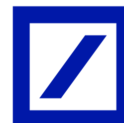


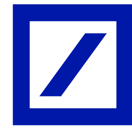
Deutsche Bank AG

Deutsche Bank Q1 2023 Fixed Income Conference Call

Friday, 28 April 2023 | 15:00 CEST

Transcript

Speakers:
James von Moltke, Chief Financial Officer
Richard Stewart, Group Treasurer
Philip Teuchner, Investor Relations



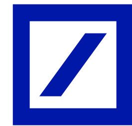
RICHARD STEWART

Slide 1 – Solid performance in volatile markets

- Thank you, Philip, and welcome from me
- We are pleased with the progress we continue to make towards our 2025 goals
- The first quarter was marked by turbulent conditions in the banking sector, particularly in March, in addition to the macro-economic challenges. However, our trans-formation has provided us with strong foundations which enabled us to navigate these challenges successfully
- We delivered on four critical dimensions
- First, profitability: Pre-tax profits increased by 12% to 1.9 billion euros, and post-tax profit by 8% to 1.3 billion euros, which on both counts represents our strongest first quarter since 2013
- Our cost/income ratio was 71% this quarter, 2 percentage points better than the prior year, driven by positive operating leverage
- As you know, annual bank levies are recognized in the first quarter. Spreading these bank levies equally across the four quarters of the year, our first quarter cost/income ratio would be 67% with a post-tax return on tangible equity of 10% - putting us well on track to our 2025 targets
- Second, we proved the strength of our franchise. Our business model is focused on four client-centric businesses which complement each other and provide a well-diversified earnings mix, as this quarter shows. We delivered revenues of 7.7 billion euros, up 5% over the prior year quarter
- Third, we again proved our resilience
- Our common equity tier 1 capital ratio was 13.6% and our liquidity coverage ratio raised to 143%. I will go into more detail on both later
- Finally, sustainability is an important part of our strategy
- As you heard at our Sustainability Deep Dive in March, we have updated our business strategies and policies and expanded on our commitments in several ways to fight climate change

Slide 2 – Key metrics showing continued improvements

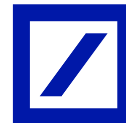
- Let me put a few key performance indicators in the first quarter in the context of our 2025 targets on slide 2



- We have strong revenue momentum. A well-balanced business mix enables us to benefit from higher interest rates despite challenging financial markets, delivering revenue growth above our 2025 targeted compound annual growth rate on a last twelve-month basis
- Our post-tax return on tangible equity was 8.3% in the first quarter, or 10% pro-rating bank levies through the year, already in line with our 2025 target
- We have made steady progress on our cost/income ratio. The first quarter performance shows clear progress toward our 2025 target of less than 62.5%
- And we demonstrated the strength of our capital and balance sheet, and quality of our loan book, in challenging conditions

Slide 3 – Well diversified loan book, CLP guidance unchanged

- Let me now turn to our loan book on slide 3 which is well-diversified across businesses and regions
- Around 70% of the book is secured or hedged, and almost 80% of our loan portfolio is in our stable and mostly lower-risk businesses in the Private Bank and Corporate Bank
- Nearly half of our book is based in Germany, and 40% is equally distributed across EMEA and North America with the remainder in APAC
- Provision for credit losses for the first quarter was 30 basis points of average loans, or 372 million euros
- Stage 3 provisions increased to 397 million euros, compared to 114 million euros in the prior year quarter. The majority of this was driven by a small number of idiosyncratic events in the International Private Bank
- This was offset by a release of 26 million euros in Stages 1 and 2 provisions, partially driven by a slight improvement in the macroeconomic outlook since the fourth quarter of 2022, compared to a charge of 178 million euros in the prior year quarter
- We did not see a wider deterioration in the portfolio outside of this small number of specific events, and overall credit quality remains high
- For the full year 2023, we reaffirm our previous guidance of 25 to 30 basis points of average loans

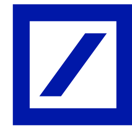


Slide 4 – Balance sheet strength in challenging conditions

- On slide 4 you can see some key indicators of our balance sheet strength
- I will get into further details on the subsequent slides
- Our capital and leverage ratio both increased on a like-for-like basis compared to the prior year period
- Our liquidity position is strong with a liquidity coverage ratio of 143% or 63 billion euros above the 100% requirement
- On the back of the market volatility in March we decided to maintain an LCR level above our target for the first quarter and steered towards a 140% ratio
- Our well-diversified funding mix enabled us to offset the reduction in deposits through other sources and to slightly increase the LCR quarter on quarter
- We have already completed more than half of our issuance plan for the year and are therefore flexible regarding the timing of future issuances
- Looking at deposits, we have a very well-diversified portfolio across client segments, products and geographies which is core to our strong overall funding mix
- In addition, we have seen about 12 billion euros inflows in our assets under management in the Private Bank and Asset Management

Slide 5 – Loan to deposit ratio of 82%

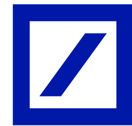
- Slide 5 provides further details on the developments in our loan and deposit book over the quarter
- All figures in the commentary are adjusted for FX effects
- Loans have been essentially flat in the quarter
- Deposits declined by 2% or 15 billion euros compared to the first quarter last year and by 4% or 27 billion euros compared to the previous quarter
- Deposits in the Corporate Bank have declined by 6% over the quarter, mostly due to normalizations from elevated levels in the last two quarters as previously communicated, as well as increased pricing competition
- Deposits in the Private Bank have declined by 2%, mainly driven by continued inflationary pressures and clients migrating to higher-yielding products, which accounts for about 30% of the deposit reduction



- Our Private Bank deposit campaign, which was launched earlier in the quarter, remains on track

Slide 6 – Diversified deposit base

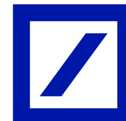
- Slide 6 shows that we have generally seen a trend of deposit normalization from elevated levels in the third and fourth quarter of last year
- We have taken decisive pricing measures post the COVID pandemic with our focus to implement deposit charging agreements
- These have not only materially improved deposit margins but also preserved the high portfolio quality, which is a key driver for the only 2% portfolio decline versus prior year
- For the first time in this rate hiking cycle, we have seen customers structurally adapting to higher levels of interest rates, as well as increased price competition amongst banks
- As such, deposit normalizations occurred primarily in non-interest-bearing products and about two thirds of the reductions during the quarter occurred before the period of market volatility in late March
- Our realized betas in our deposit books remain better than our modelling including these effects
- We attribute about one third of deposit reductions in the quarter to clients reacting to events in late March
- This constitutes only 1% of our overall deposit portfolio and speaks to the underlying quality of our book
- We maintain a well-diversified portfolio across businesses, client segments and regions, with 73% of deposits in our German home market
- More than 40% of our total deposit base excluding banks is covered under a statutory deposit insurance scheme, and in Germany, 77% of our retail deposits are insured
- Over 80% of our deposits are from most stable client segments such as retail, corporates, SMEs and sovereigns
- In the more professional client segments, we benefit from long standing and deeply rooted client relationships
- We serve a highly diverse set of clients across the globe with a vast range of services such as cash and securities clearing or trust and agency



services. As a result, 74% of our Corporate Bank deposits are either term deposits, operational current accounts, or deposits from SMEs

Slide 7 – Strong liquidity position

- Moving to slide 7, highlighting the development of our key liquidity metrics
- The liquidity coverage ratio at quarter-end slightly increased to 143%, maintaining a very strong liquidity position despite the recent market volatility and deposit headwinds during the quarter
- The surplus above the regulatory minimum slightly decreased by about 1 billion euros to 63 billion euros quarter on quarter, driven by 11 billion euros lower stock of high-quality liquid assets and a 9 billion euros decrease of net cash outflows
- For the second quarter we remain committed to support growth in the business and target to managing our LCR conservatively towards 130% over time
- The net stable funding ratio remained unchanged at 120%, which is at the upper bound of our target range
- This represents a surplus of about 100 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 deposit franchise, which continues contributing about two thirds to the Group's stable funding sources
- Targeted deposit campaigns in the Private Bank, as mentioned before, will also support our NSFR
- We aim to maintain this funding mix over the course of 2023, with the remaining TLTRO being gradually replaced
- We voluntarily prepaid an additional 8 billion euros of TLTRO during the quarter
- The cumulative repayment of TLTRO amounts to about 19 billion euros
- For the rest of the year, we are focused on further reducing the remaining TLTRO funding with expected quarterly repayments of 3 to 4 billion euros



Slide 8 – Interest rates continued to support PB and CB NIM

- We have continued to benefit from the interest rate environment in the first quarter, as demonstrated by the rise in net interest margin in the Corporate Bank and Private Bank on slide 8
- Group net interest margin, however, declined due to the accounting treatment of some of our central hedges and balance sheet management activities. This quarter, the accounting effect resulted in a sequential impact on Group NIM of around negative 20 basis points
- This effect is held in C&O where it is fully offset by an increase in noninterest revenue and there is no economic loss to the firm or overall impact on group P&L
- Realized deposit betas remain favorable when compared to our models but we expect this to partially normalize in the coming quarters, as the pace of interest rate rises slows
- Average interest-earning assets declined modestly driven mainly by our TLTRO prepayments

Slide 9 – Increase in CET1 ratio from retained earnings

- Turning to capital on slide 9
- Our common equity tier 1 ratio came in at 13.6%, a 25 basis points increase compared to the previous quarter
- FX translation effects contributed 1 basis point
- Changes in capital supply added 30 basis points, reflecting organic capital generation from net income, partially offset by equity compensation
- Higher risk-weighted assets reduced the ratio by 6 basis points
- Credit risk-weighted assets increased primarily from business growth in the Investment Bank and Corporate Bank
- We also saw a decrease in market risk RWA from an ECB approved reduction in our qualitative multiplier add-on

Slide 10 – Capital ratios well above regulatory requirements

- Our capital ratios remain well above regulatory requirements, as shown on slide 10

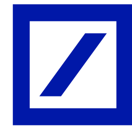
- We saw a 62-basis-points increase in our common equity tier 1 capital requirement in the quarter – in line with our prior guidance
- The increase reflects 11 basis points from a higher setting of Pillar 2 requirements by the ECB, 20 basis points from the German systemic risk buffer for residential mortgages and 30 basis points from the introduction of the German countercyclical buffer
- Together with the 25-basis-points increase in our common equity tier 1 capital ratio this resulted in a 37-basis-points decrease in the distance to our common equity tier 1 capital requirement quarter on quarter
- The common equity tier 1 MDA buffer stands at 251 basis points or 9 billion euros
- Our buffer to the total capital requirement decreased by 58 basis points to 272 basis points

Slide 11 – Leverage ratio remains stable in the quarter

- Moving to slide 11
- At the end of the first quarter our leverage ratio was 4.6%, an increase of 6 basis points versus the prior quarter
- FX translation effects resulted in a 1-basis-point leverage ratio increase
- 7 basis points came from higher Tier 1 capital, principally retained earnings
- Higher leverage usage, mostly from a seasonal increase in market making activities in FIC, led to a 2-basis-point decrease in the leverage ratio

Slide 12 – Significant buffer over MREL/TLAC requirements

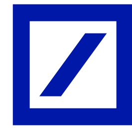
- We continue to operate with significant loss-absorbing capacity, well above all our requirements, as shown on slide 12
- The MREL surplus, as our most binding constraint, slightly increased to 19 billion euros over the quarter
- This includes the approximately 2 billion euros impact from the higher German buffer requirements, which became effective on 1st February 2023, which were more than offset by higher available MREL capacity
- For the second quarter we expect – all other things being equal – our MREL headroom to reduce by approximately 3 billion euros



- This is driven by a higher MREL requirement and general prior permissions becoming subject to deduction following the publication of a new Regulatory Technical Standard in the EU Journal on 19th April, 2023
- Our loss-absorbing capacity buffer remains at a comfortable level and continues to provide us with the flexibility to pause issuing new eligible liabilities instruments for at least one year

Slide 13 – Issuance plan at lower end of guidance

- Moving now to our issuance plan on slide 13
- We are refining our guidance regarding our 2023 issuance plan down to the lower end of the previously communicated 13-to-18-billion-euros range
- We now expect to issue 12 to 15 billion euros of which we have completed 8 billion euros year to date, more than half of our plan for the year
- This issuance was executed before the market volatility and hence at relatively attractive funding costs for the bank
- In terms of composition, we have completed our capital instruments issuance plan for 2023 when we issued a 1.5 billion US-dollar Tier 2 note in February to refinance the recently-called US-dollar Tier 2 note with the same notional
- This triggered immediate de-recognition from regulatory capital
- Note that 1.5 billion US-dollars rounds down to a 1 on the slide
- Our next calls for AT1 securities are in 2025
- In terms of senior non-preferred debt, we have issued 4 billion euros year-to-date and expect further issuances to be in the 0-to-1 billion-euros range, depending on balance sheet developments
- We are seeing ongoing strong demand for senior preferred debt and now expect to issue 2 to 4 billion euros, up from the 1 to 2 billion euros communicated on our last call
- This paper is mainly coming as retail-targeted issuance
- This pivot to senior preferred also lowers the overall cost of funding for the bank
- Our main focus for the rest of 2023 will be the issuance of covered bonds as part of our TLTRO repayment strategy



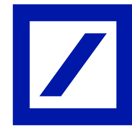
- You may have seen our announcement this morning of a 1-billion-euro tender offer, targeting our EUR denominated shorter-dated senior non-preferred debt
- This transaction aims to correct the distortions we see in our curve since March and restore a normal upward-sloping curve with a smaller differentiation between bullet and callable securities
- The tender offer will run until 9th of May and is expected to be P&L-accretive for the bank

Slide 14 – Summary & outlook

- Before going to your questions let me conclude with a summary on slide 14
- We remain focused on delivering positive operating leverage
- We expect 2023 revenues around the mid-point of a range between 28 and 29 billion euros
- In line with our previous guidance, provision for credit losses is expected in the range of 25 to 30 basis points of average loans
- We remain committed to our capital distribution plan. Consistent with our path we laid out at the Investor Deep Dive last year, we have proposed a cash dividend of 30 euro cents per share for approval at the AGM in May and the dialogue with supervisors about share buybacks in the second half of the year has been initiated
- We are also committed to maintaining a strong capital position and a strong liquidity and funding base, all of which we demonstrated during turbulent conditions in the first quarter
- Our funding plan is well advanced and positions us comfortably regarding the requirements for the rest of the year
- With that I will finish, and we look forward to your questions

Question & Answer Session

Jakub Lichwa Goldman Sachs	Hi there. Thanks for the doing the call, as always. Two questions from me. It won't be very original, but that's where the market focus is. First on the deposits, quarter on quarter, you did provide a little bit of color, but again maybe just to reiterate what were the key drivers there and, more importantly, how do you expect the balance



to develop from here?

That’s one and, similarly, just again on the deposits, can you provide an update on your deposit betas, please? Thank you.

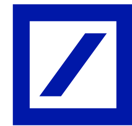
Richard Stewart

Thanks, Jakub and thanks, everyone, for joining this call on a Friday afternoon, ahead for many of us a long weekend. Also, we've thrown a few things at people this week. Whether it's earnings, some strategy tweaks, management board changes and then Numis acquisition, I guess our bond tender this morning as well. I'm sure there's plenty of questions that you have.

But going straight to your topic around deposits, you're right, it's obviously the front and center of concern for the market over the last couple of months. For us, as I mentioned earlier, we saw a drop in deposits ex FX around 4% on the quarter, 2% year on year. In absolute terms, that’s around 27 billion in the quarter and I'd say two thirds of that could be explained as a normalization from elevated levels that we saw in Q3 and Q4, particularly in our Corporate Bank, and which we've mentioned on our Q4 earnings call, was likely to reduce in the first quarter.

This drop of two thirds was driven by two main factors. One was clients shifting deposits into high-yielding investment alternatives, as well as active deposit reductions from those elevated levels that I mentioned. In addition, obviously then we came into March, and we had the market turbulence. About a third of the reduction then, or 1% of our overall deposit base came in the last week, ten days of the quarter. As certain clients repositioned some of their exposures following events at Credit Suisse and, unfortunately, the volatility in our own name also influenced that. We saw increased price competition from our peers for deposits, as well as that moving into high-yielding assets during that period.

As mentioned in my previous comments, we saw our share of that flow into both our Wealth Management and Asset Management businesses of 12 billion euros



in total. Then when we came through quarter-end and into April, I'd say our deposit base has stabilized and is improving as we head into month-end. In terms of outlook, we see modest deposit growth from here, all to a magnitude of call it 10 billion euros or so. And that's primarily going to be coming from deposit campaigns in our Private Bank in Germany, as well as targeted term deposits sourcing in the Corporate Bank. That's how I see things shaping up for the rest of the year.

I think your other question was on deposit betas. Realized deposit betas continue to outperform our model assumptions, although we do see this normalizing in coming quarters as the pace of interest rate rises slows. I'd say in dollars we are closer to our model assumptions, but there's still a bit of a lag effect there. In euros there remains a larger lag, given the rate cycle developed later in euro than in dollars, so still see positive tailwinds for both our deposit-taking businesses in Corporate Bank and Private Bank for the rest of the year. Thanks, Jakub, for your question.

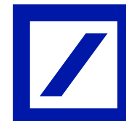
Jakub Lichwa

That's great. Thank you very much.

Corinne Cunningham
Autonomous

Hi, everyone, and thank you for the call. A couple from me, please. The first one is about your issuance plan, maybe a bit more color on what went on behind the change in your thinking there. If spreads were to tighten or normalize, should we see this change as a temporary effect or is it something that's a bit longer term, that your funding strategy overall might be altering a bit?

Then the second question was on the LCR. I struggle to see 130% ratio being the right level for an investment bank, but I'd be really happy to have a conversation on that, just to see how you think about the LCR going forward. How relevant it is and how you justify that 130% target, given what we've seen going on. Then, also, if you're expecting any regulatory change, if you're getting wind of anything going on behind the scenes in terms of how that might be struck going forward. Thank you.



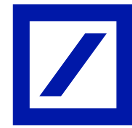
Richard Stewart

Thanks, Corinne, good questions. When we set our issuance plan, that plan gets set in latter half of Q4. We set that to allow for material growth in the balance sheet, based on how we were thinking about the world at the time, so robust loan growth. Now we see more modest loan growth and, thus, a reduction in our issuance is appropriate to reflect that. We are lowering our full-year issuance forecast, as mentioned, based on reduced needs, particularly in the senior non-preferred space.

This reduced requirement means that we've essentially completed our issuance plan for the more credit-sensitive categories of issuance and, therefore, have considerable flexibility regarding the timing of future issuance. As we're able to complete a large part of our issuance during the benign conditions we saw in the early Q1 and the recent rise in our spread will not have impacted our plan funding costs overall this year. In fact, we see a small aggregate benefit compared to our plan expectations. We have no further capital instruments in our plan for this year, and in particular no AT1 call dates until 2025.

So, overall, we're in a comfortable position when it comes to our issuance plan and are trying to wait until our spreads reflect the strength or where I feel is the right levels for us to be issuing again, which is part of the rationale behind the tender this morning. We just have observed our spreads have widened since March, have a bigger beta to the market now and we feel we have the balance sheet flexibility to support our senior non-preferred on the back of that, as well.

Then LCR is an interesting question. Our view is that the LCR clearly has value and, in many respects, has been proven as a tool to ensure banks hold strong liquidity buffers and build better term structure into their liability basis. Of course, it's just one kind of stress test and from a market peer comparison perspective, it allows a little bit of apples-to-apples comparison. But, again, it's just one form of stress test and certainly, we have many tools in our toolkit to think about our

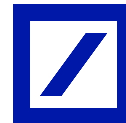


portfolio. Whether that's a variety of internal stress tests, it's around our own risk appetite frameworks, how we think about concentrations in various segments, in currencies, in products, in tenders, and also the whole funding mix as well. All of these are the tool that we have, which gives us comfort about the level of buffer that we need to rely on, as well as the ability to mobilize collateral as and when needed.

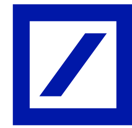
I'm sure people on this call understand it, but with LCR, if a bank loses liquidity and drops to a 100% ratio, it hasn't run out of liquidity. It's not insolvent or anything, it's still able to withstand the full shock of the LCR stress. The LCRs that banks are running represent considerable ability to withstand liquidity pressures. You mentioned the IB, depending on your business model, you'll run different LCR ratios based on your own view of stresses of your deposit book, but we are a pretty well-balanced organization and not dependent on IB for revenues. Our deposit ratio and our liquidity are coming from Corporate Bank and Private Bank, and so the Investment part of it is less significant, as we continue to diversify our business streams.

In terms of regulators, we're aware the regulators are analyzing recent events, as they should, specifically around US regional banks. We, as a matter of course, and I'm sure our peers will be doing the same, are back-testing the shocks that we saw, thinking about any changes to our internal stress test, about how we want to think about things, if that's appropriate. So, yes, we're constantly analyzing whether we have adequate buffers, we're comfortable running them. We do believe that there's fundamental differences between the events we saw in the retail US bank space and in Switzerland, compared to our balance sheet structure.

When we think about potential regulatory changes, then it's not clear to us that tweaks to outflow assumptions will be that useful a response, given that market tends to respond more in changes in liquidity position than its absolute level. In my mind, it's more important to think about the overall toolkit that a bank

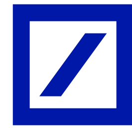


	has and fundamentally comes down to that risk management capability. Do you have all the tools in your armory to be able to navigate these kinds of stresses? I think we're pretty comfortable with it, that that is the case. I think that and your business model and risk management is fundamentally what leads to confidence in the system and in us as a bank. Therefore, that's the best defense against any potential outflows. That would be my answer. Hopefully that answers your question, Corinne.
Corinne Cunningham	Thanks very much.
Lee Street Citigroup	Hello. Good afternoon and thank you for taking my questions. I have three, please. The first one, on the acquisition announced this morning of Numis. I was a bit surprised, is it not a bit a strategic U-turn? It feels a bit like some of the businesses you're acquiring and things which in the past have been perhaps not been sufficiently profitable, have sufficient scale. My question is what's changed to make that now a good place to deploy capital? Secondly, and two follow-ups, just on deposits. In response to your prior question, am I supposed to be thinking you're basically looking to try and run the bank with about 600 billion euros of deposits, that's going to be the level you're operating around? On the presumption that deposits betas will remain pretty low and, therefore, that'll be your lowest cost source of funding you can get. Just finally, on the LCR, coming back to Corinne's question. Is your argument, what you're saying, we should be looking more at Deutsche Bank's LCR through time and its level of volatility, rather than necessarily comparing Deutsche Bank versus another bank because behaviorally, there'll be different assumptions, different business models. Is that kind of what you're suggesting? That'll be my three questions. Thank you.
James von Moltke	Thanks, Lee. It's James, I'll jump in just in the order of your questions, to talk about Numis. I would say it's

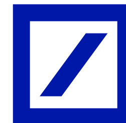


anything but a U-turn, and to think it is a U-turn is to misunderstand Numis's business, as well as our *Global Hausbank* strategy. What I think is really a fabulous fit, and I'll say as a proviso, I need to restrict my comments to the information that's in the Rule 2.7 Announcement today. But looking at their business, it is a corporate equity and advisory business that we think fits perfectly with our platform today, that we describe as the *Global Hausbank* strategy. It is an opportunity to significantly grow our client base in the UK with, frankly, very limited overlap. It's a client base that we think will benefit from access to the product capabilities that Deutsche Bank brings to the table in the combination. But capitalizing, as you know, in the corporate broking structure in the UK, on the very close relationships that are created between corporates and their brokers which in the narrow business model typically drives equity capital markets and also advisory transactions and fees. Which, as you know, are businesses that we remain in, and did after the 2019 strategy, focusing our business on what I would call a corporate equities platform, even as we exited the secondary institutionally-focused platform at the time, with that strategic decision. But, given we remain focused on corporate equities, it's not at all a U-turn.

Then, as I say, there's the broadening of the product capabilities beyond that inside Deutsche Bank, including fixed rate products and financing capabilities. Then, extending beyond that, to our Corporate Bank and also International Private Bank capabilities, so we think there's a unique marriage of the relationships on the one hand and capabilities on the other. And I'll leave it at that, I think that's a good summary. Just one other note, the agency brokerage that has conducted is actually also very much paired with what remains for us in an agency brokerage, and also research. There really isn't an expansion of our footprint in that area either. So, Lee, thank you for the question, but I hope it won't be interpreted as a U-turn. It shouldn't, but we understand that at first glance it might look that way.



Lee Street	That makes sense, thanks. That's very clear, thank you.
Richard Stewart	Then, Lee, on your two other questions, one was around deposits. I think slightly north of 600 billion euros is a fair assumption from a target perspective for the year. Then on the LCR point, the point I was trying to make was how we think about the LCR as a regulatory view of the world and it's useful for people looking outside-in, to go, what are people's LCR ratios because they're broadly calculated in the same way. What I was saying was more we obviously know our businesses, our clients, our products and, therefore, we know what are our own vulnerabilities, which we capture through our own stress tests. Then we want to manage to those, we want to make sure we have enough buffer to cover those particular businesses and that infers an LCR number, if you like. That's how we think about it, and obviously we manage to both, but primarily it's around our own view of our own portfolio about where we think the vulnerabilities are and making sure that we're always in a position that we have more than sufficient buffers to manage any potential outflows.
Lee Street	Thanks both, that's most helpful.
Richard Stewart	Thank you, Lee.
Robert Smalley UBS	Hi. Thanks for taking my question and thanks for doing the call. Another three-parter. First, just domestically in Germany, we're seeing that GDP reports slightly negative. Maybe we have a technical recession, maybe not, but certainly, the economy's flat. Probably better than we thought going into the winter, but still pretty flat. Could you talk a little bit about where that's going to impact asset quality? Domestically, certainly around the edges, both on the consumer side and on the corporate side. That's my first question. Secondly, again to harp on deposits, you're one of the few banks, certainly one of the few large banks, that charged for deposits during the negative rate period. I would assume that in order to do that, you have a pretty



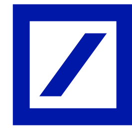
close relationship with your large depositors. Could you talk a little bit about how that informed you about what was going on with your own balance sheet during the periods of deposit uncertainty over the past month or two, and what kind of relationships and what kind of outreach you had and what kind of channels you had in place, in order to do that.

Then the third question, just on the tender. You've been known to tender before, and successfully. Could you talk a little bit about some of the arithmetic that goes into that? Taking out bonds, what are you looking for? In terms of savings, what are you looking for? In terms of potential market reaction and what it should do to your curve with respect to spreads? And how would you consider it a success? Thanks.

James von Moltke

Robert, it's James. Thank you for being with us, as always, and appreciate the questions. I'll take the first two and then ask Richard to talk about the liability management side. On the German economic situation, you're right, we do see, essentially, a technical, well, I can't call it a recession. It's really flat now for two quarters, more or less. Our view is that we will have essentially zero growth in 2023 in Germany now, our house economists' view. If you turn the clock back now even less think than a year, to August, September, I think even that performance is actually very encouraging, given the energy crisis and some of the challenges the economy was facing. We view that to be, relatively speaking, an upside surprise. Again, our house view is that Germany, Europe will avoid a recession in late '23 going into '24, even as conditions perhaps worsen in other regions. We have a more constructive view on the economy than perhaps six months ago.

You are right, though, that there are some, I won't call them stresses, but there are challenges worth watching around things like corporate debt service, especially in refinancing, household situations, as the COVID run-off and, as it was last year, higher energy prices did impact households. At the moment we're not seeing, still,



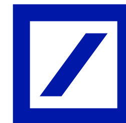
indicators in the forward-looking credit metrics that would suggest that is turning into a stress that would significantly impact credit. But it bears watching, for sure, and so, we are watching carefully. But there's at least a path at the moment, to navigate through '23 and into hopefully more stable or growing waters in '24, without seeing a significant fallout from a credit perspective in the German market. That's our perspective today.

On the deposit side and the relationship with the clients, it's actually an extremely penetrating question. I think that the effort over the last couple of years of negative rates and our pricing policies absolutely helped us establish a very close link with our clients on pricing decisions. And that that has benefited us in this environment in two ways. One is the way you suggest, which is we're able to make micro pricing adjustments from a client relationship, liquidity preservation perspective, and be very attuned between the businesses and the business coverage, and also treasury, on how to calibrate that. Which has been very helpful.

Then, in a second respect, what you didn't see was a lot of deposits flowing into the bank in the period where liquidity was perhaps excessive in the marketplace. If you look at our deposit growth over the last several years, it's below the industry, as our pricing wasn't attracting new money as much. And that's meant that if you're with Deutsche Bank, it's because you have a good relationship, you value the services, not because we're the leading price opportunity as a destination for your deposits. I think that serves us well in an environment where we're adjusting now to a different liquidity regime, frankly, based on central bank policy action. So, it's a very good question and we feel really good about the way we've been able to develop that connectivity with our clients, as well as the internal connectivity on deposit pricing.

Richard Stewart

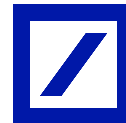
Thanks, James. On the tender, in this instance, how we think about it is we've been in a black-out period, but



the bond curve has been inverted ever since mid-March, which we feel doesn't really reflect the real default probability of Deutsche Bank over the next couple of years. We felt that that, plus how we see some of our callable instruments and bullet instruments are being priced, it doesn't seem right to us. And because we have the balance sheet flexibility and the liquidity, then we felt that we should test the waters to see if we can buy those bonds at the levels that the markets were offering and see if people think that the curve should be inverted or, actually, it should be more positively sloping. It's how, if you think about success, we see the curve shape normalize.

Then in terms of what we think about the risk reward of these things and in terms of savings, there'll be some saved funding costs on the tendered bonds. And then, also, the spread rally which we hope to see on the back of this, will allow future issuance to be cheaper. But, as already commented upon, then our issuance is going to be in a more senior part of the capital structure for this year, is our intension and the amount we issue is also going to reduce this year. Hopefully that answers your question.

Robert Smalley	That's great. And thank you both for the detail, I really appreciate it.
James von Moltke	Thanks for the question, Robert.
Anke Reingen RBC	Thank you for taking my question. I hope it's fit for on the fixed income call. There's obviously a lot of debate focused on the bank lending survey as well, next week, and the fact that banks might tighten their lending conditions. In light of this, obviously you reduced your funding needs for this year. You mentioned less demand, but would you think there's also less supply from loans on your side, given the somewhat more challenging economic outlook or higher funding costs. Then, secondly, you used the word targeted deposit sourcing in corporate banking. Can you be a bit more precise? Because I guess from your comment, it didn't imply you would price up for deposits. Thank you very



much.

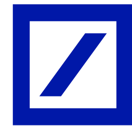
James von Moltke: Anke, I'll let Richard answer the questions, but I just want to say, absolutely, welcome to the call. We had a fixed income call on yesterday's equity call, which means we're delighted to have in both fora.

Richard Stewart: In terms of our growth, we're still planning on loan growth for the remainder of the year, just not as large as it was. But that's not driven necessarily by anything in particular, I think it's just when you do a planning process, then you obviously are optimistic about that and make sure you have the capacity if clients come in, but as we go through the year, then you get better visibility on that. And so, that was what drove the issuance plans in the first place, so now, as discussed earlier, we're now just adjusting those. I think that's part one, but you're right, whether we're thinking in, for example the mortgage origination space, perhaps that might slow later on this year.

Then I think on the Corporate Bank, in terms of deposits, what you're asking was in terms of being the best in price competition, we didn't feel a need to be overly competitive during March, along with the pricing competition pressures that we saw. But in Corporate Bank, for certain types of deposits, for certain types of clients, then we are looking at campaigns where we can source deposits as they come due. In general, we don't want to be the best bid in the market, but at the same time, we do want to make sure that we keep the client deposits that we need in the Corporate Bank.

Anke Reingen: Okay, thank you.

Stéphane Suchet
Point 72: Thank you for the call and thank you for taking my questions. The first one is to follow-up on Lee's question on Numis. Why not contemplating an increased share buyback instead of buying Numis? Why is this option versus an increased share buyback because you trade at a discount versus book value, and it could have been a compelling proposition for shareholders?



Secondly, to follow up on yesterday's question, what is the LCR ratio without the TLTRO, if I may ask?

And lastly, in terms of capital build, what should be the steady state capital build for the bank? Can we annualize the 40 basis points we had in Q1 going forward? How should we think about it in a steady state, if I may? Thank you.

James von Moltke

Stéphane, it's James. I'll probably take the first and third, Richard may want to add on that and then I'll leave the LCR to him. We don't think a buyback and this acquisition are mutually exclusive. As we said yesterday, we are intending to pursue a buyback. I don't think capital necessarily is zero-sum and at the impact, in terms of our ratios at 9 basis points, we think this represents a good investment for the Group, also compared to a buyback, frankly. But, again, it's not either or, in a sense, it's both. We look forward to the incremental earnings power that the capital we're deploying into the Numis transaction will produce. I think that on the item.

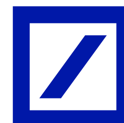
Stéphane Suchet

I did not express myself correctly. What I meant is instead of doing, let's say for the sake of argument, a 400 million euros buyback for the year, you could've made without this acquisition an 800 million euros buyback. That's the delta I'm referring to, why not increasing potentially the buyback you're planning for the year? That's what I meant.

James von Moltke

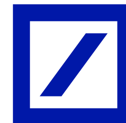
No, I understand, but it presumes that an 800 million euros buyback would've been appropriate in terms of the capital path and plan that we've set out. Therefore, we think the balance that we're achieving here in terms of deployment is a good balance. Bearing in mind the here and now, and we understand our investors' desire to see us repurchase shares, especially at today's valuations, but balanced also with the need to invest to deliver returns in the future. Hence, we think at this balance it makes good sense for the firm and for our shareholders.

In terms of capital generation, it's a little bit too forward



looking to necessarily provide a view on basis points of capital generation per quarter. But obviously with the earnings growth that we have laid out and it's the product of the transformation that we've gone through over the past several years. We've gone from being a firm that generated relatively little organic capital and, frankly, needed to deploy most of that capital into the impact of regulatory changes that were flowing through the system and, also, the transformation charges. To now generating capital that we can deploy in a series of ways, one of which is returning to the shareholders, which we obviously prioritize. We also need to support organic business growth. And there is one more cycle of significant regulatory build that we need to be able to fund from our organic capabilities or organic capital generation through to January '25. All of those things are built into our capital plan. All of those features can be supported with the 5 and then 8 billion euros return that we've talked about. We're very comfortable, we have the space to deliver on those promises and deploy that internal capital generation in a way that creates substantial value for our shareholders.

Stéphane Suchet	Thank you, James.
Richard Stewart	Stéphane, on TLTRO, in Q1 we repaid 8 billion euros, so it brings the total to 19 billion euros that we've repaid now. We have 11 billion euros to repay by the end of the year, so 3 to 4 billion euros a quarter, so all very manageable. Year-end, all things being equal, we have a 143% LCR right now, if we just look at the TLTRO repayments this year, then you're down to a 136% number on the LCR, if that was your question.
Stéphane Suchet	Yes, perfect. Thank you, Richard.
James Hyde PGIM	Hi. Thank you for this call. Just more a technical question and a request. Most banks, I think you and Barclays are the only two that don't separate these things, report separate interbank and separate customer deposits. But you have this one line, which obviously fell by 30 billion euros. I've never been able to work out how much is interbank. The only proxy that I



have is to add up the segmental numbers of the three segments other than Asset Management. And if I do that, it's quite a less drastic picture, it's actually just down 1.5%. I don't know if that is the customer number, rather than the interbank, that's 534 billion euros versus the total reported deposits of 592 billion euros. It'd just be useful to be in alignment with other banks. Or am I looking at this the wrong way? I know that repos go into different places on different balance sheets, but is taking the three non-Asset Management divisions' deposits the way to look at your customer deposits and why don't you report like other banks? Thanks.

Richard Stewart — That's an interesting question. I don't think there's anything particularly that we're looking to hide, but repos, for example, are not part of our deposit numbers and we have about 82 billion euros deposits from banks, but there's no repo in there, if that's your question.

James Hyde — Yes, that's just not a number you see on the face of the balance sheet, which is why I just wondered. How did that move, that 82 billion euros?

Richard Stewart — Let me just have a check on that.

James Hyde — Especially from mid-March to end March, as well.

Richard Stewart — It's not a number I have to hand, so I'm going to have to come back to you with that through Investor Relations after the call, if that's okay?

James Hyde — Yes. I just want to make the point, I just don't understand why you don't report customer like other banks do, that's all… But thanks anyway.

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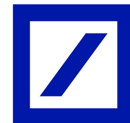

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