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Transcript

Speakers:
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Magdalena Stoklosa: Good afternoon, and welcome, everybody. And welcome to the Deutsche Bank session at our conference. I am absolutely delighted, as always, to welcome James von Moltke, the Chief Financial Officer of Deutsche Bank. Lovely to have you.

James von Moltke: Thank you for having me today, Magdalena. I'm delighted to be here.

Magdalena Stoklosa: Thanks very much. And of course, what we're going to do is try to do 30 minutes of questions that I've prepared for our fireside chat, and then, of course, we're open to any questions that you would like to ask as well, so please feel free to put it on the conference chat.

James, then let's start with what's on everybody's minds. Of course, the outlook of the global economy in the world has very much changed over the last month. And of course, today we talk about a Russian invasion of Ukraine and the impact of sanctions. You have talked a little bit about what it means for you, a week ago at your strategy update. But talk to us also about not only implications for the group, but implications for your private and corporate clients? How do you see them reacting?

James von Moltke: Sure. Well, look, thanks, Magdalena for the question. I think everybody is reacting to an unprecedented situation in some ways, so we're heavily in dialogue, particularly with our corporate clients, on the implications for them of this crisis. And it can be the cost of energy, potential disruptions in energy; it can be the way that supply chains are being disrupted, access to certain raw and finished materials; it can be transport that is being interrupted, as well as access. And so, particularly, therefore, with our corporate clients, there's a heavy engagement on how they respond to that. We think we're very well positioned to be the counterparty, the bank that they engage with as they reassess those conditions.

Our institutional clients, as everyone's seeing in the markets, are working through their risk positioning and how they manage the volatility we see in the marketplace. That's something that we've been working hard to intermediate.

And then, on the private client side, I'd say there, of course, the impact is more moderate. As always in these situations, there is a reaction to move to cash, to become more conservative in investment positioning. That's something we can, of course, manage and facilitate. An interesting question is going to be how long that persists for. And so, in all of this dialogue, the impact is obviously very scenario dependent, as we see it.

Magdalena Stoklosa: Thanks very much for that. James, let's talk about the near term, because of course, we've heard about this strategy 2025 a couple of days ago. You know, quite a lot of uncertainty, quite a lot of volatility in the markets very recently, and you reiterated that you're very much committed to the 8 percent return on tangible equity for this year, and of course, coming with that 70 percent cost-to-income ratio. How flexible is this cost base to accommodate the targets, should we see more of a downside to the revenue side? Could you tell us about a little bit more of the flexibility of the moving parts?

James von Moltke: Sure, Magdalena. Look, as we reiterated last week, we've got the company fully focused on, first of all, of course, supporting clients in this market environment, as we just discussed, but from a financial point of view, delivering on the targets that we set for 2022. And I think one of the key messages from last week is, as we got into January and February, and even over the past several weeks as we've managed through at least the initial fallout of the war in Ukraine, we've been able to demonstrate that we're delivering on the path we outlined for the first quarter, a step-off, if you like, into 2022, in order to deliver on our targets.

And that's a lot of things. It's the revenue side that we shared, the January, February numbers. It's executing on an expense trajectory that we shared with investors at the end of January, and of course, managing the fallout from this crisis.

So, you know, the, call it mark-to-market on that path is, we continue to see a path. We're executing on all the steps that we'd outlined towards that path. And at least as we look to the first couple of months of the year, and very likely, the first quarter performance, we think the step-off has been exactly what we needed to steer towards to achieve our targets for this year.

Of course, as we said last week, there's more uncertainty that's been injected into the environment, and we can talk a little bit about that. But, as we also disclosed last week, certainly our own risk exposures to Russia and Ukraine and the way we managed at least the initial fallout from the situation didn't deter us from executing on that path.

Magdalena Stoklosa: Absolutely, absolutely, and that's kind of a very nice way for us to move into that kind of a little bit of a sensitivity analysis. Of course, we've heard your long-term goals, the 10 percent return on tangible, and of course, also, cost-income ratio coming down quite significantly towards early kind of 60s. So, let's stress test this case here, maybe from a perspective of macro, from a perspective of the policy direction that's going to matter as well, and a potential for credit cycle. If we assume that Europe may be sliding towards a stagflationary environment, what would it mean when we think about your kind of cost of risk development as well?

James von Moltke: Well, look, let me start with the first quarter. As I a little bit just alluded to, we see the impact on the first quarter as being relatively limited at this point. Our sense is that, and we shared a little bit of this last week, I think our businesses are sort of all on track to deliver a revenue performance sort of in line with last year, or potentially above last year, and we've had a very strong performance in FIC. And so, while of course there is some impact, as I mentioned, whether it's on asset prices, clients moving into cash, those sorts of things, there are offsets that, by and large, are helping us.

On the credit loss provision side, for the first quarter, there probably will be a modest impact. As you know, we'll look at some staging impacts, some downgrades that take place naturally in our internal systems, and then the FLI impacts, so the forward-looking indicators in our IFRS 9 provision. So, what would have been, I think, a very strong quarter of perhaps €150 to €200 million of credit loss provisions might increase by as much as €100 million, let's say, including all of those factors, so it might put us in a €250 to €300 range, I think still quite good on a relative basis. And, we don't anticipate any meaningful stage three events at this point from the situation.

Rather like two years ago in the pandemic, Magdalena, though, there are a number of impacts that you see on a bank's balance sheet that in the early days of a crisis, and that's something that we will see. There is a drawdown on capital, which we would expect to be temporary, from things like PruVal, as I mentioned, downgrades, which increase credit risk market, the credit risk RWA, potentially some increase in market risk RWA. And so, I think our initial sense is that might pull us down by as much as 25 basis points in the quarter, although, again, a lot of that we would expect to be temporary. And that comes on top of a quarter in which we expected to see some pressure on the ratio just from business growth, which, in fact, has been there.

So, in short, I would say the very near-term impacts are quite modest and sort of we can absorb those quite easily in the first quarter, and as I say, keeps us on track towards the targets that we've set for '22.

If you go out further in time, Magdalena, so I'll start with the medium term, and then perhaps the long term. The medium term is incredibly scenario dependent, so we're naturally running through with the risk colleagues and, again, engaging directly with clients on what we think the implications, and what our clients think the implications will be. So, we sort of look at a moderate downside and maybe some more stressful situations for the economy and for banks, but at this point, I have to say, it's so scenario dependent that it's not even worth giving much of a sense of what that means. Again, because our exposures are very limited directly, for us, it's looking at indirect exposures that are the tertiary impacts of this crisis on things like supply chains, energy costs, as I mentioned.

And then, lastly, in the longer term, my own feeling is that the path we laid out to 2025 is pretty solid. There may be an economic cycle that will be stronger or weaker in the period to 2025. It's always hard to pinpoint where we'll be in the cycle at that point, but the idea that there is underlying economic growth and strength in the world that preceded and I suspect will come once this crisis is behind us, I think that's still intact. I think the idea that rates are rising, as we saw yesterday, I think that thesis is intact. Do we all worry about a stagflationary environment and that that would be a negative impact on the economy and on the banks as well? Of course, we do. But I don't see that, at this point, necessarily, as a base case.

And lastly, on your question of flexibility, you know, that's something that we've been working, for sure, to create. As our business, as the margin expands in our business, our view is, we will have more flexibility. Obviously, on the most volume-dependent parts of the income statement, like travel, variable compensation and asset servicing piece, those things will naturally change. There are some things we can do, of course, in managing day-to-day expenses, and we have that discipline to do so, especially in areas that have some pressure on revenues. And then, over the period to 2025, we also have some flexibility as to how we prioritize and manage our investment spending in that period.

So, short version, Magdalena, is we do feel we're gaining more and more levers to steer the company over time as we, essentially, normalize the bank and its performance.

Magdalena Stoklosa: Yes, absolutely. Let's maybe dive a little bit deeper into the Corporate Bank and Private Bank. The long-term targets look ambitious. And there's where I suppose the biggest delta is versus the market, some of the street expectations and how you see those business progressing over a longer period of time. Can you just kind of remind us again, it's all about the levers, right? Where we could potentially be missing something?

James von Moltke: Well, look, I guess the starting point, as we wanted to lay out last week, was we don't think the compound growth rates that we suggested for Corporate Bank and Private Bank, that were respectively 6 to 7 percent and 4 to 5 percent, are, in fact, all that aggressive. For one reason, it's what they've been producing on an underlying basis over the last two or three years. So, from our perspective, it's a continuation of their trajectory. What's different is a very strong interest rate headwind that has existed for us, we refer to it affectionately as deposit margin compression, but is essentially the runoff of older hedges. That's now changed to being relatively neutral or an increasing tailwind over the years to come. So, in essence, that switch from headwind to tailwind is a big part of why you will see more topline growth in those businesses.

Then, we also have a lot of confidence in the positioning of the businesses, so that each of the two businesses or, really, three businesses, because in the international Private Bank, there's of course a Wealth Management component where we see pretty strong growth, that those businesses, in executing on their strategic plans, are driving growth that should be in excess of the market growth. So, if we think that the weighted average market growth for our business, just if you ride the tide, is something in the mid-to-high two, so a little bit less than 3 percent, you add a little bit for doing better than the market, based on the execution of your strategies, and then you take the interest rates from a headwind to a tailwind, you have a set of compound growth rates which we actually think are not that demanding. They're kind of low single digits, and with a very good sort of bottoms-up foundation.

Magdalena Stoklosa: Perfect. Thank you very much for that. I'm going to move on to the Investment Bank, and particularly FIC, because, of course, it's a huge part of the franchise, and of course, that's where we've also kind of seen the quite significant market share gains. And from here, because of course, there were stages to the plan, but from here, how do you see that kind of FIC franchise going forward? What are the more structural trends that you could potentially see, maybe particularly in Europe, that could provide this kind of medium-term underpin to the broad FIC and financing business?

James von Moltke: Yeah, well, we think those structural trends are absolutely present. You know, the idea that there's a huge amount of issuance and increasing levels of indebtedness that are being taken on in the economy, especially as we see more fiscal expansion, obviously fiscal expansion at the EU level, we see volatility in this decade being absolutely a continued feature of the markets, particularly, by the way, as the central banks step back from quantitative easing, which dampens volatility naturally. So, you get back to a more normalized world, if you like, in terms of volatility of various instruments.

And then, for us, we've got a FIC franchise that has really found its footing over the past couple of years, so as we executed on our compete-to-win strategy starting in 2019, we saw very quickly that the business settled down. We knew who we were to our clients, and our clients knew where to come to for the needs, where we can be really competitive. That's shown itself now from you know, in product area by product area, where we've been able to get sort of our organization really humming and working, I think, extremely effectively on behalf of our clients.

We do think there's more that we can do inside our FIC franchise, still within the wheelhouse of where we're competing. We have four businesses, our rates, credit, FX, and emerging market, and we do those well. But in each of those four areas, we think there's still opportunity for investment. So, we see a good path ahead in what should be a relatively strong sort of secular market, or at least a stable and growing secular market, and one where our positioning is good.

But I do want to just reiterate, Magdalena, as your first question was about CB and PB, which is absolutely, I think, right in terms of the order. Not to diminish the importance of the FIC franchise, it is hugely important to us but one of our strategic goals has been to provide a balance in our earnings mix and our revenue mix, and I think increasingly over the years, that will be more and more visible. As strong as our FIC performance, we expect it to be, we think it's a more balanced profile than the market really understands.

Magdalena Stoklosa: Perfect. Thank you for that. James, let's maybe shift a little bit towards the capital return, because of course, we've got the onset of the dividend and the buyback program. You've upped your capital return to €8 billion, kind of medium term. Could you give us a sense of, when you think about the evolution of that capital return and of course its mix, what did you have in mind when you kind of thought, this is what we would like to do? And what are the, I suppose, growth regulatory questions you addressed with that, or tried to address internally, with that €8 billion, also?

James von Moltke: Sure. Look, it's always a balance in these things in defining capital distribution plans. And for us especially, given that we suspended our dividend for two years and we were sort of reentering, if you like, to get a normalization, we started the dividend deliberately at a relatively low level of €0.20 this year. But, by doing that, we positioned ourselves to do two things. One is, give investors a very clear path of strong increases in the cash dividend. So, as you saw last Thursday, we announced that the cash dividend we intend to pay would be up by 50 percent per year for the next several years. So, in doing that, we wanted to signal a high degree of confidence on the part of management that we're positioned for sustainable profitability, and therefore, rapidly increasing cash distributions.

But equally, by starting at a relatively low cash dividend, we've given ourselves room to pursue share repurchases now, in the early years especially, where I think the corporate finance math of buying back shares at relatively, in our judgment, low prices certainly lower multiples of tangible book value is very beneficial to shareholders. So, you know, the governing principles are a clear path on a cash dividend, a 13% CET1 ratio in 2025, and as long as we maintain the glidepath to that 13%, we've created some room to do repurchases. Really, everything above that glidepath we would intend to deploy in repurchases. And we think that it's the appropriate balance and clarity, balance obviously also meeting some of the regulatory impetus to retain flexibility and to retain a degree of prudence, and we think we achieve that with the layout we gave on Thursday.

Magdalena Stoklosa: And I am getting asked sometimes, when it comes to your longer-term payout policy, whether the long-term regulatory impacts, the final timing of Basel IV are kind of within your framework.

James von Moltke: It is, absolutely. So, the first leg is to get to 2025, and then we think that 50 percent payout ratio that we announced last Thursday was consistent with the glidepath from 2025 to, call it, 2029 that we would need in terms of retaining capital, and also, giving us flexibility. One needs some degree of flexibility in terms of how much we retain for balance sheet growth, other potentially bolt-on M&A transactions we do over time that require capital. So, we want to have that flexibility to fund growth and keep the glidepath on Basel IV.

Magdalena Stoklosa: And from that kind of inorganic capital side, and of course I know we've kind of talked about it for some time, but as you look at the group at the moment, as we're kind of at the final year of transformation, where do you actually see opportunities? Because, of course, what we have seen in European banks over, let's just say, the last year in particular is a lot of smaller portfolio optimization kind of moves you know, getting out of countries or getting out of business lines or getting into countries, business lines-smaller moves, but seem to be quite nicely optimizing the business. How do you think about the kind of inorganic capital spend, let's just say, on the medium term?

James von Moltke: Yeah, Magdalena, we've actually done some of that ourselves. You know, in fact, we have two smaller, if you like, portfolio sales that we've pursued that are under contract and we expect to close this year, a fund platform out of DWS, and then the advisors business in Italy. And we think those are good strategic decisions for us, for a variety of reasons. And then, we've looked at transactions, potential small portfolio type deals, without having succeeded so far, so it is something that we're looking at. It's always hard to judge where we'll be successful and what the right fits are, but it's something that we're definitely on the lookout for. And so, retaining a bit of flexibility in our capital distribution path we think, again, is sensible, as it can support the right type of bolt on M&A situations.

Magdalena Stoklosa: Absolutely. Now, James, something slightly different, and we've kind of talked about it a little bit in our discussion so far. There is a certain gap between the Street expectations on your earnings and your, actually, very, very consistent message, both short term and medium term. What do you think the Street is missing?

James von Moltke: You know, it's always hard to say. I can't put myself in the shoes of the analysts. But look, I think as a starting point, it was clear to us, as you know, I've been talking about this since 2018, that the management team was aware that we had a credibility deficit we needed to recover, and I think we've come a long way in that regard. So, one part of the puzzle is the work we've been doing to regain credibility, and over time, my hope is that the gap between management's plans and expectations in the market will close.

I think the second thing that's been consistently out there, has been a question of reversion on revenues to a mean of some sort. And, in fairness, I will say that our investment bank performance outstripped our own expectations, if I go all the way back to 2019. And, in fairness, the interest rate environment was tougher than we anticipated in 2019, and we've anticipated that both those two things would essentially unwind and the balance in our business would come through. But I will say, I don't mind some outperformance in the financial market-oriented businesses over time, and the more we can keep that, the more we can demonstrate that some of that outperformance, some of those market share gains are, in fact, sustainable, I think that will also help.

So, I think the short version, Magdalena, is we just need to continue to demonstrate, consistency, predictability, delivering on what management says, and I do think that that gap will start to close over time.

Magdalena Stoklosa: Great. James, the last question before I'll move to some of the audience questions is really about technology. Last week, you've talked about it as a growth driver, as an enabler across various businesses for you. Could you just give us a kind of more tangible sense of what you're thinking, where your marginal kind of investments go with that kind of medium term in mind?

James von Moltke: Sure. Well, you know, it's interesting; it's spread over many, many different projects in our technology estate. But one important goal we've had and I have to credit Bernd Leukert and his leadership, as you know, we've had a very complicated, call it, legacy estate over the years, both in terms of, if you like, the infrastructure, and our application landscape. And we needed to make investments to improve that legacy, and that takes time. It takes a considerable investment, but over time, you do see the improvements. And you do two things. One is, you lower the cost of the legacy. You lower the cost and the number of applications, and you create more room for, call it, forward-looking innovation type investments.

Where are we looking in terms of that innovation? It's a lot of dimensions, but I'll give you one example, sort of enhanced user interface and capabilities. You know, one investment we're making alongside the merger of the German platforms is a new kind of mobile front end that we think is going to be very powerful and unify our capabilities across the brand. So, there is an element of that investment that's also forward-looking and we think will support a great client experience.

Equally, we've talked for years about the Autobahn platform and how we engage with clients on Autobahn. That's been an area where we've continued to invest. So, more and more of it, the investment will be geared towards client experience, client connectivity, new product capabilities like we've spoken about in the Corporate Bank, and making sure that we, at the very least, keep up with developments in our marketplace, if not start getting towards the leading edge over time among peers, while at the same time bringing our total technology costs more in line with what I would think is a benchmark for a firm of our size and complexity.

So, there's a lot going on under the hood, but I have to say, were seeing tangible progress every day, and we're very excited about the progress we're making.

Magdalena Stoklosa: Perfect, thanks very much. I will now move on to the audience questions. There's a few. The first one is about ratings and their impact from here on. And it really is, is there more funding kind of savings coming through, purely as a cumulative impact of the ratings? And also, on the client side, whether this is still a kind of differentiator. You know, would you say that with much higher ratings now, do you get kind of more clients or more cross-sell?

James von Moltke: No, I think we think there is more uplift still to come. I mean, it's slowly been bleeding into the P&L over time, and it's a process that's, I want to say it's every day. Of course, there was a particular surge when we got the S&P upgrade in November, and it was more of a wave of clients coming back, but we do continually see a growing body of clients, not just in number, but importantly, what they can do with us and what they want to do with us, coming back to the platform. And so, I don't think that trend is behind us yet.

In some senses, that was the important upgrade, because in the senior preferred rating or the counterparty rating, we got to A with the major rating agencies, and that was the threshold we needed to get to. But I do think there's more lift still ahead as we improve further from here. Hard to judge when that will happen, but it's certainly something that we target.

We look at our secondary spreads against peers, and we think there is still some distance to cover. It varies depending on the market environment, but there are sort of 20 basis points in some of our secondary spreads that we think we can still narrow a gap to. And so, yeah, there are still some steps ahead and some benefits ahead, Magdalena.

Magdalena Stoklosa: Brilliant. There's another question even more detailed about your kind of FIC performance year-to-date. The question effectively goes, can you differentiate the trending performance between rates, credit, and FX?

James von Moltke: Well, look, three of the four, and I'm not saying credit is struggling. Credit has a very strong comp in 2021 against which to compare, so I think the credit business is performing well. But the environment isn't one of outperformance in credit, necessarily. But the other three businesses are, in a sense, as long as you're managing your risks very carefully, because the markets are moving by, you know, people always talk about standard deviations. You know, I think that's going out the window because the movements have been so violent. But as long as you're managing your risk carefully, what we're seeing is strength across the other three of our areas.

So, FX has been extremely strong, both on the institutional side and the corporate side. Emerging markets, it's been at least partially an emerging markets event, this war. And then, of course, the rate movements have been pretty dramatic this year, not just since late February, but also in the early stages of this year. So, we've seen what, obviously, in an ironic way, so we've seen a very unusual dynamic environment, but one that, where three of the four FIC businesses have been able to capture a real performance in this quarter.

Magdalena Stoklosa: Great, because, of course, there's a follow-up. How about the Investment Banking pipelines? I suppose it's a question about, you know, we know how the volumes like year-to-date, but do you think it's a postponement or a kind of lower reality?

James von Moltke: We think it's more of a, we talked about this as recently as yesterday. So, yes, we see the same, the pipelines, well, the dealogic volumes are down about 30 percent. We still have a pipeline from last year, some of which got done in January, February. But we would say, overall, it's more of a delay than it is a falling away of activity. But, like the other comments earlier, that's going to be a little bit scenario dependent. We're going to need to see more clarity about the direction of travel in the war, and then, I think, a period of greater stability in terms of valuations, volatility in the market. But our sense is, you will see activity come back.

And as ever in a crisis, there is new activity that takes place. As people adjust to a changed environment, so to the corporate strategies, financing requirements, and so on adjust to a changed environment.

Magdalena Stoklosa: Perfect. Thanks very much. There is one question about kind of payments overall, your view on the kind of embedded payments within your business. It says, JP Morgan is spending billions of dollars from a perspective of kind of building up the payments assets. How do you think about it? Not JP Morgan, the payments assets.

James von Moltke: The payments assets, no, absolutely, and we're investing as well. So, you know, I might have given than example when you talked about technology area. It's absolutely one of our bigger in aggregate terms, the various projects that we have underway in payments, in aggregate, is among our bigger investments at this moment. Alongside a handful of our global peers, we're one of the leading banks in global payments. We're the leading euro-dollar euro clearer and one of the leading European banks in dollar clearing, so it's a critical business activity for us.

But as you say, there are new business models to capture in payments, and that can be merchant payments, which is one of the strategies Stefan Hoops and his team is pursuing. It can be things like embedded payments that exist in this new world of the internet of things we call, sometimes, asset as a service, so this idea that things that used to be installed CapEx become, in a sense, leased assets used by the drink, rather than with a big investment. There's a number of different business models that we're pursuing that we think we're extremely well positioned to capture. And that's, again, also a destination for a fair amount of our technology investment at the moment.

Magdalena Stoklosa: Great. Thanks very much for that. I've got one on Russia, and the question really is, when you look at your corporate lending and commitment exposure, you've given us the numbers, but when you look at the type of counterparties that you're facing there, how comfortable are you?

James von Moltke: Actually, very. I mean, in the sense that it's the type of counterparty you'd want to have. It is overwhelmingly, where it's Russian counterparties, it's internationally active Russian counterparties with cashflows outside of Russia. And also, our exposure is booked outside of Russia, so that's good. A lot of it is relatively short term. It will be trade finance and other things, so there's a liquidating element of it, which is also good. And then, in respect of our domestic, inside Russia exposure, it tends to be MNC, so overwhelmingly, it's multinational corporations whose subsidiaries bank with us in Russia and where there's a parent guarantee.

So, you know, the exposures are what they are, about €1.4 billion. But underneath that is, I think, strong counterparties, strong collateral, cashflows, ability to pay, so far, largely unaffected by sanctions. And so, yeah, we're comfortable, not just with the absolute size, but within that, the embedded risks. And also, by the way, on the collateral side, that whether it's margin calls or clients, we haven't seen any major disruptions in the value of our collateral or the ability of our clients to post collateral. I won't even qualify it with major. We have not seen any disruptions in the ability of clients to post.

Magdalena Stoklosa: Great. Thanks very much for it, James. One thing from me, maybe. Particularly in the last strategy discussion we had a few days ago, there was this more of a discussion of delivering one firm to the client. For a good few transformation years, we talked about businesses and their own evolution over the last transformation, and of course, now your new strategy. But there's this evidence from your perspective, you know, let's deliver the firm, let's ensure that that cross-business, cross-sell is coming through. Can you talk to us a little bit about this?

James von Moltke: Sure, delighted to. And, Magdalena, as you say, it's actually when we sort of focused on the global Hausbank sort of umbrella to this strategy, it was very much the idea that it's not just the Corporate Bank that can be a Hausbank to its clients. It's a broader thing than that.

So, each of our businesses can be that to their clients, can be a service provider, a risk manager, can provide global access to their clients, but can do so with a product array that is, we think, appropriately comprehensive to their needs. So, whether it's an entrepreneur with a family-owned business in Germany or in Italy or in Spain, we can provide that individual, that family with a range of products on short that can make us the Hausbank, the main provider of their financial service needs, so we really like that.

Whereas, I think when we launched the compete-to-win strategy, it was more about pulling the Corporate Bank out so it could have an independent identity. We thought that was important to create that independent identity, independent strategy, independent control over its resources. Now, having established that, as you say, a lot of it is about bringing the whole bank to our clients with that product set and capabilities, and a network globally to support their needs, and so, hence, the global Hausbank view. And we think we've got the businesses, each of them, well attuned to how to capitalize on that opportunity for the group.

Magdalena Stoklosa: James, how does that change the, I don't know, the managerial KPIs or the way you remunerate? Because, of course, it's a subtle, but in reality, quite a big, could be quite a big difference.

James von Moltke: It is subtle, and it's hard to do right. First of all, we've had what we call cross-collaboration revenues on the managerial scorecards now for a couple of years. It's something Fabrizio Campelli talked about at the Investor Day in December 2020. And since that time, we've been measuring that, and it forms part of our monthly management reviews. How are we doing, sort of by product area, against our expectations?

We're also trying to incentivize, if you like, lead creation, but from one business to the other, and measure that inside the organization. We've been building some tools. It's hard to do right, because you don't want the wrong incentive built into that. You want to create a good partnership and what have you. So, it's something we've been piloting and doing over time, but that will increasingly become part of how we measure the businesses.

And then, it's in the day-to-day practices of the teams. It's who goes to the meetings and how well prepared are they to talk about the whole capabilities, the whole relationship across the bank? And so, you just get better and better at that over time, and we're definitely seeing that in the way we're approaching our clients and getting the businesses to be coordinated.

Magdalena Stoklosa: Great. And on this point, James, I think we're going to bring our session to the close, but thank you so much for joining me today, and it's a very insightful session, as always. Thank you.

James von Moltke: Thank you, Magdalena. Goodbye. Thanks for the time today.

of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our most recent SEC Form 20-F under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from www.db.com/ir.

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, which is available at www.db.com/ir.

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