**Deutsche Bank AG**

Deutsche Bank Q4 / FY 2023 Analyst Conference Call

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**Transcript**

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

CHRISTIAN SEWING

## Slide 1 - Results reflect the strength of *Global Hausbank* strategy

- Thank you, Ioana, and a warm welcome from me. It's a pleasure to be discussing our results with you today
- We have set Deutsche Bank's course for sustainable growth and returns for shareholders through our Global Hausbank strategy and 2023 saw clear progress
- We delivered business growth, as the benefits of our sharpened business model came through
- We grew revenues to around 29 billion euros with a growth rate of close to 7% per year since 2021, well above our initial target, and we are now raising our revenue growth target to 5.5-6.5%, with the aim of reaching revenues of around 32 billion euros by 2025
- We made conscious investment decisions to protect and grow our franchise by driving business growth, strengthening controls and improving operational efficiency
- We have now reached an inflection point on costs; our investments are approaching completion, and we are making solid progress on our efficiency program
- As a result, we now see ourselves delivering normalized operating and financial performance
- This reinforces our confidence that we'll deliver on our target run rate of around 5 billion euros per quarter for adjusted costs, including the first quarter of this year
- Our guidance for the full year 2025 noninterest expenses remains unchanged, at around 20 billion euros
- We again demonstrated our resilience, with high-quality risk management and our strong capital and balance sheet
- All of this leaves us highly confident that we will meet our 2025 financial targets
- Furthermore, we are increasing our capital distributions, as rewarding our shareholders is our priority
- We increased both dividends and share buybacks by 50% compared to 2022
- We plan to propose a dividend of 45 cents per share at the AGM, approximately 900 million euros in total, for the financial year 2023; and

we have regulatory approval for a further 675 million euros in share buybacks, which we intend to complete in the first half of 2024

- And our raised capital outlook, which we outlined last quarter, has created scope to accelerate and expand distributions further
- We now expect to significantly outperform our original 8-billion-euro target for the financial years 2021 through 2025; and we would consider proposing a dividend of 1 euro per share in respect of 2025, subject to our 50% pay out ratio
- Let's first discuss business growth, starting with our 2023 revenue performance on slide 2

## Slide 2 – Sharpened business model with growing revenues

- We delivered sustained growth and improved quality of earnings streams with a well-balanced business mix
- Revenues were in line with our guidance, at around 29 billion euros, up 6% year on year
- 78% of our revenues came from recurring earnings streams, up from 71% in 2020
- We benefitted from rising interest rates, notably in the Corporate Bank and Private Bank
- We also focused on building out our fee business across all businesses and here let me give you a few examples
- In the Corporate Bank, we developed innovative products, hired relationship managers in strategic areas, and deepened relationships with key clients. This was already evidenced by the growth in fee income in the fourth quarter
- We also added senior bankers in client-facing areas in International Private Bank and the Investment Bank, and completed the acquisition of Numis
- We attracted net inflows of 57 billion euros across the Private Bank and Asset Management, which helped to grow Assets under Management by 115 billion euros, to 1.5 trillion euros
- Our progress in strengthening our franchise has been recognized with upgrades from the leading rating agencies, which further positions us well to deepen engagement with current and new clients
- Now let's look ahead at our revenue pathway to 2025 on slide 3

## Slide 3 - Strong revenue trajectory supported by resilient and diversified franchise positioning

- Since 2021, we've demonstrated revenue momentum well ahead of our original target growth rate, due in part to a supportive interest rate environment
- We are confident that as interest rates normalize, we can maintain a solid revenue trajectory
- And this is supported by the expected growth in noninterest income, which already accounts for more than half of Group revenues, and our investments in capital light activities
- Based on this, we are raising our revenue target from between 3.5% and 4.5% to between 5.5% and 6.5%, for the period 2021 through 2025, aiming to reach around 32 billion euros in 2025
- We expect non-interest income growth to contribute approximately 2.5 percentage point to the targeted compound annual growth between 2021 and 2025
- And this is achievable through a number of levers:
- Growing share of wallet in the Corporate Bank
- Reaping the benefits of investments in Origination & Advisory
- Building on our recent strong relative performance in our FIC business
- Expanding fee-generating businesses in the Private Bank, benefitting from investments and growing capital-light lending businesses
- Delivering on our growth strategies, including Passive, and taking full advantage of market recovery, in Asset Management
- Additionally, across both the Private Bank and Asset Management, we aim to convert 2023's net inflows and growth in assets under management into revenues
- In respect of net interest income growth, we expect it to contribute approximately 4 percentage points to the targeted compound annual growth between 2021 and 2025
- This reflects a normalization in 2024, followed by further growth in 2025 and beyond, and James will expand on this shortly
- Let me now take you through additional details on how we plan to grow non-interest revenues on slide 4

## Slide 4 - Accelerating growth in noninterest income supported by targeted investments

- In the Corporate Bank, we already have stable sources of fee income from our payments business, trade finance offering, custody business as well as trust and agency services
- We have invested into our payment platforms and enhancing sector-specific coverage teams
- In terms of products, we also continue our investments into fee generating Merchant Solutions and Digital Asset Custody to support future fee growth
- We are accelerating the cross-divisional solution offering, for example FX, hedging and risk management products, and we are helping corporates with their sustainability transition
- In the Investment Bank, we have one of the leading FIC platforms, with around 35% of revenues coming from our Financing business
- We have consistently said that we aim to grow Financing and FIC trading activities by developing the existing businesses, growing our Americas footprint and increasing client penetration
- In O&A, revenues saw a low point in 2022; we expect fees to be driven, this year and next, by some market recovery combined with the benefits of our investments
- We hired strategically across many sectors and acquired Numis to create a leading position in the UK
- All this will help us to deepen and broaden our client relationships and further develop our ESG capabilities
- In the Private Bank we aim to grow revenues from investment products at around 10% per year over the next years
- We are confident we can achieve this, given our strong asset generation, investments in hiring in the international franchise, and enhancement of digital channels
- We will also expand our Lombard lending business in Wealth Management and the Bank for Entrepreneurs
- In addition to our focus on Germany, we are intensifying our business development in growing markets such as Asia and the Middle East

- In Asset Management, to give you a few examples on our growth initiatives:
- We are building on Xtrackers momentum via product innovation and we are expanding internationally
- Within Alternatives, we want to focus on Credit in Europe and Real Estate Debt in the US, and we will be strengthening fixed income and multi asset capabilities to increase potential for scaling up
- And I'm encouraged by the start we've had in January so far, with revenue performance that supports this trajectory
- Now let me turn to operating efficiency on slide 5

## Slide 5 – Peak investment year to future proof franchise

- Our 2023 cost base was impacted by inflation, business growth and investments to accelerate execution of our Global Hausbank strategy on three dimensions; improving operational efficiency, growing sustainable revenues, and strengthening our control environment
- About 400 million euros of these additional investments are non-recurring and mainly related to improvements of our operational efficiency, severance charges for targeted reduction in senior non-client-facing roles and real estate one-offs
- We also recognized an impairment of goodwill related to Numis
- Some of these non-recurring items arose in the fourth quarter, alongside other exceptional items which James will discuss shortly
- We also made business investments of 200 million euros which will remain in our run-rate
- We saw incremental savings of around 340 million euros from our operational efficiency measures this year
- These will more than offset the run-rate impact of the investments, which reflects our approach of self-funding our investments
- On business growth, we have invested in capital-light businesses, as we just discussed
- On controls, we further strengthened key functions with the addition of around 1,000 dedicated professionals across all regions to ensure thought leadership and increased dedicated spending to around 1.2 billion euros in 2023

- Our investments over the years have materially improved our controls, for example:
- We have built automated tools into our KYC controls, to dynamically review client activity and tighten quality control standards
- We have significantly upgraded our core control applications; for example, we successfully migrated our Euro clearing business onto a new strategic transaction monitoring platform
- We made material strides in re-engineering processes front-to-back and the progress so far has made our bank safer
- As our remediation work across key regulatory programs is anticipated to approach completion, we expect our focus during 2024 to gradually shift from remediation to a sustainable "business as usual" risk management
- We also continued to put longstanding legal matters behind us in 2023, and we expect to see the benefits of our improved operating model coming through from 2024
- We believe these investments will positively impact operating leverage, by boosting revenue growth while keeping costs essentially stable to 2022 levels, as we set out on slide 6

<u>Slide 6 – Reinforced cost execution supports operating leverage</u>

- We see a clear path to costs of approximately 20 billion euros in 2025
- Over the next two years, our aim is to drive reductions across both nonoperating costs and our adjusted cost base, by managing our run-rate and driving efficiency measures
- We foresee reductions in nonoperating costs of around 700 million euros from 2023 levels in the next two years
- The 233-million-euro impairment of goodwill relating to Numis is now behind us, and we see restructuring and severance charges coming down by around 400 million euros from 2023 levels
- On adjusted costs, as we have already communicated, we see bank levies coming down by between 350 and 400 million euros over the next two years
- The additional 400-million-euro net reduction will come from further progress on our operational efficiency program, so let me give you some additional detail on where we stand with our 2.5-billion-euro efficiency measures

- We have already executed on measures with delivered or expected savings of 1.3 billion euros, of which around 900 million euros of savings were realized to date. The residual savings of 1.6 billion euros are as follows:
- On Germany optimization, we anticipate savings of around 600 million euros, reflecting our strategic ambition to increase profitability in our core home market
- On technology and infrastructure, we anticipate roughly 700 million euros of savings from a number of items, including application decommissioning and other operating model improvements
- And finally, on front-to-back process re-design, we anticipate about 300 million euros from simplified workflows and automation
- Included in these measures is the reduction of 3,500 roles, mainly in non-client facing areas
- The vast majority of these measures will be in our 2025 run-rate
- With that, we have material capacity to more than offset inflation and the impact from our business growth plans
- Our detailed implementation roadmap gives us confidence in delivering noninterest expenses of approximately 20 billion euros in 2025, giving us a clear pathway to our cost/income ratio target of 62.5%
- We're conscious that we're operating in a fast-changing environment. Our path towards 2025 may be impacted by external factors, and we have taken this into account
- We have the toolkit in place to implement additional measures which would enable us to further flex our cost base to meet our cost/income ratio target, even if we see unforeseen revenue headwinds
- Now let me turn to capital, liquidity and risk management on slide 7

## Slide 7 – Robust risk, liquidity and capital management

- In 2023, we proved our resilience in a challenging environment
- We demonstrated first-class risk management, with a high-quality and well-diversified loan book, supported by multiple risk mitigants
- Our provision for credit losses was 31 basis points of average loans, marginally above guidance range and also reflecting overlay changes applied in the fourth quarter

- Liquidity has remained very robust, and with substantial buffers above required levels
- In addition, our balance sheet is strong. We have a large and healthy diversified deposit base, mainly in our domestic market
- Furthermore, we demonstrated strong capital management; we ended the year with a robust CET1 ratio, at 13.7%
- Now let me turn to our plans for distributions to shareholders, on slide 8

## Slide 8 – Growth in net income and disciplined capital management leads to significantly increased distributions

- Our strong organic capital generation and disciplined capital management, allowed us both to digest the significant regulatory inflation of the last two years, and support our business growth, while still being in a position to distribute around 30% of our net income to shareholders
- Consistent with prior guidance, we now see scope to shift gears on capital distributions and to increase shareholder distributions to 50% of net income to shareholders from the full year 2024
- In October, we set out plans to accelerate and expand our distributions, having raised our capital outlook by around 3 billion euros through 2025
- With the distributions announced today and our positive capital outlook, we are on track to significantly outperform against our original distribution target
- Let me conclude with a few words on our strategy, on slide 9

## Slide 9 – *Global Hausbank* strategy set to deliver growth

- We have seen rising uncertainties, in the global economy and across the geopolitical landscape, since we launched our Global Hausbank strategy early in 2022
- These developments prove that our strategy is the right one for our clients and for Deutsche Bank
- We have seen, more than ever, that clients want and need a partner with the expertise, product breadth and global network to help them navigate a more uncertain environment
- A European partner, capable of helping and advising them across the world

- The progress we have made, on all key dimensions, gives us a clear path to our 2025 targets
- Having sharpened our business model, we have raised our revenue targets and made focused investments to boost revenues further, especially all in capital light businesses
- … and we're seizing the opportunities offered by our technology investments to expand our digital offering to clients
- We have already completed operational efficiency measures which take us around halfway towards our 2.5-billion-euro target
- And we're well positioned to increase our goals for capital distributions to shareholders through 2025
- With that, let me hand over to James

JAMES VON MOLTKE

<u>Slide 11 – Key performance indicators</u>

- Thank you, Christian
- Let me start with a few key performance indicators on slide 11, and place them in the context of our 2025 targets
- Christian outlined our business momentum and well-balanced revenue mix, which resulted in revenue growth of 6.6% on a compound basis for the last two years, relative to 2021. This performance puts us well on track to deliver revenue growth in line with our new target
- Our strong franchise growth led to a 10-percentage point improvement in the cost/income ratio to 75% against 2021, with the last two years being pivotal investment years
- Our return on tangible equity was 7.4% in the full year of 2023, including a benefit from deferred tax asset valuation
- Our capital position remained strong with the CET1 ratio at 13.7% at year-end after absorbing regulatory headwinds
- Our liquidity metrics also remained strong; LCR was 140%, above our target of around 130%, and the net stable funding ratio was 122%
- In short, our performance in the period reaffirms our resilience and our confidence in reaching our 2025 targets
- With that let me turn to the fourth-quarter highlights on slide 12

## Slide 12 – Q4 2023 highlights

- Group revenues were 6.7 billion euros, up 5% on the fourth quarter of 2022 or 10% excluding specific items
- Noninterest expenses were 5.5 billion euros, up 5% year on year
- Nonoperating expenses were down by 45% compared to the prior year period, mainly reflecting a release of litigation provisions
- At the same time, we booked items related to strategy execution, including the impairments of goodwill and other intangibles of around 230 million euros, and restructuring and severance provisions of nearly 200 million euros
- We generated a profit before tax of 698 million euros, down 10% year on year which mainly reflects the increase in adjusted costs and the nonrepeat of the gain on the sale reported in the prior year quarter
- Net profit of 1.4 billion euros was down 28% year on year, reflecting a lower DTA valuation adjustment compared to the prior year quarter
- Our cost/income ratio was 82% and our post-tax return on average tangible common equity was 8.8% in the quarter
- Diluted earnings per share was 67 cents in the fourth quarter and tangible book value per share was 28 euros and 41 cents, up 6% year on year
- Let me now turn to some of the drivers of these results

## Slide 13 – Net interest income (NII)

- Let me start with a review of our net interest income on slide 13 which also provides an outlook for the next two years
- The numbers are based on the market expectations for interest rates as of 26th January this year
- Our reported NII of 13.6 billion euros was broadly stable for the group in 2023 compared to the prior year but that does not reflect the economic contribution to group revenues due to significant moves in accounting effects, which are offset in non-interest revenues
- Focusing on our three key NII generating business units, as well as other funding costs not offset by accounting effects, we see an improvement of just over 2 billion euros and a cumulative benefit since 2021 of over 4 billion euros

- Looking ahead on the same basis, we expect a decline of around 600 million euros in 2024, driven by the convergence of betas to steady-state levels
- We expect this to be followed by an increase of around 400 million euros in 2025 which brings us close to 2023 NII levels, as the beta convergence is largely offset by the rollover of our hedge portfolios as well as balance sheet growth
- In line with prior guidance, we expect a larger sequential reduction in the Corporate Bank than in the Private Bank in 2024
- We expect a sequential improvement excluding accounting asymmetries in the Corporate & Other division of around 300 million euros relating to reduced funding costs for corporate assets and lower retained liquidity and other funding costs
- We prepared additional slides on NII which are in appendix but the key messages I want to highlight are that…
- We have around 230 billion euros of long-term interest rate hedges on our deposits and equity
- The majority of these hedges are entered into with a 10-year tenor and the weighted average maturity of the portfolio is 4 to 5 years
- We expect 2.5 billion euros of NII from interest rate hedges in 2024, of which more than 90% is locked in with existing positions
- Once deposit betas have converged to steady state levels, our NII sensitivity will mostly be to long term rates, as our hedge portfolio rolls over with limited sensitivity to short term rates unless moves are sharp enough to re-introduce beta lags or approach the zero bound
- We may outperform this guidance if market expectations regarding rate cuts do not fully materialize or deposit betas increase more slowly than expected
- With that, let's turn to adjusted cost development, on slide 14

## Slide 14 – Adjusted costs

- First, our guidance for full year 2023 adjusted costs was essentially flat compared to 2022, as we absorbed the impacts from inflation, ongoing investments and business growth, which Christian discussed earlier
- We made it clear that this guidance included an expectation that the German banking industry would receive a restitution payment from a national resolution fund in the fourth quarter

- And as we announced in our pre-close document, this payment was not included in the recently announced budget
- While our full year adjusted costs were up 3% year on year, in line with our guidance, the fourth quarter adjusted costs of 5.3 billion euros were up 9% year on year, higher than the initial expectations
- We had around 210 million euros of exceptional items in the fourth quarter resulting in adjusted costs excluding bank levies of 5.26 billion euros
- About 90 million euros of these exceptional items are not expected to repeat in the following quarters
- About 35 million euros of costs related to Private Bank service remediation are expected to taper off over time and around 80 million euros of other costs should normalize
- Reflecting on the nature of these exceptional items and considering savings coming through from efficiency measures, we expect to return to a run-rate of around 5 billion euros in the first quarter of this year
- Let's now turn to provision for credit losses on slide 15

<u>Slide 15– Provision for credit losses</u>

- Provision for credit losses in the fourth quarter was 488 million euros, equivalent to 41 basis points of average loans
- The quarter-on-quarter development in stage 1 and 2 provisions of 30 million mainly reflects the non-recurrence of model related adjustments in the previous quarter and the application of an overlay in this quarter
- Stage 3 provisions of 457 million euros were also higher compared to the prior quarter as we saw elevated levels mainly in the Private Bank and Corporate Bank, partly offset by a provision reduction in the Investment Bank
- Full year provisions were 31 basis points and reflect higher stage 3 provisions related to commercial real estate in the Investment Bank and certain one-offs in the Private Bank, partly offset by lower Stage 1 and 2 provisions, as well as a slower-than-expected loan growth
- Before we move to performance in our businesses, let me turn to capital on the next two slides, starting with slide 16

## Slide 16 – Capital metrics

- Our fourth quarter Common Equity Tier 1 ratio came in at 13.7%, a 20 basis points decrease compared to the previous quarter
- This quarter-on-quarter reduction reflect lower capital as our net income was more than offset by capital deductions, most notably for shareholder dividends, AT1 coupons and deferred tax assets
- Risk weighted assets were flat over the quarter
- Credit risk RWA increased over the quarter reflecting business growth and model changes. These increases were partly offset by capital optimization initiatives as we continue to focus on the capital efficiency of our balance sheet
- Lower market risk and operational risk RWA more than offset higher credit risk RWA over the quarter, reflecting lower market volatility and an improved risk profile
- At the end of the fourth quarter our leverage ratio was 4.5%, reflecting a lower capital position and higher leverage exposure

## Slide 17 – Capital management

- Building on Christian's earlier comments on the inflection point in our capital base on slide 17
- Let me give you a view how we want to manage our capital through 2025, as our profitability is improving and delivering more sustainable net income
- First, in line with our ambition, we want to pay out 50% of net income to our shareholders
- Second, we will aim to deploy about 25% of net income into the businesses to support further growth
- Finally, we expect the remaining 25% will provide us with a buffer for additional capital use, the final implementation of CRR3 and further distributions, acquisitions or an increase in our capital ratio
- Let me also give you an update on our capital efficiency program. In the fourth quarter we delivered RWA relief of a further 3 billion euros, mainly from additional securitizations
- Which brings the achieved reduction to 13 billion euros, and means we remain on course for our 25–30-billion-euro target, and we aim to deliver further progress in 2024

## Slide 18 – Committed to increasing shareholder distributions

- Let me give you some more details on our intentions regarding shareholder distributions
- In March 2022 we set a goal to increase dividends per share by 50% for three consecutive years, which we are on track to deliver
- As the slide indicates, subject to a 50% pay-out ratio, we believe there will be scope to extend the 50% increase objective to 2025, suggesting a dividend of 1 euro per share could be paid in 2026
- This would bring the total dividend payments over the five-year period to over 5 billion euros
- At the same time, we are continuing to increase share buybacks. And as Christian mentioned, we will execute a further 675-million-euro program in the first half of 2024, which is again a 50% increase on the buyback program we completed last year
- Finally, given our strong capital and earnings outlook, we see significant scope for further share buybacks and therefore a clear path to outperform our original distribution target of 8 billion euros
- Let's now turn to performance in our businesses, starting with the Corporate Bank on slide 20

## Slide 20 – Corporate Bank

- Corporate Bank revenues in the fourth quarter were 1.9 billion euros, 9% higher compared to a prior year quarter, which already reflected the early stages of the interest rate cycle
- The interest rate environment remained favorable, with revenues further supported by the continued pricing discipline, a solid deposit base and higher commission & fee income
- Sequentially, revenues increased slightly, driven by higher net interest income from higher average balances with corporate and institutional clients and higher commission & fee income in our Institutional Client Services business
- We continue to anticipate a normalization of our deposit revenues over the coming quarters which we expect to be partially offset by growing non-interest-rate-sensitive revenue streams

- Loan volume in the Corporate Bank declined by 5 billion euros compared to the prior year quarter and remained stable sequentially, compensating for the impact of FX movements
- Deposits were 289 billion euros, 3 billion euros higher than in the third quarter with an increased share of term deposit balances compared to the prior year
- Provision for credit losses was 26 basis points of average loans. The moderate increase versus the prior year was driven by higher Stage 3 provisions across various portfolios
- Noninterest expenses significantly increased year on year, driven by the FDIC special assessment charge in the current quarter and adjustments to the internal service cost allocations in the prior year quarter
- This resulted in a post-tax return on tangible equity of 15% and a cost/income ratio of 60%
- I'll now turn to the Investment Bank on slide 21

<u>Slide 21 – Investment Bank</u>

- Revenues for the fourth quarter were 10% higher year on year on a reported basis and 8% higher excluding specific items
- Revenues in FIC Sales & Trading increased by 1% versus an already strong prior year quarter and represented the highest fourth quarter revenues since 2010
- Credit Trading revenues were significantly higher driven by continued strong performance in Distressed and ongoing improvements in the Flow business. The performance of Flow reflects the successful execution of our strategic initiatives and the investments made through 2023
- Emerging Markets revenues were also significantly higher driven by increased client activity in Asia
- Financing revenues were slightly lower versus the prior year quarter, but essentially flat on a full year basis
- Rates and Foreign Exchange revenues were both significantly lower when compared to a very strong prior year quarter and reflected an overall decline in market activity and volatility
- Moving to Origination & Advisory, revenues were up 56% when compared to the prior year quarter but down slightly sequentially due to deal slippage into the first quarter of 2024

- Debt Origination revenues were significantly higher benefitting from an improved LDCM performance, including the non-repeat of hedge losses in the prior year quarter. The leveraged loan market saw a partial recovery from a market that was largely inactive in the prior year
- Advisory revenues were slightly lower compared to the prior year period. However, we expect the previously communicated investments into targeted sectors and regions during 2023 to drive improved performance this year against an improving industry backdrop
- Noninterest expenses were significantly higher year on year, largely the result of a one-off impairment of goodwill related to our investment in the acquisition of Numis
- Adjusted costs were slightly higher reflecting targeted investments in Origination & Advisory, which includes the Numis acquisition
- Leverage exposure, risk-weighted assets and loans were all broadly stable year on year
- Provision for credit losses was 186 million euros, or 73 basis points of average loans. The increase versus the prior year quarter was primarily driven by the model impact on stage 1 and 2 performing loans, with stage 3 impairments also higher, and primarily driven by Commercial Real Estate
- Turning to the Private Bank on slide 22

## Slide 22 – Private Bank

- Private Bank revenues were 2.4 billion euros in the quarter, up 9% year on year if adjusted for the gain on sale of around 310 million euros related to the Financials Advisors business in Italy last year
- Private Bank Germany revenues increased by 10% year on year mainly driven by interest income, reflecting strong deposit margins
- In the International Private Bank revenues were up 9% year on year if adjusted for specific items and FX movements. The growth was driven by episodic revenues in lending, and higher deposit revenues across Europe and Middle East, which were partially offset by continued muted capital market activity and client deleveraging in APAC
- Turning to costs, noninterest expenses were significantly higher year on year driven by approximately 100 million euros of restructuring and severance costs as well as investments in strategic initiatives, Postbank service remediation costs and inflation. These were partly mitigated by

continued savings from transformation programs and lower internal cost allocations

- Fourth-quarter provisions for credit losses of 30 basis points of average loans continue to reflect temporary effects caused by the operational backlog
- The development of the overall portfolio continuously reflects the high quality of the loan book, especially in the retail businesses, and ongoing tight risk discipline
- The business attracted strong net inflow into Asset under Management of 7 billion euros mainly in deposits

## Slide 23 – Asset Management

- Let me continue with Asset Management on slide 23
- My usual reminder, the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Assets under management increased to 896 billion euros in the quarter, supported by net inflows and positive market appreciation of 40 billion euros, partly offset by negative FX effects. Net inflows of 11 billion euros were primarily in Passive once again, continuing the positive momentum we have seen throughout the year, as well as in Cash products
- Revenues declined by 5% versus the prior year. This was primarily the result of a decline in management fees to 575 million euros
- Other revenues declined due to lower investment income and higher funding charges
- Compensation and benefits costs were higher mainly driven by a change in accounting treatment related to carried interest in the prior year quarter, partly offset by lower other variable compensation
- Non-compensation costs were also higher, reflecting support for transformation and costs related to growth in assets under management
- In the prior year period non-operating costs included a significant impairment charge for an unamortized intangible asset which is not repeated this year
- Profit before tax is significantly lower than the prior year period, mainly impacted by lower revenues

- The cost/income ratio for the quarter was 81% and return on tangible equity was 7.1%
- Moving to Corporate & Other on slide 24

## Slide 24 – Corporate & Other

- Corporate & Other reported a pre-tax loss of 14 million euros this quarter, versus the equivalent pre-tax loss of 535 million euros in the fourth quarter of 2022
- This improvement was primarily driven by a net litigation release of 287 million euros in this quarter
- Valuation and timing differences were positive 142 million euros compared to 48 million euros in the prior year quarter, in part driven by the reversal of prior period losses
- The pre-tax profit associated with legacy portfolios was 75 million euros, primarily reflecting the aforementioned litigation release
- Funding and liquidity impacts were negative 111 million euros in the quarter, bringing the full year in line with our guidance
- Expenses associated with shareholder activities were 147 million euros in the quarter which we see as the new quarterly run rate
- At the end of the fourth quarter, risk weighted assets were 40 billion euros, including 19 billion euros of operational risk RWA, and leverage exposure was 39 billion euros
- For the full year, the loss before tax in C&O was 553 million euros. Looking into 2024, we expect the pre-tax loss for Corporate and Other to be more negative, given the non-repeat of the aforementioned litigation release. As usual this includes some uncertainty, particularly associated with Valuation and Timing differences
- Turning to the Group outlook on slide 25

## Slide 25 – Outlook

- As Christian and I have outlined, we are increasingly confident in our growth path, particularly in our ambitions to grow fee income across divisions
- We have revised our revenue growth target to 5.5-6.5% over the 2021 to 2025 period, supported by investments across all business areas and a more favorable economic and market backdrop

- We are fully focused on delivering our cost plan and we see our noninterest expenses reducing due to the non-repeat of certain nonoperating costs, as well as management actions to maintain our targeted quarterly run-rate of 5 billion euros of adjusted costs
- We expect provisions for credit losses to remain at around 25 to 30 basis points of average loans in 2024
- As we outlined last quarter, we have passed an inflection point in our capital management plan which supports our intention to distribute roughly half of our generated net income to shareholders, which, alongside with cost management, is our key management priority
- And finally, with our first half 675 million euro share buyback approved, we are poised to further accelerate distributions beyond our baseline expectations
- With that, let me hand back to Ioana and we look forward to your questions

## Question & Answer Session

| | |
|---|---|
| Chris Hallam (Goldman Sachs) | Morning, everybody. Just two from me. First, on distribution, looking at slide 18, I guess if I take all those numbers together, would I be wrong in saying that the € 8 billion distribution target is now about 25% higher, at around € 10 billion?<br><br>And for this year, consensus has about € 1 billion in share buybacks with respect to 2023 results. Now, you've announced € 675 million and said that there's more to come. So just do you feel comfortable with the € 1 billion figure that consensus has in?<br><br>And then, second, on costs. Obviously, there was a lot of one-offs in Q4. And I guess we're going to see the € 5 billion underlying from Q1, as you mentioned. But just as we start the year, what can you see in terms of one-offs for 2024 and maybe for 2025 as well? |
| Christian Sewing | Thank you, Chris, and good morning to everybody, and thank you for your question. Look, let me start with the capital question, and then James will take the cost question. Look, let me go back to the Investor Day 2022, because I think it's important that we all understand the path which we have announced there, |

in particular also in regards with the capital path and the € 8 billion. Since then, since March 2022, we have consistently delivered on that what we have told you, and that is no different today.

And our focus has always been on the execution of our strategy and the commitment, actually, on the one hand, to focus on our clients, but Chris, more and more, what we have done in the Management Board of Deutsche Bank is actually to put the shareholders into the middle of focus of what we are doing.

Now, with the investments which we have done, with the business how it develops, with the inflection point we see on regulatory remediation, taking the regulatory increases into our capital in and digesting it, we can clearly see that we are at the inflection point on our franchise, but in particular also when it comes to our capital position. And hence, we can see that we have now the room to further step up.

And that is then the result that we said already last year in October that we see, based on the efficient capital management, the operating strengths of the business, the earnings profile, that we see € 3 billion of incremental capital at our disposal.

And, of course, it is our aim that a significant part of these €3 billion will be actually distributed to our shareholders, again, also with the view that it's now the time that the shareholders go actually also into the centre of what we are doing.

Now, what does it mean concretely? And also there, Chris, if we compare this year to last year, last year, in the January earnings call, we did not actually talk about and had the approval for a share buyback. You see our confidence overall in the way the bank has done and on which way we are. And therefore, we asked for the approval of the € 675 million last year. We got the approval now.

And that also means, to your second question there on the way for 2024, in case, and I'm very confident, just looking at January, in case our business performance runs as we forecasted in Q1, I think there is an opportunity, and we should obviously aspire to go for a second approach this year. And that we already have the approval for the first one in January is, I think, a big difference to last year.

Secondly, if I now look at the overall earnings capacity of the bank, how the revenues stack up, and also what James will tell you about the cost line, I really clearly can see that we can change the pay-out in terms of what we retain and what goes to the shareholders to a 50-50. And it is clearly our goal that the 50% increase which we committed to in the last years, which we have done, is also something which we want to do going forward, of course subject to our earnings forecast. But again, we are highly confident.

And that would mean, you mentioned the number, you know where the consensus is, that that obviously results in a number where I said, yes, I would like to actually go to consensus when it comes to share buybacks and capital distribution in total.

James von Moltke

Chris, it's James. On the expense side, look, Q4 was messy. We'd advertised that there were some items that we were expecting. We obviously tried to give you as much of a forward look as we can. But as you can see on page 14, there was a bunch of things that tumbled out, some of which caught us by surprise. I'd say, as a great example, the FDIC assessment. The way it was formulated and crafted brought basically two years' worth of assessment into the one quarter.

And if I go to another question that frequently comes up on these calls, what flexibility do we have to offset, while we think that our flexibility is greater than it has been in the past, € 50 million coming out of nowhere in late November/early December is not something you can really offset at that point in time.

But your question is, what comfort can we give you that the one-offs are coming to an end? I think our goal is to deliver a much cleaner, more predictable profile. And the last few years have been anything but that, with transformation charges, obviously the bank levy that introduces volatility, some of the litigation items that have come at us that we hadn't expected to fall out the way they did.

And while you can never guarantee that there won't be new things coming up, if I look at the various risks and uncertainties that lie ahead, they're much fewer than lies behind us. And so I'd like to think that our path to normalisation is close.

If I look to 2024, we do expect some restructuring charges in 2024, perhaps € 400 million. That's still an elevated level relative to what I would think of as normalised. And clearly, our goal is that by 2025, we will have normalised in respect of both restructuring and severance, and litigation.

It's one of the reasons our investment in non-financial risk is so critical in the control environments, is stop making ourselves vulnerable to those types of things. So we do think we're much closer to providing a normalised picture and also to having the levers in our hands to offset adverse developments better.

Chris Hallam

Okay, thanks. Really helpful. Thank you.

Christian Sewing

Thank you.

Kian Abouhossein (JP Morgan)

Thanks for taking my questions. The first question is related to trading revenues, which you indicated, I think, James, has started very well. And I just wanted to see what you're comparing this to. Is this year-on-year comparison? And what is driving that? I assume in Fixed Income.

Secondly, can you also talk clearly in that context around the investment banking fee pool, where I think you also indicated momentum is continuing from what you said earlier, at a recent conference.

And then, secondly, just coming back to cost, clearly the target is adjusted cost, € 5 billion, about € 5 billion. And just if you can talk a little bit about the levers that you have in case you will not be able to get to about € 5 billion, and what € 5 billion, about, actually means. Is it plus/minus 4%, 5%? How should we think about that?

Christian Sewing

Thank you. Let me start, and then James will for sure add. Look, Kian, thanks for your question. I think on the trading revenues, we know it's obviously early days, with January. But what are we doing? We are comparing it to last year. We are comparing it to our own plan. And we also look at the consistency actually of the day-to-day trading, also with regard to our VaR. And it looks very healthy. It looks a very consistent picture across the different sectors in the trading area. So it is broad-based across the regions.

And I would say, one reason for the strong start is for sure that we have been investing, and Ram has really built up the FIC business over the last five years, quarter by quarter. And of course, the latest rating upgrade by S&P also helps. These are all things which are then self-fulfilling, so to say.

You will remember my speeches, that each rating upgrade also means that obviously clients are coming back, are doing different and more trades with us. We are changing the ISDAs. All that is coming through. And therefore, we can see that, yes, January was good and nice and better than we expected, but I can see from the basis and foundation that, in my view, this is a quite consistent trend.

By the way, we said it, that 78% of the 2023 revenue year were recurring revenues, which is a pretty good picture, and therefore, I also expect, with all the investments we have done in the, so to say, more stable business, that we have a solid and strong start into January.

On the fee income in the O&A, yes, we expect a recovery in 2024. It is always very hard to say when exactly, but we have planned our investments last year in terms of the Numis acquisition but also in terms of the hiring on the O&A side with regard to a long-term development of the bank. We wanted to invest into our capital-light business. And fortunately, we can now see the results of that.

So also here, we can see a recovery in terms of mandates, a recovery in terms of market activities. And therefore, we do believe that we will see, compared to 2023, a nice uptick in the revenues. And the first results we have already seen also in January, but again, I know it's just the first 30 days of the year, but also they are very promising, and that what we wanted to achieve is coming through.

On the cost side, look, James just said it, and he will give you more details, but, we have a full focus, after Q4, showing you already in Q1 that we hit a € 5 billion run rate in Q1. This has daily management, daily monitoring, weekly in the Management Board, and I'm very confident that we will achieve that number of around €5 billion in Q1.

Now, why am I overall so confident on that? Because of that what James said. If you take the € 21.7 billion costs, and we need to come to € 20 billion, we will expect non-operating costs to decrease by around € 700 million. We will again expect approximately a reduction of bank levies in the amount of €350 million to €400 million in 2024 versus 2023. That would bring us roughly to € 20.5 billion.

And now, we are looking at that what we are constantly managing, with the front office, with the back offices, under Rebecca's leadership, and that means we expect that we have another € 400 million net reduction from all what is still coming of our operational efficiency programme.

You know the €2.5 billion of gross reductions. We have delivered savings or expected savings of €1.3 billion, of which €900 million have been realised up to now. And the remainder comes from €600 million in Germany in the optimisation Claudio is doing, in particular on the business side, with all the rationalisation on the branch side, with all the investments which have been done into Unity, and now we are getting the fruits out of this.

We have on technology and infrastructure another € 700 million which we will reduce, application decommissioning and so on. And then you know that for our core processes, we have invested a lot of money, and we will do this also going forward in the front-to-back process redesign, where we think we will get another € 300 million out.

Now, against that, there is obviously some inflation, some business growth, but that makes us highly, highly confident that we can get the next € 400 million to € 500 million of operational efficiency net out. And that brings us to the € 20 billion. The good thing is, that is the long-term plan for 2024 and 2025, but if you see the bottom-up plan for the first quarter, we will achieve the €5 billion on a rounded basis this quarter.

James von Moltke — And Kian, I entirely endorse what Christian just went through, and it's just to put a couple of numbers behind it as well. In FIC, I would draw your attention to page 47 of the analyst deck, where we tried to give you a little bit more colour on how the FIC franchise performs on a daily basis and relative to its VAR. And so it gives you a good comparison as to what so far the quarter might look like compared to last year's first quarter.

I think the second thing to add, in the Corporate Finance wallet, if you look at some of the external providers of data on that marketplace, I think those providers would say that the wallet will grow 15% to 20% this year. Now, that obviously still needs to happen, but we think the conditions are there, and as Christian just outlined, through Numis and the other hires we've invested to participate in that.

And then, lastly, on expenses, to give you a sense of what we would think is a range of outcomes, 1% rather than 4%. We have the discipline, and for us, missing by 1% or €50 million would be a disappointment. And that gives you a sense of how we're managing the place.

Kian Abouhossein — Very clear. Thank you.

Adam Terelak (Mediobanca)

Good morning. Thank you for the questions, one on revenues, and one on costs. On the revenue side, you've given a lot of detail on NII and NIR trajectory. You've given us € 32 billion for 2025, hinted at € 30 billion still for this year. But could you put a little bit more meat on the bones, please, and that would be by division, and expectations by division? But also, on the non-NII growth, in terms of what you see, in terms of fee momentum and beyond the O&A piece, but also, on loan growth, as well, which clearly, is baked into your NII assumptions. So, some more colour around revenue and revenue expectations, and why we should be as bullish as you guys, would be great.

And secondly, on cost and cost trajectory. You're talking to € 5 billion for Q1. Clearly, the run rate for next year is going to be below that, if you're going to get to € 20 billion. So, what does that adjusted costs look like through this year? Do we actually end up below € 5 billion by the end of the year, and so, the adjusted cost print could be in the € 20 billion range for 2024? Obviously, the reported number might be higher, but I'm thinking about adjusted cost only at this stage. Thank you.

James von Moltke

So, I can start, and Christian may want to add. On revenues, Adam, first of all, we provided the additional disclosure on net interest revenues, or net interest income, to try to put that to one side. Hopefully, that's helpful disclosure, and indicates the relatively high degree of confidence we have on delivering against that. Whether that's by hedging out the remaining curve, or also indicating how conservative we think we're being on, for example, beta assumptions and growth in volumes.

But set that to one side, and then that allows you to focus on the on the non-interest revenues. There, to give you a sense, we think all of the businesses are poised to grow their revenues, on the non-interest side, pretty considerably. When you just think of all the sources of non-interest revenues we have. If we start with the Corporate Bank, custody, transactions, payments, the merchant acquiring business, the documentary custody business.

We earn fees across that business in lots of different ways that do cohere with the overall performance and level of activity in the marketplace. In Asset Management and Private Bank, obviously, the assets under management are the key driver, and therefore, our inflows are encouraging to us. It means our step off into 2024 is higher than the average, considerably, in both businesses that we ran at in 2023. And we also think that in general, investor behaviour, particularly in the international Private Bank Wealth Management business, has been relatively muted. So, we think there, there's growth opportunity, as well.

And that then leads you to the Investment Bank. We've talked about what we see as a recovery, and Origination and Advisory, coupled with, potentially, market share expansion, given the investments that we've made.

And that's encouraging to us. And we think there's also runway in FIC, as we've continued to put investments in place across, I won't call them an adjacencies, so within our footprint, areas where we think we're underperforming our potential, and Ram and his team have been very deliberate, executing on those investments. We think that that will also provide a strong backdrop.

In terms of giving you orders of magnitude, obviously, the origination advisory piece is the largest, in terms of our expectations in absolute terms. But it's also the market, in our view, that has been most muted in the past couple of years. So, there, we think of it less as growth from a foundation, rather than recovery. And that's something we see the preconditions as clearly in place for.

Christian Sewing

I just want to add one item, and just to give you a little bit of a feel, Adam, of also how stable the revenues, for instance, in the Corporate Bank have performed over the last six months. Of course, we have already seen, in the Corporate Bank on a monthly basis, some normalisation on the NII. But that was always fully compensated already by fee income, given our investments, which we have done.

And we feel that this is also happening in 2024, given the mandates, which we have won. You remember that potentially, in October, at the earnings call, we talked about the increase of one mandate with multinational corporates. Well, that is continuing, and obviously, this is helping us now a lot to also go against the NII normalisation in the Corporate Bank. So, it is actually a healthy distribution going forward.

And if I then think from a starting point of view that we have, as James was just saying, € 57 billion of additional assets under management in the Private Bank and in Asset Management, and what that already brings us at the start of the year, which we have already, so to speak, captured, that makes us highly confident that we'll come to that number, which you have just quoted, the € 30 billion for 2024.

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| James von Moltke | And just briefly on the run rate. Look, we've got to continue working it back down, as you saw in 2023, it crept up a little bit. It was basically € 4.9 billion for much of the year, and then it crept up to € 5 billion, as we'd advertised. It did go further than we expected, but we'd like to bring it back to € 5 billion, and if possible, below. What that depends on is strong execution of our initiatives, controlling, if you like, the throttling of investments, so that we line them up with the crystallisation of savings.<br><br>And to Chris' point at the outset, the absence of surprises. But we feel like we've got the tools in our hands to achieve that, and a lot of hard work lies ahead, but we've got a clear path. I do want to say, as a proviso, one of the things we always found difficult in talking about absolute expense numbers is FX can move it around, so you have to keep that in mind. But in general, we're managing to that ex-FX run rate. |
| Adam Terelak | Okay. So, all else equal, € 5 billion is, ideally, the peak, as we look out. |

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| James von Moltke | Yes. I think so. |
| Stuart Graham (Autonomous) | Hi. Thank you for taking my questions. I have two, please. The first is on return on tangible book value. As an aside, I didn't see the 10% Group target for 2025, but I guess that's still in place. But my question is on the return on tangible equity in the Investment Bank. It was only 4% in 2023, after 8.4% in 2022, and 9.4% in 2021. So, what's your target return on tangible book at the Investment Bank in 2025, please?<br><br>And the second is a geeky question on US CRE. At the Q3 stage, you said there was just € 3 billion of US CRE loans to be modified in next 15 months, but you did € 2.3 billion already in Q4. So, what's your revised expectation for the next 12 months, in terms of modifications? And do you have an update on the € 0.9 billion stress loss estimates you gave at the Q3 stage, please? Thank you. |
| James von Moltke | Thanks, Stuart. Look, the IB needs to be above 10% in 2025. Very simply, just it's a law of averages that we have. And what gives us real comfort there is we've been going through some amount of transition, as well, in the mix of business, where as we shift to more capital light revenue sources, you should be able to see a strong lift.<br><br>And the Investment Bank will also benefit from some of the cost saving initiatives that are there, in their allocated expenses. So, we think their path to that 10%, well above 10%, is reasonably clear. On US CRE, actually, I don't have a number to hand. We are continuing to work through. And I just want to make one distinction clear, there are maturities of extensions of loans, and then modifications.<br><br>And so, we think there's a about € 10 billion of either extension or maturity events to work through this year, some of which will lead to modifications of various sorts. And then applying the percentage that we show you of 4-4.5%, you'd expect some of that to, obviously, translate into credit loss provisions. So, hopefully, that gives you a sense on both of those questions. |

Christian Sewing

Can I just say, Stuart, because your question on the Investment Bank is obviously important, and rightly, James went to the composition of revenues, and our investments we did in the capital light business, which will obviously help. Secondly, our focus in bringing the cost down is on the infrastructure, and he said that.

I would also like to mention that if you simply look at the market comparison of Deutsche Bank versus other peers, and you look at revenues over RWA, the Investment Bank already actually doing an excellent job. So, it's now very much about the composition and the balance of revenues, which we are starting, and have started to address last year with our investments.

And I can see that the O&A business is obviously coming back in 24, and the infrastructure costs. So, I think the Investment Bank on the top line versus RWA is actually already doing an excellent job. And obviously, we expect that to be maintained. And last, but not least, just for clarification, you indicated, at the start, it's a full confirmation, yes, we clearly we clearly confirm the larger 10% RoTE for the year 2025. There is no doubt.

Stuart Graham

Thank you. Thanks for taking my questions.

Nicolas Payen (Kepler Chevreux)

Thanks for taking my question. I have two, please. The first one will be on the litigation write back that you had. It was quite significant, so if we could have a bit more colour on what it is related to, please. And the second question is coming back to your US CRE CLP. It has doubled in Q4 versus Q3.

So, I'd like to know what kind of assumption you have baked in, regarding US CRE CLPs for 2024. And how does it fit into your cost of risk assumption of 25 to 30bps for 2024? Thank you very much.

James von Moltke

Sure. Nicolas, it’s James. I’m happy to take the questions. Unfortunately, as you know, we don't give detailed information about what goes in and out of litigation provisions. Your point is, it's a large one, and that is fair. I can't say more, really, other than it's a long standing provision that we've held, and now taking the view, there isn't any more basis to retain it.

On CRE, I could imagine that the next couple of quarters, Q1, Q2, it could remain elevated. But I can also, and my own expectation is that it would begin to ameliorate towards the second half of the year and into 2025. You shouldn't be surprised, if it were in line with 2023, as a baseline expectation. And in an ideal world, it might be a little bit better than 2023.

We will publish a revised stress scenario in our annual report. I'd say that's probably deteriorated a little bit given the circumstances we see in the marketplace. And as you can see, cumulatively, we're tracking closer to the level that we'd laid out in our Q2 and Q3 reporting.

That said, and I think it's important to say, as you think about our forward guidance, if you take out the € 450 million across the various portfolios that we booked in commercial real estate in 2023, and take that out of the numbers, you can see a CLP level that is running, actually, in a relatively normalised range.

And that's in a year, in which we actually incurred some losses, particularly in the Private Bank that went beyond what we would normally see in the Private Bank. You'll recall a couple of idiosyncratic cases in the first quarter, and then in the third and fourth quarters, some amount of what I call excess provisioning associated with the operational backlog issue.

So, we think that all gives us confidence that as this cycle in commercial real estate abates over the next six quarters, you should see a much more normalised credit loss provision emerge.

Nicolas Payen

Thank you very much.

Anke Reingen (RBC)

Thank you very much for taking my questions. Just two small number questions. The first is just to clarify the payment from the resolution fund, which you didn’t get in Q4. That’s not included in any of your commentary about costs 20242025, and maybe you can give us a bit of an indication about the magnitude. And then, lastly, just a numbers question, given the many moving parts, can you help us a bit with your tax rate guidance? Thank you.

Christian Sewing

Anke, thank you for your question. Yes, we, on the Altmittel, that's the German word for the payment from the German resolution fund, we clearly expected the repayment into the banks, because we feel that from a legal analysis, this is our money.

We also made various proposals to the German government, together, by the way, with all banks, the Savings banks, the Cooperative banks, and the private banks, as to how we can actually use that money nicely, in order to fund the transformation in Germany. It seems to be that the German government is going another route, and obviously, we need to review that from all kinds of perspectives, as you can imagine.

But to your clear question for the guidance of 2024 and 2025, this is not part of our plan, i.e., there is no cost plan where this is included. Because for the time being, we assume that this is not coming our way, but of course, we need to review it from a legal point of view.

James von Moltke

Or capital plan, for that matter. And then tax, I would use a 30% rate in your modelling for 2024. Obviously, there are always uncertainties, and things that can change. One thing that we are now at the end of is the DTA valuation adjustments. We've, essentially, written back the tax attributes in, actually, three jurisdictions now, the United States, the UK, and Italy. And therefore, you should see a normalised level of taxation in the coming periods.

Anke Reingen

Thank you very much.

Giulia Aurora Miotto

Hi, good morning, and thank you for all the new disclosure, in particular on NII and costs. I want to ask you, however, a question on capital. Specifically, there have been some headlines on potential M&A, which is something that you also looked at, domestic M&A, a few years ago.

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| | But that seems to be at odds with what we hear today, your big commitment to capital distribution. So, how do we square these two? And what would it take for you to pursue some big M&A? That's the first question. |
| | And then the second question is more of a numbers question, sorry, going back to the costs again. I hear a lot of conviction on € 20 billion by 2025 underlying, and the one-offs reducing. So, what is the run rate for restructuring costs? Do you expect it to be € 400 million in 2024, and then down to € 200 million? Any comment on other potential one-offs. Thanks. |
| James von Moltke | Well, let me start, I have a quick thing to say, yes, it is at odds, and what you hear from us is a commitment to distribution. And on costs, it's hard to say with perfect accuracy what it is that these litigation and restructuring severance. Obviously, the latter is more in our control. If I look to 2025, I think € 400 million, collectively, for the two would be a reasonable planning assumption. |
| | And we'd like to do better than that. Clearly, one of the things that we're working to do is to put the remaining restructuring items behind us now in 2024. I've given you an estimate of what that looks like. And as I said earlier, when looking at our litigation portfolio, one does feel that it's changing, in terms of number and size of events. |
| | Now, it's never a perfect forecast, but it's certainly something that we're hoping to work down to a more normalised level. So, I'll give you € 300 million to € 400 million is probably a good planning assumption across the two. |
| Christian Sewing | I just want to emphasise what James said on the M&A, there is nothing we can do about headlines. We focus on ourselves, and distribution to shareholders is at the heart of what we're doing. |
| Giulia Aurora Miotto | Understood. Thank you. |

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| Jeremy Sigee (BNP Exane) | Thank you. Just a couple of number detail things, please. Firstly, on the capital returns. Can I just clarify what has been deducted from capital already? Is it the € 45 cents and the € 675 million buyback, but no extra? Have those both been deducted? And linked to that, when you talked about the 50% payout for the returns done over the course of this year, and in particular, in the second half of this year, is the constraint 50% of this year's earnings 2024, or constraint being 50% of last year's earnings, which a lot of it was accrued out of?<br><br>And then the last question was just on the costs. I know we've talked a lot about it, but in the divisions, both the IB and the Corporate Bank were about € 100 million heavier in the quarter. And I wasn't very clear, I wondered if you could just talk a bit more about how much of that was specific items or year-end extra, and how much of that falls away? That would be very helpful, thank you. |
| James von Moltke | Sure. Jeremy. I think I got both of your questions, but feel free to follow up. Look, we would like to stick to the 50%. We think that's prudent, and ideally, not go beyond. By putting out the dividend guidance that we have, I think the indication is that management's confident of its ability to grow earnings from here.<br><br>If you think about 50% of our net income to common for 2023, that actually gives us still a fair amount of room against the € 1.6 billion that we've talked about today. To your question about what is, if you like, disregarded in the ratio, based on interim profit recognition, the answer is the € 900 million, the € 45 cents, is disregarded in the December ratio.<br><br>The € 675 million is not removed from that. The € 675 million, we see as part of the discretionary programme, rather than the 50% payout ratio assumption, which, in essence, wasn't in place in respect of 2023. That € 675 million would represent about 20 basis points, and so, in the rounding, we'd be at 13.5%, maybe 13.6%, proforma CET1 for that second buyback.<br><br>In Investment Bank and Corporate Bank costs, I do |

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| | want to just remind the CB took the lion's share of the FDIC assessment. So, there's noise this quarter on that, as well as last year in the fourth quarter, there was, what I'll call a true up in the internal service cost allocation. So, that's been a bigger feature for CB than the others. And in IB, of course, that's seen a fair amount of the investment in 2023, including, obviously, Numis in the fourth quarter.<br><br>So, noise in both, and as we strip away now in Q1, you should see, what I'll call a cleaner run rate in both of those businesses. |
| Jeremy Sigee | Thank you. And just to be clear, both of those things are in the adjusted costs. So, the FDIC is in the adjusted cost, it's not been stripped out as a one-off. |
| James von Moltke | Yes. FDIC was not stripped out as one-off. So, of all of that, the only thing that's not an adjusted cost is the Numis impairment. |
| Jeremy Sigee | Perfect. Thank you very much indeed. I appreciate it. |
| Andrew Coombs (Citigroup) | Good morning. Two questions, please. Firstly, thank you for the net interest income walk. In the guidance for the decline that you gave for 2024, you talked about moving to a steady state level on deposit pricing. Perhaps you could just elaborate there on what your steady state deposit beta assumption is. I think your peers are at 40%, but perhaps you could elaborate there.<br><br>Secondly, coming back to the non-net interest income growth, it looks like you're targeting € 1.6 billion a year in both 2024 and 2025, so 9% to 10%. It's a very healthy run rate that you're guiding to. Within that, you've mentioned the four different components. So, Fixed Income, Origination & Advisory, Wealth and Asset Management.<br><br>And you said that origination advisor is the biggest component within that, but perhaps I could ask two things. Number one, can you split out the growth between those four? And secondly, how much of it is driven by industry wallet versus how much is market |

share gains? Thank you.

James von Moltke

I'll speak to the beta. Look, we've made a policy decision, if you if you like, not to talk about betas in specific terms externally. What we have seen, and I think we've talked about this before, our portfolios are quite varied. And by that, I mean the deposit portfolio breaks out between Private Bank and Corporate Bank, and then in each of those businesses, really euros and dollars.

And then, of course, there's a dynamic around what is site and what is term. So, there are different behaviours across those things. What we are thinking could happen is that with the expectation in the market now that policy rates will start to go down, that the long term interest rates have gone down, you may see a peak, in terms of pass through, or we may have, in fact, seen a peak, in terms of pass through.

Because now banks are reacting, and our clients are reacting to a changed interest rate environment. And hence, we could, I can't say this for certain, but we could be near a peak of the passthrough associated with the rate increase cycle we've just been through. And now the question will flip to how sticky will customer rates be on the way down?

So, a completely different dynamic. As I've said, and we said this in Q3, and I guess I'd reiterate this, our beta assumptions assume a continued convergence towards the models, as though the trend was still upwards. Although there's a possibility, as I say, that we've peaked, and may run flat for a period of time, before things start to move down.

So, an interesting dynamic around the betas. In terms of the split, I don't want to go into too much detail, but I would say, relatively evenly split between Private Bank, Corporate Bank, and the Fixed Income and Currencies business. So, producing, let's just say, about half of the rise, if I were to put it in rough terms, and about the other half in O&A.

And as I've mentioned, we see O&A as a recovery, rather than a growth from a steady state level. And in that number, you might see two thirds of it be the market, and a third be market share (**Disclaimer:** there has been an error in this statement during live Q&A, which has been corrected in the Q4 / FY 2023 Fixed Income Analyst Call on February 2, 2024, which is published on investor-relations.db.com. The correct statement should read as follows: "And in that number, you might see <u>one third</u> of it be the market, and <u>two thirds</u> to be market share"). But again, those are very rough estimates that we're looking at in our planning. Lots of things can move. But I hope what you take away from that is how broad based the sources that we're looking at are.

And as we've talked about, much of the revenue base becoming predictable around input drivers and output revenues that it produces, alongside, as we showed you now, a relatively predictable net interest income stream, including, incidentally, the breakout now of what we're calling the banking book businesses, which include the Financing and FIC.

So, hopefully, that's some good colour on what we're seeing and is driving the raised guidance.

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| Andrew Coombs | That's helpful, thank you. |
| Andrew Lim (Societe Generale) | Morning. Thanks for taking my questions. Firstly, on the NIR guidance that you've lifted. It does seem that a large part of that was based on self-help and investments. But I guess some part was also based on market growth. So, my question here is, what's your assumption for GDP growth, backing your guidance, and in particular, Germany? |

And then my second question is back on your cost guidance. You're guiding to € 5 billion for Q1, and I guess about € 20 billion for the year. But potentially, you've had about € 5.3-5.4 billion for the Q1, and then a bit less than € 5 billion for the remaining quarters to reflect the seasonality, or stronger revenues in the first quarter. So, I'm just wondering how you're thinking

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| | about that now. What's happening with the seasonality through the year? |
| James von Moltke | So, Andrew, thanks for the questions. The bigger driver of the Q1 numbers has been the bank levy, and we've had to go through the adjustment hoops on that. And we think it was still to be finalised and determined, but we think that noise will be removed. And also, ironically, we've had to book some bank levy in Q4, because of the way the dynamic works between the UK and the European bank levies. |
| | So, in a sense, brought forward some bank levy from 2024 into 2023. You're right that there is some seasonality, especially with variable compensation bookings. But on a on a relative basis to a big number, like € 5 billion, that is not a massive driver, but something we look at and manage carefully, given the importance of it to our business. |
| | On the assumptions of GDP growth, we just use a consensus view, and that consensus view, obviously, already reflects pretty muted GDP growth performance, especially in Germany. So, zero, slightly negative, relatively muted in Europe, but in the United States and Asia, probably assumptions that right now a little bit behind what the consensus views. |
| | To be fair, GDP isn't necessarily the main driver of the engines that we're talking about of the fee and commission income growth. I'd say it's more activity. And by activity, I mean loan fees on trade finance, which has been relatively muted. I mean transactions, in terms of issuance, where we also, in our trust and agency securities business gets fees on custody, and also, transfer agency and the like. |
| | So, it is activity levels that really are the driver, and they cohere more just with corporate and household confidence, than specifically GDP growth assumptions. |
| Andrew Lim | Many thanks for that. |

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| Mate Nemes (UBS) | Thank you, and well done on the results. A couple of questions from my side. First, as a follow-up. You mentioned that the non-NII revenue growth could, perhaps, be coming two thirds from maybe market growth, and one third from market share growth. Looking at this and the € 32 billion implied revenue target by 2025, could you give us a sense of what degree of flexibility you see on the cost side?<br><br>Should, perhaps, some disappointment happen? Maybe from the market growth side? What levers do you have to pull, should there be a disappointment on revenues? Because clearly, you're doing a lot to hit that € 20 billion adjusted cost target. That's the first question.<br><br>The second one is on capital management, and specifically, M&A.<br><br>I think we've heard you loud and clear that you're focused on distribution mainly. But you're also looking at, perhaps, accelerating growth in some areas, and investing in the divisions. Do you see scope for, perhaps, bolt-on acquisitions along the lines of Numis here and there?<br><br>And if that's the case, where do you see opportunities you can accelerate the organic growth, and what would be your criteria? Thank you. |
| Christian Sewing | Thank you. Let me start with the last one. One cannot exclude that, and if there is an opportunity in one of our core businesses that we have an add on acquisition, which makes sense from a content point of view, from a regional point of view, from a client point of view, and it fits into our culture, I wouldn't exclude that.<br><br>But it's not the main focus of our strategy. And when we came to the previous questions and the headlines, I was referring to, in particular, the bigger M&As, which are not our priority. But if we would have an opportunity, I would always say that we would potentially look at it.<br><br>But again, we feel that with the existing platform we have, with the existing franchise we have, we are really |

on a good path to achieve the goals, be it on the revenue side or on the cost side.

I like your questions on the cost side with regard to the flexibility. Yes, we have clearly an ambitious road on the Non-NII.

But I can already see how, in particular, in the O&A business, our investments, both in Numis, by the way, which is running really well, but also, the hiring of the people, which we have done, is adding, in terms of mandates, and also, revenues, also, when I look now at Q1.

But clearly, if it's not coming, we have a dynamic process, and that dynamic processes is that the business has to explain to the CFO, but also, to me, what they are doing, if the revenues are not coming through. Now, to be very honest, we have built it for the long term, and I think it's the right decision for us to expand in that business.

But clearly, if revenues would lag, then obviously, you have various levers, be it in that area, also, the variable comp, we have other investments, which are part of our plan for those businesses, which we can reduce. In this regard, we would proactively, obviously, countermeasure.

James von Moltke

And, Mate, just a couple of things. I may just clean up a statement. Of the market share versus market growth, first of all, the focus there was on Origination & Advisory, and I may have inverted. What I meant to say is two thirds, we think, comes from market, and one third from market share growth (**Disclaimer:** there has been an error in this statement during live Q&A, which has been corrected in the Q4 / FY 2023 Fixed Income Analyst Call on February 2, 2024, which is published on investor-relations.db.com. The correct statement should read as follows: "What I meant to say is one third, we think, comes from market, and two thirds from market share growth"). But again, those are estimates.

I guess the one other thing to point out on your capital question, slide 17 of the deck, what we tried to indicate is in the last 25% block there of how we would apply the capital, is other stuff, it is whatever we're not able to offset of CRR3 through our capital management measures.

Then either ratio build, more distribution would be built into that, and also, some leeway to pursue bolt-on acquisitions, or have the capital impact of bolt-on acquisitions, if we find the right opportunities. We've talked, in the past, about what those opportunities typically look like.

We've been clear that the DWS, the Asset Management business, has been seeking opportunities, and we would put capital to work there. We've looked at other opportunities over time. But I guess the thing to point to is that we would be disciplined about targeting investment opportunities that are, relatively speaking, capital light, and strategically, on point, as Numis was, with our global house bank strategy.

Mate Nemes — That's very helpful. Thank you.

*This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to the Q4 2023 Preliminary Financial Data Supplement, which is available at* [investor-relations.db.com](investor-relations.db.com)*.*

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