full year marked the highest increase since the formation of the International Private Bank

Slide 39 – Asset Management

- Let me continue with Asset Management on slide 39
- As you will have seen in their report, DWS reported a modest decline in performance compared to the prior year, despite the market turbulence we saw in 2022
- My usual reminder; the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Reported revenues declined by 4% versus the prior year, in part supported by FX movements. Management fees grew by 4%, reflecting higher fees from Alternatives, partly offset by negative market impacts in Active and Passive. Performance fees were significantly lower than the prior year, primarily due to a large Multi Asset performance fee reported in the fourth quarter of 2021
- Other revenues declined on lower gains from co-investments, higher treasury funding costs, less favorable fair value of guarantees and a lower contribution from the investment in Harvest
- Noninterest expenses and adjusted costs increased by 10% and 4% respectively, including FX movements

- The increase in compensation costs was mainly attributable to strategic hires to support our transformation and business growth
- The increase in non-compensation costs reflects higher professional service fees and IT costs from further investments into platform transformation, and the normalization of other costs such as travel & entertainment and marketing and events
- Non-operating costs include a 68 million euros impairment of an unamortized intangible asset related to US mutual fund retail contracts as well as higher severance and litigation costs
- Profit before tax of 598 million euros in the year declined by 27% compared the prior year
- The cost/income ratio for the full year was 70% and return on tangible equity was 17%
- Assets under management declined to 821 billion euros, reflecting 108 billion euros of market depreciation. Net outflows were more than offset by the beneficial impact of FX movements. Full year net outflows were 20 billion euros, primarily in Fixed Income, Passive and Cash products, partly offset by net inflows in Multi Asset and Alternatives
- Moving to Corporate & Other on slide 40

Slide 40 – Corporate & Other

- For the full year 2022, Corporate & Other reported a pre-tax loss of 1.6 billion euros, compared to a pre-tax loss of 1.1 billion euros for 2021
- The higher loss in 2022 was primarily driven by impacts from valuation and timing differences, which resulted in a loss of 122 million euros, against a benefit of 158 million euros in the prior year
- Valuation and timing differences arise on derivatives used to hedge the Group's balance sheet. These are accounting impacts, and the valuation losses are expected to be recovered over time, as the underlying instruments approach maturity
- Funding and liquidity impacts were negative 334 million euros for the full year 2022, in line with our prior guidance
- Expenses associated with shareholder activities not allocated to the business divisions, as defined in the OECD Transfer Pricing guidelines, were 506 million euros, a small increase to the prior year
- Other impacts in Corporate & Other were negative 817 million euros, primarily from certain infrastructure expenses retained in 2022

- For 2023, we expect the pre-tax loss in C&O to be around 1.2 billion euros, driven by shareholder expenses and funding and liquidity. In addition, C&O will report the results of the Capital Release Unit, which I will detail shortly and which is expected to generate a pre-tax loss, however, significantly lower than in 2022
- We can now turn to the Capital Release Unit on slide 41

Slide 41 – Capital Release Unit

- For the full year 2022, the Capital Release Unit recorded a loss before tax of 932 million euros, an improvement of 431 million euros from the prior year
- Revenues for the year were negative 28 million euros, compared to positive 26 million euros in the prior year, due to the non-recurrence of the Prime Finance cost recovery more than offsetting lower de-risking and funding impacts
- Noninterest expenses declined by 36%, primarily driven by a 35% reduction in adjusted costs, reflecting lower internal service charges, and direct compensation and non-compensation costs
- Leverage exposure declined by 17 billion euros driven by de-risking, market impacts and natural roll-off of the portfolio
- Risk weighted assets declined by 4 billion euros driven by lower Operational Risk RWA and de-risking
- Since inception in the second quarter of 2019, the Capital Release Unit has reduced risk weighted assets by 63%, or 83% excluding operational risk RWA, and has reduced leverage exposure by 91%
- In 2022, having outperformed against its targets for leverage exposure and RWAs, the Capital Release Unit also successfully met its target of less than 800 million euros for adjusted costs excluding transformation charges
- Overall, we have been extremely pleased with the CRU team's execution against the mandate of the division and their critical contribution to the transformation of Deutsche Bank
- Before I turn to the outlook, let me comment on the two changes that will impact our reporting in 2023 and beyond on slides 42 and 43

Slide 42 – Expected re-segmentation of CRU in Corporate & Other

- Having fulfilled its mandate by the end of 2022, we will discontinue reporting of the Capital Release Unit as a separate division
- Since its inception in 2019, the Capital Release Unit has contributed substantially to the success of Deutsche Bank's transformation and its target achievement
- As I mentioned before, between the second quarter of 2019 and the fourth quarter of 2022, the division was able to reduce leverage exposure by 227 billion euros to 22 billion euros at the end of 2022, outperforming its 2020 target by 29 billion euros
- At the same time, the Capital Release Unit reduced its risk-weighted assets by 40 billion euros to 24 billion euros at the end of 2022, outperforming against its 2020 Investor Deep Dive target by 8 billion euros
- This reduction in RWA represented a critical contribution to the achievement of our capital objectives while supporting the re-allocation of capital to the Core Bank
- Across 2019 to 2022, the RWA reduction in the CRU led to an improvement in the Group's CET1 ratio by around 45 basis points, even after subtracting operating losses
- The CRU also contributed to improving the Group's leverage ratio by around 55 basis points over this period
- Lastly, the division reduced its adjusted cost base by 2.5 billion euros since full-year 2018
- We will not be transferring any additional assets to or from the Core businesses
- The remaining CRU assets will roll off over time. These are mostly interest rate derivatives, but also include the Polish FX mortgage portfolio and certain other FIC & Equities assets
- As we move to 2023, we will also introduce what we believe is best practice for internal service cost allocation, which I will outline on slide 43

Slide 43 - Transitioning to best practice Driver-Based Cost Management methodology effective from Q1 2023

- Going forward we will allocate infrastructure costs to businesses based on a new Driver-Based Cost Management methodology. The methodology will be applied to both infrastructure costs allocated to businesses, as well as to some expenses that were previously held in C&O

- As a result, we will get better transparency of the drivers of infrastructure costs resulting in an improved cost allocation to the individual businesses, while highlighting potential areas for further cost savings
- The group cost/income ratio and return on tangible equity metrics are unaffected by the change in allocations of infrastructure costs, but the respective divisional metrics will be impacted by this change going forward
- Finally, costs defined as Shareholder Expenses will continue to be held centrally in C&O and will not be allocated to divisions, consistent with our current practice
- Let me now turn to the Group outlook for 2023 on slide 44

Slide 44 - Our transformation created a solid foundation for further sustainable growth

- Today, we discussed how we successfully performed against our strategic objectives through Compete to win and have delivered a transformed bank
- As the environment changes, so does our business mix, and the more favorable interest rate backdrop has created a strong step-off for further revenue growth
- So let me conclude with a few words on how we see 2023
- With regards to revenues, we anticipate performance around the mid-point of a range between 28 to 29 billion euros, reflecting the impact of interest rates, particularly in the Corporate and Private Banks, as well as robust organic business growth. This would be partially offset by some normalization in other businesses, notably FIC
- Turning to costs, we remain focused on delivering positive operating leverage, a key driver as we work towards our 2025 goals. We anticipate inflationary pressures, but also benefits from our cost efficiency measures, and for 2023, we expect to keep our non-interest expenses broadly flat to 2022
- For provision for credit losses, as Olivier explained, our risk management discipline, coupled with a more benign macro-economic and credit outlook in recent weeks, support our guidance of 25 to 30

basis points of average loans for 2023. Our current outlook would tend towards the lower end of that range, in other words, essentially flat to 2022

- Finally, we reaffirm our commitment to our capital distribution goals in respect of the years from 2021 through 2025. As Christian mentioned earlier, we reaffirm our dividend path and we will provide an update on share repurchases when there is greater clarity on the timing and extent of regulatory headwinds and the direction of the macro-economic environment

- To summarize, the macro backdrop contains many uncertainties, but we believe we are well placed to capture the benefits of our positioning, particularly through revenue growth, continued risk discipline, and our cost reduction initiatives

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