Deutsche Bank AG

Deutsche Bank Q3 2023 Analyst Conference Call

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Transcript

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James von Moltke, Chief Financial Officer
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CHRISTIAN SEWING

Slide 1 – Business momentum reflecting strategy execution

- Thank you, Silke, and a warm welcome also from my side! It's a pleasure to be discussing our third quarter and nine-month results with you today
- These results show our continued progress on the path to our targets in several respects
- First and foremost, we continue to demonstrate strong earnings momentum. We generated profit before tax of 5 billion euros in the first nine months, after absorbing nearly 950 million euros in nonoperating costs, including restructuring related to operational efficiencies
- Our post-tax RoTE was 7%, and would have been nearly 9%, excluding these nonoperating costs and with bank levies apportioned equally across the year. This reflects progress on our path to meet our 2025 target of above 10%
- Second, we are seeing progress across all three dimensions of accelerated execution of our *Global Hausbank* strategy, namely revenue growth, operational efficiency, and capital efficiency
- Strong operating performance is driven by business momentum through a well-balanced business model. Revenues in the first nine months were 22.2 billion euros, up 6% year on year, well above our target growth rate. The Private Bank and Asset Management together attracted net inflows of 39 billion euros; alongside 18 billion euros of deposit growth at the Group level in the third quarter
- We also continue to make progress on the second dimension of our *Global Hausbank* strategy; operational efficiency. We have progressed with existing measures and we have additional measures in flight
- And in terms of capital, we are delivering on our distribution commitments. We are on track to complete the 450 million euro share repurchase announced in July, thereby delivering total distributions across 2022 and 2023 of 1.75 billion euros
- We finished the third quarter with strong capital; our CET1 ratio was 13.9%
- In addition, we have identified further capital opportunities and we now see scope to free up additional capital of 3 billion euros, enabling us to accelerate our strategy and boost returns, above our original expectations, from now to 2025 and beyond

- This gives us added potential to increase capital distributions to shareholders, while also deploying capital to support clients
- Before we move on to progress in our businesses, let me give you an update on the Postbank IT migration
- This was one of the largest IT migration projects in European banking, and is essential to lay the foundations for a more digital bank offering at Postbank
- We successfully migrated 50 billion records of 12 million Postbank customers; however, we saw unexpected levels of client enquiries which led to backlogs
- We have put measures in place to work through these backlogs. This not only includes an increase of temporary staff, but also accelerating measures already underway such as implementation of automation and process optimization tools
- And I am pleased that we have reduced the operational backlog by about two thirds over the past weeks, and we expect 70% of all impacted Postbank customer processes to run against service level commitments again by end of October, including processes which have been particularly critical for our clients. We are confident that the remainder will be completed in the fourth quarter
- Let me now turn to the key highlights of our resilient performance over the nine months on slide 2

Slide 2 – 2023 YTD results reflect resilient performance

- We delivered operating leverage of 4% on an adjusted basis in the first nine months, with revenues up 6% and adjusted costs up 2%
- As a result, our pre-provision profit for the first nine months was up 5% year on year to 6 billion euros
- In addition, we continue to reap the benefits of disciplined risk management and a high-quality loan book; provision for credit losses for the first nine months remained in line with our full year guidance, at 28 basis points of average loans
- Our balance sheet proved its resilience. Deposits rebounded by 18 billion euros to 611 billion euros in the third quarter. We saw franchise momentum across the board
- And furthermore, we strengthened our capital position. Our CET1 ratio rose to 13.9% during the quarter, thanks, primarily, to strong organic

capital generation from earnings and the results of our capital optimization efforts. This more than offset negative regulatory impacts, mostly model changes, and deductions for dividends and share buybacks

- Let me now discuss the growth and balance across our business, on slide 3

<u>Slide 3 – Balanced revenue mix and continued franchise growth</u>

- The Corporate Bank delivered a post-tax RoTE of 17% in the past nine months. Strong revenue growth, combined with flat adjusted costs driven by tight expense discipline, produced operating leverage of 24%
- Our momentum with key clients is encouraging; we saw an increase of around 40 percent in incremental deals won with multinational corporate clients which will drive future revenues
- Our client focus, strong core capabilities and standing as an innovative thought leader in the market have been evidenced by The Banker's Transaction Banking Awards 2023, where Deutsche Bank has been voted Best Bank for Cash Management as well as Transaction Bank of the Year for Western Europe for the second consecutive year
- In the Investment Bank, we have a well-diversified business portfolio, supported by our leading Financing business which contributed 2.2 billion euros, or approximately 35% of FIC revenues, year-to-date
- We have invested into our Origination & Advisory business, taking advantage of market opportunities which are expected to drive future revenues, including through the acquisition of Numis, which we recently completed. We are also seeing clear signs of recovery in the market, led by Debt Origination
- Turning to the Private Bank, the business grew revenues, attracted inflows of 22 billion euros supported by new money campaigns, and made further progress in streamlining our distribution channels
- Finally, we also grew volumes in Asset Management
- Assets under Management grew by 38 billion euros, including 17 billion euros of net inflows in the first nine months of 2023, driven by strong inflows into Passive, including Xtrackers
- The business launched 18 new products in the third quarter alone, including our first thematic ETFs in the US market

- To sum up, we delivered revenues of 28.5 billion euros in the last twelve months to September 30th, up over 6% versus the equivalent prior period. We also see forward momentum from net inflows, investments, and business wins with key clients. Our businesses are strongly complementary and well balanced
- All of this supports our conviction that we will continue to grow our franchise and exceed our revenue growth targets
- Now let me turn to the progress we're making to accelerate the execution of our *Global Hausbank* strategy, on slide 4

Slide 4 – Continued accelerated execution with material progress on capital efficiency

- First, on revenues, with compound annual revenue growth of 6.9% over 2021, we are well on track to outperform on our revenue growth target of 3.5 to 4.5%
- And we will continue to benefit from the higher rate environment which drives sustainable performance in the Private Bank and Corporate Bank
- We also made progress with our own initiatives that are expected to drive fee income
- We are confident that the new addition to the family, Deutsche Numis, will enable us to take added advantage of an expected pickup in corporate finance activity
- With 39 billion euros of net asset inflows in nine months, we expect the growth of our assets under management to drive fee income in future quarters
- Second, on operational efficiencies, our existing savings measures are largely proceeding in line with or ahead of plan. This includes streamlining of front-to-back processes and headcount management. We are also optimizing our distribution network, and have reduced branches by more than 90 over the first nine months of 2023
- This enabled us to keep our adjusted costs essentially flat compared to the prior year quarter, despite absorbing inflationary pressures and investments in growth and controls. And we continue to work on further measures
- And third, turning to capital efficiencies, as I mentioned earlier, we have made considerable progress on several fronts

- We have already delivered, after two quarters, around 10 billion euros of the 15 to 20 billion euros RWA reduction we planned by the end of 2025

- Other measures are already ongoing, mainly focused on hedging and reductions in sub-hurdle lending

- And, given progress to date, we have identified additional opportunities to reduce RWAs further, and this enables us to raise our target by 10 billion to 25 to 30 billion euros

- Let's now discuss what this means for us on slide 5

<u>Slide 5 – Shifting gears based on clear management agenda</u>

- As just mentioned, we will deliver a further RWA reduction of around 10 billion euros from our capital optimization measures

- And on top of this, we now anticipate a lower impact from Basel III, by 10 to 15 billion euros, which James will discuss in a moment

- Taken together, these two factors give us potential to free up additional capital of around 3 billion euros through 2025

- We believe that our enhanced capital outlook will support accelerated and expanded distributions to shareholders while increasing our ability to invest in our platforms to boost growth and profitability

- We will deliver this by sharpening our business model around capital-light and at-scale businesses, while applying rigorous hurdle rates to our portfolios to drive returns

- As we look to 2025 and beyond, we see a clear opportunity to shift gears through a self-reinforcing process of franchise growth, operating leverage, and increased returns, and to create more lasting value for our shareholders as our *Global Hausbank* grows

- With that, let me hand over to James

JAMES VON MOLTKE

Slide 7 – Key performance indicators

- Thank you, Christian
- Let me start with a few key performance indicators on slide 8, and place them in the context of our 2025 targets
- Christian outlined the business momentum and our well-balanced revenue mix, which resulted in revenue growth of nearly 7% on a compound basis for the last twelve months relative to 2021. This performance puts us well on track to deliver revenue growth above our 2025 target
- Our strong revenue growth combined with cost management led to a 2-percentage point improvement in the cost/income ratio to 73% and our return on tangible equity was 7% in the first nine months of 2023
- These ratios would have improved by almost 5 and 1.8 percentage points if adjusted for higher nonoperating costs and if bank levies were apportioned equally across the year
- Our capital position remained strong with the CET1 ratio at 13.9% this quarter after absorbing regulatory headwinds and the impact of the share repurchase
- Our liquidity metrics also remained strong; LCR was 132%, in line with our target of around 130%, and the net stable funding ratio was 121%
- In short, our performance in the period reaffirms our resilience and our confidence in reaching or exceeding our 2025 targets
- With that let me turn to the third-quarter highlights on slide 8

Slide 8 – Q3 2023 highlights

- Group revenues were 7.1 billion euros, up 3% on the third quarter of 2022 or 6% excluding specific items
- Noninterest expenses were 5.2 billion euros, up 4% year on year, mainly driven by higher nonoperating expenses
- Nonoperating expenses this quarter included litigation charges of 105 million euros and 94 million of restructuring and severance provisions
- Adjusted costs increased 2% year on year which I will discuss in more detail shortly

- Provision for credit losses was 245 million euros or 20 basis points of average loans
- We generated a profit before tax of 1.7 billion euros, up 7% year on year
- Net profit of 1.2 billion euros was down 3% year on year reflecting an effective tax rate of 30% compared to 23% in the prior year quarter
- Our cost/income ratio was 72.4% and our post-tax return on average tangible shareholders' equity was 7.3% in the quarter
- Diluted earnings per share was 56 cents in the third quarter and tangible book value per share was 27 euros and 74 cents, up 5% year on year
- Let me now turn to some of the drivers of these results, starting with interest revenues on slide 9

Slide 9 – Net interest margin (NIM)

- Average interest earning assets increased by 6 billion euros quarter on quarter, driven by the increase in our deposit levels, led by the Corporate Bank
- Net interest margin in the Corporate Bank declined by approximately 25 basis points due lower lending income and a higher cost of liquidity reserves; however, net interest income on the corporate deposit books remained stable over the quarter
- Net interest margin in the Private Bank remained broadly stable in the third quarter
- Overall, our deposit betas continue to outperform our models
- At the Group level NIM is down 12 basis points of which approximately 5 basis points relates to an accounting impact in C&O, similar to the first quarter, and the balance relates to the NIM reduction in the Corporate Bank
- With that, let's turn to adjusted costs, on slide 10

Slide 10 – Adjusted costs – Q3 2023 (YoY)

- Adjusted costs excluding bank levies were 4.96 billion euros, in line with the prior quarter and up 2% year on year. The increase is driven by inflationary pressures, ongoing investments in controls and business growth which were partially offset by active cost management measures

- All cost categories except for Other costs were broadly flat to the prior year quarter
- The variance in other noncompensation costs includes the nonrecurrence of benefits in the prior year quarter which related to deposit protection cost as well as movements in operational taxes. In addition, we see a normalization of marketing spend and we continue to invest into talent
- Let's now turn to provision for credit losses on slide 11

Slide 11– Provision for credit losses

- Provision for credit losses in the third quarter was 245 million euros, equivalent to 20 basis points of average loans
- The decline compared to the previous quarter reflected a reversal of approximately 100 million euros of stage 1 and 2 provisions driven by model changes and improved macroeconomic forecasts, mainly impacting the Investment Bank and Corporate Bank
- Stage 3 provisions of 346 million euros were broadly in line with the previous quarter
- Provisions this quarter were driven by the Private Bank and Investment Bank, while the Corporate Bank benefited from a lower level of impairments
- For the full year, we continue to expect provisions to land at the upper end of our guidance range of 25 to 30 basis points of average loans
- Before we move to performance in our businesses, let me turn to capital on the next two slides, starting with slide 12

Slide 12 – Capital metrics

- Our third quarter Common Equity Tier 1 ratio came in at 13.9%, a 19 basis point increase compared to the previous quarter
- Regulatory changes, principally from the go-live of now-approved wholesale and retail models, resulted in a decline of 38 basis points, slightly below the low end of our previous guidance
- Optimization initiatives generated 27 basis points from lower Credit Risk RWA, principally reflecting improvements in our data and certain process changes. Further 19 basis points of ratio support came from diligent risk management in our businesses

- Finally, a 11 basis point increase came from strong organic capital generation, that is net income, offset by deductions for the share buy-back, dividends and AT1 coupons

Slide 13 – Effective capital management

- Building on Christian's earlier comments, let me give updated guidance on our capital outlook on slide 13
- As mentioned, regulatory changes led to a reduction of 38 basis points in our Common Equity Tier 1 ratio
- With the go-live of the now-approved wholesale and retail models, the ECB has completed the review of approximately 85% of the relevant portfolio, and we expect only a limited ratio impact from the remainder
- Next, we announced in the first quarter of this year a targeted 15 to 20 billion euro RWA reduction by end of 2025 through several capital optimization initiatives
- We accelerated some of the anticipated data and process optimization initiatives into the third quarter which brings the cumulative RWA reductions to 10 billion euros to date
- The work we have done over the past several months gives us the confidence to increase the original target by 10 billion euros to 25 to 30 billion euros
- Lastly, let me touch on our Basel III estimates
- The latest review of our impact assessments indicates an RWA increase of only around 15 billion euros versus 25 to 30 billion euros we have previously guided
- The majority of the improvement comes from our Market Risk and Credit Valuation Adjustment FRTB program, the impact estimates for which matured significantly
- Credit Risk estimates are still under review and remain dependent on final CRR3 legislative text
- Overall, let me highlight that current estimates are based on our interpretation of current draft regulation and therefore remain subject to change
- Cumulatively, these changes in our outlook are significant and support Christian's earlier statements relating to our enhanced ability to execute our strategy and improve our return profile

- Let's now turn to performance in our businesses, starting with the Corporate Bank on slide 15

Slide 15 – Corporate Bank

- Corporate Bank revenues in the third quarter were 1.9 billion euros, 21% higher year on year driven by an improved interest rate environment and pricing discipline with double-digit growth across all client segments
- Sequentially, revenues decreased slightly due to lower net interest income from lending and a higher cost of liquidity reserves. However, pricing discipline in our deposit businesses remained exceptionally strong, with limited pass-through and higher business volumes, resulting in strong deposit income
- 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, including commissions and fees
- Loan volume in the Corporate Bank was 117 billion euros, down by 12 billion euros compared to the prior year quarter, but 1 billion euros higher compared to the low point in the prior quarter
- Deposits were 286 billion euros, 15 billion euros higher than in the second quarter, with growth in both overnight and term balances in Euro and US dollar and essentially flat compared to the prior year quarter, despite the market events in March
- Provision for credit losses was 11 million euros or 4 basis points of average loans. The decrease compared to the prior quarter reflects a lower number of impairments in the third quarter and further benefits from stage 3 recoveries as well as model changes impacting stage 1 and 2 performing loans
- Noninterest expenses were 1.1 billion euros, a decrease of 2% year on year driven by FX movements. Sequentially, expenses decreased by 7%, predominantly driven by the non-repetition of litigation charges
- Profit before tax was 805 million euros in the quarter, doubling year on year and driving the post-tax return on tangible equity to 18.3%, with the cost/income ratio at 57%
- I'll now turn to the Investment Bank on slide 16

Slide 16 – Investment Bank

- Revenues for the third quarter were essentially flat excluding the impact of DVA and 4% lower year on year on a reported basis
- FIC Sales & Trading decreased by 12% against what was a strong prior year quarter
- Rates, Foreign Exchange and Emerging Markets revenues were all lower compared to a very strong prior year quarter and reflected a less volatile market environment
- Financing revenues remained strong on an absolute basis, though down year on year, due to the non-repeat of a material episodic item in the prior year quarter
- Credit Trading revenues were significantly higher driven by ongoing improvements in the flow business and continued strong performance in Distressed
- Moving to Origination & Advisory, revenues were up over three-fold, materially driven by the non-recurrence of leveraged lending markdowns in the prior year. However, excluding these markdowns, Origination & Advisory performance was still significantly higher and outperformed the industry fee pool
- Debt Origination revenues were significantly higher benefitting from the non-repeat of the aforementioned markdowns and improved LDCM performance, which saw a partial recovery in both the industry fee pool and our market share versus the prior year
- Advisory revenues were significantly lower reflecting a decline in the industry fee pool
- However, as previously stated, with signs that deal activity is starting to recover, we expect our investments in Origination & Advisory to result in a significant improvement in performance into 2024
- Noninterest expenses and adjusted costs were both essentially flat year on year
- Risk-weighted assets were broadly stable year on year
- Leverage decreased year on year driven by the impact of foreign exchange movements
- Provision for credit losses was 63 million euros, or 25 basis points of average loans. The decrease versus the prior year was primarily driven by model changes affecting stage 1 and 2 performing loans, partially offsetting stage 3 impairments from Commercial Real Estate

- Turning to the Private Bank on slide 17

Slide 17 – Private Bank

- Revenues were up 3% year on year or 9% if adjusted for specific items in the prior year period which related to Sal. Oppenheim workout activities
- Net interest income was essentially flat quarter on quarter, and higher deposit revenues in the third quarter were mainly offset by higher mortgage hedging costs following the Postbank transition which were held centrally before
- In the Private Bank Germany, revenues increased by 16% due to higher deposit revenues. A decline in fee income mainly reflected changes in contractual conditions impacting insurance products
- Reported revenues in the International Private Bank were down 13% or up 2% year on year if adjusted for the non-recurrence of both specific revenue items in the prior year quarter and revenues from the divested Financial Advisory business in Italy, as well as FX impacts. Growth was driven by deposit products in Europe which were in part offset by continued client deleveraging in Asia
- Revenues in Wealth Management & Bank for Entrepreneurs declined by 21% or 3% if adjusted for the aforementioned effects
- Revenues in Premium Banking increased by 14% supported by higher interest rates
- Turning to costs: the increase of noninterest expenses mainly reflects continued higher internal service cost allocations including investments in controls, as well as restructuring provisions and severance related to strategy execution. The prior year period included a benefit from deposit protection costs
- Provision for credit losses was 174 million euros, or 27 basis points of average loans in the quarter and included an impact of approximately 25 million euros driven by the temporary operational backlog at Postbank. Overall, credit quality remained stable across our portfolios
- The Private Bank attracted net inflows of 9 billion euros in the quarter with 6 billion euros in AuM deposits and 3 billion euros in investment products

Slide 18 – Asset Management

- Let me continue with Asset Management on slide 18
- My usual reminder, the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Assets under management remained stable at 860 billion euros in the quarter, supported by net inflows and positive FX effects, largely offset by 13 billion euros of market depreciation. Net inflows were primarily in Passive, continuing the momentum in our Xtrackers products we have seen throughout the year
- As you will have seen in their results, DWS saw a decline in revenues compared to the prior year; however, with slightly lower noninterest expenses, profit before tax was essentially flat
- This development principally reflected a 6% decline in management fees to 589 million euros due to prior year declines in assets under management, driven by net outflows excluding Cash and market developments in 2022, as well as FX movements. Performance fees declined by 19 million euros
- Other revenues declined due to lower mark-to-market valuations of co-investments, partly offset by favorable outcome of deferred compensation hedges
- Noninterest expenses and adjusted costs were both 8% lower than the prior year
- Compensation costs were lower driven by a significant decline in carried interest expense, partially due to lower performance fees in the period
- Noncompensation costs were also lower, reflecting effective cost reductions across almost all cost categories
- Profit before tax of 109 million euros in the quarter was down 18% compared to the prior year reflecting revenue performance
- The cost/income ratio for the quarter was 75% and return on tangible equity was 13%
- Moving to Corporate & Other on slide 19

Slide 19 – Corporate & Other

- Corporate & Other reported a pre-tax loss of 195 million euros this quarter, versus a pre-tax loss of 28 million euros in the third quarter of 2022
- This year-on-year change was driven in part by valuation and timing differences, which were positive 158 million euros in this quarter, versus 199 million euros the prior year quarter. The V&T result in this quarter was driven in particular by the reversal of prior period losses
- Expenses associated with shareholder activities were 170 million euros in the quarter, compared to 144 million euros in the prior year quarter
- And, the pre-tax loss associated with legacy portfolios was negative 137 million euros, driven primarily by litigation charges
- Turning to the Group outlook for the full year on slide 20

Slide 20 – Outlook

- We remain focused on delivering positive operating leverage, as we drive our revenue growth initiatives and execute our cost reduction measures
- We now expect full year 2023 revenues to be around 29 billion euros
- Our noninterest expenses will be slightly higher reflecting a series of nonoperating items; however, we expect our adjusted costs to remain essentially flat, in line with our guidance
- Provision for credit losses is expected at the upper end of the 25 to 30 basis points range of average loans for the full year
- Thinking ahead, our fourth quarter earnings are expected to be impacted by a number of one-off items, both positive and negative, including an accounting impairment of the goodwill from the Numis acquisition, a potential restitution payment from a national resolution fund, further restructuring and severance, as well as year-end tax adjustments
- And finally, as both Christian and I have mentioned earlier, our capital outlook is substantially improved by further RWA reductions we have identified and we plan to engage with supervisors on the scope for further additional distributions to shareholders
- With that, let me hand back to Silke and we look forward to your questions

Question & Answer Session

Nicolas Payen (Kepler Cheuvreux)

Good morning. Thanks for taking my question. I have two please, on capital. The first one is on your increased capital efficiency. Could you give us a bit more colour on how you managed to increase your reduction targets by € 10 billion? And also, regarding the € 3 billion of potential additional freed up capital to 2025, what does it mean for your capital distribution and your targeted € 8 billion shareholders distribution? Should we expect a meaningful increase as soon as next year? And then on the regulatory capital outlook and the improved Basel III outlook, is the new guidance related to the input floor? And also, do you have any chance regarding your output for guidance? Thank you.

Christian Sewing

Well, good morning, and thank you, Nicolas, for your question. Let me take the first part and then I hand over to James. Look, let me start that this is a very important and I think very good day for Deutsche Bank, because I think what we show, now also on the capital side, is nothing else than further evidence that our long-term strategy, and obviously the diligent execution around it, is paying off more and more and obviously more to come.

To your capital distribution question and how we did arrive, yes, it's a good day for shareholders, with material progress on our capital measures and scope to freeing up additional capital of the mentioned € 3 billion from now through 2025. And as both James and I said in our prepared remarks, we see the outlook improvements regarding capital efficiency and Basel IV is providing us with the opportunity to both accelerate and expand our distribution right path. Amongst other things, it gives us the confidence to go beyond our earlier expectations in terms of buyback potential already next year.

The better than expected third quarter RWA optimisation and the improved outlook are both relatively recent changes and hence, and hope you understand, that it is a bit too early to provide exact details of how and when, we will be in a position to accelerate exactly this distribution path. And Nico, as you would expect, we are obviously in discussions with our supervisor on the revised capital plan.

And we have laid down a very clear path for dividends, i.e., a 50% increase per year the next two years. Extra distributions would come in form of share buybacks and subject to further dialogue with our supervisors, we would expect a significant proportion of the incremental capital to be distributed to our shareholders.

And for instance, one way to think about this trajectory, Nicolas, from here is that it gives us the opportunity to move to a 50% payout ratio sooner than we initially expected. So I think at this point, we can safely say that shareholder distributions is a key priority for Deutsche Bank and for more details, I hand over to James.

James von Moltke

Sure. Thank you, Christian, and Nicolas, thank you for the question. So to give you a little bit of colour on what is the optimisation been that we've accomplished so far. You've seen us do three securitisations over the past couple of quarters, including one on the Italian consumer portfolio in this quarter, and so that's been quicker and more effective than we might have expected.

And then when we talk about data and process improvements, the data is quite powerful. And by the way, this is where also we're getting the Postbank portfolio onto the same systems as DB is helpful because we're able to apply, for example, SME support factors, infra support factors on the portfolio, in a way that we couldn't in the prior landscape. So, it's enhancing the data, enhancing the way that our portfolio, if you like, interacts with the rules. We think there's still a distance to go with that. And although we've worked on it for years, as rules change, one always finds additional optimisation measures, so that's been very encouraging.

If I think about, your question about input, output put floors on Basel III, we've really been focused on the 2025 impact and, as you've seen, dramatic improvements based on better visibility into the FRTB models as we mentioned. At this point, the output floor is still some years away, so I think of that as biting maybe in 2030. If you want guidance, we would

	probably stick with the € 30 billion impact, at that point, but to be fair, we haven't really done the next round of mitigation in terms of portfolio shifts and what have you, so that's still a long way out. Hopefully, that helps, Nicolas, on your questions.
Nicolas Payen	That’s great. Thank you very much.
Adam Terelak (Mediobanca)	Morning. Thank you for the questions, I have one on capital and one on revenues. I appreciate you don't want to front run exactly what this is going to look like in the short-term, but you're on the tape this morning discussing higher payout next year than in your original planning. Can you confirm that that original plan was the plus 50% on the buyback to match the dividend increase? And can you also discuss whether we can look at more regular capital return over the next few years, rather than having to wait for full year results each year? Secondly, on revenues, NII clearly stepped back in the Corporate Bank and the Private Bank this quarter. That's been guided to, but can you give us some more colour about the shape from here and use that to reference your confidence in revenue growth for the group into 2024? Thank you.
Christian Sewing	Thank you, Adam, and thanks for your participation. Look, let me start on briefly again on the capital question. And again, I think it's good order to discuss all the details with our regulator first. But I think you're right, the 50% dividend pass, we always said, and we also said that this is quite a good guidance for our past guidance on the share buybacks. So in this regard, I think you have a good assumption. And as I just said, I think with the scope now of the additional € 3 billion. Obviously, we would like and we intend then to start increasing the share buyback already in 2024, beyond that what we already communicated in our previous correspondence. So, clearly an acceleration and expansion, that's our goal and this is our focus in our discussions with the regulators going forward. With regard to the revenues, I will hand over to James for more details, in particular when it comes to NII. But

also here I think very good messages because the clear jump-off point for 2024 is now the 29 billion in 2023. You've seen a good development in the third quarter. Again, a very stable development also, by the way, on the NII side in both the Corporate Bank and Private Bank. We see that momentum going forward into Q4 and, therefore, there is a high confidence in delivering € 29 billion number for the full year 2023.

On top of that, and I think we referred to that in our previous calls already, the geopolitical environment, the economic environment is something where at the end of the day, the advice which is asked by the clients, on the private banking side, on the corporate banking side, also with regard to our investment banking services is increasing and increasing.

And therefore, we also said in our prepared remarks a 40% increase in mandated deals from the corporates in these first nine months of 2023 versus the same time period of 2022 is just one signal how much we are actually and see the momentum with our corporate clients around the world to think about how to best position in these geopolitical situations where we are.

And hence, in particular also the investments which we are doing on the corporate side, in the investment banking on the advisory side, the investments which we have done on the Wealth Management side, now the finalisation of the Numis transaction will grow also the non-NII business in 2024 a lot. And therefore, seeing the stability actually also in the NII business in 2023 plus the growth we see from the advisory, our clear goal is to show a 2024 revenue number of € 30 billion. Regarding the composition, James will outline further, but we can see a momentum which is simply unbroken.

James von Moltke — Adam, couple of things on your comments. Let me start with the comment that our Group NII number is a very noisy line. And we've talked about it before, the impact of the FX swap book and therefore the rate differential between euros and dollars plays a role here, as does hedging results and other parts of the treasury piece. Which is why it's actually, I think, more instructive to look at the net interest income and the margins of the businesses, especially the Private Bank and Corporate

	Bank.
	Now there we show you margins that were actually reasonably stable quarter-on-quarter, some pressure in the Corporate Bank. But interestingly, this quarter the principal drivers were not the deposit margins. There was again noise even at that level around mortgage hedging, for example in the Private Bank, the excess of deposits over loans impacting the margin in the Corporate Bank, so things outside of the deposit margins.
	That difference was about € 130 million if you take the two businesses together. We think Q4 will be about the same level, so flat to that. Really as deposit margins come in a little bit, but some of this other noise kind of clears through the system. So, as Christian says, we feel good about the trajectory, looking forward one, even two quarters in those two businesses. And that of support, of course, supports our view going into to 2024.
	I think the other thing just briefly you mentioned on the timing of the buyback and distribution announcements, it's a fair point. It would take a lot of pressure off of us and the supervisors to do this more frequently and let's see, is the short version. The nice thing is if you split it out over the year, you can be a little bit more dynamic to the market environment and conditions. On the other hand, I think to some degree shareholders have sought the greatest degree of confidence as early as possible. So, we're going to need to balance those two things, but I could certainly envisage multiple requests in the year going forward.
Adam Terelak	Brilliant. Thanks a lot.
James von Moltke	Thank you, Adam.
Chris Hallam (Goldman Sachs)	Good morning, everybody. Just two from my side. First, on cost, could you give us a sense of the size of the inflation headwinds you were able to offset and underlying costs in the quarter? And maybe also where you'd expect to end the year, given the Q4 one-offs you flagged and how that sets the business up heading into 2024? And then secondly, maybe looking a bit further out to 2025, obviously the revenue momentum is

working out in your favour as you just discussed, but there's also still a disconnect between your targets on cost/income ratio and return on tangible equity for 2025 and the latest consensus. What are the main moving parts over the next two years that give you confidence on reiterating those 2025 targets?

Christian Sewing

I start on your second part and obviously James shall add. Look, on the difference in the 2025 targets I think it comes from both sides. Number one, a further increasing revenue line James just outlined on the 2024 pass, our confidence in the € 30 billion in 2024. And obviously, we see that momentum also going then into the next year in 2025. And in particular in 2025, as we always said before, we have another NII tailwind actually in the Private Bank, which is not to be underestimated. So therefore, on the revenue side, Chris, further growth to be seen, clearly.

On the cost side, I'm really confident because you know that we have given the goal of € 2.5 billion, € 2 billion already with our IDD in 2022. You know that these € 2 billion is actually based on our so-called key deliverables, i.e., the Germany optimisation, the front to back, the technology architecture, the infrastructure efficiencies, real estate savings and so on. And there we really have a high confidence to deliver these € 2 billion, based on all the structural work which we have done over the last the 18 months since the IDD and we can see progress every quarter.

On the remaining € 500 million, obviously we are working diligently, but also there good progress. We discussed with you the reduction in force programme in April. We have actioned on that. We have 900 reduction delivering more than € 100 million of annualised savings from now on starting. James said it this morning, and rightly so, we have additional measures which are now in execution and in flight, that we further reduce our workforce. By the way, also with regard to the overall remediation which we have seen over the last years, we can see now that we think we have seen the peak in our workforce and we will further reduce. And this, if you want to mention it reduction in force 2.0, will be from a size and number bigger than the reduction we have seen in April 1.0. So, that is the next part.

And in line with our goal of achieving these additional € 500 million, obviously, we are doing other things, like third-party spending, whether it's consulting marketing spending, which will save us a meaningful number also in 2024 versus 2023.

With the peak in workforce which we have seen, we are obviously very selective and cautious also when it comes to new hirings. And in this regard, we have very good sight on the 2.5 billion. That with the growing revenue number, which I just outlined, we are in full confidence that we can achieve the 10%. Or what we always wanted to do and where we still stand by, to actually exceed the 10% RoTE in 2025.

James von Moltke

So, Chris, just on your inflation question and perhaps a little bit more on the targets. Inflation, it depends very much on what you're looking at. Compensation costs, elements of non-compensation, for example software, there can be quite varied impacts. But I would say we're facing across the world, probably 4% to 5% inflation on average in both comp and non-comp costs that we need to work to offset. So far, I think we've been quite successful, in both line items. You need to work very hard on workforce composition. As Christian outlined, we've got a lot of measures underway there, whether it's internalisation, location strategy or just managing with discipline across the company.

And then on the non-comp, you've really got to focus on demand. And that's where I think that passing some of what I'll call the inflection points that we've been passing, whether that's technology implementations, whether that's, control investment remediation, it does give us more flexibility to manage the demand side there, and so that gives us some comfort.

If I think to run rates, which I think was embedded in the second part of your question, we've talked over the course of the year about run rates, maybe made it too complex for you. But we're trying to manage in that € 4.95 billion to let's say € 5 billion per quarter in adjusted cost range. We've had some pressure this year not just in inflation, which I think we've been successful offsetting, but also some of the investments that we've been making. In the fourth quarter, we may have some additional and unexpected costs associated with Postbank remediation that may push us up closer to or perhaps slightly above the € 5 billion level in Q4, with all of that baked in including the additional Numis costs.

But overall, a continued evidence of I discipline and control across the company. That would represent a good step off also into 2024, where as you know, the goal that we have and Christian just outlined, is to continue to crystallise these cost savings measures in order to manage overall flat notwithstanding inflation and investments.

Chris Hallam	Very helpful. Thank you.
James von Moltke	Thank you, Chris.
Anke Reingen (RBC)	Thank you very much. I have two questions. First is on the backlog following the Postbank IT migration. Can you talk a bit about the implications on costs? I think you just mentioned it. And revenues near-term, is there also risk as in, it could potentially delay the target of cost savings? And if you can please talk about, if you can, about what we might expect in terms of potential actions by BaFin could it be fines, operational risks or similar? And then secondly on the NII or the headwinds to your revenues in the Corporate Bank, the higher funding costs. Should we expect you increase the deposit collection further in Q4 and expect further headwinds? And is this related to TLTRO maturities? I guess it offsets the benefit of the higher rates, so how much more of a headwind should we see there? Thank you very much.
James von Moltke	Thanks, Anke. I'll try to be brief. Look, we don't see a revenue impact of the Postbank integration or operational backlog issues and we wouldn't necessarily expect one going forward. Obviously, we want to work hard to put these issues behind us and pivot to a very different customer experience, and that's the focus of the management team there. You've seen a provisioning cost impact in Q3 that could also extend into Q4, but ultimately, we would expect to get that back as we get back on track in terms of the

collections activity, where there's been some diversion of the operational staff. So, call it zero or close to zero in those two lines, when all is said done.

On expenses, it's probably been in the high-single-digits in Q3, in terms of the remediation costs and if you look to that in Q4, somewhere between € 30 to € 35 million of incremental spend on remediation, but we would expect that to tail off relatively quickly in 2024, as we put the operational issues behind us. And frankly, invest in automation and improved capabilities going forward, so we feel it'll be a temporary impact.

As it relates to sort of crystallising the long-term benefits of the Unity project, no change there. We're at work in app decommissioning and the various elements of the project that, particularly on the technology side, we're going to drive the benefits. Too early to make any comments on fines, frankly. We're working very closely with the BaFin, collaboratively with them and the monitor, and I think our interests are very well aligned, that we want to put the backlog behind us and cease any disruption to our clients.

On the liquidity and funding costs, it's interesting. I mentioned earlier that it's this excess of liabilities over assets in the Corporate Bank that can sometimes be a drag. The interesting corollary there is we haven't yet seen a benefit in the NIM of loan growth. And so, for the Corporate Bank in particular and then at the Group level, we would benefit from putting the deposits to use. We're looking forward and believe that we should start to get some momentum in terms of loan growth going forward, and hence that imbalance can begin to help us.

As it relates to TLTRO, you've seen that you've prefunded some of the December maturities, and so TLTRO is becoming a less and less impactful part of our overall balance sheet and funding profile. Yes, there's a little bit of a drag going into 2024 coming in, but at this point it's very low double digits per quarter in the coming several quarters.

Christian Sewing — I just had one point, Anke, to your first question. And James is absolutely right, that there we don't expect an impact on our revenues. Just to support that in Q3 23 versus the previous year Q3, we increased in particular the German private banking business by 16%. And I think this is another evidence that from a revenue point of view, it is so far not affecting us and I also don't expect that. And I have to say what the people in the Private Bank are doing in Germany is a fantastic job. A, to make sure that we reduce the backlog and we are doing really good progress, and secondly, take care of our clients. So, a really good job done and I think it's evident in the third quarter.

Anke Reingen Thank you.

Mate Nemes (UBS) Good morning and thank you for your presentation. I have two questions, please. The first one, I want to go back to the € 3 billion potential additional capital freed up in the next two years as a result of Basel IV and an RWA reduction. I was just wondering if you could give us a sense to what extent do you expect to deploy some of that additional capital into the business, organically or perhaps inorganically? And if so, what are the areas where you see perhaps the most imminent and clear opportunities for that redeployment? I'm mindful that you mentioned that significant proportion is obviously for distribution. So, that's the first question.

The second question is on the Corporate Bank. I just wanted to pick up on the comment from you, James, on so far you haven't put those additional deposits into work, yet we're seeing a very small uptick in loans in the Corporate Bank. So, the combination of the two suggests perhaps you have somewhat of a better outlook in terms of deployment and new lending, if you could just share your thoughts on that? Thank you.

James von Moltke Mate, thank you very much for the question, and it's a great question. We've spent some time looking at this actually, and I want to give you a little bit of colour, looking at the last seven quarters of where the capital has gone. On average, we've generated about 27 basis points of capital each quarter over the last year and change, and this is what's interesting. About a third of that has gone to support the distributions that we've been making so far, the € 1.75 billion. About a third has gone into the regulatory changes, and about a third has gone into the ratio improvement up to now close to 14%.

Almost none has gone into the business so far. And one of the reasons we think this inflection point is so important is, first of all, we think we can step up the profitability, so the 27 basis points doesn't, by any means, have to be the cap in terms of what we can generate. But I think there is scope to increase the business deployment beyond where what we've been doing the past couple of years, especially as that reg build falls away. And we're at a ratio level now that is entirely comfortable for us in terms of buffers, so there is capacity both for business deployment and for significant distribution increases.

Now to your point about the Corporate Bank. Loan growth in the past year and change has been quite slow across both businesses and we'd like to think that there's, again, some signs of life. You mentioned a small increase, about € 1 billion in the quarter, in loans in the Corporate Bank. We've been waiting for that to come. We'd like to see it, and we think we may see it already in the fourth quarter, but then extending into 2024. And with our loan-to-deposit ratio now again below 80%, we have the capacity to support loan growth both from a capital and from a funding perspective. So, we do think we're turning the corner in terms of the ability to redeploy in both of those senses.

In the Private Bank perhaps a little bit more sluggish. As you know, we've made a decision not to emphasise mortgage lending in Germany, both given the market environment and given capital requirements, but we think we have capacity to grow margin lending in Wealth Management as that comes back to grow unsecured consumer lending. That may take a little bit longer to come back, but also in that business, there's potential to grow loans to redeploy capital.

Lastly, and this came up in a recent conference, we are careful in how we manage the capital that's committed to the Investment Bank. Those are portfolios that while there is opportunity to grow within our risk appetite, we are careful to manage the capital to that business, devoted to that business, within constraints that we set. And so, while we think there are attractive lending opportunities there, we're going to be cautious about growing, especially in an environment where there is still some uncertainty in the in credit environment. So look, short version is real capacity now for deployment in the businesses, while we're in a very different environment in terms of distribution potential.

Mate Nemes	That's great. Thank you, gents.
James von Moltke	Thank you, Mate.
Stuart Graham (Autonomous)	Good morning. Thank you for taking my questions. I had two, please, both on capital. First, can I just press a little bit more on the RWA optimisation measures, please? I hear what you say on the support factors, but you've been optimising for a long time and I guess I was surprised to find out that it's now. How do you think about the opportunities to invest that 3 billion of extra capital in growing the IB? On the one hand your consensus 2025 leverage ratio is 4.6%, which suggest you've got a lot of scope if you will please? Thank you.
James von Moltke	Stuart, it's James. You were cutting in and out a little bit, but I'll go with what I believe the questions were and you may need to follow up. On RWA optimisation, to be honest, so are we surprised. We've been, I'd like to think, at the more sophisticated end of this type of balance sheet management over the years. And to find more opportunity is, on the one hand encouraging, on the other hand you know suggest that there was something left on the table in the past. Now the securitisation piece is a step change in what we're looking at and willing to do. But as we've talked about before, we still like the economics of securitisation, so we would estimate, for example, that the revenue to RWA relationship of the securitisation we did this quarter was about 1.5 maybe 1.6%. And so, we can redeploy that capital at better equity margins, call it, than that. So, there is still more to do. And as I mentioned earlier, as the data environment improves more and more, we see scope to continue optimisation. Of course, Basel III is entirely new, so the work on the

models there, the visibility into the impact of hedging strategies, that's also new. So, it's a bit of an ongoing story.

The redeployment I talked about a moment ago, to Mate's question. Again, there is scope to support growth in the businesses, but frankly, the extra capital that we now have doesn't really change the growth potential of the businesses, and won't change our risk appetite. As you know, we've been disciplined about risk appetite and we also intend to be different disciplined around capital allocation, as I mentioned earlier, especially recognising that that's a focus of attention around the Investment Bank.

And finally, on the leverage balance sheet, we see them as moving a little bit in tandem. So, as our CET1 ratio goes up, so too is the leverage ratio. And while there's a bit more flexibility in managing the leverage balance sheet, we think we can very comfortably remain in the mid to high fours over time and, if you like, optimise the revenue footprint of that leverage balance sheet. Hopefully, those answered your questions, even though there was a little bit of signal challenge.

Stuart Graham — Apologies for that. So, to the extent the US banks are pulling back because of Basel IV, you do see an opportunity in Investment Bank or you don't?

James von Moltke — What I'd say is, put it this way, the higher CET1 capital base or total capital base supports a leverage balance sheet that's a little bit larger than it has been historically. But I do not see us changing dramatically our strategies, put it that way, in terms of leverage deployment. I would think that on a comparative basis, we've been on the more conservative end in terms of the deployment of our leveraged balance sheet. And I don't see that changing dramatically, Stuart, even in light of some of the changes that you're seeing in the US.

Christian Sewing — And Stuart, to James' point, with no dramatic changes, I think if you talk to Ram Nayak, he has the clear strategy where he wants to be in Europe but also in the US. And that where he wants to be in the US was already for him in the plan before the potential changes to the Basel requirements for the US banks. So, I agree with James. I think for us it is good, on the one hand, that there is more capacity, but the strict adherence to risk return and to our capital allocation in this regard will not change. We want to grow our profitability. Now we have a bit more capacity to do this, and we will do this, but we will not leave our risk appetite, nor our clear reward expectations we have from the businesses.

Stuart Graham	Thank you.
James von Moltke	Thanks, Stuart.
Tom Hallett (KBW)	Hi, thanks for taking my questions. I suppose one of the debates for investors has been around the sustainability of profits, and within that, what normalised trading pools look like. If we take this year, it looks like your FIC revenues could land around the € 8 billion mark, with consensus expecting something similar over the next couple of years. But this is € 2.5 billion higher than what we saw in 2018 and 2019, and I appreciate the rate environment is very different, there's been a bit of balance sheet growth there as well. What makes you confident that the € 8 billion is sustainable, given a pretty well documented normalisation of the wider industry? And then secondly, on government taxes, it's been a key theme for the sector over the last few months, and again, I appreciate the impacts on you would've been limited so far, but do you see any risk for Germany to follow suit? Thank you.
Christian Sewing	Thank you for your questions. Let me start. Look, what makes me confident on the fixed side, that this € 2.5 billion higher than three or four years ago is something sustainable. It's 3, 4 points, but number one, the healing of the bank. This is the most important if you talk to our institutional clients, but also to the corporate clients. And I cannot even tell you, and that was our focus, the transformation, the healing and with that, obviously the rating upgrades which we have received from all the major rating agencies. That resulted in a completely different way how we can deal with our clients and that a lot of clients actually return to Deutsche Bank. And to be honest, we are still in the documentations of clients who have returned after the last increase and

improvement of the rating agencies because you know how long it takes to get the documentation in the agreements, right? And in this regard, I can still see the benefits from that. So, the healing of the bank is one of the key reasons.

Number two, I think it's the focus which we have given ourselves, and in particular Ram has done in the FIC business and the trading business. It was exactly right to focus on that, where we are strong from a regional point of view, starting with Europe, then obviously going into our emerging markets franchise also covering Asia, but also investing very focused in the US. And Ram has a clear plan how to grow our FIC business in the US over the next 12 to 18 months, and he put the right investments into that.

Number three, it's the front-to-end re-engineering of our processes in FIC. Also that is not only making us more efficient, but at the end of the day, front-to-end always results in one thing, this is client experience for our clients. And with that, obviously, we make ourselves more attractive to deal with.

So, I think it's the overall healing of the bank, but also the real focus and re-engineering of the platform Ram has done to the FIC business, which makes me comfortable that the € 8 billion which we have seen so far is a very good number to actually plan for the future and, in my view, if I look at his plan, to even increase from there. Nevertheless, we always said we even want to make the Investment Bank business more balanced and, therefore, the investments into the O&A businesses. Also in the prepared remarks, we said how stable within the FIC business the financing part is. It's 35% of the FIC business. And that is coming through year by year, I think, with a very good and solid underwriting scheme.

Regarding government taxes, it's always hard for me to judge what is coming. But on this end in Germany, on this side in Germany, I'm very calm. We have clear statements that these kind of excess taxes, I think, is not supported, in particular not by our finance minister. There is really no active discussion on this one and therefore, it is for me a non-topic.

Tom Hallett	Thank you.
Andrew Lim (Societe Generale)	Hi. Thanks for taking my question. Firstly on capital, just one clarification here. It doesn't seem like you're prepared to increase the € 8 billion overall capital return envelope, but it does seem that you're more confident on reaching that 50% payout sooner rather than later. Is that the best way to think about it? So, that € 3 billion capital that's being released, as it were, that doesn't really become additive to the € 8 billion? Then with that, if you look at your actions to optimise capital and RWAs, I guess that reduces risk weight density, is that the way you see it? And so, that being the case, maybe your guidance on the output floor there, your comments earlier are that we should maybe stick to the € 30 billion RWA impact there. And just very lastly, on the Corporate Bank NII, it does seem like the largest impact there is from the increase in liquidity reserve costs. What's your expectation there for how that should develop going forward, please?
James von Moltke	So, Andrew, the answer to the first question is no, that's not the correct way to think about it. Think about it this way. We had a capital commitment to shareholders of € 8 billion at a point in time where our outlook and our step-off were weaker than they are today. What we're not able or willing to say at this point is how much of that increment is going to come out to shareholders and how soon. We obviously owe you an answer on that in time, and we'll work through that internally in our capital planning and then with supervisors, but no, we would see it as incremental to the 8 billion. In terms of optimisation, it's complex just because at a point in time we're going to need to optimise around the output floor. That's not something that we've really done. Ironically, the impetus there would be to take on higher-risk density assets and so, optimise in that way. And actually, it goes a little bit also to Stuart's question. What regulation asks you to do now is run this complex optimisation algorithm across all of those resources in time, so it's advanced approaches RWA, it'll be standardised approaches RWA and then the leveraged balance sheet, And we're going to need to find the optimal use of the balance sheet under all three of

those tests. In the case of the standardised, we have until 2030 when we think the output floor bites.

Just on the Corporate Bank NII piece, I wouldn't expect that to change sequentially in the next couple of quarters. Again, a little bit depending on how the loan and deposit trajectory for the business go from here. We'd like to think we can continue to grow deposits and grow the loan balances, but it's the relationship between the two that really drives the question of the liquidity funding in the Corporate Bank business.

Andrew Lim	That’s great. Thanks very much.
James von Moltke	Thank you, Andrew.
Kian Abouhossein (JP Morgan)	Thanks for taking my two questions. The first question is related to P&L sensitivity. Clearly you are hitting the gas pedal right now and driving revenues, and then you're doing really well in that respect, it looks like you're indicating flattish cost. If you have to hit the brakes due to market conditions changing, can you talk about the flexibility of cost? As you indicate, there's a lot of stickiness, there's inflation in cost, and I just try to understand your flexibility in that respect. How we should think about the elements of cost reduction in a different environment and how you model that internally? And then secondly, the question is regarding your remarks on cost of risk. You mentioned model changes and improved macro forecast leading to reversals in Stage 1 and 2 provisions. Can you help me understand what's driving this more optimistic outlook, please? And if you could talk a little bit about the health of large corporate and Mittelstand, in particular, in Germany.
James von Moltke	Thanks, Kian. We've about this over the years, the P&L sensitivity, and I'd like to think, in fact, I'm confident that both sides of that equation have improved over the last several years. To start with the revenue side, as our revenue mix has shifted over time, I think our revenue sensitivity has declined dramatically. And not just because more of the revenues are coming from the businesses that we describe as more stable, but also because the revenue composition in the Investment Bank, I think, has firmed up as well, and our market

position, as Christian has outlined. So, I think that revenue sensitivity is lower than you might think. And by the way, you also see us take relatively conservative decisions, whether that's about risk type or on our interest rate risk management. So we manage that, it's not just an accident.

And then on the cost side I have said over the years that that less is of the cost base is variable than I would like it to be. I think that equation is also changing for the better. Let's start with just the investment profile. As we shift from, I'll call them non-discretionary investments, investments that needed to be made in technology and in controls, to a more discretionary profile, we can hit the brakes on those investments.

And the other thing is that, as we get deeper and deeper into the structural cost saves that Christian outlined, more of the cost base ends up being variable, and that can be variable compensation, but it can also be other elements of the cost base. So, the short version, I think we're improving both aspects of that equation, Kian, relative to where we were a few years ago.

On the cost of risk, just in the detail there, we had € 100 million net on the Stage 1 and 2. Actually, what that was a € 100 million model benefit associated with the PD LGDs in the new wholesale and retail models, plus about € 30 million of FLI, forward looking indicator benefits, offset by about € 30 million in Stage 1 and 2 of portfolio changes, including sort of internal ratings and that sort of thing.

Now why did the FLI improve? The point in time is always hard to remember, but the last time we booked this on a quarterly basis was in July, where the outlook for the soft landing, particularly in the US, was actually less optimistic than it became through the third quarter. So, what you're seeing is a bit of a lag effect as to where things stood at that time.

Christian Sewing

And Kian, on your last question, on the German corporates, large corporates and Mittelstand. Look, we're observing a very stable situation in terms of their credit worthiness. They benefit hugely from the resilience. I think I said it in one of the previous calls, if I compare the situation of German Mittelstand clients with 15 years ago, we have a capital ratio, we have a liquidity ratio, a liquidity position of those clients which is in much better shape than 15 years ago, after the Global Financial Crisis, they all worked on themselves.

So, I think despite the no-growth situation in Germany, we can really attest a very resilient portfolio. And hopefully with growth coming back in 24, albeit very low growth in 24, we then will also to see that there is obviously growth coming back into those clients. So, for the time being, also from our rating downgrades versus upgrades, no negative or no deterioration to that what we have seen three or six months ago.

Kian Abouhossein	Thank you. If I could just briefly follow up on the cost flexibility, and I know I've asked this question in the past, but you're trading at 0.3 times tangible book value for a reason and that's a reflection of the concern that in a different scenario, you will not be able to manage cost to some operating leverage, let's put it this way. So can you quantify and give us more confidence in your cost stability and managing your cost stability in a different scenario?
Christian Sewing	Let me start and James will follow up. First of all, I do believe that it's most important for our credibility that we achieve those cost targets which we have given to the market, and we will do so. Therefore, I ran you through the structural cost savings and what we now put on top, actually, in order to get to the € 2.5 billion.

Secondly, if this would happen, you have three or four layers where we can very quickly reduce the spending. That is the variable comp with regards to investments. Obviously, we are reviewing those investments on a quarterly basis. Also adhering to the profile on the business side and whether the performance is the right one, I think we have a very good monitoring in place on this one.

Secondly, yes, there is always the flexibility on the variable comp, which we obviously would adjust to the performance and to the revenue performance. I think we have also shown that in the past, that we are able to do this and we will do this. So, this is obviously, if you look at our variable comp, that is not an insignificant number which we could reduce, like for the CTB, i.e., change to the bank investments.

Then you have those items where Rebecca is going actively after already now, but which also plays into this one, which is everything on third-party costs, which means also consultancy, which means marketing. And easily in this regard, from a flexibility point of view, Kian, you are in a very high three-digit million number. And in this regard, I would say this bank has clearly the ability to react, but most important for us is to first of all deliver that what we promised to you, and this is the € 2.5 billion.

Kian Abouhossein: Thank you.

Timo Dums (DZ Bank): Good morning. Thank you for taking my questions. I've got two, please. One is on Q4 and the other question is on O&A. Starting with Q4, maybe you could provide some specifics on the one-offs you flagged for the current quarter. A quantification maybe on the restitution of the National Resolution Fund and the year-end adjustments, tax adjustments that you mentioned, that would be helpful? So this would be my question number one.

My second question is on the outlook on O&A. Again, a strong recovery here. What's your view on the last quarter? Should we expect another pickup, despite the seasonal patterns and what are your expectations looking further down the road? Thank you.

James von Moltke: Thanks, Timo. Briefly on the second question, yes, we would see a continued improvement sequentially in O&A, and we would look to a much more significant improvement going in then to 2024. So, we're optimistic there.

On the Q4 one-offs, why don't I meet you halfway? On the DTA, I would expect, and here it's a different geography from last year, where the DTA related to the US. I would size it today at about € 500 million of opportunity in the tax line, potentially larger. It all depends on our forward-looking view of profitability in the UK entities and jurisdiction going forward. That's to the positive.

The Numis goodwill, it's too early to give an exact number, given we're going through the purchase price allocation process as we speak. But to give you a ballpark, I would expect us to book about €250 million as a non-operating cost around that Numis goodwill. The numbers that I can't really guide you on today would be, one, the restitution payment to the upside. And then as you all know, restructuring and severance and legal litigation items are always subject to some uncertainty. And so, as we get more visibility, if we get an opportunity, we'll give you an update on that. I'd like to think the net of those four things is biased to the positive, but we have to wait and see how it all plays out.

Timo Dums	Great, thank you.
Giulia Miotto	Good morning. Thank you for taking my questions. The first one on CRE, commercial real estate. Thank you for the detail provided in the slides at the back. If I compare your level of provisioning, especially on the US side, with what US banks have been seeing so far this quarter, it seems like your provisions are lower. I was wondering what gives you the confidence of these relatively lower provisions in these markets specifically, especially for US office, which seems particularly challenged? And then on Numis, I know it's early days. The acquisition closed 13 October, I believe, but I was wondering if you have any early thoughts that you would like to share now that this is part of Deutsche Bank? And then a quick technical one. DTAs, with all these DTAs being written back, what's the benefit for the tax rate in the coming years? Thank you.
James von Moltke	Thanks, Giulia. Starting with CRE, it's just hard to say because we have no insight into our competitors' portfolios. And so, we can tell you what we think of ours. As we've said consistently from the start of this cycle, we think we have a high-quality portfolio, to the extent, obviously there's an office exposure, but it's concentrated in Class A strong sponsors and what have you. What we're happy to share this time in the appendix material is, frankly, the experience that we've had. Now we're four, five quarters into this cycle in commercial

real estate and we think that the relationship between the loan modifications and the expected credit losses that arise from that speak to the quality of the portfolio. Now we're call it halfway through that, but you can see that if trends continue or even deteriorate a little bit, this should be an entirely manageable situation for that. Coverage is hard to measure on a comparative basis, but we think we're taking provisions and allowance and collateral together, we think we're sort of reasonably in line with the peers.

On Numis, we're very excited about the transaction. The first few days and the process with the Deutsche Numis organisation have been very successful. Both the Deutsche UK Corporate Finance team going into Numis and the relationship with the Numis leadership and staff is off to a great start, and the client feedback has been extremely positive ever since the announcement. So, it's early days in terms of revenue production, if you like, but we're very encouraged by what we see so far.

Ultimately, on the DTA, it doesn't really affect the tax rate. So you should expect us to advise an effective tax rate continuing to be in the 29 to 30% range going forward. Always a little bit of variation in that but the DTAs are one-off and I would think of it as complete, if you like, this year when we revalue the UK tax characteristics.

Amit Goel (Barclays)

Hi, thank you. Just coming back on the cost base. Obviously, you've reiterated the conviction in terms of getting down to that kind of € 18.5 billion, € 19 billion type level. I'm just curious, I think unless you change the exit rate for this year, it's a bit higher than the level achieved this year or will be. When should we expect to see those costs coming out? Would that be more in the second half of 2024 or into 2025 or could it be sooner?

And then secondly, just related to that, if costs prove to be a bit more sticky, are you seeing potential distribution of the RWA efficiency savings as the other or another lever to help get to that 10% RoTE target or above? Or are these just two very independent things?

And then just one follow-up. You just mentioned on the Private Bank, the revenue tailwind in 2025. I was just

	wondering if you can potentially size that or give us an indication of how much you're expecting from that. Thank you.
James von Moltke	Sure. Thanks, Amit. Look, actually, the middle part of your question is a really good one. The RWA and the RoTE are, in fact, linked. And ironically, you start to have a denominator problem and, therefore, a strong incentive to distribute capital, in order not to have the RoTE dragged down by higher tangible equity. In fact, you're seeing that already this year. The biggest part of the RoTE decline in the third quarter versus last year was just higher capital. The tax rate played a big impact as well, but leaving that aside, it's higher capital. So, we are incentivised to push out capital. If I think about the exit rate, yes, the five is a little higher than we'd like it to be. And to your point, to get to a full-year number of adjusted costs in line with this year, we would need to start bringing it down in the second half. But look, if we're traveling in the € 4.9 to € 5 billion area next year in each of the four quarters, we think we're doing okay. And, to Kian's earlier question, we think we've got more levers to help to drive that going forward. On the tailwind into 2025, this is some distance ahead, but I would quantify it as € 200 to € 300 million just from the deposit hedges rolling over, so a nice tailwind for that business, for the Private Bank business going forward.
Amit Goel	Thank you.
Jeremy Sigee (BNP)	Hi there. Just a couple of quick numbers questions, please. The expectation was that you'd be getting to just over € 400 billion of RWAs in 2025. If I adjust that for the undershoot today, the extra savings, the Basel IV, it would come out more like € 370 billion. Is that a fair expectation or is it likely to be higher than that with redeployment? That's my first question. And then a different numbers question on NII. You've talked a bit about deposit NII pressure in 4Q. If rates stay at this level and beta gets to its medium-term resting place, and also, term assets reprice fully, what would we be subtracting and adding to NII? And I'm

particularly focused on the Corporate Bank and the Private Bank, so just those two big numbers. If we fully did the beta and fully repriced any term assets that take time, what would we be adding and subtracting?

James von Moltke

Jeremy, on the RWA, in brief, I would anchor off of € 380 rather than € 370. The walk was from, call it, € 420, which was the earlier consensus number for the end of 2025, which we said was pretty close. We took that down to € 405 with the € 15, and now the € 10 and the € 15 improvement should get you to about € 380 billion. That doesn't account for the redeployment, so we'll see if that number still holds. There may be more opportunity to redeploy than we had originally anticipated, which is why it's early days in the capital plan.

In terms of fully phased in, I'll be honest, I haven't thought about it in just the two deposit books. And as I say, there's a lot of noise in the NII number, but in round numbers, on a reported basis, we've held steady at € 13.5 billion. Most of the NII upside that we saw this year actually went into the noninterest revenue lines. If I look to a normalised level, you'd like to see it, frankly, at € 13.5 billion or better, especially going into 2025 and beyond, given, in the answer to Amit's question, the uplift that you get in both businesses from the deposit hedges moving. Whatever the dip is next year, hopefully small, we think that we're currently traveling at a baseline that's a pretty good baseline to grow from into 2025 and 2026. And that's before all of the noninterest revenue upside that we see and that Christian went through in his earlier comments.

So, that underscores, if you like, the optimism we have for the revenues next year and beyond. And we don't see any reason why the compound annual growth rate target would actually step back significantly from here over the next two years. It's at 3.5% to 4.5% is something that you'd like to think we can achieve from this point or even better.

Jeremy Sigee

Thanks, that’s very helpful.

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