Deutsche Bank AG

Deutsche Bank Q2 2023 Fixed Income Conference Call

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Transcript

Speakers:
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Richard Stewart, Group Treasurer
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RICHARD STEWART

Slide 1 – Continued positive momentum in H1 2023

- Thank you, Philip, and welcome from me
- It’s a pleasure to be discussing our second-quarter and first-half results with you today
- These results provide a good perspective of the progress we are making towards our objectives
- We have strong growth momentum and our well-balanced business mix 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 post-tax return on tangible equity for the first half of the year 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%
- 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
- In short, our performance in the period reaffirms our confidence in reaching our 2025 targets
- In the second quarter we also had good news from the rating agencies with two upgrades and a positive outlook change
- We are very pleased about this external recognition of our strategic progress and balanced business mix

Slide 2 – Complementary business portfolio driving growth

- Let us look at the drivers of the sustained revenue growth on slide 2
- Over the past two years we have seen steady growth in first-half revenues. We see ourselves well on track to deliver above the mid-point 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 and 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
- 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 businesses, 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

Slide 3 – CLP guidance unchanged but expected at upper end

- Before we move to some balance sheet-related topics, let us turn to provision for credit losses on slide 3
- 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, 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 a 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 taken together are expected to remain in line with the first half of the year

Slide 4 – Stable deposit base

- Slide 4 provides further details on the development in our loan and deposit books over the quarter
- All figures in the commentary are adjusted for FX effects
- Loans have declined by 5 billion euros in the quarter
- The development in the Corporate Bank was the main driver of the changes at Group level
- Loans in the Corporate Bank have decreased by 5 billion euros due to reduced client demand and continued balance sheet discipline in anticipation of regulatory RWA inflation
- Profitability measures executed already in the fourth quarter of 2022 contribute further to the 9% year-on-year decline in the Corporate Bank loan book
- Loan growth in the Private Bank and Investment Bank has been flat during the quarter, driven by low client demand across products
- For the remainder of the year, we expect the muted trend to continue
- On deposits, client engagement and sentiment have improved in the second quarter resulting in a moderate increase of 2 billion euros
- Corporate Bank deposits have shown a stable-to-improving trend with 2 billion growth following enhanced client activity and a normalization in pricing competition
- Deposits in the Private Bank remained essentially flat

- Inflows from our savings campaign of around 3 billion euros have largely been offset by continued inflationary pressure, ongoing pricing competition and an accounting classification change of 2 billion euros
- In the second half of the year, we expect modest deposit growth taking us towards a 600 billion euros level

Slide 5 – Resilient NIM in PB and CB in the second quarter

- Moving to the net interest margin development on slide 5
- 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 that the tailwind from interest rates for 2023 will be larger than the 900 million euros we guided at the start of the year
- Net interest margin at the group level increased to 151 basis points as the accounting effects we noted in the first quarter partially reversed
- As we noted at the time, these effects are held in our Corporate & Other division and are offset in non-interest revenues and do not affect the Group's total revenues
- Average interest earning assets declined quarter on quarter, driven by lower average cash balances

Slide 6 – Sound liquidity and funding base

- Moving to slide 6, highlighting the development of our key liquidity metrics
- The liquidity coverage ratio at quarter-end decreased to 137%
- This reflects a gradual normalization from the liquidity levels seen over the last two quarters and is in line with our guidance to return to a target LCR of about 130% over time
- Throughout the quarter, we maintained a stable liquidity position with a daily average LCR at 134%
- We maintained a robust level of available high-quality liquidity reserves with the vast majority of total HQLA held in cash or Level 1 securities

- The movement in the LCR surplus above the regulatory minimum to 55 billion euros was driven by TLTRO repayments as well as a small increase in net cash outflows
- In the second half of the year, we will continue to manage the LCR structurally towards our target level
- The net stable funding ratio at quarter-end remained broadly flat at 119% versus the prior period and within our targeted range
- This represents a surplus of about 97 billion euros above the regulatory requirement
- The available longer-term stable funding sources for the bank remain well diversified and are supported by a robust domestic deposit franchise, which continues contributing about two thirds to the Group's stable funding sources
- We aim to maintain this funding mix over the course of 2023, with manageable TLTRO repayments of about 4 billion euros per quarter
- The repayment of about 3 billion euros of TLTRO during the quarter brings our cumulative payments to about 23 billion euros

Slide 7 – CET1 ratio increase driven by earnings

- Turning to capital on slide 7
- 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 at 359 billion euros
- We saw an increase in credit risk RWA due to a higher share of equity investments in guaranteed funds in Asset Management, with growth in lending commitments offset by securitization
- The decrease in market risk RWA was driven by a reduction in our quantitative multiplier add-on
- 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

Slide 8 – Increase in buffer above requirements

- Our capital ratios remain well above regulatory requirements as shown on slide 8
- The CET 1 MDA buffer now stands at 262 basis points or 9 billion euros of CET1 capital
- This increase of 11 basis points compared to the prior quarter reflects a 15 basis points higher CET1 capital ratio which was partially offset by a 3-basis-points impact from higher countercyclical capital buffer settings in the Netherlands, Ireland, France and Sweden
- Our buffer to the total capital requirement remained materially unchanged over the quarter and now stands at 278 basis points

Slide 9 – Leverage ratio improved to 4.7%

- Moving to slide 9
- Our leverage ratio was 4.7% at the end of the second quarter, 4 basis points up versus the prior quarter on our strong organic capital generation
- The impact from the FX-adjusted increase in leverage exposure was not material

Slide 10 – Continued high loss-absorbing capacity

- We continue to operate with a significant loss-absorbing capacity, well above all our requirements, as shown on slide 10
- The MREL surplus, as our most binding constraint, decreased by 7 billion euros to 12 billion euros over the quarter
- This includes a reduction of 4 billion euros due to the higher MREL requirement and general prior permissions becoming subject to deduction as mentioned in our first quarter 2023 fixed income investor call
- We have consciously reduced our buffer to improve balance sheet efficiency

- Actions taken include the successful execution of a 1 billion euros senior non-preferred tender offer in May 2023; and the decision to not replace 2 billion euros of MREL eligible instruments falling below the 1-year maturity threshold with new issuances
- Our loss-absorbing capacity buffer continues to provide us with the flexibility to pause issuing new eligible liabilities instruments for approximately one year

Slide 11 – Issuance plan ~80% complete

- Moving now to our issuance plan on slide 11
- We confirm our guidance to issue 12 to 15 billion euros to meet 2023 requirements
- Year to date, we have already issued 11 billion euros or roughly 80% of the mid-point of the full-year target
- Since the last call, we have been active in covered bonds, senior preferred and senior non-preferred notes
- We issued a 1 billion euro Pfandbrief, a 500 million euro senior preferred and a 1.25 billion dollar senior non-preferred note and were otherwise active in private placements and retail-targeted issuances
- The residual issuance activity for 2023 remains focused on covered bonds and senior preferred notes
- Regarding the IBOR transition, we have completed the migration of our US-Dollar-LIBOR exposure with the exception of three so-called tough legacy capital securities
- For these notes, we have informed the bondholders about the fallback provisions which encompasses a dealer poll and, if unsuccessful, usage of the last available fixing. The next upcoming resets occur in 2025 and 2027

Slide 12 – Summary & outlook

- Before going to your questions let me conclude with a summary on slide 12
- 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

- The interest rate environment remains favorable, supporting strong revenues in PB and CB and the market now expects interest rates to remain higher for longer than earlier in the year
- In addition to this, betas in our stable businesses remain below our modelled assumptions
- Taken together these effects will mean that the rate tailwind is materially above the 900 million euros we had guided to you previously for 2023
- 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
- 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 recognize the positive rating actions in the second quarter from S&P, Fitch and DBRS which brings us closer to our peer group
- As mentioned on the prior slide we have completed 80% of our issuance plan for the year and plan to issue primarily in more senior instruments during the remainder of the year
- With that, let us turn to your questions

<u>Question & Answer Session</u>

Lee Street Citibank	Hello, good afternoon, both, and thanks for taking my questions. I have three for you, coming back to the point you've mentioned. On the rating agencies, obviously, you've had some positive rating actions, as you mentioned. Based on your latest discussions with them, and obviously, still on positive outlook with S&P, do you think you've got to the goal for more upgrades or more positive activity from them over the remainder of this year? That's the first question. Secondly, on the LCR. Obviously, you're bringing

yourselves down towards the target of 130%. My question is what is the right level for the LCR? And how do you actually calibrate it? Is there not a risk that you need to have a buffer on top of your buffer? That's my question there.

And then finally, as it relates to the LIBOR and the AT1s that you've essentially announced, where the coupons would fix, if the dealer poll fails. Have you had confirmation that's not an incentive for doing that? How should we think about that being an incentive to redeem? Because obviously, a fixed coupon implies a credit spread that would move around as a function of what rates do. They would be my three questions. Thank you.

Richard Stewart

Thanks, Lee, and welcome, everyone, for joining on a Friday afternoon for the last weekend in July. We'll see if I can get through these questions relatively quickly, so we can break for the weekend. Starting with your questions, Lee, the first one around the rating agencies. As I say, we've been very happy with the rating trajectory since we embarked on our transformation strategy, back in 2019.

On the back of the profitability improvements, strict risk management, continued balance sheet strength, we've seen most rating agencies upgrade our ratings twice in recent times. And in the second quarter, as you said, we made significant progress with two upgrades and a positive outlook change. I'd say we're working hard towards an upgrade with S&P. We feel our ratings with the other agencies are now appropriately positioned for where we are right now.

And regarding the economic environment, we don't see pressure to our own ratings, though a sharp deterioration, on a macroeconomic level, could have implications for the banking sector as a whole. Risk management continues to be a strength at Deutsche Bank and continues to be a focus across all the different risk types. So, we don't believe our ratings are going to be impacted to the downside.

When it comes to LCR, the right level, good question. I think how we think about it internally: the starting point is our own internal stress testing and risk management frameworks. So, obviously, we know our own portfolios, our own historical outflow numbers with our clients. We know our products. We know our geographies. And so, that whole stress testing framework that we have, essentially, and the buffer we need to hold for those is really what informs the LCR.

And so, that's how we think about it. We think a about our peers as well just to level set a bit. We notice that the US banks typically have lower LCRs, in the 110-115% kind of area, some European banks are a little bit higher, but given our business mix, I think we're pretty comfortable with 130% being the right target over time.

And the last question on the incentive to redeem on those securities. In our opinion, reliance on the last available fixing does not constitute an incentive to redeem, as this relates solely to the interest rate aspect of the coupon, whereas the spread over development reset rate remains as per issue date. In other words, we do have to bear in mind the credit component of the issuance, and we're not aware of any conflicting regulatory pronouncements in this regard.

And the recently published EBA monitoring report on own funds and MREL also did not suggest any concerns with relying on existing fallback provisions. So, that's how I'd respond to that question, so hopefully, that answers your question.

Lee Street

That’s very helpful. Thank you very much.

Robert Smalley
UBS

Hi, thanks for doing the call. And thanks for doing it at least in our morning. I'll be brief, so you can get out and enjoy the weekend. Three quick questions. First, on slide 18, you have an increase in provision for credit losses, you've pushed it up your expectations to the upper end in the range. It looks like it's primarily, in this quarter, coming from the Corporate Bank and the Investment Bank.

Could you put some detail on that? And is that where you see the provisioning continuing to increase or stay at these levels through the end of the year? It seems like it's come down in the Private Bank, so any colour there would be appreciated. Secondly, just on Germany. Lots of indicators of sentiments have gone very soft around the economy. I know that you run a global business, but at the same time, could you talk about the impact of that on the balance sheet and the income statement?

And then third, just in general, could you talk about capital generation? How it came out this quarter, how you're seeing it for the rest of the year, and what you think the right run rate is for Deutsche Bank. Thank you.

James von Moltke

Robert, hi. It’s James. I'll start on the first two, and Richard may want to add on the third. You're right that there was a shift in the quarter. So, it was a normalisation for us of PB, closer to what we'd expect to be a run rate in and around 150 million per quarter. And as we look at the forward-looking credit indicators, that seems like a pretty solid view for the back half of the year.

And our guidance for the rest of the year, which would be around 350 million per quarter, would suggest that the CB and IB, taken together, are more or less in line with Q2. Now, CB was a little bit elevated, relative to what we'd expect a general run rate to be, and that was driven by what we mentioned, it was some softness in midcaps in Germany. So, between the two of them, we'd expect it to be more or less where it was, perhaps a little bit better in Q3 and Q4 than it was in Q2.

I think it's important to note that we're not seeing a broad-based deterioration in our book, or based on the leading indicators, but we're obviously travelling at a level higher than where we've been in the recent past. And again, that all feeds into our guidance of around 30 basis points for the year. There has been, obviously, some data from Germany around the economy that we've been in, relatively speaking, a stagnant economy now for three quarters.

If I step back to where we were last year, that isn't bad, given that some of the challenges that Germany faced a year ago around the energy market situation. What we would say is that I think it's sectoral driven. There are clearly areas of the German economy that are recessionary. There are others that are doing a little bit better. And at least for now, we see Germany muddling through.

Our house view is about half a percentage point of growth for the year, and that would represent, really, the balance of parts of the economies that are growing and those that are shrinking. We do see order books, talking to clients, weakening in some areas, but again, we see that offset, in some instances, by exports and investment driven growth, and in our other areas, like the service sector, recovery still from COVID. So, the short version of that is a mixed picture.

On capital generation, you've seen us step into, call it a 25 basis points per quarter ballpark. I don't want to give a forward-looking view on earnings, necessarily, but the earnings tend to translate right now into that kind of ballpark, or a little bit better. And we think that is teeing us up well for the capital build around some of the items we've called out, and also, the capital distribution strategy that we've laid out, I think, very clearly for investors. Richard, anything to add?

Richard Stewart	I think, from the capital side, the CET1 ratio at 13.8% at the end of Q2, call it 70 basis points of headwinds from models, share repurchases and the Numis acquisition between now and the end of the year, and then you throw in the earnings generation and the business growth, they are trade-offs that we have to think about, from a CET1 ratio perspective, we're still pretty comfortable with it being at least above 200 basis points to our MDA by the end of the year.
Robert Smalley	That's great. Thanks for the detail. I appreciate it. And I appreciate the call.
James von Moltke	Pleasure.
Daniel David Autonomous	Good afternoon. Congrats on the results, and thanks for taking my questions. I just have two. I'm just interested, if you can provide a guide for the impact of the ECB's decision on minimum reserves yesterday. Any detail would be great. And the second one is just a bit more broadly, with regard to what's happening in the US. So, I think that US banks generally seem to be well capitalised, and the Fed is saying you now need 20% more capital under Basel IV. I realise it doesn't have any impact on yourselves, but do you worry that investors, and maybe counterparties, think that European banks now need to hold a bit more

capital? And I realise you talked about an increase in requirements, but I'm thinking about in addition to that. Any thoughts would be welcome. Thanks.

Richard Stewart

I'll start on the ECB announcement yesterday. We're disappointed with what they came out with. We don't necessarily see it as particularly helpful to change a bank's risk profile in this unexpected kind of way. In terms of just back of the envelope calculations, in terms of our minimum reserve requirement holdings, and you apply a 350/375 basis point impact, then at just over 200 million per annum is probably going to be the impact on those to us.

So, clearly not insignificant. And then in terms of implications, it's probably a bit too early take a formal view on that. But we'd note that other central banks take a different approach regarding renumeration of deposits, and how they think about the effect on the monetary transmission mechanism.

James von Moltke

On the US capital situation, the release came out yesterday, so early days to react. My own view is that Europe should continue to focus on a capital regime that makes sense for the European economy. I think the work that's gone on in Brussels has been thorough, good work, that represents a workable solution for the industry, and is reflective of some of the characteristics of the European economy and European banking system.

The United States will go down a different path, and perhaps, on some levels, a more stringent application of the Basel III final framework is obviously a decision the United States can make, and reflects the current environment in the US. I don't know that the comparison of capital between the two systems is as easy to do as it appears on the surface.

So, I wouldn't just conclude that if the US G-SIBs have to go up by whatever it was, 16% in the QIS, then that would put them 16% above the Europeans, on a like-for-like basis. For one thing, we've been raising the capital in Europe, based on TRIM, based on the EBA guidelines, and now based on the expectation for Basel III implementation here, in Europe.

For another, there are some elements of the capital regime in Europe that in my judgement, are more stringent than the United States, and that's particularly true, I think, on deductions from the numerator, and in some cases, interpretation of RWA. So, I would not just take the view that the, if you like, one upmanship on the two sides of the Atlantic is the appropriate response.

I think, first of all, each side needs to do what makes sense for their marketplace. And before you get to conclusions like that, you really have to do an apples to apples comparison between capitalisation of banks on both sides.

Daniel David

Thanks, I appreciate your thoughts.

James von Moltke

Thanks, Daniel.

Stéphane Suchet
Point72

Thank you very much for the call and for taking my question. Two questions, if I may. Coming back to your point about CRE and German midcaps softening, would it be possible to have some data points around stage two or cost of risk for German midcaps, to get a sense of what softening means on the ground, so to speak? And secondly, is it possible to know or to understand why you think it's just a softening, and not an outright deterioration?

So, on Wednesday, Christian Sewing mentioned that German midcaps were in much better shape, from a liquidity standpoint. Could you give us some other pointers, to basically understand better why it's just a softening and not an outright deterioration? Thank you very much.

James von Moltke

It's hard to go too far, Stéphane, from the disclosure. When we're building the reserves, especially, obviously, in stage three, it's individual reserves for individual events. And then in stage two, on ratings and stage two triggers. I would say that there was a handful of events in the quarter, particularly in the Corporate Bank, that showed us that it was more than we would normally see - five, six events.

And there wasn't necessarily a pattern to those events, although we called out automotive as an area where we are seeing some more weakness. And again, that's why we don't see it as pervasive. The stage two is really reflective of ratings changes. So, as you see more strains in the economy, strains in a supply chain, like in automotive, you see that affecting certain players, and then reflected in our ratings.

It doesn't necessarily mean that there's a wave of defaults coming, so that's why we've used the word softening, rather than a more dramatic language. I hope that helps and gives you a little bit of colour about how we're thinking of it.

Stéphane Suchet	Absolutely. Thank you very much.
James von Moltke	Thank you, Stéphane.
Andrew Lim	Hi. Thanks for taking my questions, and apologies for gate-crashing the fixed income call. The first question, I think, James, you said that you'd be able to disclose the estimated impact on NII from the decision yesterday by the ECB not to pay interest on bank reserves. I don't know if you can outline that. And then secondly, I think earlier today, when you talked about capital, you talked about the Basel III impact to come for Deutsche Bank, and then separately, the output floor impact. And then you talked about a potential 15 billion to 20 billion benefit. I didn’t quite catch the detail of that, and I thought, to my mind, it was related to litigation, but perhaps I might be mistaken. Perhaps you could talk about that in more detail, as well, please.
James von Moltke	Sure. Thanks, Andrew. Welcome, and don't worry about gate-crashing. So, on the reserve remuneration, the number that Richard cited, a little over 200 million on a per annum basis, based on our current reserve level, call it 5.5 multiplied by the € 600 billion at 3.75% would get you there. Which means that in the back end of the year, we would think, call it 60 million for the last four months of the year. As Richard mentioned, we're disappointed by that result on a number of levels. One is the cost transfer of monetary policy, again, to the banking industry, as it was for the eight years of negative rates. As Richard mentioned, it's a sudden change in the risk modelling for interest rate risk in the banking book purposes of that part of our liability stack, or asset stack, in that case. And also, I would say that we don't see a monetary policy

benefit, or an obvious argument, from a monetary policy perspective. So, we're disappointed and somewhat surprised by the decision.

On Basel III, we've got some moving parts, but our most recent guidance, I think, was 25 billion to 30 billion of increment on 1st January 25. It moves around, actually, but the principal movement in our forecast has to do with op risk, which is largely driven by revenues, but assume the high end of that range.

As we mentioned in April, we've been working to offset, actually related, but also to support our capital light shift in the business model, to identify offsets of 15 billion to 20 billion over the same period of time, really, to the end of 2025. And that's a variety of different measures. Some of it's just optimisation in the detail of our calculations. Some of it is balance sheet movements in the client business, notably, fewer mortgage originations than in the past, and some reductions in trade finance lending that is sub-hurdle, so a more disciplined balance sheet extension.

And then also, building on the securitisation programmes that we have, going further into securitising risk from the balance sheet. So, a number of initiatives of that nature that add up to that 15 billion to 20 billion.

Andrew Lim: Fantastic. Thank you very much for that.

James von Moltke: Just to explain the output floor. As we talked about on Wednesday, and we went back and looked it up, to make sure that our guidance was the same, we would think about 30 billion of a day one impact of the output floor in 2029, when it becomes binding, the 72.5%. And we had initially guided around 10% of the then RWA. When we put out that guidance, RWA was about 320, so that hasn't changed meaningfully.

Although that's a number pre-mitigation, and we've been focused on the implementation of this first phase of Basel III final framework. So, once that's behind us, and we get into the ‘25 to ‘29 period, obviously, we’ll look more carefully at ways in which we can offset some of the impacts of the output floor. And I’m sorry, just to correct myself, 2030 is the implementation.

Andrew Lim	Fantastic, thanks. Have a great summer.
James von Moltke	Thank you, Andrew. You, too.