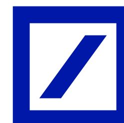


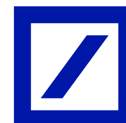
Deutsche Bank AG

Deutsche Bank Q2 2023 Analyst Conference Call

Wednesday, 26 July 2023 | 11:00 CEST

Transcript

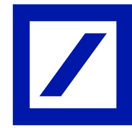
Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer
Silke-Nicole Szypa, Deputy Head of Investor Relations



CHRISTIAN SEWING

Slide 1 – Continued positive momentum in the first half of 2023

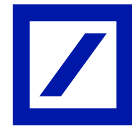
- Thank you, Silke, and a warm welcome also from my side! It's a pleasure to be discussing our second quarter and first half results with you today
- These results provide a vital perspective of the progress we are making towards our objectives. For me, a few key points stand out:
- **First, we have strong growth momentum.** Revenues in the first half year were up 8% to 15.1 billion euros, putting the upper end of our guidance range of 28 to 29 billion euros within reach
- We also captured net inflows of 28 billion euros across the Private Bank and Asset Management
- We are reaping the benefits of a complementary and well-balanced earnings mix. We are delivering strong growth in our Private Bank and Corporate Bank franchises, and resilience in key areas of our Investment Bank
- **Second, we have proven our earnings power.** We generated profit before tax of 3.3 billion euros in the first six months, up 2% over last year and the highest first half since 2011, after absorbing more than 700 million euros in nonoperating costs, including restructuring related to operational efficiencies
- Excluding these nonoperating costs, pre-tax profit would have been 4 billion euros, 21% higher than in the first half of 2022 on a comparable basis
- Our post-tax RoTE was 6.8%, and would have been above 9%, excluding nonoperating costs and with bank levies apportioned equally across the year – very close to our 2025 target, of above 10%
- **Third, our balance sheet and capital position are resilient.** Our CET1 ratio has risen to 13.8%, driven by strong organic capital generation. We have sound liquidity and a solid deposit base which we slightly increased in the second quarter
- **Fourth: we are delivering on our promise to distribute capital to shareholders.** As announced yesterday evening, we have received supervisory approval to start share buybacks of up to 450 million euros, 50% higher than last year
- Together with the dividend we paid in respect of 2022, we aim to distribute more than a billion euros of capital to shareholders this year



- This will bring total distributions across 2022 and 2023 to around 1.75 billion euros and of course, it is our clear aim to continue on that trajectory in 2024 as part of our 8 billion euro distribution promise
- **Fifth: we are accelerating the execution of our Global Hausbank strategy.** We are already making good progress in driving operational efficiency, boosting capital efficiency, and outperforming our revenue growth target
- Let me now discuss the franchise strength across our businesses in the first half year, on slide 2

Slide 2 – A well-positioned franchise across divisions

- Starting with the Corporate Bank:
- We delivered 30% revenue growth with strong momentum across all business areas. With noninterest expenses up 6%, operating leverage in this business was 24% in the first half of 2023. That enabled us to deliver an RoTE of nearly 17%
- In the Investment Bank:
- We demonstrated the stability of our Financing business and resilience of our FIC franchise overall, after the exceptionally strong levels of the same period of last year
- And we are further diversifying our Investment Bank by strengthening our O&A business, both organically and inorganically. We announced the acquisition of Numis and seized opportunities to add revenue generators through selective hiring
- Turning to the Private Bank:
- We grew revenues by 10% in the first half of 2023 – these are the best six month revenues since the formation of the Private Bank, with double-digit year-on-year growth in both the first and second quarters of the year
- We also generated net inflows of 13 billion euros in the first half year. This helped us grow Assets under Management by 23 billion euros, to 541 billion euros, during the first six months of 2023
- Finally, we also grew volumes in Asset Management:
- We captured net asset inflows of 15 billion euros, or 19 billion euros ex-Cash, driven by Passive and Alternatives – both focus areas for us. That enabled us to grow Assets under Management by 38 billion euros, to 859 billion euros in the first half year



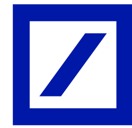
- And these businesses are strongly complementary, which drives sustained revenue growth as we show on slide 3

Slide 3 – Complementary business portfolio driving growth

- Over the past two years we have seen steady growth in first-half revenues. We see ourselves well on track to deliver at the higher end of our full-year guidance of 28 to 29 billion euros
- We achieved this despite significant shifts in the operating environment over the past 24 months, as a strong post-COVID recovery in 2021 gave way to inflationary headwinds and economic uncertainties driven by the war in Ukraine
- We maintained our growth trajectory in a changing environment - thanks, in good measure, to a complementary business portfolio
- As mentioned, we delivered strong revenue growth in our Corporate and Private Banks, which took full advantage of rising interest rates and new client mandates. We expect that momentum to continue into the second half of 2023
- This, together with the stable contribution from the Investment Bank's Financing business, more than offset normalizing conditions in our more market-sensitive businesses
- That reflects a well-balanced revenue mix in line with our Global Hausbank ambition
- As we anticipate some normalization of interest rates, we aim to further complement our earnings mix. We are making investments in 'capital light' businesses, including Origination & Advisory and Wealth Management, together with technology-enabled high-return businesses in the Corporate Bank
- Finally: across all business, we continue to make progress towards our sustainability targets. We added ESG financing and investment volumes of 17 billion euros in the second quarter, bringing our cumulative total to 254 billion euros since January 2020
- And our business growth has further increased our underlying earnings power, as we set out on slide 4

Slide 4 – Growing underlying earnings power

- As I said earlier, our first-half profit before tax, of 3.3 billion euros, was up 2% compared to the first half of 2022, and as you can see, pre-

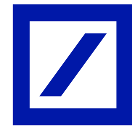


provision profit was up 8% at 4 billion euros, after absorbing significantly higher non-operating costs than in the prior year

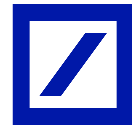
- Nonoperating costs were 744 million euros, comprising litigation charges to settle mainly longstanding matters and restructuring and severance as we realise operational efficiencies
- Revenues were up 8%, while adjusted costs, which exclude non-operating items, were up only 2% - below inflation, despite continued investments in our platform. And with pro-rated bank levies, adjusted operating leverage was 5%
- This earnings power is reflected in the progress we are making on our key target ratios
- Post-tax RoTE, excluding nonoperating costs and with bank levies apportioned equally over the four quarters of the year, would be over 9% in the first half of 2023, while our cost/income ratio would be 67%
- In other words: we're on a clear path towards achieving our 2025 targets
- Before I hand over to James, a few words on the progress we're making to accelerate delivery of our Global Hausbank strategy, as we discussed with you in April, on slide 5

Slide 5 – Accelerated execution of our strategic agenda

- We aim to accelerate delivery on three dimensions: operational efficiency, capital efficiency, and revenue growth, where we aim to outperform our original targets. We have already made progress in all of these
- **Turning first to operational efficiencies:**
- We raised our ambition for incremental efficiencies from 2 billion euros to 2.5 billion euros, as we said
- We have already delivered more than 600 million euros, through a range of measures such as branch closures in the Private Bank, standardizing loan processing in the Corporate Bank and Investment Bank and simplifying our technology infrastructure
- We anticipate 300 million euros of savings by 2025 from the successfully completed migration of 12 million Postbank clients onto the Deutsche Bank technology platform
- And we expect more than 100 million euros from the announced redundancies in senior non-client facing roles as more than 80% of affected staff have either been informed or left the platform



- In other words, a total of around 1 billion euros in savings are either already achieved, or are expected from measures now implemented
- We have a series of other measures in flight- for example, streamlining our mortgage business and further branch closures in the Private Bank; re-engineering more front-to-back processes in the Corporate Bank and Investment Bank; further application de-commissioning; and additional workforce measures
- These are some examples of a wider programme of initiatives underway. Based on our progress on these, and realized achievements so far, we reaffirm our 2.5-billion-euro goal
- **In respect of capital efficiencies:** as you know, our aim is to reduce risk weighted assets by 15-20 billion euros by 2025 relative to our baseline assumptions with a modest revenue impact
- In the second quarter we accelerated securitisation transactions which delivered RWA relief of around 3 billion euros
- In addition, credit risk RWAs were reduced as part of the Trade Finance and Lending optimization efforts
- Overall, we proved our revenue strength with the business delivering revenue growth while our FX adjusted RWAs decreased by 5 billion euros compared to the prior year quarter
- We have further optimization measures in preparation for the second half of 2023 including securitisation of consumer finance loans and reductions in sub-hurdle lending
- All this gives us confidence that we will deliver on our capital optimisation goals
- **Turning finally to revenue growth:** we are fully on track to outperform on our revenue growth targets, of 3.5 to 4.5% compound annual growth against 2021 levels
- On a last-twelve-month basis, we delivered compound annual revenue growth versus 2021 of 7.5%, well ahead of that target, with revenue growth of 8% in the first half of this year
- We expect the interest rate environment to continue to drive sustainable performance in our stable businesses
- We anticipate added momentum from our organic and inorganic investments, including the Numis acquisition or the new partnership with Lufthansa and Miles & More, and from hiring of some 50 senior O&A



bankers. This enables us to take advantage of an expected pickup in corporate finance activity – we are already seeing signs of this in our backlog. We have also hired around 30 wealth managers

- And we expect the growth in our assets under management, and net asset inflows, to drive fee income in future quarters

- **To sum up:**

- We are delivering revenue and business growth off a strong franchise; our well-balanced, complementary business mix enables us to drive continued revenue momentum; we are increasing our earnings power year by year, and we see a clear path to achieving our 2025 profitability targets, amongst others an RoTE of larger than 10% in 2025

- And we are delivering on two key promises: distributing 8 billion euros to shareholders, and accelerating execution of our *Global Hausbank* strategy

- With that: let me hand over to James

JAMES VON MOLTKE

Slide 7 – Key performance indicators

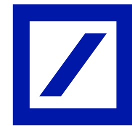
- Thank you, Christian

- Let me start with a few key performance indicators on slide 7, and place them in the context of our 2025 targets

- Christian outlined the strong revenue momentum and our well-balanced business mix which resulted in revenue growth of well above 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

- The strong revenue growth combined with ongoing cost discipline led to a 2-percentage point improvement in the cost/income ratio to 73% in the first six months compared to 2022 despite significantly higher non-operating expenses in the second quarter which we would not expect to repeat in the same magnitude in coming periods

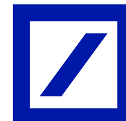
- Our capital position has remained strong and our CET1 ratio of 13.8% positions us well for capital distributions, investments and the implementation of regulatory changes



- Our liquidity metrics remained strong, the LCR was 137%, above our target of around 130%, and in the second quarter, the net stable funding ratio was 119%
- In short, our performance in the period reaffirms our confidence in reaching our 2025 targets
- With that let me turn to the second-quarter highlights on slide 8

Slide 8 – Q2 2023 highlights

- Group revenues were 7.4 billion euros, up 11% on the second quarter of 2022
- Noninterest expenses were 5.6 billion euros, up 15% year on year
- The increase was largely driven by the 655 million euros of nonoperating expenses in the quarter, compared to 102 million euros in the prior year period
- Nonoperating expenses this quarter included 260 million of restructuring and severance provisions to accelerate the execution of our Global Hausbank strategy, primarily through a reduction in non-client facing roles and optimization of our mortgage platform
- To settle a number of longstanding litigation matters, we incurred litigation charges of 395 million euros as, in each case, the outcome was higher than expected
- Adjusted costs increased year on year which I will discuss in more detail shortly
- Provision for credit losses was 401 million euros or 33 basis points of average loans
- We generated a profit before tax of 1.4 billion euros, down 9% year on year mainly due to the higher nonoperating items
- Net profit of 900 million euros was also impacted by the higher effective tax rate, principally reflecting the non-deductibility of certain litigation charges
- Our cost/income ratio was just under 76% and our post-tax return on average tangible shareholders' equity was 5.4% in the quarter
- Excluding the aforementioned nonoperating expenses, the cost/income ratio would have been 67% and post-tax return on average tangible shareholders' equity close to 9%



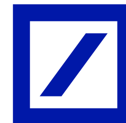
- Diluted earnings per share was 19 cents in the second quarter and tangible book value per share was 26 euros and 95 cents, up 5% year on year
- Let me now turn to some of the drivers of these results, starting with interest rate developments on slide 9

Slide 9 – Net interest margin (NIM)

- Net interest margin in the Private Bank and Corporate Bank remained strong in the second quarter as deposit betas remain below our modelled assumptions in both divisions
- We expect margins to begin to decline from this point but expect that the tailwind from interest rates for 2023 will be larger than the 900 million euros we had guided at the start of the year
- Net interest margin at the group level increased to 1.5% as the accounting effects we noted in the first quarter partially reversed. As we noted at the time, these effects are held in C&O and are offset in non-interest revenues in the businesses and do not affect the group's total revenues
- Average interest earning assets declined compared to the first quarter driven by lower average cash balances in the second quarter
- With that: let's turn to adjusted costs, on slide 10

Slide 10 – Adjusted costs – Q2 2023 (YoY)

- Adjusted costs excluding bank levies were 4.9 billion euros and this is consistent with our guidance range of 1.6 to 1.65 billion euros per month
- The increase of 4% was driven by inflationary pressures, ongoing investments and business growth which are partially offset by our continued cost reduction efforts
- Compensation and benefits and information technology costs were broadly flat to the prior year quarter
- Higher professional service costs were driven by business consulting and legal fees
- The variance in other costs includes higher expenses for banking services and outsourced operations as well as movements in operational taxes. We also saw a normalization of marketing spend and talent recruitment to foster our growth trajectory



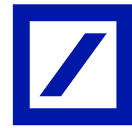
- Let's now turn to provision for credit losses on slide 11

Slide 11– Provision for credit losses

- Provision for credit losses in the second quarter was 401 million euros, equivalent to 33 basis points of average loans, slightly up compared to the previous quarter reflecting the broader impact of the macro environment
- Stages 1 and 2 provisions were 63 million euros with the moderate sequential increase driven by portfolio and rating movements, especially in the Investment Bank
- Stage 3 provisions of 338 million euros were broadly spread across our businesses and slightly lower compared to the previous quarter partly reflecting a non-recurrence of provisions relating to a small number of idiosyncratic events in the International Private Bank
- Overall, there are currently no signs of a persistent deterioration in the environment; however, we observed softening in some German midcap sectors, including Automotive, and continued weakness in Commercial Real Estate
- For the full year, we continue to expect provisions to land within our guidance range of 25 to 30 basis points of average loans, albeit at the upper end of the range
- Looking at the first six months, provisions were in line with our expectations if we exclude the non-recurring events in the International Private Bank we had in the first quarter
- And for the second half of the year, we expect the usual quarterly run-rate of about 150 million euros in the Private Bank, while provisions in the Corporate Bank and Investment Bank are expected to overall remain in line with the first half of the year, taken together
- Before we move to performance in our businesses, let me turn to capital on slide 17

Slide 12 – Capital metrics

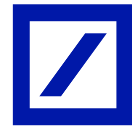
- Our Common Equity Tier 1 ratio was 13.8% at the end of the second quarter, 15 basis points above the prior period
- Organic capital generation contributed 16 basis points to the increase, reflecting our strong net income which was offset mainly by higher regulatory deductions for common equity dividends and AT1 coupons



- Risk weighted assets remained broadly flat this quarter
- In the second half of the year, we expect approximately 70 basis points of headwinds from various items we have discussed with you before, notably impacts from model and methodology changes, share buybacks and the Numis acquisition
- And our leverage ratio was 4.7% at the end of the second quarter, 4 basis points up versus the prior quarter based on our strong organic capital generation
- Let's now turn to performance in our businesses, starting with the Corporate Bank on slide 14

Slide 14 – Corporate Bank

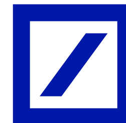
- Corporate Bank revenues in the second quarter were over 1.9 billion euros, 25% higher year on year driven by an improved interest rate environment and continued pricing discipline, with growth across all client segments
- Revenues remained close to the prior quarter due to continued lagging rate pass-through, fee growth in Institutional Client Services and stabilized deposit volumes
- As we highlighted at our first quarter results, we do expect a normalization of our interest revenues in the second half of the year as client pass-through further accelerates
- Deposits were 271 billion euros, essentially flat compared to the prior year quarter and to the first quarter 2023 as deposit levels stabilized despite increased interest rate competition and strong pricing discipline
- Loan volume in the Corporate Bank was 116 billion euros, down by 13 billion euros compared to the prior year quarter and 5 billion euros compared to the previous quarter
- This reduction reflected overall lower demand and continued selective balance sheet deployment in our Trade Finance & Lending business as well as the negative impact from FX movements
- We remain conservative in our underwriting at this point in the cycle and continue to apply strict lending standards in order to maintain the high quality of our loan portfolio
- Provision for credit losses increased in the quarter reflecting a weakening in certain sub-sectors



- Noninterest expenses were 1.2 billion euros, an increase of 10% year on year driven by increased nonoperating costs, predominantly litigation provisions, whereas adjusted costs remained stable
- Profit before tax was 670 million euros in the quarter, up by 52% year on year
- The cost/income ratio improved to 59% and post-tax return on tangible equity was 14.8%, despite higher non-recurring costs
- I'll now turn to the Investment Bank on slide 15

Slide 15 – Investment Bank

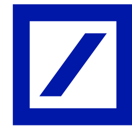
- Revenues for the second quarter were 11% lower year on year
- FIC Sales & Trading decreased by 10% against what was an exceptional prior year quarter, and we are pleased with the underlying performance, which remained strong, with growth in structured activity helping to reduce the impact from a lower volatility environment
- Financing revenues were higher year on year, reflecting the proven stability of the franchise, with net interest margin remaining robust and solid pipeline execution
- Credit Trading revenues were significantly higher driven by improvements in the flow business and strong performance in Distressed
- Rates and Foreign Exchange revenues were significantly lower compared to a very strong prior year quarter and reflected a more normalized market environment than the prior year period
- Emerging markets revenues were lower, as expected, with the prior year seeing heightened market activity linked to Russia's invasion of Ukraine and outperformance in the Asia region
- Moving to Origination & Advisory, revenues were up 25%, driven by the non-recurrence of material leverage lending markdowns in the prior year. Excluding these markdowns, the business underperformed in a challenging market, with the global fee pool down approximately 20% year on year
- Debt Origination revenues were significantly higher benefitting from the non-repeat of the aforementioned markdowns, though performance also reflected a partial year-on-year recovery in LDCM market share
- Investment Grade revenues were slightly down year on year, but reflected market share gains in a lower fee pool environment



- Advisory revenues were significantly lower reflecting both lower fee pool and relative underperformance
- With indications that deal activity is starting to recover, we expect our investments in the Investment Bank to result in a significant rebound in the O&A performance into 2024
- Noninterest expenses and adjusted costs increased versus the prior year, reflecting investments in both in our controls and the business to support future revenue growth
- Loan balances were slightly higher year on year driven by higher origination across FIC, with quarter-on-quarter balances essentially flat
- Provision for credit losses was 141 million euros, or 54 basis points of average loans. The increase versus the prior year was driven by higher stage 1 and 2 provisions due to rating migrations and portfolio movements, combined with higher stage 3 impairments, primarily in the Commercial Real Estate sector
- Turning to the Private Bank on slide 16

<u>Slide 16 – Private Bank</u>

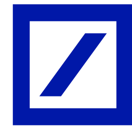
- Reported revenues were 2.4 billion euros in the quarter, up 11% year on year driven by higher deposit revenues
- Revenues in the Private Bank Germany significantly increased by 16% mainly due to higher deposit revenues which more than compensated for changes in contractual and regulatory conditions effecting fee income. In addition, the prior year quarter benefited from higher valuation impacts
- In the International Private Bank, revenues were up 4% or 6% if adjusted for forgone revenues from the Sale of the Financial Advisory business in Italy. Growth was driven by deposit products, which also were the primary driver of the 11% growth in Premium Banking
- In Wealth Management & Bank for Entrepreneurs, revenues were up 1% or 4% if adjusted for the aforementioned foregone revenues. Improved performance mainly in Europe was partially offset by continued slower business momentum in APAC
- Turning to costs: Noninterest expenses were up 26% mainly attributable to an increase in nonoperating expenses reflecting restructuring and severances provisions related to strategy execution as well as provisions for individual litigation cases, whereas the prior year quarter benefitted from net provision releases



- Adjusted costs increased by 5%, mainly reflecting investments in infrastructure control improvements and strategic initiatives. Inflation impacts were largely mitigated by efficiency initiatives
- Profits and key ratios in the quarter were impacted by total of 254 million euros of nonoperating expenses
- Provision for credit losses was 147 million euros, or 22 basis points of average loans in the quarter which reflects the continued stability of our high-quality loan book, especially in the retail businesses, and continued risk discipline. Provision for credit losses in the prior year quarter benefitted from releases of credit loss allowances following sales of non-performing loans
- The significant sequential decline reflects a non-recurrence of certain idiosyncratic events in the International Private Bank in the first quarter
- We saw solid net inflows in assets under management of 7 billion euros in the quarter with 4 billion euros in investment products and 3 billion euros in AuM deposits

Slide 17 – Asset Management

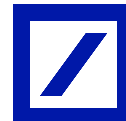
- Let me continue with Asset Management on slide 17
- As you will have seen in their report, DWS reported stable revenues despite the effect of weaker markets in 2022 and slightly lower adjusted profit before tax compared to the prior year
- My usual reminder: the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Assets under management increased to 859 billion euros in the quarter, reflecting 11 billion euros of market appreciation and 9 billion euros of net inflows. Net inflows were primarily in Passive and Alternatives, notably in Real Estate. Flows in Cash products once again have been significant and very volatile throughout the quarter ending with net outflows of 1 billion euros
- Revenues declined by 6% versus the prior year. This was predominantly driven by higher funding charges in the segment and a decline in management fees from a reduction in average assets under management. Performance and transaction fees were significantly higher year on year driven by the Alternatives business
- Other revenues declined due to higher funding charges and lower mark to market valuations of co-investments, partly offset by net interest income on excess cash from rising interest rates



- Noninterest expenses were slightly higher, with adjusted costs remaining essentially flat
- Compensation costs were slightly higher driven by variable retention costs and hiring to support transformation and business growth
- General and administrative costs were also slightly higher, reflecting higher banking services costs and transformation implementation, mostly offset by a decline in Group support costs
- Nonoperating costs are significantly higher than the prior year, from an increase in litigation costs
- Profit before tax of 103 million euros in the quarter was down 34% compared to the prior year
- The cost/income ratio for the quarter was 76% and return on tangible equity was 12%
- Moving to Corporate & Other on slide 18

Slide 18 – Corporate & Other

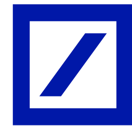
- Corporate & Other reported a pre-tax loss of 115 million euros this quarter, a substantial improvement versus the pre-tax loss of 500 million euros in the second quarter of 2022 on the same basis
- This year-on-year improvement was driven to a large part by valuation and timing differences, which were positive 252 million euros this quarter
- As a reminder, valuation and timing differences arise on derivatives used to hedge the economic risk of the Group's balance sheet. These are accounting impacts, and the current period gains partially reflect reversals of prior period valuation losses, as the underlying instruments approach maturity
- The pre-tax loss associated with our legacy portfolios was 170 million euros, versus negative 120 million euros in the prior year quarter, driven by additional litigation provisions relating to Polish foreign currency mortgages
- Expenses associated with shareholder activities, as defined in the OECD Transfer Pricing guidelines, were 138 million euros in this quarter, compared to 120 million euros in the prior year quarter
- Funding and liquidity impacts were negative 10 million euros in the current quarter, compared to negative 126 million euros in the prior year quarter



- The reversal of non-controlling interests in the operating businesses, primarily from DWS, was positive 51 million euros, broadly flat year on year
- Other impacts reported in the segment aggregated to negative 100 million euros
- Risk-weighted assets stood at 41 billion euros at the end of the second quarter, down 2 billion euros since the first quarter of 2023. The RWA figure includes 19 billion euros of operational risk RWA
- Turning to the Group outlook for the full year on slide 19

Slide 19 – Outlook

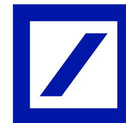
- With first half revenues above 15 billion euros, we believe that revenues above the mid-point of our guidance range of 28 to 29 billion euros for the full year 2023 are achievable
- We continue to execute on our agenda to foster the bank's growth ambitions and to improve the bank's structural efficiency. As Christian outlined, we have a number of measures under way
- Adjusted costs for the full year 2023 are still expected to be essentially flat compared to 2022, benefiting from strict cost management, lower Single Resolution Fund charges for the current year as well as a potential restitution payment from a national resolution fund
- We now expect noninterest expenses to be slightly higher compared to 2022; this reflects higher-than-anticipated litigation expenses we had in the second quarter and an impact in relation to the Numis transaction, which we expect to close in the fourth quarter
- Provision for credit losses is now expected at the upper end of our guidance range of 25 to 30 basis points of average loans, reflecting the current macro backdrop and lower loan balances than initially anticipated
- Our capital guidance is unchanged; our second quarter CET1 ratio of 13.8% allows us to absorb roughly 70 basis points of headwinds in the second half reflecting the impacts from model changes, share buybacks and the Numis acquisition
- We remain committed to our capital objectives, most importantly the distribution of 8 billion euros to shareholders in respect of the financial years 2021-2025 and moving up to a 50% payout ratio



- And as Christian said, part of this plan is the next phase of our share buyback which will commence next month and will be finalized in the second half of this year
- So, the performance and the growth opportunities we seized in the first half of this year strengthen our confidence in the path towards our 2025 targets and our Global Hausbank strategy
- With that, let me hand back to Silke and we look forward to your questions

Question & Answer Session

Anke Reingen (RBC)	Good morning and thank you for taking my question. If you can just start with talking about the revenue outlook, maybe firstly, your big picture. The macro has been pretty weak, growth is slowing, confidence is low, house prices are declining. And in light of this environment, where do you actually see opportunities for your revenue goals, especially in the more stable businesses, and where do you see the risks? And then secondly, more concrete in terms of the numbers, the revenue guidance went up for the year, but still implies more like 6.8 to 7 billion euros per quarter in the second half. There is obviously seasonality, and you over earned in the first half. So, how should we think about the jump off from the second half into 2024? Can you actually grow revenues in 2024 versus 2023? Thank you very much.
Christian Sewing	Good morning, Anke, and thank you very much for your question. Let me start, and James potentially add. First of all, on your description on the macro side. I agree, but I think it completely validates what we have shared with you in the previous calls. We always said that 2023 will be based on a very weak economy, on a kind of a no growth scenario. I even expect, for the end of 2023, a technical or a very mild recession in Germany, potentially, also in the US. And that was always and exactly the foundation of our plan. And hence, Anke, there is no negative surprise in the macroeconomic outlook, when it comes to our plan or to the underlying drivers, be it revenues, be it also risk costs. And that is also, I think, important that from a risk



point of view, our credit forecast was always built exactly on that description of the market you just shared with us, and hence, we also don't see any downside to our credit forecast, which James just, again, reemphasised in his prepared remarks.

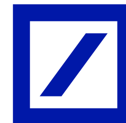
When it comes to where do we see growth opportunities, in particular, for the stable businesses in such an environment? I really do believe that the Global Hausbank strategy, in particular, in the stable business, is exactly the right answer. And that's what we feel on a day-to-day basis with our clients. Of course, we're benefiting from the NII, and I will get back to that in a second.

But if you think about what kind of discussions, mandates we win with our Corporate Banking clients around the world, when it comes to reorganising their networks, reorganising their supply chains, making sure that we obviously then follow up with the cash management systems around the world, as an answer to their reorganised network, then this brings us a lot of new mandates, which honestly, is even above our expectations. Of course, in this regard, also, the most recent upgrades from rating agencies, again, help us. Because whenever we get this, obviously, it helps to increase revenues and new client onboarding.

In the Private Bank, there is a lot of ask. And you see that also, in our development in the assets under management on the investment side. I think there, we are seeing, not only in Germany, but if I look, in particular, in other European countries, in Spain and Italy, we are seen as the go-to bank, when it comes to investment advice.

And this is, if you talk to the clients in this scenario, where inflation is still above 5%, where they think about how they secure their pensions. Now, with having Postbank fully integrated on our Deutsche Bank system, these people think about how to secure their pensions, and that is, obviously, our chance and opportunity, and that's what we see in the daily business on the investment business.

And in the Investment Bank, I know that a lot of people always think this is the more volatile business, but I think



we shouldn't underestimate, also in these days, the stability of the Financing business in the IB, again, shown in Q2, also year over year. I think the future investments we are doing in the O&A business, they will pay off, because we can see that actually, the trough in this business has been passed.

And we see from the mandates we are discussing with the clients that there is clearly an uptick in this business. And therefore, I expect rising revenues, actually, in that business also in Q3, and in the following quarters. And I also think that Q2 has, again, shown that in the trading business, we have done quite well. And also, compared to our peers, that we are actually maintaining, or even growing, our market share.

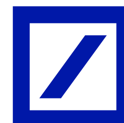
So if I take all this, I think the positioning of the Global Hausbank, with 70% of the revenues now coming from the Private Bank, Corporate Bank, and the Asset Management, growing assets under management, I really do think we have the right answer, in particular, for the environment we are experiencing right now.

Now, coming to the concrete revenue question, and not only for 2023 or 2024, let me give you some more guidance. First, the NII curve is holding up far stronger than we initially planned. And I do believe that with regard to our own existing plan, we see positive surprises also in the second half of 2023. And I do also think in 2024.

Let me give you one example. In the Private Bank business, we see a modest three-digit million revenue increase potential in the second half alone, versus our own plan. And that is mainly coming from NII, but also, from the growing assets under management.

The assumptions, which we had so far in the Corporate Bank, when it comes to the decrease in NII, I would say were too conservative. And I would also predict that going forward, this will be slower than anticipated. It will come down, but it is slower. The growth in investments and other fee income, as I just said, is encouraging.

It’s not only the assets under management, but you have seen the announcement of relationship business we are doing, for instance, with Lufthansa on Miles & More. And



to be honest, Anke, this is not a one-off, this is actually coming more and more as additional mandates. In particular, if I think about how the Corporate Bank is thriving, these mandates are coming in more and more.

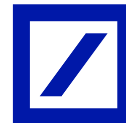
And therefore, I really do believe we are building now the platform to growth in non-NII business, with all the technology spent, which we did in the Corporate Bank, but also, obviously, in the other business. And therefore, we did all the investments in O&A and Wealth Management, also in hiring the people, because we see that this business will grow, that there is the increased discussions we have with clients, in particular in O&A, and therefore, we staffed up for that.

So, looking at all of this, and with the starting base of 15 billion euros of revenues, there is clearly upside in the Private Bank versus our own plan in the second half. And to be honest, I wouldn't be surprised if we see a similar number in the Private Bank in the second half than we have seen in the first half. I think very stable numbers in the Corporate Bank, potentially slightly lower because of the NII curve.

But again, we have been very conservative in the past, potentially too conservative. Stable Asset Management and very robust Investment Bank with growing O&A revenues. So, all this gave us the confidence, James and I, that we can clearly hint to a higher revenue base than the midpoint of 28 to 29 billion euros. I think we can focus on the 29 billion euros number. And if I then look at the businesses we are creating, again, in the non-NII, but also, actually, what we always emphasised here, that the real uptick in NII in the Private Bank is only coming in 2024 and 2025, honestly, I'm very bullish on the revenue trajectory for 2024 and 2025.

So, I think we are exactly rightly placed, from a revenue point of view, from a positioning, and hence, it plays into our cards.

Anke Reingen	Thank you very much.
Nicolas Payen (Kepler Cheuvreux)	Yes, good morning. Thanks for taking my question. I have two, please. The first one would be on costs, and could you give us a bit of colour regarding how you think about costs for the rest of the year and whether



the 1.6 to 1.65 billion euros of monthly adjusted costs run rate still holds? And maybe also in light of the price pressure that we're seeing, how do you manage to strike a balance between cost discipline and investment for growth? And which areas are you prioritising?

And the second question will be on CLP, bit of the same question regarding the outlook for the rest of the year. In particular, after the increase in Q2, have you got any concern in any particular areas? Thank you.

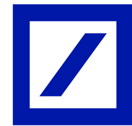
James von Moltke

Thanks, Nicolas. It's James. I'll take both of your questions, and Christian may want to add. Look, we've talked about the run rate, as it gives you a sense of what management is focused on. And I think the past three quarters we've been able to adhere to the run rate, and it's been an area of real focus, given both the need to deliver on cost savings measures, in order to support that and manage the investments in a phasing that corresponds with the cost takeout that we're achieving.

So, if I think about priorities, look, our priorities on the cost measures are reasonably clear. We laid them out in March of last year, and we're building on that, and they are focused on, particularly, technology distribution platform in Private Bank in particular, but not exclusively, and then infrastructure support, whether we can make that infrastructure support more efficient. And so, we're very focused on that and the delivery.

In terms of priorities on the business growth side, leave aside control investments for a moment, where I do think we're near, or at the peak, of what is required, in order to finish that control remediation agenda. We want to be really clear that our focus is on the capital-light product areas in the firm and the ability to grow fee and commission income going forward that supports both the return potential of the company and the distribution profile in the future.

And those areas, Christian's talked about Wealth Management being one, Origination & Advisory being a second. In the Corporate Bank, the fee income sources that go to technology capabilities, but also just growing our client footprint in some areas where we're a leader, I have Custody as one example, so we've been focused on those types of investments, and I think we're making



really good progress.

Just going to the run rate, one thing, as much as we're focused on that range, we do see the pressures I outlined at coming towards the end of the year, Numis, as an obvious example, will give us about 50 million euros per quarter of additional expense. And then the investment we make in frontline bankers taking advantage of the opportunity in the marketplace may be a little bit more.

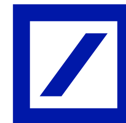
So, if, there, the exit rate per month is, perhaps, 25 million euros more constant FX, that would be a natural place. But I think, in essence, we've started to run downhill, in terms of our ability to deliver on those cost savings being de-risked, if you like, and gaining momentum.

The Postbank IT migration integration is one example that is behind us. And as we said in the prepared remarks, now it's about crystallising the run rate benefits over time, but there are many more similar initiatives that will have a cumulative impact. At which point, our greater challenge is phasing of growth investments, rather than delivery of cost savings.

I just want to say one other thing while we're on the costs. This non-operating cost area for us, obviously, frustrating to have those exceed, especially those out of our control, our original planning. As I look to the second half, we would expect, at around, say, 100 million euros per quarter, the remainder of the restructuring and severance costs that we outlined for the year to come through.

Always uncertain on litigation, but clearly, we would hope to do much better going forward than in the most recent quarter. And then, finally, one thing to just make you aware of, we alluded to a little bit in our disclosures. It's early to talk about specific purchase price adjustments and what have you in the Numis closing process, but our current expectation is that we would impair the goodwill attached to that immediately on closing. So, in the fourth quarter, producing about a 200 million euro item there, that we would also think of as non-operating, so for your models and awareness.

On CLPs, I'll try to be shorter. Look, the guidance takes



into account everything we know today. The environment, on balance, is in line with our expectations, and if I go all the way back to the beginning of the year, maybe even a little better than our expectations. We did have the idiosyncratic items in the first quarter in IPB come through, and that pushed us up in our range.

But otherwise, at the, call it 30 basis points, we think it captures our expectations about the second half, and we see this as a slightly elevated, but not a broad deterioration of the credit environment. So, we're very comfortable with the guidance there.

Nicolas Payen — Thank you very much.

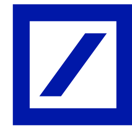
James von Moltke — Thank you, Nicolas.

Adam Terelak (Mediobanca) — Morning all. Thank you for the questions. I've got one on capital and one on NII. On capital and capital return, good to see the 450 million euros share buyback, but I want to poke around a little bit beyond that. Your pro-forma CET1 is 13.1%, post your headwinds. You're capital generative, so will it be possible for a buyback or another leg to come as soon as the full year results?

And then you're clearly highlighting 8 billion euros of total capital return through the 2022 to 2025 plan, of which you've only done 1.75 billion euros. So, just a sense of how quickly you need to accelerate capital return plans, in order to get to that full 8 billion euros, I think, would be really helpful to investors. The 450 million euros is helpful, but people want to know what's coming beyond that.

And then, secondly, on NII, you're talking about the long-dated NII tailwind within the Private Bank. This makes sense, given the nature of that business, but can you put some numbers to it? I think there are worries in the market around peak NII, but a sense of what that recurring tailwind into 2024, 2025, 2026 and even beyond would look like would give us a bit more confidence about your revenue trajectory beyond this year.

And so, a bit more colour around volume of hedges or the back book rate on those hedges would really give us some more to play with, when we think about the longer-term NII story. Thank you.



Christian Sewing

Thank you, Adam, for your questions. Let me start with your capital question, and then I'll hand over to James, with regard to the NII question and some more details beyond the comments I made before. Look, on the capital, first of all, thank you very much for the recognition of the 450 million euros. It's, I think, hugely important for management to deliver that, what we have promised, and so far, what we have promised, we delivered.

And therefore, one thing is clear, the 8 billion euros absolutely stand. That is our target, and based on how the company evolves, how, actually, the capital ratio looks, if I think about the growth, you just heard from James how committed we are on the cost line, and hence, to further increase the operating leverage, we have full confidence in delivering the 8 billion euros. I think, and we clearly understand, that, obviously, this should be a continuous trajectory.

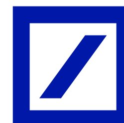
And therefore, I also said, in the prepared remarks, it is clearly our aim to continue that distribution in 2024. Now, you will understand, after we just published our share buyback last night, that we won't give you the details for next year because this also always requires a detailed planning. Our planning round starts in September. Then I think we have such a constructive relationship with our regulator that warrants, then, the next discussion.

But looking where we see the firm, it is our clear aim to continue this trajectory in 2024. I think we have gone on a pretty nice journey with an annual increase of 50%, when it comes to dividend. We did this, not only on the dividend side, but also on the share buyback. And as we think this is exactly the right approach, one can potentially think that this is the management aim, also, to do that in 2024.

So, hopefully, that gives you a little bit of a way forward, but clearly, it's not backend-loaded only in 2025. We know what we have to deliver in 2024. James?

James von Moltke

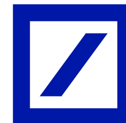
And Adam, thank you for the question. There's so much that goes into banks' rate hedging and profiles. It is hard to pull out. The hedging on the Private Bank portfolio is longer than Corporate Bank and more euro-heavy, so



that effect will be with us for several years after 2024. It's been a while since I've looked at this in this way, but my memory is that that uplift is between 200 and 300 million euros per year for a period of time.

So, that uplift is considerable just on the rate side. If you've got volumes and a spread dynamic, more active hedging, as well as capital benefit and improving unsecured spreads. There's a number of different features that can help support the NII of the group and the businesses over time. So, isolating that item, good story. There's sustainable growth that comes after 2024, and actually already in 2024, especially in the second half. But it's one of a number of supportive items. Hopefully, that helps give you some colour on it.

Adam Terelak	Yes, great help. Thank you.
Kian Abouhossein (JPMorgan)	Yes, thanks for taking my questions. I just wanted to come back to the costs. So, if I understand this correctly, we should think more of a cost run rate per month of 1,675 million euros. That gets me to 20.1 billion euros annualised. Is there any other factor that you think we should consider, rather than these constant adjustments of the cost space? Can you share that with us, if there's anything else, any curveball that we should think, which could impact cost in 2024-2025 going forward? And in that context, on the stated cost basis, can you just clarify what we should think of as a run rate severance and litigation expenses? You mentioned numbers in the past, but they might have changed, based on the experience of second quarter. And then the second question I have is regarding the Private Bank. You're running at a clean cost income ratio at around 76 percent. Still looks very high, considering how the higher rates have helped you on the NII, and I was thinking how we should think about the cost/income ratio development, and in particular, cost development, absolute, in the Private Bank. Thank you.
James von Moltke	So, thank you, Kian. Yes, now, 1,675 million euros is not a bad place to think of, in terms of exit rate. We'd be pleased to run the company at there over the course of next year. There are always curveballs in the expense world. And that's what I mean by running downhill. I



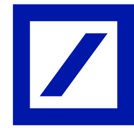
think that the tools that we have to manage those curveballs, hopefully, begin to expand as we come out of a shrinking control remediation, repairing our technology estate world of, call it, the past five years, and move into a growth and accelerating benefit from initiatives underway world.

Leave FX aside for a second, because that'll obviously change the run rate going forward. But otherwise, I'd say, inflation is tough, especially on the technology side, so, how much inflation flows through. Again, I want to be clear. Because we have so much coming on the expense initiative side, it would then give us the flexibility to phase and time some of the investments in a way that gives us control and allows us to manage that. Obviously, we'd like to make the investments, and investments that are high-return, low marginal cost/income ratio is the direction of travel, but that gives us additional levers.

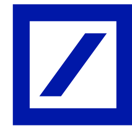
Litigation, severance and restructuring, obviously the second is in our control. We would probably tell you that a typical severance year, if nothing else is going on, is maybe 100-150 million euros per year, so not gigantic. And it really just depends on whether there are larger programmes that we initiate and then put aside. But obviously, we'd like to get to the end of a period of time where major initiatives are necessary as part of the transformation of the company.

And then, on litigation, that has been hard to estimate. And, in fairness, there have been items that have taken us by surprise, both last year with the third-party messaging as an example, and this most recent quarter with a number of items. One always has the view that as you get through items, they're behind you, you've taken out the risk, and then therefore the forward list of matters begins to diminish. And the run rate there, therefore, is hard to define properly, but we'd love for that to be sub-400 million euros in a year, let alone in a quarter.

On Private Bank, Christian will want to add, but the operating leverage in private bank will be, we think, dramatic over the years ahead, and that's really the story there.



Christian Sewing	Yes, so, well, you took my words. Because, Kian, I think you were right. Obviously, we are not yet happy with the cost/income ratio we have in the Private Bank. But if you see only on the cost side what is still to come, just because of the finalisation now of unity, 300 million euros of costs will fall away in 2025. We have branch closures further to come. I think in the last quarter, or in the last two quarters, we closed approximately 90 or 100 branches. That goes on. This is continuing. You have seen our announcement on the mortgage side, that we are actually reducing there also our people in that business as a consequence of our business mix and the capital allocation. So, I think on the cost side in the Private Bank, if I also look at all the key deliverables under Rebecca Short's wing, where she's now working with Claudio de Sanctis on, there is a clear cost takeout on itself, and I haven't even touched now on the revenue side. On the revenue side, actually, clear upside. I just gave you a little bit of number for the second half of 2023. This is not extraordinary income. This is just better revenues that we initially planned. That will continue, also, when I look at the plan, in the year 2024 and 2025. Also, on the back of the NII comments James made earlier. And all that brings us, actually, into a cost-income range for the Private Bank which is in the low 60s, and that in 2025, that is our plan, and we feel exactly on that trajectory. And I do also think, with the announcements Claudio made on making the structure now after building up the Private Bank internationally and in Germany under Karl's leadership, now moving it together, there is additional costs which we actually take out. So, therefore, I'm absolutely confident that we can achieve this low 60s cost/income ratio, then, in 2025.
Kian Abouhossein	Thank you.
Stuart Graham (Autonomous)	So, hi, thanks for taking my questions. I had a couple, please, geeky questions on your CRE exposures. But thank you for the extra information in the interim report. You now talk about non-recourse loans of 40 billion euros, but I think that's a different definition to the 33 billion euros you talked about at the Q1 stage. So, my question is, why the change in definition, and what is



the like-for-like figure to the 33 billion euros at Q1?

And then, secondly, you talk about an additional 800 million euros of stressed provisions for CRE. But presumably, some of that's already captured in your basic provisioning guidance, given the current provisioning run rate of 100 million euros a quarter for CRE. So, how much of that 800 million euros is incremental stressed provisioning not captured in your current guidance, please? Thank you.

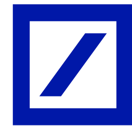
James von Moltke

On the second question, yes, great question. Probably around 500 of the 800 million euros not in. And it depends, by the way, Stuart, on the timeframe you choose. So, over this year and next, we would expect another few hundred million euros of total provisions to come in, and therefore I would say about 500 million euros incremental. We had been working hard on that disclosure.

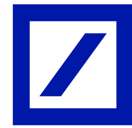
And also, to your question about definitions, what we were trying to clean up is two things. One is the NACE code disclosure, which is an industry definition, but to be fair, not really how we think about risk managing the portfolio. And therefore, we wanted to bridge from the NACE at around 40 billion euros. Within the NACE definition there's non-recourse and recourse. Ironically, there's also some non-recourse outside of the NACE definition in these numbers. So, we're trying to give you, reconcile, if you like, to some of the existing external disclosures.

What I think is important, though, is, is this the 33 billion euros of the old focus portfolio, the 33 billion euros of the new focus portfolio. What we're trying to give you is a sense of the size of the perimeter that is our focus from a risk management perspective, what is the portfolio that can produce losses based on its exposure to the current environment. That's a little bit different today than it was in the COVID time when we first created the focus portfolio, and so, hence, also a shift to that. But not a meaningful difference in terms of total exposures.

So, that's hopefully some colour, Stuart, to help you understand what we were trying to do for you in that disclosure.



Stuart Graham	Yes. So, I should basically forget the 33 billion euros and just focus on the new disclosure, yes?
James von Moltke	Look, the problem with the Pillar 3 is often that the industry disclosure in the Pillar 3 is really tough to draw meaningful conclusions from. So, yes, short answer is, trust us that we're doing our very best to show you the portfolio that we are focused on risk managing in those disclosures.
Christian Sewing	And, Stuart, I cannot help myself, as a former risk manager, to comment on that, because, first, the downside which we now included with the 800 million euros is obviously something which is over multiple years. It's not only this year and next year. So, it's a real downside to spread over multiple years. And therefore, I don't want that this is now taken in any wrong context, and you think this is a hidden way to increase our base case. Not at all. But we feel that transparency may even help you to see how strong this portfolio is.
Stuart Graham	That's helpful. Thank you for the extra transparency. Thank you.
James von Moltke	Pleasure. Thank you, Stuart.
Jeremy Sigee (BNP)	Thank you. I've got a couple of questions on capital, please. The first one is, you mentioned that you've now got very friendly relations with ECB, and I think it's a nice positive surprise that you've got this approval perhaps earlier than we were expecting. It didn't have to wait for you to print the H1 numbers. You've already got the approval. And I just wondered if you could talk about what's changed in that regulatory relationship, because obviously you were in a tougher situation at the start of the year when you couldn't do the buybacks that you wanted. And I just wondered what the main change is, whether it's visibility on your headwinds or other factors. So, what has changed in that regulatory context, and these approvals being so forthcoming now? And then my second question, also on capital, I just wondered if you had any perspectives on the US Basel III finalisation that's coming through, and just how that might impact you. Does it impact your local US business, or do you already have such a high CET1 ratio there that



it's not particularly affected? Does it affect competitive position for the group in the US or elsewhere? Does it create pressure for Europe to tighten up its implementation of Basel III finalisation? Any views on that would be really interesting.

Christian Sewing

Yes, Jeremy, let me start. And I hate to correct you, but I think I said "very constructive", so I must be careful. I don't want to say "friendly", because that may be even taken wrong, then. So, we have a very constructive relationship with our regulator, and that should be always the case. Look, what changed, and James may want to add to this, I think actually nothing really changed. Because we, ourselves, at the beginning of the year, as we always said in November and December, said we want to wait how 2023 is starting, how the economy is actually developing. We would like to see how the first quarter is developing.

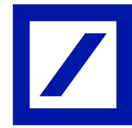
And, as we now can say, we didn't actually apply for a share buyback at that point in time, because we wanted to see what is going on in this world. The volatility was around, we have the geopolitical uncertainties, we had an inflation. The economic forecasts were everything between a hard recession and actually a growth scenario.

And therefore, I think rightly so, also with all that what we could see, James decided, and with my full support, that we for the time being hold off. And then, we started well into the year. We had a far better forecast what is happening. We saw how stable the business is developing, and we saw we are making good progress. And that was the right time, then also with the forecast into 2023 and 2024, to apply for that. And in this regard, I think we had very constructive discussions.

And this is my own assumption and own interpretation. I do think that the regulator also actually recognised that we were on the cautious side at the end of 2022 when it came to the start of 2023. And I think that also, then, obviously was at least not taken negatively.

James von Moltke

And Jeremy, just to add, the timing and magnitude of the regulatory changes is something that they and we had more visibility into, as timing went on, as the model and methodology changes. So, that was helpful in terms of

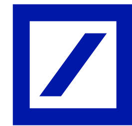


giving us greater confidence in that capital plan. I think the step-off now in Q2 helps to support that future. And, of course, the progress during the year was visible to them through the year.

On US Basel III final framework, obviously very curious to see what's in it. I don't think it really impacts us in a meaningful way in terms of our business operations. Potentially competitive positioning, given that in our view European banks have been at a capital disadvantage for some time. And then there's also at least the possibility that the timing of implantation could give us a bit more breathing room relative to January 1, 2025.

But beyond that, not much expected. I would not expect that the European legislator reopens its discussions based on whatever they read in the NPR, and I think that's appropriate. Europe should decide for itself what the appropriate legislation and implementation looks like.

Jeremy Sigee	That's really helpful. Thank you.
James von Moltke	Thank you, Jeremy.
Timo Dums (DZ Bank)	Yes, hi, good morning. I would like to address two strategic topics, please. So, one is on Private Bank and one on the Miles & More deal. So, starting with Private Bank, there has been a reshuffling under the new leadership with Claudio de Sanctis taking over. So, when do you plan to communicate further details? Yes, if you could share any further details, give some colour there. And would you also consider, for instance, streamlining the different brands that you are working with in Private Bank? So, that would be question number one. And then, on the Miles & More detail, congratulations on this one. So, maybe if you could outline the matrix rivals here, why you have been chosen, and what may have changed here in that respect compared with some years ago. And maybe, could you discuss also the channel attractiveness of the co-branded card business? Some of your competitors, they pulled away from this sort of business in the last two years. So, thank you.
Christian Sewing	Well, thank you, Timo. On the Private Bank side, look,



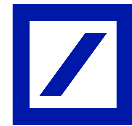
Claudio started 24-25 days ago. And let me start differently. First of all, I think Karl has done a wonderful job in actually making sure that the Private Bank business is becoming a profitable business. He has done a lot in order to make sure that we're on the trajectory to become a very profitable business, as we said also to Kian's question. So, the trajectory which Karl has laid is exactly the right one.

Now, what we will see, actually, in the Private Bank business is actually that the International Private Banking business and the German private banking business is moving closer together from a product responsibility, from an investment responsibility, also from an infrastructure and servicing responsibility. So, you will see more leaner structure, which we now can do after we have done the necessary steps in Germany with Postbank IT migration. We can now actually pull it under a more combined and efficient leadership together, which obviously will bring certain cost benefits.

On top of that, I do believe that Claudio will focus very much across the private banking business on the investment arm, on the capital-light arm. You have seen that he has done that very successfully in the International Private Bank. And I do believe, if I look at the long-term challenges, in particular in Germany, if you really think about what the people are concerned about, it's about their pensions. It's about the state pensions which will come or not come in 10 or 15 years. And in this regard, there is in almost each and every client meeting, there is the question, how can I actually plan for my own retirement in that time period?

And, for that, you need a first-class offering on the investment side. And that's exactly where you need the private banking expertise, which we have with Claudio, which we have with a lot of other people. And that's, I think, where Claudio is very much focusing on.

Secondly, he will make sure that also this offering, in a digital way, will make its way to 15 million clients, now all on the same IT platform. That is a really meaningful step forward, so I'm very proud what happened with Postbank IT migration. So, I do think the power which we can now bring, in particular in the investment business,



to Deutsche Bank clients, but in particular to 15 million Postbank clients being now part of our technology, is simply outstanding. And Claudio will focus on that.

On the Miles & More, look, I haven't seen, by the way, from the competition, and also from the deal in itself, that the competition was not interested anymore in such a deal. That was a real race. We are super proud that we were able to be selected by Miles & More and by Lufthansa. What makes a difference, at the end of the day, our client can far better talk about that. I will not talk about that. The client took a decision.

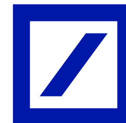
But I do believe that our shift four years ago, that the corporate bank, the day-to-day business, the combination, the client-centricity which we have built between the Private Bank, the Corporate Bank, the way these two units work together, and worked in that pitch, made a difference. We delivered one Deutsche Bank to Lufthansa.

And one Deutsche Bank to Lufthansa is not only the best platform for Miles & More, and the best technology, which, by the way, we started to invest already last year in order to be ready now to really do the migration, what we deliver to them is 15 million additional potential clients. And that nobody else has.

And with the commitment of the full board, that the Private Bank and the Corporate Bank is as much at the heart of the Deutsche Bank business as our focused Investment Bank, I think the clients get it. And they want, then, to work with us. And I think that is the advantage which we can deliver. And I can tell you, that is only the start, because with that mandate, we will, I think, have a big chance to win other card businesses in Germany and in Europe.

Timo Dums: Wonderful. Thank you very much.

Andrew Lim (Societe Generale): Hi, morning. Thanks for taking my questions. I've got three, if I may. So, the first one on capital, could you update us on the impact you'll probably see from final Basel III rules? I think the latest guidance was for this rate inflation of about 30 billion euros. But if I'm not mistaken, that excludes the impact of the output floor. So, maybe you could also give us additionally what that



impact might be from the output floor.

And then, on slide 9 of the presentation, on net interest margin, I see that your average interest-earning assets have been declining for a few quarters here. You've pointed to lower cash balances as a cause for Q2, but is there something a bit more persistent going on in terms of maybe higher interest rates denting demands for loans, or maybe also the contribution from the reduction in sub-hurdle lending? Maybe that has a larger impact here. So, if you could talk about that in a bit more detail.

And then, the third question is a bit more technical. So, you've got EPS of only 19 cents here. So, I'm trying to reconcile the net profit that you've used to calculate this. It's only 402 million euros, which is a lot lower than the 763 million euros. So, I'm trying to understand how you get to the 402 million euros. Both of these measures include a deduction of AT1 coupons. So, is there some other OCI impacts here to get to the 402 million euros from the 763 million euros? Thank you very much.

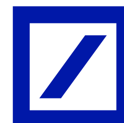
James von Moltke

So, Andrew, I'm not sure exactly what you were talking about in those last numbers, so we may need to clarify the area that you were at.

On the capital impact, I'd say we would probably stick with other earlier commentary, which I think was 10%, but it's been a while since we've looked at that incremental of the output floor, then, between 25 and 30 billion euros. And in fairness, that's all pre-mitigation, business model changes, and all that good stuff. So, there's no update on that, but that would be orders of magnitude.

And I think important to emphasise the capital measures that we talked about in April. You can ask, were they intended to support offsetting Basel III impact, or to support the distribution? Same, same. They're really, I think, valuable in both respects and to shift the group to more capital-light usage of the balance sheet.

Goes a little bit to your NIM or interest-earning assets question. I'd be surprised if the next number in the series were as big of a downward movement as the last three, albeit loan growth has clearly slowed down, and you're seeing the impact now of some of the decisions we



announced in April around trade finance and lending, as well as the mortgage book. So, we would expect to see some impact in the loan balances as a consequence, but we think that that's the right decision economically in terms of supporting both ROTE and NIM going forward.

And maybe, I just want to make sure I understand the reconciliation that you're referring to. Was it a forward on capital that you were after? I wasn't sure.

Andrew Lim

Sorry, yes. Okay, if I could clarify further. So, on the supplementary disclosures on page 21, you give the net profit there of 402 million euros to calculate your EPS of 19 cents. So, that 19 cents obviously is a lot lower than last quarter of 63 cents. So, I'm trying to understand how you get to that 402 million euros, because on slide 15, you've got net profit of 763 million euros. So, there's a big downshift here in the net profit, and I can't quite figure out how you get to that 402 million euros, and there doesn't seem to be any kind of disclosure there. So, that's on the EPS side.

James von Moltke

I don't think there's a mystery. I think it's just, we've got about 2 billion unchanged shares outstanding, so it looks to me to be proportional to the number, but we can quadruple check and come back to you. Again, we obviously have to take out, in an EPS calculation we take out all of the earnings, or, if you like, to go to other capital providers where that's minority interests or AT1 holders.

Andrew Lim

Yes, no, sure, completely agree. It seems like those two lines are exactly the same, except for Q2, where suddenly it's different. I think it seems like you're deducting everything, like AT1 coupons, for example, and also minority interests. So, perhaps I can chase it up with you.

James von Moltke

Yes, we can follow up on that.

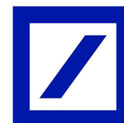
Andrew Lim

Okay, great. And then, sorry, no guidance on the output floor, then? Is that something we have to wait for later on, I guess?

James von Moltke

That was the first part, our ballpark of 10% over several years with a lot still to go in terms of how we shift the balance sheet in order to mitigate what we can in that output floor impact.

Andrew Lim	So, 10% increase in total RWAs over time?
James von Moltke	Exactly.
Andrew Lim	Okay, great.
James von Moltke	And that was, again, a denominator that was closer to 300 billion euros, maybe 330 billion euros, than to 350 or even 400 billion euros, where we'll be by that time. So, you have to go back several years to the point where we gave you a percentage there.
Andrew Lim	That's great. Thank you very much.
James von Moltke	Thank you.
Vishal Shah (Morgan Stanley)	Hi, thank you so much for your presentation. I had two questions. The first one was on capital returns. So, clearly, with the new buyback announced, your distributions are now at 1.75 billion euros, and then remaining is 6.25 billion euros to that 8 billion euros total target. So, if I take your 50% payout policy, you would need to generate about 13 billion euros plus in net income over the next two years. And then, this is much higher versus consensus at about 9 billion euros right now combined for 2024 and 2025. So, I'm wondering what are the key drivers you're looking at to bridge that gap? So, that's one. And then, the second one is on your Investment Bank business. So, you have clearly hired a lot on the front office side there in both banking and capital markets, plus there's the Numis deal that is underway, too. So, clearly, you're positioning for a potential rebound in banking and capital markets activity. So, what I wanted to check there is, if you have a target market share in mind in terms of where you want to see your banking business versus the global peers. Or with the recent hiring and the Numis deal, do you think you are right sized from a staffing perspective, at least for now? That's about it.
James von Moltke	So, Vishal, yes, on the first item, you're probably just missing a year. So, it's a little bit complex, the way we do it, but we've said in respect of the years 2021 to 2025 paid in the years 2022, and this does include a little bit of capital, or a lot of capital, returned in 2026. So, we think on the trajectory that we're on, which, remember, is sort



of asymptotic if you go 50% per year, the increase is quite steep, and we think also prudent in light of our own view of the earnings growth potential of DB.

On the IB item, and I'll focus now on Origination & Advisory, where the investments have been going, that are more visible perhaps, there have been investments into the FIC platform, which we think have performed very nicely in terms of our market improvements from a low point in 2018 and 2019 to where we are today. We're very pleased with that progression.

But in the Corporate Finance area, where we've invested more recently, our market share has been bouncing around 2%. We do think there's a significant opportunity for us there. We don't have a specific target, but I don't think there's any reason why we shouldn't be able to double the market share, again, in a disciplined way, inside our clients' footprint, inside our capital footprint.

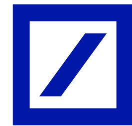
But by doing just much better in terms of closing industry gaps, in terms of building more of the chain, for example, with private equity sponsors, both on the way in and the way out, there's a lot of potential that is, if you like, within our franchise perimeter that we really just haven't captured. So, lots of upside for us there, I believe.

Vishal Shah | Thank you so much.

James von Moltke | Thanks, Vishal.

Tom Hallett (KBW) | Hi, chaps, just a quick one. I've noticed you both in recent weeks have increased your confidence in the trading activity to pick up in the second half of the year. I'm just wondering if you could elaborate on that, because the second quarter was actually pretty strong, and last year prior period were also very strong on a relative basis. So, yes, I would just like to know what gives you that confidence. Is it just a simple kind of, maybe the credit side of things is increasing a little bit more into the backend of the year? Thank you.

James von Moltke | So, Tom, first of all, the comparative that we've got for the fourth quarter isn't very demanding. So, I do think there's just, in that, there's a real opportunity to take the year-on-year in revenue up significantly. I think we're in an interesting time. We've talked about the macro



weakening in lower volatility, and you've started to see that against a high base, and one where we think we're executing well in terms of our client engagement. But in the language I've been using, the micro coming back, especially credit and financing businesses, and doing quite well.

And an interesting question, is there an environment at which the credit stays, that continues to do well in the second half and going into 2024. But because we find ourselves now on the other side of the cycle, increasing volatility as investors now begin to position for an uncertain path in terms of reducing policy rates, and an uncertain path in terms of the length of time the policy rates stay at the terminal rate.

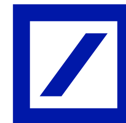
So, there's sort of an interesting environment that we see coming in the second half of the year. We'll see whether that comes to fruition or not, but what Ram Nayak and his team are super focused on is just engaging with our clients so that we can participate both in the flow side of that activity, as well as the structured. And I think they've done a fabulous job at that, and the second quarter is a good indication of how we can perform in that market, or maybe a slightly better backdrop.

Tom Hallett — Okay. Thanks, James.

James von Moltke — Thanks, Tom.

Mate Nemes (UBS) — Yes, hi. I have two questions, please. The first one is on capital. I was just wondering if you could give us a rundown of the moving parts on the CET1 ratio in the second half of the year. I know that you communicated 70 basis point of that from Numis deal closing, the share buyback, and some of the regulatory methodology changes. Christian mentioned securitisations and deduction in sub-hurdle lending potentially resulting also in some part of a reduction. Could you perhaps quantify that?

The second question is on the Corporate Bank. Obviously, the loan book declined about 4% quarter-on-quarter. I know some of that is intentional, and clearly coming from risk management comparisons on some impacts on sub-hurdle lending. But I'm just wondering,



to what extent do you see future demands? Is that entirely driven by you? And, if so, when do you expect the turnaround on that front? Thank you.

James von Moltke

Sure. Thank you, Mate. So, briefly, the 70 basis points is, we're still thinking 50 basis points of model methodology adjustments. There's a range around that. And then 9 basis points for Numis, 12 basis points for the capital return. The other moving parts are organic capital generation and how much we use in terms of balance sheet growth. That should produce a year-end ratio probably higher than our original guidance for the year. So, we'd like to be probably closer to, or further into the 13%s, let's say, than just the 200 basis points margin to MDA, which would be 13.2%.

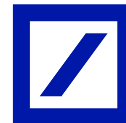
Within that, we do have embedded some assumptions about what additional support we can get from securitisations, optimisation, and other capital measures. Look, I think if we outperform those assumptions or our own execution path, that puts us in an even better position going into 2024, both for distributions and for the Basel III build. So, those are some of the moving parts that we see.

Christian Sewing

Yes, and on your second question, I think your kind of differentiation is the right one. Some of the lower loan growths or even decline is intentionally. By the way, not only from a risk management point of view, because we have actually a very conservative and long-standing risk appetite, and therefore we don't need to do so many adjustments in between.

But, of course, also, we have sub-hurdle relationships, and we said that in April, where we want to go for an even better and more focused risk return strategy, and that's what we are doing. So, that is one part.

And secondly, yes, I think, in particular in Europe but also in Germany, you see that mid-cap companies, family-owned companies, that you see a softening in loan growth and a reduction in demand for the time being, in particular when it comes to long-term investments. To be honest, I don't think that this is something which is continuing for a very long period, but I would say that those companies would like to see where the next six to 12 months are going. And therefore, I would say this



rather soft loan growth is something which we will see in the second half of 2023, which is part of our planning, and also which goes into the first half-year of 2024.

Nevertheless, and therefore again, it is so important that we build the Corporate Bank on various engines, and the other engines are the fee income, our cash management mandates, the card business I was just talking about before. And that actually gives us all the confidence that even with the softening demand, which in my view is only temporary and will come back, we can actually compensate that with fee business, and that is the reason why we invested into that so much.

Mate Nemes

Okay, thank you very much.

Amit Goel (Barclays)

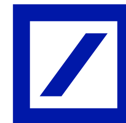
Hi, thank you. Yes, two questions. One, just coming back on the asset quality, I think obviously that's the commentary about there's no sign of persistent deterioration, although there was some softening in general mid-cap sectors, including automotive. I was just curious, what gives you the confidence that it's not persistent deterioration, and/or are you changing any behaviour or your credit that you provide into that space?

And then, secondly, I guess just to help my understanding, but in terms of pass-through rates, so for the NIM, what are the factors that are driving the lower pass-through rates? I appreciate maybe there are some conservative assumptions, but what are the things that you think will drive changes or increase in pass-through as we go through time? So, just curious, what are the factors that you think are influencing pass-through at the moment and into the second half of the year? Thank you.

Christian Sewing

Well, thank you for your questions. Let me start on the asset quality, because I'm also in a lot of client contact, actually, also in Germany, obviously. A, I really do believe, and I've said it again and again, but the resilience of the family-owned companies and the mid-cap companies in Germany is bigger than a lot of people think.

If I think about how they actually improved from the 2008 global financial crisis, if you think about how they



actually increased capital, how they improved their working capital systems, their liquidity, this is a completely different picture than it was 15 years ago. And I'm saying it because they go with a different buffer into the situation which we have right now. And that's also what we are seeing, not only in our portfolio, but if you actually looking at the overall statistics, there is no such thing like a material deterioration in the creditworthiness of the German mid-cap companies.

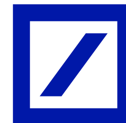
Now, what is then specifically on us, and I do believe, if I even go further back to Deutsche Bank's history in 2002 and 2003, when we actually had too many credit losses in that area, we completely changed the way we are managing credit risk also for medium and family-owned corporates when it comes to concentration risk, when it comes to differentiating between winners and potential companies which are more challenged in certain industries, with a clear industry view and not only the specific company view. And by that, I think our risk management to the individual revenue of corporates is simply the superior one.

And I personally went just last week through, for instance, the OEM suppliers in Germany. If I look at the portfolio, how diversified we are from a rating point of view, from a concentration risk point of view, i.e., that there are no big concentration risks. If we have larger risk, it's actually with investment-grade companies who are actually themselves diversified globally in their business, then I do believe that there may be a little bit of deterioration in that portfolio, but I can't see that we are coming into a situation where I would see a material deterioration of our mid-cap portfolios.

So, looking at their own resilience and the way we have risk managed that, I'm confident that obviously our portfolio is in good health. James?

James von Moltke

So, on pass-through, it's an interesting topic, and in some ways it's going to be too early to tell, so we'll all do the analysis of this cycle once it's over. I think a few things. One, it's different by currency. I think the dollar has started to converge, perhaps not to model, but to a place that looks to us to potentially be where things settle out a little bit better than the models would've



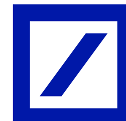
expected. Euro is still well behind.

What's driving that? I think there's discipline, pricing discipline in the industry. I think there's an element of this cycle's different because of how sharp and how steep and how fast it was. I think there was an element that the banking industry had a long time of negative and is seeking to recover some of that lost structural profitability.

And I think client behaviour is also a piece of the puzzle here. Obviously, especially the more you go to wholesale money, they're smart enough to move their money to places that it earns a higher yield, but then they also know they need to leave a certain amount of money with the banks. And they understand that the remuneration of that, for payments and operational purposes, and they understand that the remuneration for that money doesn't follow the market, because their service is attached to it. So, I think that's an understanding of the business model that's maybe better than it has been in the past.

So, lots of different drivers we'll need to unpack in time, but one that I think is overall a bullish sign for the industry of the value that banks, frankly, are providing to their clients. Not just in corporate and middle market, but also in the retail space.

Amit Goel — Thank you, both.



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