Deutsche Bank AG

Investor Deep Dive

Opening remarks

Thursday, 10 March 2022

Transcript

Speakers:
Christian Sewing, Chief Executive Officer

CHRISTIAN SEWING: Opening remarks

- Good afternoon and welcome to our Investor Deep Dive
- It has been 15 months since our last IDD, and our transformation and the strategic objectives we set out in July 2019 are approaching completion
- Today, James and I would like to provide you with an overview of our achievements to date, our progress and path towards our 2022 targets and our strategy for the years to 2025
- Let me begin by saying: This will not be a revolution, but an evolution of our successful "Compete to Win" strategy
- Deutsche Bank today is a different bank than it was three years ago. We are much more resilient, with prudent risk management, a strong balance sheet, materially improved controls, and sustainable profitability
- In 2021, we achieved our highest net profit in a decade and put the costs of our transformation almost completely behind us
- And in the last year of our transformation, we will continue to execute on our agenda with the same discipline we demonstrated up to now
- Unfortunately, these days are dominated by the war in Ukraine. We condemn Russia's aggression, which violates international law, in the strongest possible terms
- Our thoughts are with the people in Ukraine who are suffering and are in fear for their lives and those of their loved ones
- First and foremost, at Deutsche Bank, we embrace our responsibility in defending our democracies and our freedom
- Standing united is the best the democratic world can do to safeguard a stable world economy and long-term prosperity
- We therefore support the decisions of the German government and its allies
- This war brings new uncertainties, both geopolitically and economically
- We see these uncertainties affecting our clients' businesses and households, and also reflected in financial markets
- Consequently, it is inevitable that what we present today is subject to certain caveats given the latest geopolitical disruptions
- So far, our results this year show that we are well on track. We finished February with a very good result, following an already very strong January

- And at this point in time, I am therefore confident that we achieved what was needed at the start of the year to meet our ambitious targets for 2022 – in particular the target of 8 percent return on tangible equity
- However, nobody can say for sure how events will unfold and what the potential consequences might be – for the economy and markets, for our clients and the banks
- It is therefore even more important that we provide you with the transparency on our current exposure to Russia
- As we disclosed, the risks to our bank are very much contained and under control
- Our direct exposure to Russia is not material, with 1.4 billion euros of gross loan exposures, 0.6 billion net, roughly 0.3 percent of our total loan book
- In addition, a significant proportion of our derivative exposure to Russian counterparties has been unwound and we are in a net payer position to Russian banks
- Secondly, we benefit from our first-class and proven risk management and our long-term experience in modelling and analysing secondary and tertiary risks
- As a result, we not only already started to de-risk in Russia in the last years but positioned ourselves to hedge against potential contagion effects
- Looking ahead, we will of course continue to employ the utmost rigour in managing our risks
- At the same time, let me say: When if not now do we have to demonstrate stability and leadership and be there for our clients – as their Global Hausbank, operating out of a strong German home market. And as part of the solution
- At today's Investor Deep Dive, we will present how we want to get there
- Our aim is that by the end of this day we will have convinced you across three dimensions:
- First: We start from a position of financial strength and there is a differentiated opportunity for us to grow
- Second: We expect to produce operating leverage, not only as we leave our transformation costs behind, but also with further efficiencies to come

- And third: We expect to increase our tangible equity whilst enhancing distributions to our shareholders
- This translates into updated financial targets for our bank:
- With an annual revenue growth rate of 3.5 to 4.5 percent, we aspire to become a 30-billion-euro revenue bank by 2025
- We target a competitive Cost-Income-Ratio of less than 62.5 percent in 2025
- This would result in a Return on Tangible Equity of greater than 10 percent by that year, exceeding our cost of capital
- And lastly, we aim to distribute 8 billion euros to our shareholders for the years 2021 to 2025, subject to achieving our plans
- So, let me briefly outline today's agenda
- James and I will start with a summary of our path to achieving our "Compete to Win" targets, because these achievements built a strong foundation for the next phase we are now embarking on
- In the second part, I will present our plans and ambitions for this new phase before James explains the financial details of these plans
- And we have reserved plenty of time for you to ask questions at the end
- But now let's start with a mark-to-market assessment of what we have accomplished since the start of our transformation

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Compete to Win: Mark-to-market and our path to 2022 targets

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Transcript

Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer

CHRISTIAN SEWING

- Three years ago, we set out a clear set of objectives to turn Deutsche Bank into a sustainably profitable organization
- We knew we had significant hurdles to overcome and that the transformation wouldn't be easy, but we were prepared, we were ready to execute and as we stand here today, we are pleased with our achievements to date
- And as James will take you through in more detail later, our execution continues as we work towards our 2022 targets
- As said, the events of the past few weeks have been unsettling and have increased uncertainty in financial markets with unclear consequences for the economy
- However, the solid foundations we have built, combined with our leadership and discipline give me confidence that we are and will remain a well-placed and stable partner to help our clients
- We have seen this also in the first two months of this year. This demonstrates that the hard work over the last few years has set us on course to deliver our 2022 targets
- Before I move into the detail, let me also take this opportunity to thank all our employees across the globe, who have helped get us to where we are today – especially in tackling the challenges of recent years while remaining focused on our clients' needs

Slide 1-2 – Agenda and summary

- Back in 2019 we said we had to "stabilise and transform" the bank
- Simple words with immense effort and determination required to deliver on them
- But that is exactly what we have done
- We took decisive actions which enabled us to stabilise the platform and reposition our franchise and enable a return to growth
- Today I am pleased to be able to report that we are on track
- Our financial results have improved, but the cultural transformation that we are delivering within the bank is just as important
- And we will continue to learn, evolve and develop, because the culture of a business never stands still
- One example that we put a lot of focus on is our control environment

- Controls will remain an area where we will always need to invest, as this protects our license to operate, so it will always remain a management priority
- We remain committed to the principles which have guided our success to date, namely our client-centric approach, prudent risk management and our disciplined allocation of capital
- It is these principles which have enabled us to transform the business to the one we present to you today
- And we believe we are now positioned to move forward with confidence and to deliver return for our shareholders

Slide 3 – Delivering on the promises we made in 2019

- We are executing every single one of the five key actions we have announced in 2019
- We have created four client-centric businesses, built on strong market positions and with attractive growth potential
- We have exited businesses and resized others. This created the resources and the financial flexibility we needed to unlock the growth potential of our core businesses
- We looked at our cost base from top to bottom, and we will continue to do so, as we look to self-fund investments in the future
- We have reduced the adjusted costs by 3.6 billion euros excluding transformation charges and prime finance since 2018. And as you will hear later today, we have clear plans to reduce them further
- At the same time we have maintained or enhanced our operational and control capabilities
- We continue to invest in the business, in growth areas, in our control environment and in our people
- The Capital Release Unit has helped us not only free up capital and reduce costs. Equally important, it has enabled our core businesses to focus on their clients and their growth agenda

Slide 4 – Transformation is reaching the bottom line, building the foundation for 2022

- And delivery on our transformation is hitting the bottom line

- I am extremely proud that we were able to self-fund our transformation. And that we can start returning capital to shareholders, just as we promised in 2019
- 2021 was a decisive year for Deutsche Bank
- We achieved a profit before tax of 3.4 billion euros and a net profit of 2.5 billion euros, our best results in a decade
- Our cost/income ratio has fallen from 108% in 2019 to 85% for the Group, or 79% in the Core Bank
- The current year has started with a preliminary profit before tax of 1.18 billion euros, including the planned bank levy
- This translates into a return on tangible equity above our targets, making us confident in our 2022 trajectory
- Of course, we remain very mindful that the tragedy in Ukraine has the potential to disrupt markets
- However, as mentioned at the beginning and as James will outline later, we have very limited direct exposure and a very strong risk management

Slide 5-6 – Corporate Bank

- Now let's look at each business unit, starting with the Corporate Bank
- We have achieved underlying compound annual revenue growth of 4% since 2018
- We are making good progress with loan volumes up 7%, and good fee income growth against the backdrop from significant interest rate headwinds, which we now expect to neutralize
- We have over 100 billion euros of deposits covered by re-pricing agreements and resulting in a revenue run rate of over 400 million euros per year
- Our increased focus on client solutions has fostered cross-divisional collaboration which gives us a competitive advantage in the market
- We are winning because of our global footprint, our leading position in Germany, and with the new products and services that we are offering
- All this is translating into a significant improvement in underlying profitability
- The Corporate Bank has had a good start to the year with preliminary, unaudited revenues of 950 million euros in January and February

- Looking to the year-end, we are targeting a post-tax return on tangible equity in line with the target outlined at the Investor Deep Dive in December 2020

Slide 7-8 – Investment Bank

- The Investment Bank has certainly exceeded our expectations
- By sticking closely to our plan, it is now delivering sustainable revenues and profits
- This has translated into seven-fold growth in pre-tax profits over two years, from 500 million euros for the full year 2019 to 3.7 billion euros in 2021
- Our revenues have increased by 27% since 2018. This was driven by the transformation of our FIC platform, increased client intensity, growing market share and returning clients
- We are there to support our clients and are one of the few truly global Financing powerhouses
- This is exemplified by an 80 basis point increase in market share of business with target clients in Origination and Advisory, and we see further potential
- We firmly believe the improved operating environment, coupled with rating upgrades by three leading agencies, is making it easier for clients to do business with us
- We have reduced funding costs by 500 million euros and the cost base by around 600 million euros
- Preliminary, unaudited revenues in the first two months of the year were 2.16 billion euros, exceeding the very strong start we recorded last year
- We continue to aim for a post-tax return on tangible equity, in line with our 2020 IDD targets

Slide 9-10 – Private Bank

- The Private Bank started its transformation by focusing on cost and efficiency
- We have reduced our workforce by about 4,300. 700 million euros of adjusted costs excluding transformation charges have been stripped out since 2018

- Although we have reduced our branch network by closing more than 350 branches since 2018, we have been investing in client facing personnel, in particular in the International Private Bank
- Business volumes are constantly growing as our focus on target clients has further sharpened
- We originated approximately 40 billion euros of net new client loans and seen approximately 50 billion euros of net inflows in Assets under Management since 2018
- Both businesses in the Private Bank are now well positioned for growth and demonstrated that in the first two months of the year, with preliminary, unaudited revenues of 1.44 billion euros
- Underlying compound annual revenue growth of approximately 5% since 2018, combined with a moderation of interest rate headwinds, should enable us to achieve further revenue and profit growth and a return on tangible equity in line with our previously communicated target

Slide 11-12 – Asset Management

- Asset Management is delivering solid returns, growing assets, launching new products, and cementing its position as a European champion
- It steadily grew Assets under Management at a 12% compound annual growth rate since 2018. There were 48 billion euros of net inflows last year alone and over 100 billion euros in the last three years, with growth, driven by both Passive and High Margin asset classes as well as new product launches
- Its cost/income ratio declined by 18 percentage points, and efficiency measures have been implemented with rigorous discipline since it started operating as a standalone business
- And we see it primed for further expansion, having earned preliminary revenues of 440 million euros until the end of February
- With an anticipated return on tangible equity of over 20% and stable revenues and profits, we see 2022 to be the springboard for future growth
- As you can see, our businesses are in a very good shape; all of them are in line or even ahead of their plans. We have potential to grow, as we have shown it in the first two months of the year
- That said, it is hard to predict the impact of the current crisis on our first quarter performance

- Let me now hand you over to James to take you through the decisive actions we have implemented over the past three years – and the implications for our future performance

JAMES VON MOLTKE

- Thank you, Christian, good afternoon, and thank you for your time today
- I will explain the financial impact that the changes Christian has talked about are having on the business
- Before we do that, let me offer some context from my perspective
- As Christian said, we exited non-core businesses, reduced risk weighted assets and leverage exposure, cut costs and focused on our strengths
- We needed to improve controls, foster our relationships with regulators and improve our culture
- In all, a complete overhaul
- The result is the Deutsche Bank you see today: confident but humble, ambitious but realistic, focused and profitable
- The execution discipline and management focus that we have developed across the bank over the past several years are paying dividends beyond what you see in our current results
- This has laid the foundation for our next chapter which Christian will speak about a bit later
- Let me now turn to the Capital Release Unit

Slide 13-14 – CRU released ~50bps of CET1 capital by exiting non-strategic businesses and assets

- We exited non-strategic businesses and wound down legacy portfolios
- In fact, our Capital Release Unit has performed ahead of expectations
- We reduced risk weighted assets by 61% and leverage exposure by 86%, outperforming our targets, and doing so one year in advance
- The de-risking added over 50 basis points to our Common Equity Tier 1 capital ratio, which we refer to as our CET1 ratio
- This balance sheet reduction has been achieved by exiting non-core businesses like Prime Brokerage, and through portfolio reduction actions, particularly in the non-core rates book

- We achieved this de-leveraging while incurring significantly lower exit costs than we originally modelled
- We are now much better positioned
- In addition, the Capital Release Unit has helped us drive down our cost base by achieving over 2 billion euros of cost savings since 2018

Slide 15 – Reduced costs by 16% since 2018

- Cost reduction has been a key element of our transformation programme
- Our total non-interest expenses were 21.5 billion euros in 2021 including 1.3 billion euros of transformation charges and reimbursable Prime Finance expenses, compared to 23.5 billion euros in 2018
- Adjusted costs excluding these items as well as litigation and restructuring and severance costs were 19.3 billion euros, a reduction of 3.6 billion euros or 16% from 2018, despite a modest FX headwind
- We will continue our cost discipline and are laser focused on executing the initiatives under way
- We are not done, and there is more we can do …

Slide 16 – Transformation initiatives are delivering sustainable cost reductions

- I wanted to spend just a minute giving you some color on the impact of the transformation charges we have incurred over the past few years on our run-rate expenses
- We recently updated our estimate of cumulative transformation related effects between 2019 and 2022 to 8.6 billion euros and have already put behind us 8.4 billion euros or 97% of that total
- Of this amount, 4.5 billion euros represents restructuring and other charges, excluding DTA and goodwill impairments
- These are delivering over 1.6 billion euros of annual cost or amortization benefits
- All our transformation initiatives are delivering sustainable cost reductions
- Compensation and benefits costs, real estate and technology costs account for the bulk of the savings and I will say a few words on each of these

Slide 17 – A smaller, more efficient workforce

- Firstly, our workforce is not only smaller but more efficient and effective
- We reduced headcount by 10%, and reduced compensation cost by over 12% or around 1 billion euros
- Our focus was not only on the size of our workforce but also on the location, seniority and structure of our organization
- In all, 28 thousand of our staff left the bank over the past three years, allowing us to reshape our human capital as we re-hired in strategic roles and locations
- As we have discussed on our quarterly earnings calls, we have internalized significantly more work into lower cost locations than we anticipated when we embarked on our restructuring
- This has not only enabled us to reduce costs but also to enhance controls and operational stability, although it has resulted in a larger full time equivalent workforce than originally indicated
- At the same time, we rightsized our workforce outside our delivery hubs, and increased headcount in client facing roles, as well as investing in IT and control functions
- We significantly repositioned the workforce to ensure we have the right team in place to execute on our business plans going forward
- We still have roughly 800 million euros of provisions on the balance sheet to facilitate further planned changes
- There is more to do, but these changes have already helped in the cultural transformation Christian talked about

Slide 18 – Real estate actions prepared us for Future of Work

- With the significant change in our real estate footprint over the past three years, we are also well prepared for the Future of Work
- Around two thirds of our employees are expected to adopt a hybrid working model
- We have reduced square meterage by 30% and have taken 300 million euros out of the cost base since 2018
- At the same time, we have modernized and enhanced our estate
- New locations such as our Columbus Circle offices in New York symbolize the rejuvenation of our company and demonstrably re-

energize our people, especially after the isolation of the last two years for many of us

- Our real estate costs are expected to be 1.3 billion euros for the year and we expect these to fall further

Slide 19 – Technology is a key enabler for our business strategy execution

- Some of the most significant steps we've taken have been in our technology estate
- We've written-off legacy systems and reduced excess costs
- The German IT migration, the FIC re-engineering program, the ongoing transfer of DWS to a standalone infrastructure, along with the move to the cloud, and the other measures, are enabling us to operate more efficiently and to improve client experience
- These actions have led to approximately 1.4 billion euros of software impairments and additional charges
- From the German IT platform, we now expect annual savings of about 300 million euros in the Private Bank to be achieved by the end of 2025. And I am pleased to report that the test migrations are progressing to plan
- The extended timeline compared to our earlier expectation is mainly driven by higher cash spend leading to higher software amortization starting this year
- Together with the other initiatives I have cited and many more smaller programs, these actions have enabled us to move more quickly to decommission our legacy estate, accelerate our transition to cloud infrastructure, and move activities to more efficient platforms
- Effectively, this has reduced our run-rate technology costs by over 400 million euros while freeing up resources for investments into capabilities like cloud-driven applications and a significantly improved data environment
- As we increase volume throughput, the full benefit of transformation, both operational and financial, will shine through

Slide 20 – Continuously improving internal controls

- Internal controls remain a priority and we continue to improve
- We have implemented and are continuing to embed new processes and systems to reinforce and enhance our control environment

- And we believe it has become much better
- In line with our plan, we have invested 3 billion euros in our control functions since 2019
- Much of the improvement is driven by a change in culture and leadership across the group
- Today we have greater transparency and a willingness to speak up if things don't look right
- We have further to go on this journey, but the improvements are visible across various domains such as compliance, audit, anti-financial crime and financial and operational risk management
- All of this is making us more stable and resilient

Slide 21 – Self-funded transformation while offsetting regulatory headwinds

- Disciplined capital management has been another core element of our transformation
- Turning first to the CET1 ratio, we are immensely gratified that we have been able to self-fund our transformation as promised three years ago, despite the known and unknown headwinds that lay ahead at that point
- Together with the higher CET1 ratio starting point, the combination of 5 billion euros of core bank capital generation and the net benefits of nearly 1.6 billion euros from the Capital Release Unit have enabled us to offset 8.2 billion euros of capital ratio impact from higher regulatory requirements and transformation costs
- As a result, we have delivered on our commitment to keep our capital ratio above 12.5% throughout the period, and fund our transformation from existing capital resources

Slide 22 – Delivering on resource allocation towards 2022 plan

- Let me now turn to capital allocation
- At the end of 2018, the activities represented by the Capital Release Unit after our re-segmentation accounted for 21% of our tangible equity deployment
- Capital released from asset sales, business disposals and the wind down of legacy positions has been re-allocated to the core businesses in line with the plans we laid out in 2019

- We increased the share of average allocated capital to the stable businesses of the Private Bank, Corporate Bank and as well as Asset Management to 45% in 2021, on our way to the ambitions we set for 2022
- We are putting our capital to work to support clients and generate returns for shareholders, not to cover legacy trades

Slide 23-24 – Well managed risk through the cycle

- Strong risk management has been a critical discipline for Deutsche Bank including through the transformation period, which included a global pandemic
- We have a consistent approach to risk with disciplined risk management frameworks and a conservative profile
- This enables us to navigate the inevitable cycles with modest provisions across the period, rising only at the height of the pandemic, but remaining low relative to peers
- At around 500 million euros, equivalent to 12 basis points of average loans, provision for credit losses in 2021 were down 71%, and at the lower end of our forecasts
- And we have 4.8 billion euros of allowances for credit losses on the balance sheet
- As of today, we expect a modest increase in 2022 to ~20 basis points of loans, from the very low levels of last year
- We have a highly developed risk management capability based on a strong risk appetite framework, tight teamwork between our first and second lines of defense and supported by a modernized technology infrastructure
- Let's just spend a moment on risk management in relation to the Russia Ukraine conflict

Slide 25 – Summary of exposures to Russia

- As you will have seen in our recent disclosures, we have very manageable exposure to the Russian Federation
- Over the last few years we had already significantly reduced our local footprint and accordingly our loan exposure is just 1.4 billion euros, or 0.3% of the Group's total loan book

- On a net basis, taking guarantees and offshore collateral into account, our exposure is only 600 million euros
- Regarding market risk, we had already reduced our direct exposures before current events unfolded and have further reduced since then
- But it is not just financial risks we monitor
- We are also carefully evaluating cyber risks and the multi-faceted implications of the different sanctions that have been imposed
- While no one can predict what the longer-term implications of the current conflict will be, we are confident that the risk management practices and controls we have in place are doing their job
- With that, let me hand back to Christian, who will discuss our wider management agenda

CHRISTIAN SEWING

Slide 26 – Focused on our broader management agenda

- Thank you, James
- I would now like to return to our broader management agenda that we introduced back in 2019 and which remains core until today
- There are five key elements to it

Slide 27 – Clients benefitting from cross-bank collaboration

- Let's start with client centricity: we have established four strong businesses, centered around the needs of our clients
- Client-centricity takes effort. It starts with the mindset and attitude at the most senior levels of the organization
- That's why we institutionalized a client coverage model across our Group Management Committee, systematically tracking all engagements with our top clients
- And of course, this mindset has filtered through the organization, materially improving client dedication and cross-selling
- And the next level will be further evolving our bank into a truly client-led organization across front office and infrastructure. I will come back to this later

Slide 28 – Sustainability is ingrained in our strategy

- The next management priority is Sustainability
- We identified Sustainability as a non-negotiable element of our license to operate and a significant business opportunity early on
- One of our major targets was to facilitate 200 billion euros in financing and investment by 2025. We now feel confident that we can achieve it already at the end of this year
- The fact that we have repeatedly overachieved the targets we set ourselves is a testament to our capability in this area
- And no doubt, we materially won market share
- In addition to that we have achieved many other goals which have supported our sustainability rating improvements during 2021
- We have strengthened our policies and commitments
- We have joined the Net Zero Banking Alliance as a founding member and have already published the carbon footprint of our corporate loan portfolio last week
- And we have made good progress across our organization, as expressed by our achievements when it comes to Diversity and Inclusion
- I will talk about our further ambitions in a few minutes

Slide 29 – Substantially improved employee commitment

- My next point is Leadership
- At our Annual General Meeting in 2018, I said that we need to reinstate pride working for Deutsche Bank. Pride in working together for a joint cause and performing at the top of our ability
- We have come a long way since then
- During our transformation, mood and morale have constantly grown
- And I'm deeply grateful that more and more employees are feeling committed to the Bank and support our strategy
- 88% of our staff embrace our strategy and their contribution to it, with commitment levels at their highest since 2012
- Employees feel more valued and have more trust in our leadership team
- The clarity of our strategy and our business success have been important drivers of this development

- Turning to risk management
- This is about being rigorous, disciplined and ensuring we minimize risk effectively as James outlined earlier
- We have created a strong track record by utilising our framework, our technology and analytics, supported by a strong organisational structure
- Our particular strength – next to our ability to manage primary risks – is our ability to steer secondary and tertiary risks
- Holistic portfolio management, conservative underwriting standards, diversified assets as well as active hedging provide us with a high degree of protection also in unexpected crisis situations - like the one we are experiencing right now
- Finally, in technology, we need to be modern, fast, reliable, and fit for purpose
- Our partnership with Google Cloud is essential not only to modernize our Technology estate but also to develop new solutions for our clients
- I will speak more about this in my strategic outlook

Slide 30 – Agenda

- As you can see, we have made good progress to date. So, let's now look forward
- In these next slides James will bridge our 2021 outcome to our 2022 targets

JAMES VON MOLTKE

Slide 31 – On track to achieve our financial milestones

- As we told you in January, 2021 represented the step off we needed towards our 2022 targets
- While the war in Ukraine has introduced a higher degree of uncertainty, we have positioned our company to deliver a return on tangible equity after tax of 8%
- And we continue to work towards our cost/income ratio target
- Our CET1 ratio will remain well above 12.5%
- And we have had a good start to the year across the businesses and all core metrics are heading in the right direction, based on preliminary results

- Including the planned bank levies, our cost/income ratio for the first two months of the year stood at around 74% - or if we pro-rated the bank levy plan across the year - the ratio would have been 64%
- The RoTE on a year to date basis would exceed our full year targets for both the Group and the Core Bank even without adjusting the bank levy plan treatment
- Our CET1 stood at 13.2% at the end of February
- However, as we have mentioned on our fourth quarter earnings call we do expect our CET1 ratio to decline with some variability during the year, for example from pending regulatory decisions on RWA models
- We still expect to finish the year with a CET1 ratio of 13% or higher and in any case above 12.5%, consistent with our target
- Adjusting for ECB cash, our leverage ratio stood at the end of February at 4.5% but we also expect some variability during the year
- Our leverage ratio target for the end of 2022 remains approximately 4.5%, fully loaded
- The recent geopolitical events have unsettled markets and we remain vigilant in managing our risks, however it is hard to predict the impact of the current crisis on our first quarter performance
- Nevertheless, we continue to monitor the situation closely and aim to be a source of stability for our clients and customers as Christian outlined earlier

Slide 32 – Our path to improved Group returns

- Let me take a moment to walk you through the bridge from our 4% post-tax return on tangible equity in 2021 to our target of 8% in 2022
- As you can see, we expect it to improve as a result of revenue growth, further cost reduction, and a significant decline of transformation effects, partially offset by higher provisions for credit losses in the Core Bank
- The Capital Release Unit will further reduce its drag on profitability
- So, the path is clear

Slide 33 – Drivers supporting 2022 targets

- Let me outline how each business can point to underlying improvements supporting our 2022 targets

- Be it through continued lending expansion and fee income growth as well as benefits from deposit repricing in the Corporate Bank
- Or savings from strategic cost levers and further business volume growth and strategic initiatives in the Private Bank
- And a more benign rate environment will support revenue growth in both of these businesses
- Increasing client engagement, targeted investments and the continued development in technology, client solutions, and our people will underpin the Investment Bank performance
- Continued delivery of ESG capabilities and sustainable investment solutions to clients and further organic growth in key product areas will drive Asset Management
- Across the businesses there are encouraging indicators which we would hope to continue for the rest of the year

Slide 34 – Revenue path to achieve 2022 plan

- Last year our performance was on or ahead of our plans in all four of our businesses even though was impacted by about 800 million euros of interest rate headwinds as well as the impact from the BGH ruling
- Revenues were up in all areas because we succeeded in growing business volumes
- Based on current FX rates we foresee revenues excluding specific items to be in a range of between 26 to 27 billion euros for 2022
- Amongst our divisions, the main contributors will be the Corporate Bank and the Private Bank
- Furthermore, we expect the impact of the changes in interest rates, along with the annualization of deposit pricing actions, to swing to the positive in 2022
- And the improvements in our product offering and service levels will sustain our underlying business growth
- We are off to a good start in the first two months of the year with preliminary unaudited revenues excluding specific items of 4.89 billion euros for the Group
- All four core businesses are ahead of last year's quarter to date revenues, underlining the growth trajectory

- Of course, the result for the quarter is dependent on market developments in the coming weeks

Slide 35-36 – Significant cost/income ratio reduction in 2022, benefiting from prior investments

- We expect revenue growth to be a major building block while working towards our target cost/income ratio of 70% this year, contributing to 5% in total
- Having 97% of the transformation related charges already absorbed by the end of 2021 will result in a further improvement of 5 percentage points as these effects fall away dramatically
- The benefit of prior investments will also lead to a further reduction in the ratio
- Combined with annual savings in our adjusted costs we expect this to lead to another 3 percentage points improvement for the full year from adjusted costs
- These reductions are expected to fall relatively evenly between compensation and non-compensation costs
- As I alluded to earlier, both real estate and remuneration costs are expected to fall further allowing us to reap the benefits of us rightsizing our workspace and our workforce
- Further benefits are expected to come from technology efficiencies this year and in the future
- And, we also see significant reductions from the Capital Release Unit driven by lower compensation costs and infrastructure allocations where the savings are locked in already
- We will continue to reinvest much of the efficiency savings to drive future growth and Christian and I will talk to that in the sessions to come
- With adjusted costs of 3 billion euros excluding bank levies in the quarter to date, we are currently on track against the glidepath we outlined on the Q4 earnings call, partially reflecting significant FX movements we have seen this year
- Our targets are ambitious, but we believe we have established the right levers to pull
- So, let me hand you back to Christian

CHRISTIAN SEWING

Slide 37 – Transformation is unlocking a virtuous circle

- Thank you, James
- You have just heard that the focus and discipline that we are applying is reflected in our financial results
- We have built a virtuous circle for future growth
- It starts with having a clear strategic direction
- This in turn needs to be implemented with focus and discipline
- It drives client trust, results in an increased share of wallet with more clients, and a more sustainable performance
- We benefit from lower funding cost, as our ratings improve
- All of which is driving an increase in our profitability, enabling us to restart dividends and share buybacks
- But as I said at the beginning, it is our people that are making this possible and again, a massive thank you to them, from me and the entire leadership team of Deutsche Bank
- With that we look forward to speaking to you at our next section, on our strategy to 2025

Deutsche Bank AG

Investor Deep Dive

Deutsche Bank´s strategic evolution to 2025

Thursday, 10 March 2022

Transcript

Speakers:
Christian Sewing, Chief Executive Officer

CHRISTIAN SEWING

Slide 2 – Differentiated strategy to deliver sustainable growth

- Welcome to the second part which will be about our strategy for the years to come
- James and I have described how our management team stabilised our bank, how we right sized and transformed it, how we invested heavily to modernise our platforms to enable growth, and how we made our bank resilient
- In other words: We have found our balance. We know that we have a strategy that brings the strengths of all 4 businesses to our clients – with firm roots in Germany and a strong presence in Europe, Asia, and the Americas
- And we demonstrated in 2020 and 2021 that we are growing and taking market share
- The resilience, the positive momentum and the support from our clients put us in a good position as we enter the next phase for Deutsche Bank – a phase that will be focused on growth and efficiency, and on self-funding our investments. A phase where we expect key global, economic, and societal themes to play to our strengths
- We are on a long-term journey to drive shareholder value. Phase 1 is complete. So, it's time to talk about our plans for the next 3 years and our ambition for the longer term
- That's what I will do in the next 45 minutes

Slide 3 – Driving solutions for our clients and value creation for shareholders

- We showed you our virtuous circle earlier, and I am confident that we can continue along – and reinforce this circle in coming years
- Having built a strong foundation, our focus is on supporting our clients. For us, that means primarily helping them to get through the current crisis
- In the long-term, however, the aim is of course to grow together with them
- And in our view, the outlook is good. Given the overall prospects for the industry, external consultants and markets experts estimate that the expected revenue growth for a bank with our business mix would be just under 3% annually

- We believe the strength of what we have to offer alongside our clients' changing needs gives us a unique opportunity to grow faster than the market
- We believe our clients want a bank that can be there and deliver results for them in a complex world
- We are determined to be this bank and take advantage of these opportunities, while at the same time maintaining our strict cost discipline to further increase efficiency
- In fact, we have already secured 2.7 billion euros in transformation costs, CRU costs and other non-recurring effects which will fall away compared to 2021
- This combination can drive significant operating leverage. Consequently, increased profitability would enable us to build up capital
- We aim to organically generate tangible equity of over 20 billion euros by 2025
- We plan to distribute roughly 8 billion to our shareholders – and reinvest the balance into those areas where we expect it to deliver value accretive growth – particular in our stable businesses
- By deploying capital to our business, we expect to have the capacity to become a 30-billion-euro-revenue bank and lift our return on tangible equity to more than 10% – and thus exceed our cost of capital for the first time in years
- When we invest in our business, we want to do this in a targeted manner and with a long-term view
- This is because we now already have the third phase of our strategy beyond 2025 in mind. And we need to be prepared for developments in our industry up to the end of the decade, including European banking consolidation and digital transformation
- Again, we look forward to these long-term developments with confidence because we have both a strong foundation and the goal of becoming a Global Hausbank, the Global Hausbank of choice

<u>Slide 4 – Building on our heritage</u>

- This mission has been in our DNA since our very first days back in 1870, when we started to accompany German companies abroad
- Today, we serve corporates, sovereigns, institutions, retail clients and high net worth individuals around the world

- And it is our aspiration to be their Global Hausbank. We've already been moving in this direction over the past 2 years. Now we want to live it to the full
- As the world becomes increasingly complex, our clients want an integrated bank as their first point of contact in all financial matters:
- A bank that understands their needs, building on a long-term and holistic partnership
- A bank that offers a global network and first-class local expertise with on-the-ground presence in almost 60 countries world-wide
- A bank that can advise them, help them manage risks and has a strong balance sheet to enable financing
- A bank that works in an agile manner, cross-divisionally and is client centric
- A bank that has a sophisticated product suite and first-class digital platforms
- Deutsche Bank wants to be exactly that. Being our clients' Hausbank is our mission – and this mission energises our people and makes them feel proud

<u>Slide 5 – Anchored in one of the strongest economies globally</u>

- Despite the current uncertainties and possible repercussions on the economy we believe that the long-term fundamentals of Germany and our leading position in our home market are a clear advantage
- Germany has great strengths:
- It has the world's fourth-highest GDP and an excellent position in markets across the globe
- It is Europe's most stable major economy with comparatively low levels of debt and credit default rates
- And above all, Germany has many world leading companies that displayed great resilience in times of global uncertainties
- Such an economy needs a bank that is just as global and as strong as its corporates
- A domestic bank with a global mindset and franchise that can support corporate Germany globally – but also act as an intermediary for foreign companies and investors, attached and attracted by our country's economic strength

- Our clients want an alternative to US banks, not only in Germany and Europe, but also in the Americas and Asia
- Certainly, the war in Ukraine and the sanctions against Russia are very likely to affect German companies. Yes, there will be adjustments
- But Russia accounts for only 2.3% of German exports. And as just described, German companies and the government have the best prerequisites for overcoming crises
- With our position we stand ready to support them in these volatile times, with financing, risk management and investments
- Over the past 3 years we have strengthened our position among German corporates significantly, reinforced by establishing our Corporate Bank in 2019
- And we are determined to further increase our market share in a growing market
- But we are not only strong in the corporate sector. As biggest Private Bank in Germany with a leading advisory and investment offering, we have a unique position to leverage Germany's strengths
- And we can provide savers with a global view of investment opportunities
- We see ourselves as a strong partner to the German government and public sector when it is needed. We demonstrated this during the Covid crisis, and we are determined to do so again in these uncertain times

Slide 6 – Key themes of this decade playing to our strengths

- We believe that positioning ourselves as our clients' first call bank is our way to get there in time and with historic shifts. Market shares and wealth are expected to be redistributed globally
- We expect 3 key drivers to shape the coming decade:
- Firstly, changes in the macroeconomic environment will materially impact corporates, investors, and also public finances. This needs active management
- Secondly, the climate crisis is forcing all of us to transform to a sustainable economy – which implies huge investment and financing needs

- And finally, rapid technological progress in all areas presents opportunities, but also poses big challenges to our clients. We need to navigate this
- We have the advisory capacity and product expertise in all 4 businesses to find answers to these major trends for our clients. And importantly we are seeing the benefit of cross-business collaboration increasing
- That should help us to gain market share and grow stronger than the overall industry

Slide 7 – We help our clients navigate a volatile world

- Let me take a closer look at each of these 3 themes and how we as Deutsche Bank can support our clients
- As we have all seen in the past few weeks, geopolitics become more and more important, and – apart from the tragic human toll – this will undoubtedly have an influence on monetary policy, inflation, and trade flows
- We must expect that uncertainty and volatility will remain high, not only due to the geopolitical situation but also as the unprecedented phase of fiscal and monetary expansion comes to an end – and as governments face less scope for action given their high debt levels
- As a result, we see private debt and financing gaining in importance – either via the capital market or via banks. With our balance sheet strength and yes, the best capital market access in Europe, we can provide both
- At the same time, we observe globalisation faltering, and we are witnessing a regionalisation and fragmentation of global supply chains
- A solution requires tailored advice on the ground which only banks like us can provide globally
- And finally, the reversal of population growth is predicted to accelerate significantly in coming decades – with consequences for already strained labour markets, pension systems and wealth distribution
- We believe all this should result in significant growth potential for us, considering:
- We can integrate our first-class risk management increasingly into our client dialogue

- We plan to further strengthen our advisory propositions across businesses to help clients secure their competitive positions, protect assets, and build wealth
- We intend to expand lending and financing capacities needed to offset the negative impact of disruptive markets
- And we aim to continue investing in our global network to be there for our clients wherever value is being created – in particular in our growth regions like Asia
- And we are driving this across and with the help of all 4 businesses, truly demonstrating our Global Hausbank capabilities

Slide 8 – Accelerating our clients' sustainability transition

- We also consider ourselves well positioned for the global economy's shift towards sustainability and net zero. This is one of the biggest challenges of our times for governments, corporates, and banks
- While the repercussions of the Russian invasion of Ukraine will have significant consequences on the energy markets, we nonetheless are deeply convinced that this generational trend is irreversible
- In our view, being a Germany-based bank is here an advantage:
- The German government is among the most ambitious in accelerating the transition
- German corporations have the technologies that will enable the green transformation
- We are the ones standing ready to finance it
- And we have the ambition to emerge as one of the winners in the industry, given our position in ESG:
- We have embarked on the path of sustainability for our whole bank – and I personally chair our Sustainability Committee where we take the decisions to achieve our strategic goals
- We have a comprehensive ESG product and service offering, ranging from ESG-linked bonds and loans to derivative products and specialised project financing
- We can export this credibility globally. The extensive ESG expertise across our business and infrastructure functions as well as our ESG presence in the Americas and APAC should position us for growth
- Let me describe our plans in more detail:

- We aim to make our ESG business scalable and trackable, while further strengthening our advisory capacity
- For this we plan investments in our reporting system, training of our people as well as product development
- We intend to share details of our long-term investment plan at our Sustainability Deep Dive in the autumn
- At the centre of our strategy is the support of our clients' transition. We are now focusing on a holistic and continuous dialogue with our corporate and with our private clients
- We aim to further strengthen our risk management and product capacity
- As I already said during our first Sustainability Deep Dive last year: While there is public pressure to terminate certain client relationships, we will first and foremost try to support our clients in accelerating their sustainability transition
- We are convinced that there is huge potential for deepening the relationship with our clients and achieving the net zero target at the same time

<u>Slide 9 – Set to become a significant value driver for the bank</u>

- All of this is expected to lead to tangible volumes and revenue gains
- We have raised our ambition several times in the last 2 years and yes, we are doing it again today: After having facilitated 157 billion euros of sustainable financing and investment from the beginning of 2020 till the end of 2021, we are confident that we can reach 200 billion well before the year end
- And this does not include DWS' ambitions and goals
- From 2023 on we set ourselves an annual target of 100 billion euros of financing and investments as we aim to increase continuously ESG lending and financing, capital markets issuances and investments
- In other words: we plan to have facilitated at least half a trillion euros in financing and investments by 2025
- And while I am a risk manager and thus careful by nature, I must say: For me, this is a rather conservative target
- Conservative because we do not have any assumptions yet for transition financing and any gained market shares in that time

- Let me briefly talk about ESG revenues, given that some of you have started to make assumptions for these
- While we do not publish quarterly ESG revenues, we would like to give you some long-term guidance:
- We are confident that our volume target would translate into ESG revenues of around 1.5 billion euros by 2025, corresponding to an average annual growth of above 20%
- We are often asked if these ESG revenues are substituting traditional banking revenues. While we assume that this will partially be the case, it is now about gaining as much market share as possible in this transformation
- And we have already been very successful in doing so, we have already doubled our market share in ESG debt since 2019, according to Dealogic

Slide 10 – Leveraging technology to create value for our clients

- This brings me to technology which is advancing at a rapid pace – and we need to gear up, too
- We see here 3 levers:
- First, it's about using technology to create value for our clients. AI, machine learning and data will be a game changer in banking. We expect them to enable us to get closer to our clients, be in constant dialogue, increase the click-through-rates and conversion on our platforms– and thus foster growth
- Here's just one example: In Wealth Management we use algorithms to continuously optimise our clients' portfolios. These algorithms monitor risks, issue regular recommendations and learn from the reactions to these
- We are exploring similar next generation technology in all businesses to apply our expertise to the value chains of our clients, better understand their journeys and develop new products and business models for them
- One example where we see significant potential is our Autobahn platform. Another one is Asset-as-a-Service, which helps clients shift to a pay-per-use model
- Overall, we are working on more than 3 dozen AI and machine learning use cases across the bank, not only to generate revenues, but also to increase operating efficiency – which is the second lever

- James will talk about expected savings later, so let me just give you 2 numbers: our Technology, Data and Innovation function has reduced annual costs by 100 million euros in 2021 by simplifying our technology infrastructure and applications
- And for this year we expect additional annual savings of over 100 million euros
- Going forward we expect to further benefit from moving our operations to the cloud, which makes our partnerships in this field essential
- In 2022 alone, we plan to migrate more than 100 applications to the Google Cloud
- Thirdly, technology is key to further strengthen our controls and ensure stability of the bank. Over the last years we have invested 3 billion euros in our controls to improve – among others – our KYC and anti-financial crime systems, again leveraging AI for automated risk detection
- We plan to continue investing here, but at the same time expect to increasingly benefit from reduced costs and higher revenues as improved systems should allow for better client onboarding

<u>Slide 11 – Summary: Strong basis for sustainable growth</u>

- All this provides the foundation for our growth ambitions. So, let me briefly summarise:
- We expect to benefit from underlying industry growth in coming years
- As major themes are expected to reshape markets in an unprecedented way, we believe there will be a renaissance of demand for advice and risk management
- We believe we have the capabilities that our clients need now. Linking that with our growth initiatives puts us in a good position to grow
- We are building on a stable and promising foundation with a balanced business model, prudent risk management and a strong balance sheet
- And finally, we have a proven management team, most of which has gone through the entire transformation together. This continuity was the big plus in the last 3 years compared to previous years – and we believe it will remain so
- We know the bank, we know the processes, we know the clients – and we have a clear agenda

- In a people’s business like ours this kind of continuity counts far more than many think. It is nothing else than an invaluable asset

Slide 12 – Set to deliver continued profitable growth

- We set ourselves ambitious targets in 2019, and the strong foundation we have built in connection with the global trends gives us reason to be ambitious again
- We aim for an average annual revenue growth of 3.5 to 4.5%
- We are fully committed to remaining disciplined on costs to free up capacity for investments and improving our operational leverage
- We expect this to push our cost/income ratio below 62.5% by 2025 while at the same time generating an attractive return on tangible equity above 10%
- We will continue to focus on conduct and controls and follow a clear management agenda to change the way we work, to become even more innovative and to remain an employer of choice. More on this later

Slide 13 – Revenues: Objective to reach ~€ 30bn by 2025

- Let’s look a bit closer into the individual targets
- Starting with revenues. Our aspiration to reach 30 billion euros by 2025 is based on the following expectations:
- Taking last year's revenues of 25.4 billion as a baseline, we expect that volume growth will increase our revenues by 2 to 2.5 billion euros by 2025
- Strategic initiatives, for instance investments into new products or new markets that offer high capital returns should contribute another 1.5 to 2 billion euros
- Let me give you some examples:
- First, we changed the approach how we cover clients, fully focusing on their needs and collaborating increasingly across divisions
- Then there are new pricing models, especially in the Corporate Bank, as well as the expansion of our ESG activities in all areas
- And we are still winning clients thanks to our better ratings and improved client onboarding

- Add to this a more constructive interest rate environment in the Private and in the Corporate Bank where headwinds are expected to fade even under constant market rates. And in the case of rising interest rates, the benefits will further grow. We expect additional net interest income of around 1.5 billion euros by 2025
- To anticipate your questions, these expectations are based on the yield curves of February 11th. But our latest interest rate snapshot on February 28th confirmed our numbers

Slide 14 – Stable cost base supporting higher revenues

- While we expect our revenues to grow, we see plenty of potential for further efficiencies and costs saving that can take us to the cost/income ratio of less than 62.5%. Let's run through that briefly:
- Starting at last year's total noninterest expenses of 21.5 billion euros, we can deduct 2.7 billion euros in transformation costs, bank levies and CRU costs that will be gone by 2025. They simply fall away
- On top of that, we expect additional operational efficiencies worth 2 billion euros to be realised by 2025. On the next slide I will talk to this in more detail
- Unlike in the past we aim to use these savings to reinvest in our business and to meet our growth targets, but with enhanced operating leverage
- In other words: Just as we were able to self-fund the radical transformation of our bank in the last years, we are now committed to self-fund the investments supporting our growth strategy
- By keeping costs essentially flat and reinvesting capital accrued, we hope to trigger significant enhanced leverage and higher profitability

Slide 15 – Targeted initiatives to drive operational efficiencies

- We are determined to work on leveraging efficiencies with the same rigour as we did in previous years, with clear programmes, clear accountability, and clear milestones
- We have been focused on building credibility on costs since the start of our transformation and we will continue to perform on this item
- We expect additional efficiencies worth 2 billion euros, but there is scope to do more if circumstances require it

- James will explain this in more detail later. But just to give you the main drivers:
- We expect further optimisation in our franchise in Germany, including further integration of our retail network and our payment platforms as well as efficiencies in operations
- As mentioned before, modernisation of our tech architecture will have a significant impact
- Additionally, we see further optimisation potential in our front-to-back processes and in our infrastructure and control functions

Slide 16 – Disciplined resource allocation driving profitability

- To reiterate: We are expecting to leverage efficiencies to free up capital to reinvest in those areas where it can serve the needs of our clients and generate attractive returns
- We are convinced that we have found a robust business mix. That being said, of course we are always looking for opportunities to increase profitability in the Corporate Bank and the Private Bank
- We have demonstrated with the CRU that we can manage capital efficiently. We are fully determined to apply the same discipline going forward, following a strict resource allocation framework
- Under this framework, our individual business units face strict hurdles to ensure their plans are attractive from a strategic and financial perspective
- And areas that do not meet these hurdles in the long-term will be reduced or exited over time
- I emphasise "long-term", because our focus is not on maximising near-term, but on superior medium and long-term returns, enabled by a strong and trust-based client relationship
- We have identified a number of capital-light businesses where we do see further growth opportunities and compelling Returns on Tangible Equity. Here we aim to use additional resources to increase RWAs and invest in technology and people, including strengthening our client coverage
- These areas include several payment-related business lines in the Corporate Bank, but also M&A advisory and our business with affluent, entrepreneur and high net worth clients in the Private Bank as well as our capital light Asset Management

Slide 17 – Material tangible equity increase envisaged

- One of the things that excite me most is the prospect of strengthening our ability to generate and distribute capital
- Thanks to the expected increase in profitability, we should be able to organically grow our tangible equity – funded by retained earnings
- If we increase our return on tangible equity by 2025 as targeted, we expect to create additional capital at scale
- Of this we plan to distribute about 8 billion euros to shareholders for the years 2021 to 2025 and use the remainder to support our clients' activities and our revenue targets

Slide 18 – CB: Grow with differentiated Global Hausbank client proposition

- Let's have a look at our ambitions in the individual businesses now
- Obviously, the Corporate Bank is a crucial factor for our future proposition. Our global network across 151 countries and our comprehensive product suite makes us the real "first call" partner for global multinational corporates
- We want to remain the trusted partner for the German economy and build on our strong, long-term relationships as the number 1 Corporate Bank in our home market
- We also are committed to connect financial institutions worldwide, a business where we are one of the market leaders
- We see many levers for growth in the Corporate Bank:
- Expanding cash management and payments, growing fee based institutional business and expanding lending volumes in RoTE accretive businesses are 3 of them
- Helping corporates in their transition to a sustainable economy is another one. Further developing our ESG offerings will be an integral part of our approach, building on our tradition on innovations for corporate clients
- In addition, we expect KYC expenses to normalise and see further process automation ahead
- Consequently, we aim for a 55 to 60% cost/income ratio, based on 6 to 7% annual revenue growth till 2025. It is important to note that up to 3% of that growth will be driven by a more favourable interest environment

Slide 19 – Investment Bank: Consistent strategy delivery and targeted growth initiatives

- Our Investment Bank will also be crucial to navigate clients through rapidly evolving and increasingly volatile markets
- Our clients will need access to capital markets, expert advisory service and research as well as sophisticated protection against the impact of interest and exchange rate changes
- As the leading global Investment Bank based in Europe, we believe we are well-equipped to support them: We offer a comprehensive offering across our Origination & Advisory and Fixed Income and Currencies platforms
- And the fact that clients are returning business to us, shows the important role we have to play
- We see ourselves in a strong position to consolidate our leading market position in Fixed Income and Currencies where we are the joint number 1 in EMEA and number 2 in APAC, according to Coalition. This provides the basis to grow further at very low marginal costs
- We aim to build on our strong position in our Origination & Advisory business. Last year we returned to market leadership in our German home market, and we are top 3 in Debt Origination in EMEA, according to Dealogic
- We are optimistic about our growth potential and plan targeted investments, for example in M&A, financing or risk solutions
- And in our financing business we are ranked in the top 3 globally, as Coalition data shows
- With ongoing optimisation in technology and our front-to-back processes we also plan to reduce our costs further
- We expect our Investment Bank to achieve a cost/income ratio between 55 and 60% and see potential to grow revenues by 1 and 2% annually

Slide 20 – Private Bank: Efficiency in retail, growth in affluent and wealth

- In our Private Bank we expect 4 to 5% revenue growth due to a mix of targeted initiatives, continued market growth and interest rate benefits
- More than 20 million client relationships allow for scale effects, and we aim to further leverage our leading advisory and investment proposition

- We are Germany's leading wealth manager, and with around 550 billion euros in Assets under Management we are the number 1 Private Bank, based in the eurozone
- In Germany we want to build on our leading position across all client segments. We are in the process of finalising the consolidation of our Postbank and Deutsche Bank platforms throughout 2022
- Reflecting the changes in clients' behaviour, we aim to invest in remote advisory capabilities and further transform our presence in our retail business, with plans to reduce the number of branches by about one third by 2025
- We expect our cost/income ratio to decrease to 60 to 65%
- At the same time, we aim to grow both in the high-margin lending businesses and in net inflows to Assets under Management
- In our International Private Bank, we will continue to shift our focus to affluent, entrepreneur and wealth clients
- We can offer comprehensive one-stop solutions for entrepreneurs encompassing their companies and their personal finances. The "Bank for Entrepreneurs" which we plan to roll-out further will foster cross-divisional collaboration and of course cross-selling
- And we see further growth potential in ESG, given the high priority this topic has especially for affluent and wealth clients

<u>Slide 21 – AM: Continuation of strong trajectory with organic and inorganic growth</u>

- In Asset Management, we plan to build on our strong trajectory
- DWS is the number 1 retail fund manager in Germany, and a top 3 European ETF provider
- In the fast-growing ESG ETF business we are number 4 globally. And we will continue to invest in this field
- We plan to capitalise on our strengths in Passive and Alternatives to build the best foundation for our clients' future
- We aim for overall net inflows of roughly 4 % per year, paving the way to be Europe's leading asset manager with global reach
- As we always said, we are also open to inorganic growth. However, acquisitions need to be complementary to our existing strengths or help us to extend our distribution network and our geographical footprint

- And we plan to further reduce our cost/income ratio to below 60%

Slide 22 – Further enhance risk management and controls

- When I talk about growth opportunities in our business, it is important to remember that this growth must not be an end in itself
- Culture and conduct are key to achieve sustainable profitability
- During our transformation, the whole management team has been very attentive to ensure that we operate within the framework set by laws, regulatory requirements and our own policies
- We will not let up on this issue and aim to invest further in making our controls more robust, efficient and secure
- 3 points are particularly important to us:
- First, we aim to further strengthen our strong risk culture, based on enhanced frameworks, including for non-financial risks and for ESG-related risks. This implies being vigilant on emerging risks. One field to which we pay particular attention here is cyber security
- Secondly, we want to build on the substantial improvements made in our controls, shifting more and more to preventive risk evaluation models with clear front-to-back accountability
- And as mentioned earlier, we plan to continue investing in next-gen technologies and our core control platforms to improve risk measurement and detection. This should also help us to implement new regulation even more effectively

Slide 23 – Transforming the way we work

- I've now led you through our ambitions and our strategy for the years to come
- While our strategy update is an evolution of what we did well before, we will think more revolutionary when it comes to the way we further evolve our organization around 2 of our most important assets: our clients and our employees
- Leadership is at the heart of this. We want our leaders to role-model a mindset that is solution oriented and focused on long-term goals
- And we want every employee to constantly think about how they can create value for our clients and thereby make Deutsche Bank a truly client-led organization - in line with our Global Hausbank aspiration

- That is important not only for our business divisions, but also for each of our infrastructure functions
- To support this, we continue to improve our coverage model for individual client groups and foster collaboration between our divisions to further strengthen cross-sell
- We will revise our incentive system to emphasize our client focus and cross-selling aspiration
- And we will continue to work on a common set of data for our coverage teams, including one CRM system
- Living up to our aspiration also requires a simpler and leaner organisation:
- We want to increase speed, with less complex structures, leaner hierarchies and agile teams across the bank
- It is our ambition to shift decision-making authority more to individuals and reduce dependence on collective committees. In other words: We want to empower our people
- We will work on a new meeting culture - “fewer, smaller, shorter”. We’re determined to free up time our employees can use more productively, especially for their clients
- With a targeted workforce structure, we want to ensure our people are paid according to their skills. We continue our focus on job levelling to create 100% transparency on the roles and we expect this to create further savings by 2025
- And finally, we will focus on talent & growth. In an environment where jobs are changing, our people´s skills are the currency of the future
- We can only serve our clients well if we have a diverse talent pool and leading experts for all relevant fields. We therefore plan to invest in our people to remain best in class
- Future also means to discuss the future of work beyond implementation of our hybrid working model. More flexibility does not only allow our people to decide where they are most productive but also lead to significant real estate savings
- We aim to make Deutsche Bank a workplace that promotes teamwork, creativity and inventiveness. We want to create room for growth for our employees and our clients

- These changes will make our organisation more nimble and adaptable - capable of adjusting to a changing environment and capturing growth opportunities that present themselves to us

Slide 24 – Financial targets and capital objectives

- This innovative and agile mindset is the final ingredient we need for success, next to our focused strategy, our strong and balanced businesses and our positioning as Global Hausbank
- This line-up gives us all confidence to achieve our ambition for 2025
- A 3.5 to 4.5% average revenue growth per year, making us a 30-billion-euro company at the end of the period
- A cost/income ratio below 62.5%
- More than 10% return on tangible equity thanks to operational leverage
- Capital distributions of 8 billion euros to shareholders for the years 2021 to 2025 and a pay-out ratio of 50% from 2025 onward
- And a CET 1 ratio of approximately 13%

Slide 25 – Our path from stabilization to industry leadership

- In the next stage of our journey, we expect to reap the benefits of the previous transformation and deliver sustainable growth. We are leaner now, with a much more focused set-up and a strong competitive position
- We believe that this will allow us to grow market share, increase earnings and generate considerable amounts of capital, thus feeding the virtuous circle again
- However, our ambitions go much further. We are convinced that in the second half of this decade we will be well positioned to play a crucial role in shaping the banking industry in Europe – as the leading Global Hausbank, based in Europe's strongest economy
- In our view, no other bank is as well placed to do this as we are. And we are determined to use this position - for our clients, for our employees and for our shareholders
- With this, let me hand over to James, who will lead you through the financial basis for our 2025 strategy

Deutsche Bank AG

Investor Deep Dive

Financial objectives to 2025

Thursday, 10 March 2022

Transcript

Speakers:
James von Moltke, Chief Financial Officer

JAMES VON MOLTKE

Slide 2 – Financial targets and capital objectives

- Welcome to our final session of the day
- The targets and objectives Christian just highlighted are based on macro-economic and interest rate assumptions as laid out in the appendix to our slide presentation
- We continue to believe our medium-term expectations and the assumed operating environment represent a sensible basis on which to create plans for the future
- However, as we all know, we have yet again entered a period of heightened uncertainty due to the conflict in Ukraine. This could lead to significant deviations from our plans
- Regardless of the circumstances, as we have shown in recent years, this management team will strive to navigate the environment and to reach our objectives
- Although our path might change, we expect our destination to remain the same
- As we think about the hierarchy of targets, our primary objective is to achieve a post-tax return on tangible equity of greater than 10% for 2025. This would mean we will deliver returns at or above our estimated cost of capital
- This will be supported by our targeted compound annual growth rate for revenues of between 3.5 and 4.5% over the years to 2025
- As we expect to achieve further efficiencies and benefit from significant reductions in transformation related effects, we are targeting a cost/income ratio of less than 62.5% by 2025. I will provide more colour on these in a minute
- Importantly, achieving these targets will enable us to expand our capital distribution goals. We now anticipate total distributions of 8 billion euros in respect of the financials years 2021 to 2025, and we are targeting a total payout ratio of 50% from 2025
- The success of our transformation and strategic plan has positioned us well and gives us confidence that our targets are achievable

Slide 3 – Operating leverage to drive increased RoTE target

- Let's now look at how we expect operating leverage to drive the return on tangible equity from 4% in 2021 to greater than 10% over the period to 2025
- The main driver we plan for will be revenue growth, which we expect to contribute 6 percentage points to our target, with cost reductions adding a further 3 percentage points
- Further, continued contained risk levels and underwriting discipline should result in provision for credit losses only marginally impacting returns by approximately 1 percentage point over the period
- And, finally, we anticipate a drag of around 2 percentage points on expected returns mainly due to a higher equity base reflecting capital retention to support business growth and Basel III compliance

Slide 4 – Favorable environment supports execution momentum

- We believe our franchise, which Christian spoke to earlier, provides us with the opportunity to capture the market growth opportunities we see over the coming years for our businesses and to grow our market share
- This, combined with the benefits of our strategic initiatives, would drive the group to our targeted revenue compound growth rate of between 3.5 and 4.5% over the period to 2025
- We expect revenues to increase between 2 and 2.5% from volume growth on average across our businesses. This is in line with the estimated underlying growth of the markets we operate in, and we believe this is a conservative estimate, especially when compared to our recent performance
- Our ongoing and new strategic initiatives are expected to add a further 1.5 to 2% to our annual revenue growth rate with the Investment Bank, Private Bank and Corporate Bank providing broadly equal contributions
- With the interest rate outlook improving, the long-lasting headwinds we have experienced will turn into tailwinds in the years to come and we expect that net interest income growth on the back of improved curves will contribute around 1.5% to our revenue trajectory
- All divisions will contribute to revenue growth, and we expect it will be the Corporate Bank and Private Bank that contribute the most, each representing about a third of the total increase

- We expect the Corporate Bank to deliver a compound annual growth rate of between 6 and 7% benefiting from our strong position in growing markets
- In the Private Bank, we expect growth of around 4 to 5% from volumes, strategic initiatives and the impact of interest rate changes
- Both the Investment Bank and Asset Management delivered strong revenue performance in 2021. We expect these divisions to increase revenues over time despite the normalization of the financial market environment in the post pandemic period
- For the Investment Bank, we expect revenue growth to be around 1 to 2%, mainly driven by our strategic initiatives
- In Asset Management revenue growth of approximately 4 to 5% is supported by targeted inflows of 4 to 5% per year, a little below our recent performance
- In Other revenues, we capture the contribution from Corporate and Other, and the Capital Release Unit and the impact of other revenue drivers
- Overall, looking at our positioning, execution track record and the anticipated environment, we are confident we can deliver revenue growth in the target range of 3.5 to 4.5% over the coming years

Slide 5 – Business volumes growth expectations in line with the market opportunity and recent performance

- As Christian has outlined, we have transformed and positioned the businesses to continue capturing market growth opportunities, both domestically and globally
- In the Corporate Bank, approximately 2.5% of their total revenue growth is expected to be driven by basebook and wallet increases
- Here, we expect growth from our existing clients as well as expanding business with them; for example, increasing revenues with corporates in cash management and in the payments space
- Building on last year's achievements, we also intend to expand our lending activities across all regions, particularly in Trade Finance
- And in the Private Bank, growth of Assets under Management and loan volumes is expected to continue, resulting in an underlying revenue growth rate of approximately 3%, excluding the previous impact of BGH

- We expect our volume growth to exceed that of the market, as the results of our investments in the franchise and, our differentiated product capabilities make us a more attractive provider for our clients
- And, with growing confidence in the bank, we expect to win more clients and expand their business with us, especially family entrepreneurs in Europe and Asia whom we are uniquely positioned to serve
- In Asset Management, targeted inflows of 4 to 5% on average should be delivered through the continued shift to passive products, as well as high margin strategies, and driven by targeted investments we have made in these areas
- Lastly, the Investment Bank. Having demonstrated stellar performance over the previous two years, we will continue the disciplined resource deployment we have shown, for example in the financing business, going forward
- Investments into senior coverage bankers within Origination and Advisory will enable the targeted growth in market share within mergers and acquisitions, to offset the expected fee pool declines

Slide 6 – Continued execution and expansion of initiatives aim to deliver additional growth

- Our strategic initiatives are paying off
- Particularly in the Investment Bank, where we will continue to see benefits of our FIC transformation. Prior investments into areas such as FX forwards, the Sterling complex, European government bonds, Flow Credit trading and Global Emerging Markets will also continue to deliver revenue growth
- This will be supplemented by further investments into targeted, low marginal cost/income and resource efficient opportunities
- For example the development of technology-led client solutions, expansion of our on-shore Latam footprint in Mexico and the development of adjacent business-lines supporting our current portfolio
- In the Corporate Bank, we have also started to reap the benefits of our strategic initiatives and investments, launching new products and gaining new client groups
- We are seeing revenue contributions from our new Merchant Solutions business as well as from serving platforms, fintechs and e-commerce businesses, and we will continue building on our efforts in these areas

- Furthermore, we will support our corporate clients, and their new business models, for example with innovative financial solutions in areas like Asset-as-a-Service
- The Private Bank will capitalize on the benefits of improved technology both in cost efficiencies and revenue initiatives, the greater focus on advisors and growth in Assets under Management and loans
- In the International Private Bank, our focus on family entrepreneurs requiring a wide product suite of financing and lending capabilities, and investment advisory will support growth, particularly in EMEA and APAC
- In Asset Management, we will continue to deliver ESG capabilities and sustainable investment solutions to clients
- In addition, we will further enhance our platform scale with new distribution access and enlarging our geographical footprint

Slide 7 – Modelled revenue benefit anticipated from market rate curve through 2025

- We recognise that implied market rate curves have been moving dramatically in recent weeks. However, we do believe that inflation will be persistent, likely even more so as a result of recent events
- So, while the interest rate outlook may be less predictable in the current environment, we nonetheless continue to expect the rate environment to be more supportive to our businesses than in the recent years
- The plan we are presenting is based on implied rate curves as of February 11th 2022, assuming a constant balance sheet. The resulting estimated revenue benefit amounts to 1.5 billion euros by 2025 compared to the 900 million euros we guided for at our fourth quarter results
- As you can see, despite the market shock over the first few days of the war in Ukraine, rates prevailing on February 28th led to a path broadly consistent with our plan rates. Watching markets over the last few days, we expect the impact to remain within the boundaries of the 25 basis points sensitivity on the slide
- The Corporate Bank and the Private Bank will be the main beneficiaries of the interest rate tailwind, together accounting for more than 80% of the cumulative 1.5 billion euros we expect by 2025
- These interest rate effects are partially offset by an increase in funding costs for certain items, most notably the assumed roll-off of TLTRO

- Accounting for these, you can see that the Investment Bank profile will be unchanged, but the Private Bank and Corporate Bank will still see support to their revenue growth rates

Slide 8 – Path to 2025 costs is supported by ongoing efficiency initiatives and self-funding reinvestments

- Now let's look at how costs will develop, and support our return trajectory
- From a starting point of 21.5 billion euros in 2021, we expect our noninterest expenses to fall by 2.5 to 3 billion euros by 2025 to between 18.5 and 19 billion euros
- The biggest reduction in the initial phase is coming from normalisation as we recorded 1.5 billion euros of transformation-related effects in our cost base in 2021
- Next, we expect relief from the Single Resolution Fund assessment as the fund balance reaches its target size and the initial assessment period comes to its legislatively mandated end
- We currently estimate that bank levies will be around 200 million euros by 2025, mostly driven by expenses related to the operational maintenance of the SRF
- Costs related to litigation and regulatory enforcement are expected to diminish as the number of matters we face have declined further, also reflecting our improved controls and culture. We expect a reduction of around 300 million euros compared to the 2021 base
- And, finally, to reach normalized noninterest expenses before efficiency measures of around 18.8 billion euros, we expect to lower costs in the Capital Release Unit, by 600 million euros
- As Christian described, we have been working on initiatives that will deliver savings of around 2 billion euros
- We intend to reinvest the majority of these savings to support business growth, and together with the expected cost inflation, we believe this will result in noninterest expenses of around 18.5 to 19 billion euros in 2025

Slide 9 – Efficiency measures address long-standing challenges in our cost base

- As you know, we have made investments into the stabilization of our platforms and controls leading to cost reductions and profitability improvements over the past years
- These investments and our cost discipline should allow us to grow at scale while delivering the additional approximately 2 billion euros of efficiencies, which will principally come from four initiatives
- Let me start with Germany
- Our Unity program is a key example of how we create efficiencies by simplifying our technology infrastructure
- As we said before, we will consolidate two systems into one technology platform for Germany
- Among other benefits, this will result in the migration of 12 million Postbank clients to a single Deutsche Bank infrastructure and our IT applications will reduce by more than 50%
- We have completed testing for the first migration wave to the new platform and we are now preparing the cut-over
- In addition, we are in the process of optimizing our Corporate Bank head office and payments platform
- This will create additional efficiencies, upgrade client channels and experience, improve underlying surveillance and controls processes, as well as ensuring scalability of our cash management business
- Aside from the integration of our retail technology infrastructure, we are fundamentally reshaping our bank-wide technology architecture
- We are creating a more flexible technology base and improving time to market for business solutions and digitally enabled products thanks to our partnership with Google
- The cloud-based infrastructure also allows us to further to simplify our legacy estate as we continue to reduce the number of discrete applications used across the bank
- We are delivering these improvements on the back of a Deutsche Bank wide streamlined data architecture
- Moving to our front-to-back process re-design, which is also aimed at increasing efficiency from front office operations

- Let me give you three examples of deliverables we are working on
- First, we are re-engineering the lending architecture and processes of the transaction lifecycle in the Corporate Bank and the Investment Bank
- This will enable RWA optimisation through enhanced risk mitigation tools, and it will create cost efficiencies by increasing automation and digitalization
- It will also support revenue growth as we provide improved services and capabilities to our clients
- Next, we are increasing automation of our operations in the Corporate Bank to a targeted 90%, which will help us to reduce manual work as well as associated FTEs by approximately 50%, in certain areas
- This will be achieved through end-to-end redesign and zero-touch, intelligent workflows
- Finally, the transformation of our Client Lifecycle Management will reduce the time it takes to onboard new clients, without compromising the associated risk assessment thanks to our improved technology and processes
- In addition, we have identified incremental efficiency potential in our infrastructure functions
- For example, there are further opportunities to optimize our footprint in a number of areas including through automation, location of staff, and corporate title distributions
- Our initiatives are underpinned by the transformation in the way we work that Christian outlined earlier

Slide 10 – Simplifying and modernizing our legacy IT to enable investments in client solutions and revenue growth

- Our investment in simplifying and modernizing our technology estate is paying dividends
- We are increasingly shifting the investment focus towards future scalability
- Over the next four years, we will be spending more on investments to fuel growth and at the same time reduce our overall IT costs

- Importantly, we will continue to invest in cyber security as well as our control and risk frameworks to strengthen the confidence customers and regulators have in us as we grow the business
- Naturally, technology and digitalization investments dominate our overall investment profile and provide a strong foundation for growth
- However, these expenditures should not overshadow the roughly one billion euros we will invest outside technology
- These investments include strategic front office hires in the Investment Bank
- And in the International Private Bank, we will hire relationship managers and invest to expand our market presence
- We will also selectively hire to bolster our control and risk functions
- In short, our strategy is already delivering and will continue to help us achieve sustainable profitability
- This, in turn, provides the foundation for self-funded strategic investments

Slide 11 – Targeted result: significant efficiency improvement

- Let's see how the combination of revenue increases and our efficiency measures play out on our cost/income ratio
- As said, we expect our cost/income ratio to fall from 85% in 2021 towards our 70% target at the end of this year, and to less than 62.5% by the end of 2025
- 13 percentage points of this decrease is attributable to revenue growth and further 10 percentage points from the normalisation and costs savings I described earlier, while the efficiency measures, we just reviewed, will be offset by business growth, reinvestments, and inflation
- Once again, operating leverage creates the virtuous circle

Slide 12 – Strong risk management expected to support through-the-cycle credit loss provisions of ~20bps to 2025

- We covered risk management in the 'Mark-to-Market' presentation where we showed that we have a sound record in risk management stretching back over many years

- Not to repeat ourselves, but it is due to our conservative risk profile and strong risk management discipline, that we have kept our provision for credit losses remarkably stable
- The ‘through the cycle’ provision for credit losses has remained around 20 basis points of average loans
- And while the current situation creates some uncertainty, we continue to adhere to our strict risk discipline, and we plan to keep our portfolios essentially unchanged in their quality
- On this basis, we believe our planned credit costs through the cycle to 2025 can be maintained around 20 basis points

Slide 13 – Profit increase expected across all divisions

- Let me sum up the outcome of our financial targets on one page
- We have four businesses that have complementary strengths and resilience in evolving macroeconomic environments, and we believe this mix will help us to achieve our targets, irrespective of the challenges we now face
- In the Corporate Bank, the outcome of our investments in growth will support the expected revenue increase, alongside ongoing loan and fee income growth
- In the Investment Bank, we have made strategic decisions to invest in capital light activities that should deliver revenue growth while supporting returns
- At the same time, we will invest in resource optimization to maintain and improve our efficiency
- The Private Bank is expected to see profitability improvements with a combination of improved revenues and, existing and new efficiency measures
- And finally, in Asset Management, we will continue with the investment initiatives, in platforms and products, that we anticipate will enhance our competitive positioning in the market

Slide 15 – Maintaining strong capital on glidepath to Basel III implementation

- Turning to our capital plan
- We intend to maintain a strong Common Equity Tier 1 ratio and preserve a 200 basis point distance above our expected maximum distributable amount
- As you may remember, we ended the year 2021 with a strong CET1 ratio of 13.2%, well above the MDA level of 10.4%
- If you recall from our year-end communication, we guided you that the announced countercyclical and systemic risk buffers would add around 50 basis points to our supervisory requirements, thereby increasing MDA to around 11%
- So, our operating level would be a CET 1 ratio of around 13%
- Let's have a look at the path from year end 2021 to year end 2025 that gets us there. We bucket the impacts into four broad categories
- Firstly, we expect a strong increase in profitability which is able to fund RWA growth of around 2.5% per annum
- Secondly, the Capital Release Unit will continue to manage down the remaining exposures; however, the ongoing cost burden will exceed the capital benefit from additional RWA reductions
- Thirdly, Basel III internal model related impacts are expected to increase our risk weighted assets by approximately 25 billion euros, as we have signalled before
- And lastly, we promised to return capital to our shareholders. And we fully intend to fulfil this promise
- Importantly, we believe that our trajectory still gives us sufficient flexibility to react to unforeseen risks

Slide 16 – Average tangible equity increase supports business growth with stable capital allocation

- Going forward, we will continue to be responsible stewards of our capital and we will create value for shareholders through capital distributions as well as the reinvestment of capital into our businesses
- Clearly, we will also retain equity to comply with Basel III which requires us to grow our average tangible equity from 50 billion euros in 2021 to approximately 62 billion euros in 2025

- As expected, the Capital Release Unit will have reduced its relative share from approximately 9% to 5% of tangible equity
- This capital can be deployed into our stable businesses of Asset Management, Corporate Bank and Private Bank, which will continue to account for around 50% of our average tangible equity, as we discussed earlier
- We will continue to allocate capital to the Investment Bank at around 45%. This path includes the impact of Basel III, meaning that the Investment Bank will continue to use resources efficiently and grow less capital-intensive businesses
- In short, we expect to maintain a relatively stable capital allocation profile over the coming years despite the impact of the Basel III regulatory changes

Slide 17 – Sustainable capital generation supports previous return objectives and growing distribution over time

- I will provide you with more precise guidance on capital distributions we expect. We are very conscious of the uncertainties ahead of us and therefore some embedded flexibility seems prudent
- It is our ambition to reach a total payout ratio of 50% of our net income attributable to our shareholders in 2025 and thereafter
- We start with a dividend of 20 euro cents in relation to the 2021 financial year which is complemented by our announced share-buy backs of 300 million euros
- We are targeting sustainable growth of our cash dividends in the early years of our projection period; hence it is our intention to increase the nominal dividend per share by 50% per annum at least until it reaches 68 euro cents in respect of the 2024 financial year
- We are committed to returning excess capital to shareholders through further share buy-backs over and above the requirement to support profitable growth and a glidepath to meet upcoming regulatory changes
- As said, we intend to reach a total payout ratio of 50% in the financial year 2025. This will be through a combination of dividends paid in respect of the financial year 2024 and share buy-backs executed in 2025
- After 2025, our plan is to sustain a distribution policy based on a total payout ratio of 50%. We believe this payout level supports the future

capital requirements associated with the final leg of Basel III implementation

- In total, our ambition is to distribute 8 billion euros of capital for the period up to and including the financial year 2025, subject to the achievement of our financial and strategic plans, and of course, requisite shareholder and regulatory approvals
- We believe it is a significant validation of our collective achievements over the past several years that we are able to lay out these plans for you, our shareholders, who have supported our journey so far

Slide 18 – Summary

- Let me conclude with the key takeways of our financial objectives
- We aim to deliver returns in excess of our cost of equity through increasing operating leverage in a more favorable environment
- Improving returns on tangible equity will continue to be driven by factors largely within our control. Our ongoing efficiency initiatives will lead to savings that can be reinvested into technology and franchise improvements
- We are now in a position to increase our investments into growth initiatives
- Our capital plan accommodates reinvestment into businesses and addresses regulatory inflation driven by the impact of Basel III, while we expect to manage our CET1 ratio to achieve an operating level of around 13% in 2025
- And, as we said, executing on these objectives allows us to target an anticipated distribution of 8 billion euros for the financial years 2021 to 2025
- I hope you have found the presentation from Christian and me interesting and I am sure you will have questions so let me hand over to Ioana who will start that process…

Deutsche Bank AG

Investor Deep Dive

Q&A Session

Thursday, 10 March 2022

Transcript

Speakers:
Christian Sewing, Chief Executive Office
James von Moltke, Chief Financial Officer
Ioana Patriniche, Head of Investor Relations

Ioana Patriniche: Thank you, James. We will now have a break, and at the same time, open the registration process where you can submit your questions. We will take questions broadly in the order that they are registered. Similar to the last Investor Deep Dive, we have two options for those who would like to ask questions. First, we will take video questions via Zoom. We will then also take questions submitted via the chat. If you are having technical issues, please contact the Investor Relations team via the same portal. We will now take a break, and we will then start with your questions.

Welcome back. We can now start with your questions. As per the updated agenda on our website, you will note we are now joined by Stuart Lewis, our Chief Risk Officer, who will also take your questions. As a brief reminder, instructions on how to ask questions are shown on the event homepage. And with that, let us get started. The first question comes from Daniele Brupbacher at UBS.

Daniele Brupbacher (UBS) I probably have three questions, if that is okay. One on probably more on the revenue trajectory. I mean, thank you very much for that detailed guidance. It makes some assumptions which are transparent. So, I think that is appreciated. If I look at the divisions added up compared to the Group, obviously, the missing two entities are the non-core and centre. Probably how should we think about this? It seems like a small revenue delta. And probably more importantly, how should we think about profit or loss drags coming from these units? And then second question on capital returns, a very clear and very bullish message, I guess. Is it fair to say that the primary driver is the 200 basis points MDA buffer rather than profits or the 10% RoTE, and how do you think about flexibility to be able to protect that €8 billion in case of lower profits? And lastly, just given current extreme environment, and I appreciate your press release from last night, which is also a reassuring message. Do you see, in any sub markets, a particular stress that worries you, not specifically for you but for the overall market, what should we keep on the radar screen a bit more specifically?

James von Moltke: Well, Daniele, thank you for your questions and thank you for joining us this afternoon. I will be brief. On the revenue trajectory, yes, there is some changes in the corporate and other segment over that period of time, some funding changes as well take place. The CRU can be essentially disregarded from a revenue perspective once you get to 2025. In fact, even this year and the years to come, really not a significant factor.

As you say, on the capital trajectory, the 200 basis points is a key measure for us. It anticipates the change in the countercyclical buffer. Interestingly, we are at a point where we know what Basel III more or less will entail. And we can build against our expectations there. But there is really no good news built into the trajectory over that period of time. So if there are things that move from the Pillar II to Pillar I, for example, or other changes, they could play a role, but at this point not built into our planning.

We have to be prudent, I think built a degree of flexibility into our capital plans. So we are very comfortable with where we have laid out.

Christian Sewing: Okay, Daniele. Good afternoon, first of all. On the areas of stress, I will hand over in a second to Stuart, who is also, for that purpose, with us today. But I would say, first of all, as we have disclosed last night and you refer to that, we feel very comfortable with our exposure we have. Obviously, on purpose since 2014, we have significantly reduced our footprint and exposure. And now after we think there is no material risk for us in terms of primary risk, we are now going through so-called secondary and tertiary risks. And Stuart will go through this.

But I have to tell you that also there, we should always have in mind our diversified and high-quality loan book. And also, I know there is a lot of discussions on Germany, but you can imagine that I am in tensed and detailed discussions with my colleagues in particular on the DAX and family owned companies, the resilience and also the flexibilities these companies have. And if I compare my discussions from a week ago with the one I had this morning just again with them, the speed of how they adjust to supply chains, raw material supply shows me, again, what the flexibility and resilience of our companies here in the home market are. And therefore, I'm not concerned.

But Stuart will, for sure, has further comments.

Stuart Lewis: Sure. Thank you, Christian. Thank you, Daniele, for your question. Look, as I think has been said, it is quite a fluid situation. So where we are now seeing a knock-on impact is clearly in the energy sector, oil and gas sector, commodity sector. And there is a variety of counterparties, who, I guess, are starting to show some evidence of stress. They are, I believe, right now managing the risks prudently.

But this is really a question of counterparties having sufficient liquidity to see themselves through what is a fairly potentially lengthy period of heightened volatility. So those are sectors that we are watching closely. And indeed, we are now starting to model what we think are the impact of prolonged strike in those sectors might mean for our portfolio.

But as Christian has said, I think during COVID, a portfolio witnessed that is pretty resilient, is well diversified. The underlying loan book, in particular, is I would say, strong. And therefore, at the moment, as we said in the release last night that our current exposure, particularly to Russian names is somewhat contained. And certainly any loss that may materialise from that is more than digestible for us as we can see it.

Ioana Patriniche: The next question comes from Kian Abouhossein at JP Morgan.

Kian Abouhossein (JP Morgan) The first question is specific on commodity related exposure. Can you talk a little bit more in detail, not just Russia, but generally, your risk to commodity trading, and in particular, if you can discuss a little bit commodity trading companies? So if you can go a little bit into that area. The second question is, I did not hear you reiterating your revenue guidance on fixed income. I recall the €6.7 billion. Can you please give us an update, if that is still relevant for 2022, as well as a €450 million of cost adjustments in the first quarter that you gave at the full year stage? And lastly, one more question. Can you just run me a little bit through further details of the €700 million delta and cost between 2021 and 2022? I think CRU you mentioned €300 million. But there is another €400 million, as well as clearly cost growth, inflationary cost, et cetera, wage settlements. So can you just explain a little bit more in detail the path between 2021 and 2022 cost besides the CRU adjustments?

Christian Sewing Kian, hi. Good to see you. I suggest we start with Stuart on the commodity question. I then go on with your fixed income revenue and the cost question, which arise from the Q4. And then for the bridge 2021 to 2022, I would say James is taking that one. Stuart?

Stuart Lewis Yeah, sure. Thank you. Kian, you know that we do not specify individual names when we talk about risk but more generically. Yes, we do deal with our commodity trading partners. It is not an area that we have a huge exposure to. The bulk of exposure will be in the form of short-term trade, and that is through the financing shipments of commodity.

At the moment, all those commodity traders are seeing elevated demand for trade finance. The Volga access certainly ones that we deal with Volga access to strong liquidity or through a trade finance and revolving credit facilities. And we are not seeing any negative impact right now on any of our key counterparties.

And as a general rule, they tend to be rated BBB to B-minus. So they are not necessarily hugely strong in terms of credit rating. But the near-term liquidity is pretty robust and we think the risk to that sector is well managed and well contained.

Christian Sewing

And Kian, to your second question on fixed income. Now, look, I think we were already pretty transparent with our February year-to-date numbers for the Investment Bank was €2.2 billion. I will not give further transparency. But let me give you some directions.

I think we all can see that in the O&A area, overall, the market is slower than last year. And that means that we had a very good start in fixed income, if I would not say an even better start than very good. So far, that obviously brings us into the position to confirm the €6.7 billion number you referred to, given what I have seen over the first two months, given that we really play in the strengths of rates, FX, the financing business, but in particular, in rates and FX, but also in emerging markets.

I mean, also what we all said about Russia, that we positioned ourselves rather conservatively, obviously, now plays into the right direction. I would say that the €6.7 billion is the number we absolutely stick to. And given the first two months, I would even say that we are on a good path of being better than that number.

On the cost number, Kian, yes, we know exactly what we have told you about the €450 million. And so far, I think there is a good discipline in the company, all I can see in January and February.

We are working towards that number. And I feel so far we are on track, and we are talking now 10th March.

James von Moltke

Yeah. Just picking up on cost, Kian. And as Christian says, and I said in the prepared remarks, we are running, at this point, at a level through the first two months that are entirely consistent with the bridge that we gave you. So €3 billion or an average of €1.5 billion per month, year-to-date. That actually includes about an €80 million FX headwind. As you saw, both on the revenues and expense side, the FX movement has been pretty dramatic, in terms of euro weakening and naturally that feeds into our numbers. But the underlying performance is there, so exactly where we were seeking for it to be.

In terms of the bridge from 2021 to 2022, there is a lot under the surface. The biggest contributor, I have to say, is what we call the key deliverables. So the transformation projects, initiatives that have been underway now for a couple of years deliver about €400 million of that decline. And that is across the segments. And that is both technology and also compensation expense.

We are expecting a pretty significant reduction in the Private Bank this year, as the benefit of initiatives there on both personnel and distribution platform play through. Really much of that is a run rate in 2022 of savings that have already been captured. We have some growth in certain areas as well. So Asset Management, as we have talked about, the control functions are areas where there is some incremental investments.

And one of the changes we have made in our planning recently has been to increment actually our technology budgets a little bit relative to where we were a couple of months ago, benefiting from, I think, the more favourable revenue outlook that we now see for the year.

So there is a lot in that bridge, but we remain very confident in the path forward to both the RoTE and the progress towards the 70% target that we have talked about.

Kian Abouhossein

And may I just follow-up very briefly. Historically, you have given a path in terms of branch reductions and staff reductions. Clearly, also a lot of things have changed, including in-sourcing and all that stuff. But is there anything you can give us on the private bank in terms of what is remaining?

James von Moltke

Well, look, it is going to take several years. So as the nature of employee reductions in Germany that one goes through it in individual agreements with the Workers' Council, you execute it, and it is in fact done on an individual basis. But the momentum is there. We have shown you about 4,000 reductions in full-time equivalent over the past several years. So that is a direction of travel that will continue in Germany, not just in 2022 but in the years beyond.

We have talked, for example, about additional distribution network reductions, and that will come also with headcount reductions over time.

The last thing I would say, Kian, to that element of our plans, we have already incurred the lion's share of the restructuring and severance that is attached to those plans. So we feel actually very confident about the direction of travel and all the work we have done to prepare.

Ioana Patriniche

The next question is from Andrew Lim at Société Générale.

Andrew Lim (Société Générale)

So my first question, your revenue guidance. You have increased 2022 guidance yet again, mainly on higher forward rates. I was wondering, though, about your thoughts on the cost-to-income ratio. You will expect most of that to fall down to the bottom line, but you kept your cost-to-income ratio at 70%. So I am wondering what your thinking is there as to where a good part of that net interest income goes to in terms of costs? Where do you see that going in terms of maybe investment or comp costs going higher? So that is my first question. And then, secondly, just feeding on from what Kian was talking about in terms of second order effects. I know you have given guidance up to the end of February, but of course, the market is quite dynamic. A lot has changed. But what do you think in terms of like IB issuance revenues and the impact there? And also maybe on commodity derivatives, that there has been some banks, and there have been trying to beam on the wrong side of this? Do you have an exposure there? And maybe with guidance for CIB revenues for 1Q and JP Morgan gave some guidance. Do you feel in the same position where you can give some of the guidance?

James von Moltke

So thank you for your questions, Andrew. I will start and Christian, I am sure will want to add. Well, look, first of all, the origination and advisory or corporate finance wallet is absolutely down this year-to-date. So about 30%, relative to what was a strong year in 2021. We will expect to more or less follow the market in that regard. And hence, I think the bullish statement that we make about FIC in this environment is being able to compensate, and potentially more than compensate the weaker environment in O&A. So that is very encouraging.

Look, if there were anything that we are seeing in the early days of March, there is a significant departure from the performance through February we would tell you. So at least for now, things have continued on an even keel despite the market environment. Obviously, there is a few more weeks to go in this quarter and it has been an eventful one. And so we are working hard to help move that forward.

On the expense side, you are right. There has been an increment in our views about revenues, some of which is FX. And that has also played through on the expense lines, but also an even greater confidence that we have in terms of the 2022 performance. Some of that in our planning was being reinvested, I would say, the lion's share of that in technology, some amount in additional decisions we have made in terms of investing in our businesses.

And then lastly, the control functions. We have talked a lot about the need to sustain the investment in controls across the firm. I would say those are the three areas that we have incremented in terms of our budgeting and planning.

Christian Sewing

Well, there is nothing to add, because James said everything also with regard to a little bit guiding the IB revenues in the first quarter. As he is pointing out rightly, also in March, a very encouraging development so far. But we remain disciplined, but so far we feel well on track to have a very good first quarter in the IB.

James von Moltke

And as Stuart may want to add on commodity, derivatives exposure. Again, we are not a significant player there at all. And so, I do not want to comment on specific situations that are taking place in the marketplace, but you would not expect us to be involved. Stuart, anything you wanted to add?

Stuart Lewis

That is correct. So our commodities business, as I mentioned to Kian, is trade finance and some revolving credit to some of the commodity players. But in terms of derivative type business, very limited, some precious metal activity. That is it.

Ioana Patriniche

The next question comes from Amit Goel at Barclays.

Amit Goel (Barclays)

So I have got a related question. So the first question, again, maybe comes back to one of the points that Andy mentioned that on the cost. So I guess the implied 2022 costs are a little bit higher than previously. If, as a result of the Russian situation, the revenue outlook does deteriorate a bit this year, just curious how much flexibility there is on that side. And then also, just trying to understand. I mean, obviously, on the Corporate Bank, there is a 6% to 7% revenue growth aspiration. Clearly part of that is interest rate driven. But again, just trying to understand the analysis, or what kind of thought process you have put in for the impact on German corporates from supply chain disruption? I know you touched on it earlier. So that is one part. And the other part is basically just trying to turn, I guess now on the divisional basis. The targets are very much revenue focused, less on RoTE. Clearly, interest rates are a part of that. But if interest rates do turn out to be a little bit weaker, I am just curious what you are doing in terms of making sure you get the right behaviour to still try to achieve those ambitions?

James von Moltke

Sure. Amit, I will take perhaps the third and the first, and Christian will take the second. Look, on the interest rates, it is interesting. We have been thrilled, in a sense, with our improved ability to have perfect linkages between treasury on the one hand and the businesses on the other. And then work with clients, frankly, in a constructive way to manage pricing, the nature of the business they do with us, particularly on the liability side and what have you.

So we are really pleased with improvements in that linkage and the behaviour that we can drive. As we look at the interest rate curves and scenario at this point, as we said in the prepared remarks and looking at the sensitivity, we feel it is a reasonably solid case at this point. And if anything, the inflationary environment looks to us to be persistent. And the unfortunate situation in the Ukraine will probably feed through into more inflation over time. So we look at that that curve as being a reasonably solid planning basis going forward.

In terms of flex, I think the question is probably one you would ask about both 2022 and 2025. Obviously, it is something we have been working on for a while is getting a better degree of flexibility in our cost base and getting to a point where the marginal decisions that we are making are ones that allow us to preserve the overall performance that we are driving towards.

In 2022, we would need to fall somewhere between, in round numbers, €18 billion to €19 billion. We think we have got a strong path to that. And a fair amount of the incremental expense on the upside is essentially volume and revenue driven, whether that is incentive compensation or some of the business investments that we are contemplating.

So I do think there is some flex in 2022, although, we are still having to make hard yards. Over time into 2025, or the years to 2025, we think we have got ever more flexibility, some of which has to do again with the increasing margin, the increasing flexibility in areas that are responsive to revenues. And some of it has to do with our ability to throttle investments.

And that is where you would like to be in terms of having a greater degree of discretion in how you manage towards your targets.

Christian Sewing

And on your Corporate Bank question. Look, we look at the gross and then therefore, again, I think the January, February is giving you a quite good direction actually for that business. And I come to your question in how far the crisis will affect also the German corporates. But overall, what we see with €950 million of revenues after two months, that is a quite stable business. So I am not suggesting that you easily and just can multiply that by six.

But we are very absolutely on course or even slightly ahead of our own plan to come to the revenue number for 2022. And where are the drivers? On the one hand, in 2022, the headwinds from the interest rate on the Corporate Bank are falling away. So you can really now see the underlying growth in that business coming through in full. We have a very good demand actually in our existing business. Also there we should still have in mind that still from the rating agencies actions in the third and in the fourth quarter, which we had last year, we are still benefiting in doing more businesses with our corporates, cross-selling between the investment bank and corporate banking is improving month by month.

So we see a really good underlying growth in the existing client base. And then we have worked very hard over the last years on new products, Asset-as-a-Service, Merchant Banking, all items, which are now coming to the market and which are actually asked for. So in this regard, we do believe that the number which we have given for 2022, but also the growth number on interest rates, growth in the existing business plus new products, is something which we can realise.

On your question in how far these corporates are affected, at the end of the day, it is too early to judge after two weeks, but our people are in constant outreach with our clients. Stuart was just talking about the most impacted industry. So we are reaching out. And what we can see is actually a quite robust feedback from our corporate clients. And again, the resiliency and the flexibility they have to adjust also for that crisis we have right now is actually pretty amazing. And therefore, I am confident that we can achieve these numbers. And we are not just banking on one driver, but on three drivers. And so far, we have shown that we are successful with that.

Amit Goel

And just to follow up on the points in terms of behaviour and how you drive behaviour, obviously, within the divisions, its revenue growth targets rather than RoTE. So again, just double-checking, is that via the compensation structures? Or how do you ensure that you get the right behaviour from the employees to achieve these revenue growth aspirations?

Christian Sewing

Well, I think that is an overriding question. I am glad you asked this, because I think the whole turnaround which we have seen within Deutsche Bank is not just the turnaround in terms of financials, cleaning up the balance sheet, having the right and robust risk management. But it is, in particular, over the last four years, working on the culture. And the culture really means for us that we want to do businesses, which is long-term, the right business for our clients and for us. And we see the potential to grow with our clients. That was the essential reason why we actually said three years ago, we want to be a client-focused and client-centric organisation and move a bit away from the product-centric organisation.

And that really helped us that what we want to do is grow with our clients. And you can see that in the behaviour. And of course, the behaviour is then supported by a KPI system, which is monitored by our CFO, which clearly looks not only on revenues, but also obviously on cost-to-income, RoTE, but as much on behaviour points, i.e., red-flags, the way we are remediating our issues, our regulatory issues, all that fills and fits into the assessment of a unit and into the assessment of our senior people.

So I think we have gone miles in improving the culture that never stops. We know we even have to do more. But I feel that we have now the right incentive structure and the right cultural environment to make it successful.

Ioana Patriniche: The next question is from Adam Terelak at Mediobanca.

Adam Terelak (Mediobanca) I had one on capital and capital deployment and then the other on the interest rate assumptions. So clearly, it is a very strong growth plan you are putting out today. And by my mind, I was potentially expecting a little bit more of a tilt towards capital return rather than deployment? Could you just talk us through how that might look if growth demand does not come through as expected? Clearly, the environment has changed a lot probably since you first started putting these targets together. And just what capital return could look like if the consumption in the bank is not quite there? And whether we could be operating on a slightly smaller balance sheet come 2025 if Europe is in a slightly more challenged position than potentially first envisaged? And then secondly, just on the interest rate assumptions. I get your point on that the curve is improving since December. The €400 million upgrade in the revenues into 2022. I would like to just get a bit more colour as what is driving that? Is it hikes or is it the long end? And then can you just give us a little bit of split between what is euro and what is other currencies? So how much of the €1.5 billion in FY 2025 is US dollar? Because I think that is probably a little bit more reliable at this stage given the state or the positioning of the ECB versus the Fed?

James von Moltke: Sure. Thank you, Adam. Well, look, I mean, we are assuming relatively significant capital retention in order to support balance sheet growth, and in turn that balance sheet growth is part of the revenue story. If the demand for loans is not there, that will, of course, impact the size of the balance sheet and the capital we need to have to support it. But it will also impact the revenues. So while there would be potentially more capital to distribute, there would also be less capital generation.

At the moment, I have to say we are pretty comfortable that we can grow in line with these plans. In general, we have been constraining growth over the past several years in the company. And that does not really change over these next several years, given that we are still building towards our Basel III environment.

So if anything, I would say that we are still constraining growth to relative to what we think the business is to achieve if they were less constrained.

So relating to the interest rate assumptions, obviously, we are more sensitive to euro. And so, over time through to 2025, both long and short-term rates have made themselves almost fully felt at that point in time based on the current curve. We are more sensitive to the short end in both euro and dollars. And so, a delay in a movement obviously is impactful now in 2022 and 2023, to the extent that it is delayed ultimately. But by 2025, our view is it will all have fed through. And frankly, the events that you saw today with the ECB's announcements tends also, again, to confirm our view on rates.

Adam Terelak

And a little bit of colour on the €400 million this year.

James von Moltke

That is, again, mostly the effect of long-term euros that we have been able to crystallise into the P&L. And so, does the dollar help? Yes, a little bit. Although we have also, through our hedging programmes, have been able to bring some of that forward, in fact, into 2021, let alone 2022. So it remains overweight euro still in 2022.

Ioana Patriniche

The next question is from Stuart Graham at Autonomous.

Stuart Graham (Autonomous Research)

I had two or three please. I think the first one is for Christian. You talked a lot about positioning Deutsche for consolidating banking market post 2025. So I guess my question is, when do you think this happens? And what sort of market share do you think Deutsche needs to have in a consolidated banking market? That is the first question. Second question, I guess, is for James. Can you just give us an RWA target for 2025? What number are we talking about in terms of RWAs? And then the third question, I guess, is for Stuart, again, on this commodity trading. It feels like the US banks are doing the derivative business and the European banks are doing the LC and trade finance business. You said you are doing some stress tests now. What do you think what macro circumstances need to happen for European banks to lose a lot of money in this business do you think?

Christian Sewing

Hi, Stuart. Good to see you. Let me take your first question. Now, I do not have the crystal ball on either. So if you asked me for a specific year, I do not know. But all I can tell you is two or three directional themes I can see also with the new government in Berlin.

Number one, the Banking and Capital Markets Union is clearly mentioned in the coalition agreement. And in a way, it was not mentioned before. And all I can see is that, actually, Berlin clearly sees the benefits of the Banking and Capital Markets Union for Europe, because they exactly know that the deepening of the Capital Markets Union is essential to get the Green Deal done. So clearly, more support than ever before also from our government.

Secondly, the political environment we have right now, in particular in relation to the war, is that what we all can see and that is a more united Europe than ever before. And I also see and hear that this may also further accelerate discussions in the Capital Markets Union.

And in this regard, I do believe that this is a topic, which will gain speed, which will gain momentum. And hence, I am actually quite positive that compared to potentially three or six months ago, we will see earlier realisation than before.

With regard to the corresponding question of consolidation and what market share we need? Look, I am answering it a little bit different. I always said that we must be in a position from a market capitalisation from a return on equity that we can compare to others and that we are clearly not at the junior table. I think all the efforts and the success and stride which we did over the last three years brought us into the right position.

I do believe when I look at the start of 2022, if I look what kind of underlying business growth we have, we are well positioned actually to not only achieve our goals, but also, if actually Capital Markets Union is then done to be on highest level with others in Europe. And that is what we want to achieve. We always said that we want to be one of the leading banks in Europe. I think in some of our business, we are clearly already there.

Now, it is actually focusing in order to make further progress. But then I clearly can see that from a market capitalisation, from a return on equity, and also from a client base we have in our international approach, I think we are in a position, then also to think about the consolidation. But again, I think for this year, it is all about delivery. And there I feel confident and then we can think further.

James von Moltke

Stuart, very briefly on the RWA question. I would model something between €415 billion and €420 billion of RWA. I think that is about an 18% growth rate. So supporting the businesses at the 2.5% that we indicated and then the Basel III impact at €25 billion. Hope that helps.

Stuart Lewis

And Stuart, just on your question. It is an interesting question. I am not sure that that we have so much insight into an answer to your question on European banks' exposure to commodity trading. As you mentioned, we all have

SBLCs. The utilisation of those tends to go up as commodity prices tend to go in the right direction. Then it is a question of how well is the counterparty actually managing the underlying volatility in the marketplace. And certainly, the counterparties that we have appear to be doing that pretty professionally and have a historic track record in doing that.

I cannot speak for the counterparty risk that other European banks have. So when we are doing our own stress testing, we are very much focused on our counterparts in the commodity space. And I guess, finally, most of the big European banks where we have a direct exposure too, one, we do not do commodities with them. Secondly, everything is under a CSA. And right now, we are not seeing any big stress in terms of margin call demands increasing or margin failures or collateral disputes.

Stuart Graham Could I just briefly say thank you very much to Stuart for all his hard work and efforts over the years. I mean, he has been a fantastic servant for Deutsche shareholders. I think it will be missed very much upon his retirement.

Christian Sewing: Thank you Stuart for saying that. That is really kind. Thank you.

Ioana Patriniche: Our next question is from Nicolas Payen at Kepler.

Nicolas Payen (Kepler Cheuvreux) I have three actually. The first one would be on the demand side of your plan. What kind of loan growth is actually baked in into your plan for the next three years? Then the second question is about the cost trajectory. If I look actually at your expected starting point in 2022 and your expecting landing point in 2025, you do not have like a big gap. So I wanted to know what kind of trajectory we should expect during the length of the plan? Is it a decrease and then the ramp up with investments? Or is it roughly flat cost base that we should expect? And then the third question is on the cost of risk. Of course, I know that no one has a crystal ball. But is it reasonable to expect an increase in collective provisioning? And is it correct that you expect a roughly 20 basis points cost of risk for the length for your plan?

James von Moltke Sure. I will jump in Nicolas, and Stuart may want to add to the question of cost of risk. Listen, on loan growth, we are looking at mid-single digits loan growth that supports the plan going forward. Again, we think that is achievable in terms of our client footprint and the mix of our businesses, and is not different to what we have achieved over the past several years.

On the cost trajectory, I would like to tell you, it is linear. It is not quite linear, because some of the costs, take SRF for example, come off in one fell swoop in 2024. But generally, what we are seeking to do is earn the right to invest, if you like, over time. Some of the costs as we have talked about in 2021 to 2022, of course, drop out very quickly, and after that it will start to look a little bit more linear outside of the SRF.

On cost of risk, obviously, there is a cycle. It is very hard to predict this far out. But in a sense, we can see what we are underwriting to, and what the, if you like, embedded credit risk or that we underwrite to is, and hence we are looking both at the history that we have and also the quality of the underwriting and our risk appetite over this period.

Stuart Lewis James, I would not add anything to that. I think you covered it well.

Ioana Patriniche The next question actually comes to us in writing. So I will read it out to you. It is a question in three parts. It comes from Anke Reingen at RBC. What is the inflation rate factored into the cost path on slide eight of the financials deck? If inflation turns out to be higher, will you scale down investments or find more cost savings? And your VAR chart in disclosure? How has it changed since the end of

Feb? Peers have talked about change in global markets since last Friday. So curious on how that has impacted us?

James von Moltke: Sure, thank you. I am not sure I got all three. So, on inflation, it is an interesting question. We have built in as we look at the line items and what the planning is across the organisation, we would probably estimate about a 2.5% annual rate over those four years, which may strike you as low. But remember, it is across all of the line items.

So there are some line items in our expense base that are actually relatively insured of inflation. I will give you one example. We have done a lot of work, as we have talked about on real estate. A lot of our leases do not adjust all that frequently. Some are on five-year adjustment periods and the like. So you do not see inflation running through every line item, in the same way over time. There is a mix.

And of course, we are doing everything we can to fight inflation, whether that is on demand, pressuring suppliers and what have you over this period. So we think that is a reasonable assumption, even in light of the pressure. But as you saw on our numbers, we have built a relatively wide buffer in for inflation. And so we think that should be sufficient to offset the inflationary pressures beyond that 2.5%.

The biggest risk, of course, that we are looking at is people, the cost of people. We want to remain competitive in attracting and retaining people at Deutsche Bank. And so that is obviously something we are looking at extremely carefully across the management team.

On the VAR, and again, Stuart may want to add. Look, we will obviously see it when the numbers are final. It is not significantly different. There is probably be one or two days more dramatically to the down compensated by more dramatic to the up over the first few days of March, but we are not seeing anything in substance difference in terms of the business performance.

Ioana Patriniche:	Our next question is on Zoom from Andrew Coombs at Citi.
Andrew Coombs (Citi)	If I could have a couple of numbers ones for James please, and then one again on second and third order risks related to Russia-Ukraine, please, for Christian and Stuart. On the numbers questions. Firstly, on slide 42 of the first presentation where you helpfully provide the January and February figures. Can you just clarify what you are assuming for the bank levy in those figures? And also, just to check, how much it gets booked January to February versus March? I know the vast majority is in Q1. But is there a split between the months as well? So that would be the first question. Second question on the 2025 targets. If I look at your revenue and cost figures, the €30 billion revenues and then the €18.5 billion to €19 billion of costs. And the 20 bps, you are guiding on cost of risk. It looks like you are getting just over €10 billion of profits. If you then assume a 30% tax rate, it looks like you have got about a billion in minorities on AT1 coupon based on the €62 billion and 10% RoTE. So just trying to work out this step up, you are expecting in AT1 coupon cost or if that is just a buffer you are building on. And then finally on Russia, second, third order. Perhaps you could just touch on the 1,500 employees you have in the Russian Technology Centre, specifically what they are working on? And then also anything on German manufacturing if we were to get a prolonged period of elevated gas and petroleum prices and any cost of risk there?
James von Moltke	Thanks, Andrew. So we book it all in February, the bank levy. And our estimate is about €600 million for the year. Now, I will say there is risk to that based on the assessment basis, the calculation that the SRB does and also question of whether we are able to use the irrevocable payment commitment

availability all the way up to 30%. So, unfortunately, it is something that is assumption-driven until we actually get an invoice, which typically happens in April. But the short answer to first part of your question is it is all essentially recognised in February.

In terms of the targets, your outside in numbers are very close to our bottom up planning. There is additional AT1 coupon cost. As we essentially build the capital base that corresponds to the higher RWA over time. And also, by the way, the profitability of DWS over that period of time features into that as well.

Christian Sewing

And Andrew, on your Russian tech centre question. Overall, we have 1,500 people, as you rightly point out, as part of the 15,500 technology people worldwide. We have started obviously actively to work on further diversification and reducing dependency. But we take comfort from the point that, in particular, and almost everything our people in St Petersburg are doing is actually for the change the bank programme, so it is not that they are responsible for processes, which is running the bank day by day.

So we have obviously looked at this, and there is a clear de-risking in this regard. So in this regard, we feel confident that: A, we do not have a too big dependency on that; B, we are working on alternatives. And I do think that we are making good progress on that. HR and the TDI organisation are all over it.

With regard to the second and third order risk in the German manufacturing. Look, as I said, it is very early to give you a final view. Of course, this will have an impact, in particular, on the one or the other company. It always depends how much revenues for certain companies come out of Russia, what the export ratio is to Russia. And therefore, a broad-based answer does not really make sense and does not fit the purpose.

But let me also say that overall from Germany, if you look at the overall German exports, slightly above 2% goes to Russia. Again, I have the privilege that I can talk to the German DAX but also family-owned company, which is the backbone in the German economy. The way they diversify away, the way they reorganise supply chains, whether it is in the auto supply industry, in the automotive industry, in the manufacturing, is quite admiring.

And therefore, I would say, with the robustness and resilience these companies have, I think, they have a very good chance also to navigate through this crisis. There will be the one or the others who will suffer, but overall, also looking at our portfolio, I feel confident that they can master this crisis, and hence, we are also on top of that.

Andrew Coombs I mean, I guess the concern is that two thirds of German gas imports from Russia as opposed to the export. So it is more about that as an input cost.

Christian Sewing I agree.

Andrew Coombs As you said, it is early days.

Christian Sewing I agree. On the one hand, it is early days. But the German government is very clear, at least in its attitude, and I have just said it this morning. And it was reconfirmed last night and this morning that the German government knows that there is obviously the dependency. They are working on medium-term and long-term diversification. But that also means they know that simply from our side, as part of sanctions, cutting off the Russian gas supply is not an option and that was reconfirmed.

But on the other hand, I can also see and that is all about the flexibility, which we will see also with our German corporates, that also the corporates are actually working now already what else can they do? How can they prepare for worst case? And there, I do think that there is a certain degree of resilience. But of course, in a worst case scenario, that picture would then look different.

Ioana Patriniche

So we have two questions coming up, our last two questions, one on chat and one via Zoom. We will take the Zoom one first from Thomas Beresford-Smartfrom Federated Hermes.

Thomas Beresford-Smart (Federated Hermes)

Both my questions just relate to sustainability, which you previously touched upon. So my first question is that we understand that your plans to complete the exit from thermal coal mining by 2025. And just wanted to know whether you could confirm whether the coal mining and power generation will just include clients with 50% or greater threshold of revenue? And if not, would you consider lowering this and additionally setting an absolute threshold for coal mining companies? And then the second part of my question is just we welcome your sector-specific targets that you recently set out in the whitepaper published on 4th March regarding oil and gas, automotive, steel, power generation, and using the IEA net zero emissions benchmark that is aligned to 1.5. Could you provide a bit more detail on how the bank plans to meet these targets? Will you engage with your clients who are lagging behind sector-wide decarbonisation? And how will you limit or ultimately withdraw financing from companies failing to transition?

Christian Sewing

Well, thank you very much for your question. Let me start with the second question. I think one item which we always put to the heart of the sustainability discussion and topic is actually to be in the most intense dialogue we can with our clients in order to exactly take the questions you just gave, in particular, the second one. So we have an active dialogue with our clients, not in order to come up and say, well, we are not financing a new but to talk about the transition.

And that we are doing with all of our clients, obviously, starting with the largest one, starting with those where the carbon footprint is obviously the biggest one. But we have a client by client strategy, how we are going over this transformation and transition to net zero.

To your first question, yes, you are right. We are citing that policy. I do have to say before, I am now saying wrong things, I will take that home and give you in particular with regard to your percentage questions a detailed and correct answer before I say a wrong thing here live in the studio.

Ioana Patriniche

And so I think the last question comes from the chat, and it is probably one for you, Christian. How do your regional strategies look like in the context of the Global Hausbank positioning you mentioned? How do you see that playing for Asia and the US?

Christian Sewing

Yeah, thank you very much. Look, one thing is always clear when we talk about Deutsche Bank. We have a robust home market. We are proud to be here in the home market in Germany. But we always said that the real asset of Deutsche Bank is that we have the international outreach, and that makes us different to a lot of other German banks. But that makes us also so close to our clients, be it on the private wealth management, but in particular, be it on the corporate side.

So that means that we will obviously make sure that our international approach is unchanged. We are investing into our franchise, in Asia, in particular. I think the Asia Europe bridge will become ever more important. And in this regard, we are there with all our four businesses. But if I think about the network we have of the Corporate Bank, I think what we are investing there, but also in private wealth management, Asia is becoming ever more important.

And in the US, we are, in particular, focusing on the Investment Bank. I think we have a very strong pockets in the US in the origination and advisory in the financing businesses where we want to grow. And what is most important about the US is actually that we deliver the one bank concept and the Global Hausbank there that we connect even better the offerings we have between the Investment Bank and the Corporate Bank.

I think we made good progress over the last years. We are sustainably profitable again in the US, and therefore, US and Asia key. And Deutsche Bank, whatever happens, will always be an international bank. We want to be at the side of our clients. Germany is an export market. So we will be an international bank.

Ioana Patriniche

Thank you, Christian. So that now takes us to the end of our event. Before I hand back to you for your closing remarks, the Investor Relations team would like to thank everyone who has listened to our presentations today. If you do have any remaining questions, we are of course here to help. You can contact us through the usual channels, including the IR email address, db.ir@db.com.

And with that, let me hand back to you, Christian.

Deutsche Bank AG

Investor Deep Dive

Closing Remarks

Thursday, 10 March 2022

Transcript

Speakers:
Christian Sewing, Chief Executive Officer

Christian Sewing:

This brings us to the end of our Investor Day. We thank you all for joining us today, and in particular, for your questions in the last session. Of course, we are aware that 3.5 hours is not enough time to answer all of your questions, in particular what is happening around us.

However, it was very important to us, especially in view of the current uncertainties that we share with you, our key stakeholders, how we want to evolve our strategy. After all, one core element of our Global Hausbank positioning is precisely that we want to continue to support our clients in navigating difficult times. That is what makes us so powerful. That is why we see so much room for opportunity.

We wanted to show you today that we believe Deutsche Bank is a transformed company with a robust balance sheet, a strong platform and a clear long-term strategy and vision for sustainable growth, confident of delivery for our clients, our shareholders and our employees.

So we hope you found this afternoon insightful, and we are committed to maintaining a close dialogue with all of you. Our next touch point will be our Q1 results on 27th April. In the meantime, Ioana and her team are always available for any follow ups. We say thank you once more and look forward to speaking to you again soon.

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This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to our most recent Financial Data Supplement and the 2022 Investor Deep Dive presentation "Compete to win: Mark-to-market and our path to 2022 targets", which is available at www.db.com/ir.

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