Deutsche Bank AG

Deutsche Bank Q1 2024 Analyst Conference Call

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Transcript

Speakers:
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James von Moltke, Chief Financial Officer
Ioana Patriniche, Head of Investor Relations

CHRISTIAN SEWING

Slide 1 – Disciplined execution of management agenda

- Thank you, Ioana, and a warm welcome from me. I'm delighted to be discussing our first quarter results with you today
- In February, we laid out a clear path to our 2025 objectives for financial performance and capital distributions and we have delivered in line with our objectives and targets
- Group revenues were 7.8 billion euros. This reflects business growth and franchise momentum, particularly in areas where we have been investing, like our capital-light businesses, while net interest income was more resilient than expected
- This performance underlines the benefit of our complementary business mix
- We are delivering on our cost targets. Adjusted costs were in line with our commitment to a quarterly run rate of around 5 billion euros for this year
- Provision for credit losses remained elevated this quarter, but in line with our expectations and prior guidance considering where we are in the credit cycle
- Portfolio quality remains very solid, and we continue to expect provisions for the year to be at the higher end of our guidance range of 25 to 30 basis points of average loans
- Our return on tangible equity was 8.7% in the first quarter, up from 8.3% in the first quarter last year
- Capital remains robust. Our CET1 ratio was 13.4%, enabling us to remain on track in raising distributions to shareholders and supporting business growth
- Let me unpack some of the drivers of our first quarter results on slide 2

Slide 2 – Delivering against key objectives

- Pre-provision profit was up by 11% year on year to 2.5 billion euros, and more than 20% higher since we launched our *Global Hausbank* strategy
- This reflected continued progress on driving operating leverage, which is a core element of our strategy execution

- We increased revenues in our operating divisions by 3% year on year, while Group revenues were up 1% on a reported basis. Group revenues include Corporate & Other, which tends to add some level of volatility into our revenue line
- As committed, we delivered growth in noninterest revenues, and saw an increase of 11% year on year in commissions and fee income, mainly in divisions where we made investments last year
- As expected, our reported net interest income declined this quarter, but net interest income remained stable in our banking books, and James will shortly talk you through this in more detail
- We reduced adjusted costs by 6% year on year and 5% sequentially to around 5 billion euros, in line with our guidance. This includes bank levies and higher compensation costs, which James will discuss later
- Now let's look at the franchise achievements across all divisions, on slide 3

<u>Slide 3 – Notable franchise achievements driving revenue momentum</u>

- The Corporate Bank delivered strong business growth with a 5% increase in incremental deals won with multinational corporate clients compared to the prior year quarter
- We closed a series of landmark Project Finance transactions and saw strong momentum across the structured credit market in Trust & Agency Services
- We also ranked number 1 in 17 categories in the 2024 Euromoney Trade Finance Survey, including being the Best Trade Finance Bank in Western Europe for the 7th consecutive year
- Demonstrating the strength of our business model, the Investment Bank delivered a strong quarter with notable advances across the franchise
- Investments in talent boosted our Origination and Advisory market share to 2.6%, a 70 basis point increase compared to the full year 2023, with notable gains in LDCM and DCM, elevating our global ranking from 11th to 7th
- Our Advisory franchise benefited from the breadth of our product set in the quarter. In GTCR's acquisition of WorldPay, we provided an integrated offering, from financial advice to debt financing, through to FX and Rates hedging

- The revenue increase in FIC was driven by both Financing and our well-balanced business portfolio, which supports our revenue profile through the cycle
- We maintained our strength in Credit Trading driven by our investments in 2023, particularly in the Flow business, and we also grew revenues in the Americas. These developments further diversified the revenue mix in our portfolio
- The Private Bank benefited from our investments; accelerated business momentum delivered 12 billion euros of net inflows in the first quarter, which makes it 17 consecutive quarters of net inflows, bringing the total assets under management to 606 billion euros, with a strategic shift toward fee-generating investment solutions
- We also continued to strengthen capabilities in strategic areas by increasing coverage of ultra-high net worth individuals in Germany and enhanced offering of investment solutions, including third party exclusive collaborations, which should drive further inflows
- Asset Management delivered another strong quarter of volume growth. Net inflows were 9 billion euros ex-Cash, helping assets under management grow by 45 billion euros to 941 billion euros, over 100 billion euros higher than in the prior year quarter, which we expect to support future revenue generation
- Now let me turn to the progress against our strategic objectives on slide 4

Slide 4 – Strong foundation for strategic execution

- Starting with revenues, we have delivered a compound annual growth rate of 6% since 2021, in line with our raised target range of 5.5 to 6.5% from 2021 to 2025
- As promised, we grew mainly in capital-light businesses with strong growth in Origination & Advisory, as well as in the Private Bank and in Asset Management, supported by high inflows of assets under management, underlying our franchise momentum
- We aim to build on these developments as our franchise expands following our investments in growth initiatives across all business segments
- With net interest income resilient at the start of the year, and growth in noninterest revenues, we feel we are well on our way to our 2025 revenue ambitions

- We continue to deliver on our 2.5-billion-euro Operational Efficiency program; we have completed measures with delivered or expected savings of 1.4 billion euros, nearly 60% of our target, with around 1 billion euros in savings already realized
- The incremental efficiencies this quarter were driven by optimization of our business in Germany and reshaping of our workforce in non-client facing roles
- We have further incremental measures already underway, including re-engineering of our operating model via additional front-to-back improvements of product processes, and harmonization of infrastructure capabilities
- This gives us full confidence that we will deliver on our commitment of a quarterly run rate of adjusted costs of around 5 billion euros in 2024 and total costs of around 20 billion euros in 2025
- Finally, on capital efficiency, we achieved a further 2-billion-euro reduction in RWAs, bringing aggregate reductions to 15 billion euros
- As we are intensifying our work on capital efficiency with further reductions coming from data and process improvements, as well as securitizations, we remain highly confident that we can meet our target range of 25 to 30 billion euros
- Let me conclude with a few words on our strategy, on slide 5

<u>Slide 5 – *Global Hausbank* strategy delivering on commitments</u>

- In a nutshell, we delivered on all key initiatives and targets in the first quarter, and as we progress our *Global Hausbank* strategy, we are on the right path for both our clients and our shareholders
- First, we have a strong and growing franchise. Clients come to us as our well-balanced, complementary businesses provide them with full-service products and solutions
- This supports our revenue growth through different market cycles and drives our market share
- And as we said consistently, clients want a partner that offers them an alternative to large US banks; a partner with our expertise, product range and global network
- Second, we continue to improve our operational efficiency
- We are maintaining our cost discipline, and as always, we are committed to our approach of self-funding our investments

- 2023 marked the peak of our investments, but we continue to invest to reduce the complexity of our organization through improving technology, processes and control capabilities
- Finally, we are absolutely focused on creating value for our shareholders, and as we said in previous quarters, we are fully committed to increasing shareholder distributions, as rewarding our shareholders is a top priority
- We are confident we can increase distributions well beyond our original goal of 8 billion euros in respect of the financial years 2021 to 2025, and we expect to continue to grow dividends and make incremental share buybacks
- 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 mentioned our continued business momentum which resulted in revenue growth of 6% on a compound basis for the last twelve months relative to 2021, the mid-point of our recently upgraded revenue growth target range
- A cost/income ratio of 68% in the first quarter shows a 7 percentage point improvement against 2023, driven by operating leverage from sustained revenue growth and cost management
- Our return on tangible equity was 8.7% for the first quarter
- Our capital position remained robust with the CET1 ratio at 13.4% this quarter after absorbing the impact of the share repurchase and the deduction for future distributions in line with revised EBA rules, reflecting our payout ratio policy
- Our liquidity metrics also remained strong; the liquidity coverage ratio was 136%, above our target of around 130%, and the net stable funding ratio was 123%
- In short, our performance in the period reaffirms our resilience and our confidence in reaching our 2025 targets
- With that let me turn to the first quarter highlights on slide 8

Slide 8 – Q1 2024 highlights

- Group revenues were 7.8 billion euros, up 1% on the first quarter of 2023 or 2% excluding specific items
- Noninterest expenses were 5.3 billion euros, down 3% year on year
- Nonoperating costs this quarter included litigation charges of 166 million euros and 95 million euros of restructuring and severance charges
- Adjusted costs decreased6% year on year, mainly due to lower bank levies
- Provision for credit losses was 439 million euros or 37 basis points of average loans, and I will discuss this in more detail shortly
- We generated a profit before tax of 2 billion euros, up 10% year on year, and a net profit of 1.5 billion euros, also up 10% compared to the prior year quarter
- Diluted earnings per share was 69 cents in the first quarter and tangible book value per share was 29 euros and 26 cents, up 7% year on year
- Our tax rate in the quarter was 29%
- Let me now turn to some of the drivers of these results

Slide 9 – Net interest margin (NIM) / Net interest income (NII)

- Let me start with a review of our net interest income on slide 9
- Net interest income for the Group decreased by approximately 100 million euros compared to the previous quarter, with the reduction being driven by accounting effects. As a reminder, these effects are revenue neutral at the Group level as the decrease in NII is offset by an increase in noninterest revenues
- Excluding these accounting effects, banking book NII was essentially flat as a decline in the Private Bank was offset by an increase in the Corporate Bank and lower funding costs in the Investment Bank and Corporate & Other
- The reduction in the Private Bank net interest margin was largely driven by the non-recurrence of favorable episodic effects in the fourth quarter of 2023, as well as the ongoing impact of beta normalization

- On an absolute basis, net interest income in the Private Bank is in line with the plans on which our NII guidance from last quarter was based
- The increase in Corporate Bank NII was due to a positive one-off impact from a CLO recovery which was accounted as NII, with deposit betas showing a steady increase in line with our assumptions
- We expect to see a Corporate Bank NII decline in the coming quarters as betas continue to normalize
- NII in FIC Financing was essentially flat quarter on quarter
- We are starting to see margin expansion on the asset side which, if it continues, will help offset margin compression from beta normalization
- In summary, the development in the first quarter reinforces our expectation that we will meet or improve on our prior guidance of a 600-million-euro reduction in banking book NII for 2024 relative to the prior year
- With that, let's turn to adjusted cost development, on slide 10

Slide 10 – Adjusted costs – Q1 2024 (YoY)

- Adjusted costs were around 5 billion euros for the quarter, specifically 5.02 billion euros excluding bank levies, up 3% year on year but down 4% sequentially, in line with our guidance
- We were disciplined in most expense categories and the modest increase was primarily driven by higher compensation and benefit costs reflecting inflationary pressures on fixed remuneration, increases in internal workforce after our targeted investments in talent throughout 2023, and higher performance-related compensation
- The increase in compensation and benefit costs was partially offset by workforce optimization
- Let's now turn to provision for credit losses on slide 11

Slide 11 – Provision for credit losses

- Provision for credit losses in the first quarter was 439 million euros, equivalent to 37 basis points of average loans
- The decline compared to the previous quarter was driven by moderate stage 1 and 2 releases of 32 million euros due to improved macroeconomic forecasts and model recalibration effects which occurred in the prior quarter

- Stage 3 provisions at 471 million euros remained elevated at a similar level to the previous quarter. This included continued weakness in the commercial real estate sector, mainly impacting the Investment Bank, and the continued impact of operational backlogs in the Private Bank
- Our full year guidance for provisions is unchanged at the higher end of the range of 25 to 30 basis points of average loans
- This reflects our expectation that provisions will remain elevated in the first half of the year and should gradually reduce in the second half
- The decline is expected to be driven by an improvement in the CRE sector and the partial reversal of backlog-related provisions in the Private Bank
- Before we move to performance in our businesses, let me turn to capital on slide 12

Slide 12 – Capital metrics

- Our first quarter Common Equity Tier 1 ratio came in at 13.4%, compared to 13.7% at year-end 2023
- We had a strong capital supply this quarter and the sequential decline was driven by our distribution actions and plans, together with business growth
- 19 basis points of the decrease reflects the ECB approval for our 675-million-euro share buyback which we commenced in March
- Half of first quarter net income was deducted for future capital distributions, in line with our 50% payout ratio guidance, with the remainder supporting other deductions
- 12 basis points of the decrease came from RWA growth
- The increase in RWA is net of reductions due to RWA Optimization achieved during the quarter
- At the end of the first quarter our leverage ratio was 4.5%, 8 basis points lower compared to the previous quarter
- The decline was primarily driven by lower Tier 1 capital, in line with the movement in CET1 capital, with leverage exposure broadly unchanged
- With that, 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 first quarter were 1.9 billion euros, essentially flat sequentially and 5% lower compared to the prior year quarter which marked the revenue peak of the current rate cycle
- Year on year, the revenue decrease reflected the normalization of deposit revenues, lower loan net interest income and the discontinuation of remuneration of minimum reserves by the ECB, predominantly impacting our Corporate Treasury Services businesses, partly offset by 3% higher commissions and fee income
- On a sequential basis, the revenue development mainly reflected lower overnight NII
- Loans declined by 5 billion euros compared to the prior year quarter and remained flat sequentially reflecting muted demand and our continued selective balance sheet deployment
- Deposits were 31 billion euros higher year on year and over 10 billion euros higher than in the fourth quarter mainly driven by higher term deposits
- Provision for credit losses was 63 million euros, or 22 basis points of average loans, essentially flat versus the prior year, reflecting resilience of the Corporate Bank loan book
- Noninterest expenses decreased sequentially driven by lower internal service cost allocations and the FDIC special assessment charge in the prior quarter, but increased year on year due to higher litigation costs
- This resulted in a post-tax return on tangible equity of 15.4% and a cost/income ratio of 64%
- I'll now turn to the Investment Bank on slide 15

Slide 15 – Investment Bank

- Revenues for the first quarter were 13% higher year on year on a reported basis, or 14% when excluding specific items
- Revenues in Fixed Income & Currencies increased by 7% versus the prior year quarter, demonstrating the underlying diversification of the business
- Financing performance was solid, with revenues up 14% year on year reflecting a robust carry profile, and strong levels of issuance and securitization fees. As this is the first time we are disclosing Financing

revenues separately, you can find further information on the composition of the business in the appendix on slide 38

- Credit Trading revenues were again significantly higher year on year, as the business continued to build on the successful execution of our strategic initiatives and investments made through 2023, specifically in the Flow business
- Emerging Markets revenues were also significantly higher, with revenues up across all three regions. Client activity was up year on year aided by the investments in Latin America
- Foreign Exchange revenues were significantly higher, benefitting from the non-repeat of the interest rate market dislocation seen in the prior year. The impact of a refocused business model with investments into controls and technology are also beginning to materialize, and collaboration with the wider franchise is driving cross-sell revenues in the quarter
- Rates revenues were significantly lower when compared to a very strong prior year quarter and reflected a reduction in market volatility
- Moving to Origination & Advisory, revenues were up 54% when compared to the prior year quarter, with the business gaining market share in a growing fee pool environment, both year on year and versus the prior quarter
- Debt Origination revenues were significantly higher benefitting from a material improvement in the Leveraged Debt market conditions, while Investment Grade debt issuance activity was also higher year on year
- Advisory revenues increased versus the prior year despite a reduction in the industry fee pool. The announced pipeline for the second quarter also remains strong
- Noninterest expenses and adjusted costs are lower year on year as a result of significantly lower bank levy charges, partially offset by higher compensation costs; reflecting targeted investments in 2023, including the Numis acquisition
- The loan balance increase versus the prior quarter was primarily driven by increased activity in Debt Origination, linked to the recovery seen in the industry this quarter, with a smaller increase in Financing
- Provision for credit losses was 150 million euros, or 59 basis points of average loans. The increase versus the prior year was driven by an increase in stage 3 impairments, primarily in the CRE portfolio
- Turning to the Private Bank on slide 16

Slide 16 – Private Bank

- We implemented a new reporting structure this quarter reflecting our client segmentation. For further details please see slide 39 in the appendix
- The division reported revenues of 2.4 billion euros including higher revenues from investment products and lending, which were more than offset by continued higher funding costs, including the impact of minimum reserve remuneration, and the Group neutral impact of certain hedging costs now allocated to the business, previously held in Treasury
- Sequentially, revenues remained stable driven by higher revenues from investment products in line with our strategy to grow commissions and fee income and reflecting seasonality
- We saw continued strong business momentum with net inflows into assets under management of 12 billion euros mainly in investment products in Wealth Management and Private Banking, particularly in Germany
- Revenues in Personal Banking were impacted by the aforementioned higher funding and hedging costs for our lending books partially offset by better deposit revenues in Germany
- Wealth Management and Private Banking achieved higher revenues from lending and investment products offset by lower deposit revenues in the international businesses
- The Private Bank has continued its transformation with nearly 80 branch closures and headcount reductions of more than 800 in the last 12 months, benefitting from prior investments
- Together with normalized investment spend and lower bank levies these initiatives drove adjusted costs down by 6%
- This trajectory includes the impact of higher service remediation costs which is expected to roll off over the remaining quarters of the year
- Pre-tax profit increased by 24% driven primarily by cost reductions
- Provision for credit losses in the quarter was affected by elevated workout activity in Wealth Management as well as continued temporary effects from the operational backlog in Personal Banking
- Overall, the quality of our portfolios remains intact. The previous year quarter included single name losses in Wealth Management

Slide 17 – Asset Management

- Let me continue with Asset Management on slide 17
- My usual reminder, the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Assets under management increased by 45 billion euros to 941 billion euros in the quarter, a record high. The increase was attributable to positive market appreciation of 30 billion euros, net inflows and positive FX effects
- Net inflows of 8 billion euros were primarily in Passive once again, continuing the positive momentum in Xtrackers that we have seen throughout last year
- The business remains the number two ETP provider in EMEA by net inflows, with growth outpacing the market and hence gaining further market share
- Constructive equity markets are influencing investors to switch into Passive strategies, but despite this we have also reported positive net inflows in Active products, mainly driven by Fixed Income and quantitative strategies
- Revenues increased by 5% versus the prior year. This was primarily from higher management fees of 592 million euros, resulting from higher fees in Liquid products due to increasing average assets under management
- Noninterest expenses were 5% higher, while adjusted costs were 3% higher than the prior year
- Compensation and benefits costs were higher mainly driven by variable compensation due to DWS' share price increase, while non-compensation costs were effectively flat, despite inflationary pressures
- Profit before tax has improved by 6% from the prior year period, mainly reflecting higher revenues
- The cost/income ratio for the quarter was 74% and return on tangible equity was 14.5%, both improving from the fourth quarter of last year
- Moving to Corporate & Other on slide 18

Slide 18 – Corporate & Other

- Corporate & Other reported a pre-tax loss of 302 million euros this quarter, versus the equivalent pre-tax loss of 208 million euros in the first quarter of 2023
- Revenues were negative 140 million euros this quarter, primarily driven by funding and liquidity impacts and other centrally retained items
- Valuation and timing differences were positive 2 million euros, driven by negative net impacts from interest rate movements offset by partial reversion of prior period losses. This compares to positive 239 million euros in the prior year quarter
- The pre-tax loss associated with legacy portfolios was 96 million euros driven primarily by litigation charges and expenses
- At the end of the first quarter, risk-weighted assets stood at 33 billion euros, including 12 billion euros of operational risk RWA. In aggregate, RWAs have reduced by 11 billion euros since the prior year quarter
- Leverage exposure was 36 billion euros at the end of the first quarter, essentially flat to the prior year quarter
- Finally, let me turn to the Group outlook on slide 19

Slide 19 – Outlook

- The first quarter showed that the expected benefits of our investments are materializing and will help to drive growth in noninterest revenues, while we have limited the downside on our net interest income given our interest rate hedging activity
- This demonstrates that our businesses are positioned for further growth, contributing to the delivery of our revenue target of around 30 billion euros in 2024
- We affirm our target to maintain our quarterly run-rate of around 5 billion euros of adjusted costs this year and around 20 billion euros for the full year
- We expect provisions for the year to come at the higher end of our guidance range of 25 to 30 basis points of average loans
- With our CET1 ratio of 13.4% we are well positioned and will continue to focus on distributions, with a targeted payout ratio of 50% for the financial year 2024

- And finally, as Christian said, our full focus remains on our progress, through the execution of our strategy and the delivery our 2025 targets
- With that, let me hand back to Ioana and we look forward to your questions

Questions and Answers

Kian Abouhossein (JP Morgan)

Yes. First of all, thank you for taking my question, and a shout-out to Fabrizio and Ram for doing such a great job on gaining market share, especially against some of the European peers that also reported today.

Two questions, first of all, on the revenues. € 32 billion in 2025 that you have talked about in the past. Can you give us a little bit more of a split, how we should think about reaching this target by division in the context of the below € 600 million NII adjustment this year?

And then the second question is around cost. € 20 billion of adjusted cost this year and stated at € 20 billion next year to get to your cost-income target. There's a delta of around € 600 million to €700 million. If you could please talk about the assumptions that you're making here, and what are the easy wins and what are the difficult ones. And if I may also, the bank levy assumptions for this and next year. Thanks.

Christian Sewing

Thank you, Kian, and thank you for your question. Also thank you very much for the shout-out to Fabrizio and Ram. I don't have to do it then anymore. And I even think that we took some market share from the US banks, not only from the European banks, if I think about the performance in the Investment Bank.

Look, to your first question, let me tackle that, and James will then go on with the second question, and obviously with further comments to question number one.

Let me start actually on the journey in 2024, because it really builds up nicely then to the 2025 story.

It starts really with this good Q1, in my view across all businesses. And if we now look how the business is progressing, then you can really see that the stable businesses, i.e. the Corporate Bank, the Private Bank and Asset Management, that what we have seen in Q1 is actually a good number you can have in your mind also for the following quarters.

And one item which is positive for us, and James can give you some further details, is that the NII is actually behaving even better than we thought and that what we have given you earlier this year. So, in this regard, there is less headwind on the NII side.

And on the fee-generating side, we are actually succeeding there where we wanted to succeed and where the investments are now paying off.

You have seen the market share gain in the Origination and Advisory business. We gained market share by 70 basis points. We have shown € 500 million revenues in O&A this quarter. To be honest, it's a number which I would also see based on the mandates for Q2. Always hard to then go for Q3 and Q4. But with the investments we have done in people but also in Numis, I think that, again, Q1 is a very good marker in the O&A business.

We have done, as you said, a very good job in the FIC business. That is far more diversified, far more stable, far more robust. And with all the rating upgrades we have seen, obviously it also helped to regain clients. And these are structural improvements where I would say this is, on the one hand, clearly supporting our market share gains but also telling us that these kind of businesses and flow business we are doing there is likely coming back also in the following quarters.

So in a nutshell, if you take Q1 and you have the stability in the three businesses, in Asset Management, Private Bank and Corporate Bank, potentially even with some upside in Asset Management, and you see the strong pipeline we have in the O&A business and also the market position we have regained in the FIC business, I am more than confident that we can achieve the € 30 billion just by adding up these four operating businesses, based on the starting point we have right now.

If I then go into 2025, the first comment is that there is the tailwind on the NII side in the Private Bank. We have always talked about that. We have now, for quarters and quarters, gathered assets under management like in Q1, in PB and in Asset Management, and that obviously is driving further revenues there. So the NII tailwind and the benefits from the assets under management growth is driving further the Private Bank revenues in 2025 versus 2024.

Then in the Corporate Bank, actually there is no NII headwind anymore in 2025 versus 2024, but we are benefiting from all the mandates which we are getting, actually, not only here in Germany, but globally. You have seen in the script how also in Q1 versus Q1 last year, we actually, increased our mandates which we won with multinational corporates. And that is again a momentum which I can see going forward. So a very stable revenue growth then in the Corporate Bank also next year.

In the Investment Bank, to be honest, Kian, I absolutely further expect that we go to at least a 1% market share gain versus that what we had in 2023. We always said that with the investments which we have done, we want to gain 1% market share. We have done 0.7% in Q1, but there is more to come.

And I also do believe that in particular, in the O&A market, there is a further recovery. We can see the momentum in the M&A market, in the ECM market. It is starting, but it’s not there where I can see the fee pool is in 2025.

And then obviously, when I go to the last point, in the Asset Management, also there, we will benefit obviously with the continuous inflow in assets under management.

Looking at that, looking how we have started now Q1, looking at actually the better-than-expected NII trail and that the investments which we have done are paying off, I'm not only confident in the € 30 billion but then obviously, with the build-out in 2025, in the € 32 billion.

James von Moltke

So Kian, on expenses, we talk a lot about run rate, monthly, quarterly run rates. We're obviously pleased that our focus on delivery achieved the € 5 billion this quarter. We intend to continue that quarter after quarter over the course of this year and manage to an exit rate that puts us on track for our 2025 numbers.

A couple of moving parts. So first of all, bank levy, we probably expect to book about € 50 million this year. That might be about € 150 million next year, but it depends very much on assumptions around what the SRB does, growth rates and deposits and the like.

Then there's the non-operating costs. They've run high for the past several years, but we are, we really think, at the tail end of the work we need to do in terms of restructuring and severance, the litigation profile that we've talked about in the past.

So I'd love to see that in and around € 300 million to € 400 million in total next year, which would obviously imply an operating cost level in the high € 19 billion. On a run-rate basis, that means we need to be taking expenses down by, say, € 50 million to € 100 million per quarter next year to achieve our numbers.

You've asked about easy wins. This is all hard work and focus and attention, execution. The starting point is really the delivery, we talk about € 1.4 billion of actions that are achieved but not yet in the run rate. The run rate reflects € 1 billion. So there's € 400 million to come that's already executed, which in reality makes your difference in terms of the quarterly run rate. So in essence, we just need to crystallise the existing items.

In reality, we're going to have some inflation, we're going to have some additional investments that take place, and we then need to offset those with the remaining actions underway, closing the gap between

€ 1.4 billion and € 2.5 billion, which is the total target.

So the simple version of what's still to be done, it's still day-to-day execution on the glide path of those measures. Whether that's branch closures, app decommissioning, headcount reductions, process simplification, front-to-back on data, all of the things that we've been talking about for some time now are on a glide path for delivery. And we're confident that we're set up to achieve the goals we laid out for this year and next.

Kian Abouhossein	Great. Thanks very much.
Christian Sewing	Thanks, Kian.
Anke Reingen (RBC)	Yes, thank you very much for taking my questions. The first one is on capital. Now, we start with the 13.4% CET1, and I'm just trying to understand how much room there is for additional buybacks in the course of the year. Is it you're aiming, I guess you said in the quarterly report, aiming for flat, which will be 13.7%, or would you be happy with 13.5% as well? And how should we think about potential impacts for the rest of the year, any regulatory headwinds, and how quickly can you deliver on the remaining € 10 billion to € 15 billion of RWA optimisation? And then secondly, on loan losses, what does give you the confidence about the decline in the second half? I guess your commercial real estate, the stress loss is unchanged, but what's the impact of rates staying higher for longer? Is there any pressure by the regulator to address commercial real estate exposure faster? And also, you mentioned a reversal of the backlog-related provisions in the Private Bank. How much is this in terms of it could be a benefit in the second half? Thank you very much.
James von Moltke	Thanks, Anke. So, look, the target that we've been working to is really a January 1 target, with the Basel III impacts reflected, and a 200 basis points gap to MDA against that. So solve for 13.2% on January 1 with the € 15 billion in it that we've talked about.

And really, what we have in the balance of the year is earnings less additional stock buybacks and the impact of business growth. And then from a model methodology, all that stuff, think of that as neutral. We're working through that capital optimisation to at least offset those pressures.

Q1 is always a quarter where you'll see more burdens on the capital supply side, so I would not look at that as representative of the capital build that earnings can drive. And while Q1 is usually a high point in terms of organic capital generation, we've had a pretty good track record of generating 25 to 30 basis points per quarter over the past several years. So that's the walk that we would outline to you.

On the loan losses, we talk about three things that are running high in the first quarter, commercial real estate, which we expect to improve gradually over the year, the collections activity disruption that we expect to also correct and potentially see some recoveries in the second half, and equally, on the Wealth Management side, we've had a series of cases over the years where we hoped, as we moved to workout, there may be recoveries there as well against an, I'll call it, underlying strong credit portfolio.

So that reversion in the second half is one that, at least based on everything we see at the moment, we have good line of sight on. And so we'd need to, in essence, compensate for every basis point above 30 today, we'd need to compensate being below 30 in the second half. But we see the drivers that would drive us there.

And lastly, commenting on part of your question, we've had a very deep dive into the commercial real estate portfolio over the last four, five, six months, name by name, and feel comfortable that with the provisions we took in Q1, we reflect the risks that we see in that portfolio.

We have, as we mentioned, seen the firming in our portfolio that's visible in some of the market pricing indices and what have you. While that is to some degree rate-dependent, we do think that we're seeing a floor and are optimistic, at least based on what we see, that that'll be preserved over the balance of the year.

Anke Reingen

And you don't see any pressure by the regulator to take anything faster?

James von Moltke

Look, the regulator is very focused. We're obviously careful in how we comment on these things. But the regulator is naturally focused on how the banks, broadly defined, are managing through a sectoral stress in commercial real estate, not just in the US but globally. So you'd expect them to be paying a great deal of attention, and for us consequently to be looking carefully at our portfolio.

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 will be on NII. You mentioned in your prepared remarks that you could exceed your guidance of a decrease of € 600 million in NII this year.

And I was wondering, what are the conditions to beat this guidance actually? Is it higher rates for longer? Is it stable betas? Is it an improvement on the asset margins, as you mentioned? Any colour will be great, and also what kind of magnitude we could expect regarding the beats in this guidance.

And the second question would be on incremental share buyback for H2. Have you got any update to give us, whether you have applied for this new share buyback with the ECB or what kind of discussion you have with the regulators regarding this topic currently? Thank you.

James von Moltke

Thanks, Nicolas. So on the net interest income, I think magnitude, it's early in the year to say, but potentially considerable, in three-digit millions, easily in three-digit millions, put it that way. And the drivers are better deposit margins, better deposit volumes, firming loan margins, better funding costs, including unsecured, beta is still running behind, to some extent the interest curve that you see, the implied forward rates, although as you can also see in our materials, we've hedged a lot of that.

But the short answer is that all of those things, the drivers, are actually showing favourable compared to our planning, with the one exception that goes in the other direction of loan volumes. And there, obviously we'd like to see a pick-up as the economy firms and demand rises. But all of those drivers are playing a role in giving us confidence in the outlook.

Christian Sewing

Nicolas, on the buybacks, nothing changed from our target which we gave to the market before. We have clearly stated that shareholder value creation is the key priority for us. And hence, we are fully committed to the plans we have outlined to you, and that also means fully committed that we have a goal to actually distribute beyond the €8 billion which we gave you earlier.

Now, with regard to timing, I think we are doing exactly that what we also said. We always said that we wanted to await Q1. We wanted to see that Q1 is running in line with our own plan, that we show operating leverage, that we show further increasing revenues, that we have costs under control.

Exactly this has happened, and that gives us the confidence that we can now obviously also plan for the next steps and go into the discussions. But that is the discussion with the regulator, and this should be always respected. But as I said, we always said Q1 needs to be done. We are happy with Q1, and now we take the next steps.

Nicolas Payen

Thank you very much.

Giulia Aurora Miotto (Morgan Stanley)

Yes, hi, good morning. My first question, I want to go back onto the commercial real estate. One thing which surprises me a little bit is that the € 31 billion is not going down. It's going slightly up due to the FX. But I would expect Deutsche Bank to be deleveraging this exposure. So top down, why is that not moving, would be my first question.

And then, secondly, I notice that you flag litigation is expected up versus 2023. Any comment there? Thank you.

James von Moltke	So Giulia, on the second question, mostly to do with the relatively sizable release we had in the fourth quarter. So don't necessarily look at it as a deterioration in our position so much as that effect. On CRE, it's essentially a portfolio that, through extensions and refinancings, is rolling over. FX plays a small role and a very selective new financing activity, typically in lower-risk areas that flow into the definition. But yes, it's a rolling portfolio, and I wouldn't expect it to diminish dramatically in the next several quarters.
Giulia Aurora Miotto	Thanks.
Jeremy Sigee (BNP Paribas Exane)	Morning. Thank you. Just a couple of follow-ups on topics that have already been touched on. The first one, just picking up on CRE again, the modified loan number that you show us, which I think is € 10 billion here, that's been increasing from € 8 billion and € 6 billion over the last couple of quarters. Are you still happy with the nature of those modifications, that these are healthy, constructive, they're not just extend and pretend? So is that process still okay as far as you're concerned? That's my first question. And then the second question, again, just picking into the cost point, your adjusted costs ex-banks levies, were up about 2.5% year on year. Is that just noise, or is that a pressure that causes you concern, looking at the need to bring costs down, as you've discussed? Is that increase, year on year, any kind of concern to you?
James von Moltke	So Jeremy, the modification process, yes, I'd say, in short, okay. We've talked about this for a while. As we look at each individual property, we engage in the discussion with the sponsors on refinancing. Often, that includes terms, new equity, sometimes is concessions from the banks, and that's as it should be. I don't think of it as a giant extend-and-pretend process but a healthy process of managing these assets through a

cycle.

You should expect the modifications to continue to rise. But if this is a cycle that, as we think it is, is burning itself out, then the provision number as a percentage of that denominator should begin to decline, along with a gradual reduction in CLPs on a quarterly basis. And so that's what we would expect to see going forward. A lot of work still lies ahead, but so far, behaviour has been rational in light of valuations.

On adjusted costs, that increase represents, if you like, the cumulative impact of the various investments we've been making. We've talked about investments in controls. We even talked about investments in technology, also the front-office investments we made last year, and now the run-rate impact of the Numis transaction as well, fully in the quarter.

So that increase is there. Is it concerning? No, insofar as it was deliberate actions and targeted investments on our part. But as per the answer to Kian, now the work needs to be done to take that run rate back down modestly over the next seven quarters.

Jeremy Sigee	Perfect. Thank you.
Chris Hallam (Goldman Sachs)	Yes, good morning, everybody. So two from me, just first on NII, and it's a bit of a follow-up to Nicolas question earlier. In the prepared remarks, you sounded at the margin a bit more confident on what you'd expect to see for this year. But if you look into next year, has anything changed for the NII outcome then, particularly in light of the moves we've seen in rates expectations in the past couple of months and also the positive development in deposit funding costs in Germany? And then, secondly, so thank you for the extra disclosure on FIC. If I look at the business mix on slide 39, that's split between EM credit and macro. Is that the right mix of business, when you think about the Global Hausbank strategy? Or would you expect that pie chart to change shape meaningfully over the next

few years, whether it be through investments or share gains, etc.?

James von Moltke

Yes. Okay, Chris, I'll try both, and Christian may want to add. So actually, our hope was that we would sound a little bit more confident on this call than in the prepared remarks on the net interest income. We are comfortable with the trajectory, but we're trying not to get too far over our skis on it. We think it's supportive of the trajectory to € 30 billion this year and € 32 billion next year.

And to be honest, the way this will work, Chris, is the incremental NII that we expected to get in 2025 would be compared to the higher base in 2024 so that it would essentially just add, because of the factors that I outlined being the drivers. So short version, this is incremental in 2024 and carries over to 2025.

The numbers, that doughnut in the appendix, that does move over time, there's no question. It's depending on the mix shift in the market environment generally. We think we've got a healthy portfolio mix in our, what I'll call FIC markets, we're describing here as FIC ex-Financing. But it's driven by macro and micro trends, client positioning. It's driven by the extent to which structured transactions are happening in any one of those product areas. So it does move around, but we think of it as a healthy portfolio mix.

Christian Sewing

And Chris, I think two additional comments. Number one, if you take that over time actually, we have seen a nice uplift actually in credit ratings following investments which we have done, and while we wanted to actually have a more balanced portfolio in the FIC ex-Financing business.

And secondly, I would say that going forward, if you think about the Global Hausbank concept, and the way how actually Fabrizio is tying up the day-to-day FIC work with the Corporate Bank, I would say that we have actually a really good chance, also with that what is happening on the corporate side and how corporates are thinking, that the emerging markets piece and also parts of the macro pieces are actually further increasing.

We can see that these discussions are happening each and every day. We have an initiative where we are actually targeting corporates within the Corporate Bank and tying them into our FIC businesses. And we can see the results.

So I would say that in a normal development, and now taking aside the comments James did on unique and particular transactions, but with the network we have, with the global approach we have, I could see that the emerging markets piece and parts of the macro piece are actually growing because of the connection of the Investment Bank with the Corporate Bank.

Chris Hallam	Really helpful. Thank you very much.
Stefan Stalmann (Autonomous)	Yes, good morning. Thank you very much for taking my questions. I wanted to ask about the Private Bank, please. You've had another very good flow quarter. I think your annualised growth in Wealth Management and Private Banking is running at around 8%, annualised, from that new money. And I'm really hard-pressed to come up with any competitor getting close to that kind of growth. Can you maybe talk a little bit more about what you're doing there, what geographies are driving this, whether there are particular products or any other unique selling points that are explaining this? And a related question. One investor alerted me to a story on his media platform this morning which suggested that FINMA is looking at your Wealth Management business in Switzerland. Is there anything to flag there, or is there just nothing further? Thank you.
Christian Sewing	Thank you for your questions. Let me start, and James will amend. Look, on the FINMA side, we gave a clear statement that there is no restriction. And secondly, obviously I hope you respect it that we are not going more into details when it comes to regulatory discussions, but we have said everything in writing. So

for us, we can onboard clients.

Number two, with regard to Wealth Management and the Private Bank, yes, actually since Claudio has been with us, it has been always our focus actually to go more into the investment businesses, by the way, not only in Wealth Management but also in the Private Bank. We see that as a clear growth area and, in particular, as a clear long-term growth area.

So I think I said it before on these calls. If you think about what is one of the real sticky items also here in Germany going forward, it is what happens with the pensions of our retail clients. And the focus Claudio is giving to the investment businesses, where obviously we have an expertise which not a lot of other banks, in particular, in the home market have, is something which is now helping us a lot.

It also helps us, by the way, that we got all the rating upgrades, that we have a completely different reputation in the market, and the investments Claudio did in Wealth Management outside Germany, in parts of European countries, in particular, in Asia, you know that we invested heavily in the Middle East, are now all paying off. And therefore, yes, we are happy with the growth, but it's part of the two- to three-year story and strategy which Claudio built.

Now, as we see the success, in particular in Wealth Management, as I said, we want to bring it more and more into the more Private Bank and Retail Bank business, because there is actually the need for the clients. And therefore, I expect actually that we do see these kind of growth rates also going forward, which is again supporting that what I said in the first question from Kian.

One should not underestimate the continuous growth in revenues actually in those businesses from the continuous accumulation of assets under management, in particular, in this business. So a clear focus of Deutsche Bank.

James von Moltke	One thing just to add. I think the revenue profile is supportive, as you say, both fee and commission income and the interest income, long term, in Private Bank. I think the second thing is, as we talked about, the credit loss provisioning right now is more elevated than we would expect it to be on a continuous basis. The last thing to also highlight is this quarter, I think, now shows the trajectory that we're on from a cost perspective, with a significant year-on-year cost reduction that we expect to build on in terms of trajectory, so starting to see the restructuring, the technology investments, the distribution platform reductions come through, all of which should significantly enhance the pre-tax profit margin of Private Bank over time.
Stefan Stalmann	Great. Very clear. Thank you.
Christian Sewing	Thank you.
Tom Hallett (KBW)	Hi, guys. Thanks for taking my questions. So the first one, just curious around the fee progression in the Private Bank. If I look at market levels, they're up 8% year on year. You've had a lot of inflows, and yet your revenues in the first quarter haven't really moved much. So if I look at your guidance in the division, it would seem you're expecting quite a bit of a pick-up over the next nine months. So I suppose, what is driving that relative to the first quarter? And then, secondly, just looking at the Financing revenues, where you put a really helpful slide in there, in the pack, look, it's been a major source of growth for you but also your peers. I'm just curious about what's driving that kind of growth differential versus pre-COVID levels and how sustainable that is. Because I suppose, if I look at the leverage consumption of the IB, it's gone up considerably over the last four years. So maybe if you could provide a sense of the margins of that business or the capital intensity, that would also be great. Thank you.

James von Moltke

So Tom, the way you think about fee and commission income in the Private Bank is it's a client business volume measure. And Christian referred to it as sticky. So as we build balances, we build activity. We've seen a year-on-year growth rate of 2%, but now at a level in the first quarter that significantly exceeds any quarter last year, especially the second, third and fourth. And so we think that that's going to continue to build on itself and create more and more year-on-year differential.

There is some amount that obviously depends on clients' investment activity, trading activity, if you like, in any given quarter. But, call it, the stable revenue base that we're seeing in the Private Bank and fee and commission income growth is very encouraging and I think is set to continue.

I think in terms of your question about resources in the FIC business, we've been very focused on that consistently over the years. We tend to look at it in terms of revenue production related to RWA. As you can see, market risk RWA, relatively modest for us, so it is principally credit risk RWA, both in the balance sheet and derivative businesses. But we think we've got some of the best in the business at understanding and optimising that.

And the same is true of leverage exposure, where we manage to the constraints of our balance sheet but work to optimise how we deploy that leverage exposure to support clients as well as the revenue profile. Sometimes, by the way, the business you do is leverage exposure-intensive but not RWA-intensive, and sometimes the opposite. And hence, the optimisation efforts that we go to there are considerable and sophisticated. So I would stop there. I don't know if you want to add anything.

Tom Hallett

Yes, just to follow up just from my side on the Private Bank, is it fair for us to assume an increase, 1.5% year on year? Is that something similar we should be expecting for the rest of the year, or are you more

	confident on that for the rest of the year?
James von Moltke	I think if you look at the prior quarter comparisons year on year for both Corporate Bank and Private Bank, what you'd expect is a relatively significant acceleration of the year-on-year growth in those fee and commission lines in the coming quarters.
Tom Hallett	Okay, thank you.
James von Moltke	Thank you.
Andrew Coombs (Citi)	Good morning. Thanks for taking my questions. I'll also echo the previous remarks. Thank you for the additional disclosure on Investment Bank revenues as well. Two questions from me, firstly on costs. You drew out the FDIC charge in Q4. You haven't drawn out anything in Q1, but I know a number of the US banks did take a top-up. So could you say, is there anything on costs for FDIC this quarter as well that you'd like to specify? And then the second question just on the Corporate & Other division, now that it's been restated to include the legacy portfolios. I think you've got a € 302 million loss this quarter, but it includes quite a sizable benefit on timing differences or valuation and timing differences. So what should we think of, or what do you think is the usual quarterly run rate for that division going forward? Thank you.
James von Moltke	Thanks, Andrew. So € 8 million is the number this quarter on FDIC. By some quirk of accounting, we can't characterise it as bank levies, so we don't call it out separately. But it also means, if I look at the net going into this quarter's run rate, actually there's probably more things pushing it up than pushing it down, of which FDIC was one. In C&O there's always some degree of volatility. V&T was a feature this year, certainly year on year. In the quarter, it was relatively more neutral but reflected really changes in the interest rate curve, by the way, some of which we would expect to get back in the balance of the year through pull to par.

Always hard to say, therefore, what the pre-tax profit impact is going to be. We talk in the guidance about what the shareholder expense is that we expect, what the incremental, call it, run rate or annual Treasury funding costs are. So for modelling purposes, I would go with a quarterly version of that annual guidance and accept that there is some volatility in valuation and timing.

Incidentally, we've been working over the years to reduce and minimise that volatility to the extent we can. So lots of work's gone into hedge accounting programmes and other things to both manage the risks, the balance sheet risks that we have but do so in a way that is as accounting-neutral as we can. And we've made some good progress in that regard.

Andrew Coombs — Okay, thank you.

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