



Deutsche Bank updates on Postbank takeover litigation matter

28 April 2024

1. What is the litigation matter about?

- As described on page 310 of the Annual Report 2023, the plaintiff's assertion is that control of Postbank had transferred to Deutsche Bank in 2008 and that the bank was obligated to make a mandatory takeover offer at that time at a higher price (€ 57.25 per share) than the offer of October 7, 2010 (€ 25 per share).
- Deutsche Bank has successfully disputed these claims and continues to believe they are invalid.
- In its previous judgment of December 16, 2020, the Higher Regional Court of Cologne had fully dismissed all claims in these proceedings. On December 13, 2022, the Federal Court of Justice set aside the judgments of the Higher Regional Court and remanded the cases back to the Higher Regional Court for a new decision.
- In the hearing on April 26, 2024, the Higher Regional Court provided an initial assessment of certain points on which the Federal Court of Justice had requested further consideration.

2. In which aspects has the Higher Court of Cologne indicated that it may find elements of these claims valid in a later ruling?

- The Higher Court of Cologne indicated on April 26, 2024, that the judges have a different interpretation of the Federal Court of Justice rulings from December 2022, which also changes the court's assessment of these claims compared to its earlier ruling from December 2020 in which it had dismissed the lawsuits.
- Deutsche Bank disagrees strongly with this assessment, and we will comment on these statements in the proceedings.

3. Why did it come up only one day after the first quarter earnings announcement and why was it not mentioned at that time?

- The hearing was scheduled by the Higher Court of Cologne for April 26.
- There was no indication before the hearing, including on April 25, that the hearing would impact management's assessment as to the likelihood of a future outflow.
- Also, in the bank's analysis after the case was referred back from Federal Court of Justice of Germany, again the conclusion was confirmed that there was no reason to book any provision.
- This assessment was based on a number of considerations: the opinions of outside counsel, the previous dismissals of the claims at the Higher Regional Court of Cologne and that the German Federal Court of Justice has assessed the claims multiple times and had backed our position in its rulings in many important aspects



and finally, the bank's assessment of the matters contained in the referral from the Federal Court of Justice.

- The bank did not expect a preliminary assessment by the court which would lean in favor of the plaintiff's claims.

4. Why did the bank not highlight this matter more prominently in the first quarter earnings report?

- The history of the matter and the hearing was fully disclosed in Deutsche Bank's Annual Report 2023 on page 310, including date of the hearing on Friday, April 26.
- There was no update to the matter at the time of Deutsche Bank's first quarter results publication as the hearing had been scheduled for April 26.
- Based on the history of this case, the opinions and analysis of several outside law firms and the bank's strong view on the facts and the law relating to this matter, it was management's expectation that the Court would opine in a manner consistent with the earlier rulings or present balanced considerations of the arguments. Instead, the Court stated that it leans towards the position of the plaintiff this time on several matters.
- There was no indication before the hearing, including on April 25, that the hearing would impact the likelihood of a future outflow in the manner it eventually did. The bank did not expect an assessment in favor of the plaintiff's claims.
- The Higher Court of Cologne had fully confirmed Deutsche Bank's position previously and the Federal Court of Justice of Germany had assessed the claims multiple times and backed the bank's position in their rulings in many important aspects.
- The bank, supported by two legal opinions from external counsel, continued to have a fundamentally different assessment than the preliminary assessment which the court expressed in the hearing last Friday, April 26, even after the Federal Court of Justice had remanded the cases back to the lower court.
- Deutsche Bank disputes the Court's interpretations and is considering its response. In short, the bank was not expecting the Court to make the statements that it made in the hearing.

5. Why would you not wait for certainty of the impact before informing the market?

- Companies must disclose material market relevant information as soon as they have it, under rules set by the EU Market Abuse Regulation.
- The bank issued its statement after the initial analysis of the implications of the Court's statements.

6. Was the hearing on April 26, 2024 a final judgment?

- No. The hearing provided the Higher Regional Court's preliminary assessment of the points on which the Federal Court of Justice had requested further



consideration. In its preliminary assessment, the Court stated that it leans towards the position of the plaintiffs on several matters.

- It granted the parties the opportunity to comment on the indications given in the hearing by June 12, 2024, and indicated its intention to announce a decision on August 21, 2024. At the same time, the Court suggested that the parties enter into settlement negotiations.

7. What is the impact on the bank's financials?

- As disclosed in the Annual Report 2023 (p. 310), for all plaintiffs who brought claims before the matter became time barred, the claimed purchase price difference would represent approximately € 0.7bn.
- The claimants that are party to the hearing on April 25 assert that the price paid should have been € 57.25 based on their assessment of when control of Postbank passed to Deutsche Bank; certain other claimants assert that the offer should have been made at a higher price per share of € 64.25.
- In addition, the German legal system assesses statutory interest on claims, representing cumulative interest of an additional approximately € 0.6bn.
- Therefore, the total value of all claims as of today is estimated at € 1.3bn, assuming all claims are successful.

8. What would be the impact of a provision of the full amount?

- The full amount will be booked as a provision in Q2.
- The total value of all claims, including cumulative interest, as of today is estimated at € 1.3bn, assuming all claims are successful.
- On a pro forma basis as of March 31, 2024, the impact of the full provision on the bank's Common Equity Tier 1 (CET1) ratio is estimated to be approximately 20 basis points, with a resulting pro-forma CET1 ratio of 13.25%. On the same basis, the Leverage Ratio would be 4.42% as of March 31, 2024.

9. Why have you not already reserved a provision against this potential risks?

- Over the years, the competent Higher Regional Court repeatedly ruled in favor of Deutsche Bank.
- Therefore, we did not believe an outflow relating to the Postbank takeover litigation matter was more likely than not.
- This judgement was based on the written opinions of the bank's external legal advisers, the previous dismissals of the claims and management's assessment regarding the facts and the law surrounding this case.
- Under IFRS, a contingent liability is recorded and disclosed in our financial reports if an outflow is estimable but not more likely than not to take place. The full claim amount has been reflected in Deutsche Bank's contingent liability disclosure since 2018 and was recorded in the bank's contingent liability disclosure as of March 31, 2024.



10. Is this litigation matter part of the € 1.9bn contingent liability?

- Contingent liabilities include possible obligations where an estimate can be made and an outflow is more than remote, but less than probable.
- Now that the Postbank takeover litigation will move into the bank's balance sheet legal provisions, the contingent liability will be released, and the remaining estimated amount of potential future outflows for civil litigation matters and regulatory enforcement actions is € 560m.
- There is a constant flow of items into and out of this estimate. We cannot comment on the nature of the items but refer to Note 27 entitled "Provisions" to the consolidated balance sheet beginning on page 302 of the Annual Report 2023, and the description of current individual proceedings.
- Generally, the items now reflected in the contingent liability disclosure are significantly smaller than the Postbank takeover litigation matter

11. Will the bank appeal the ruling?

- There has not yet been a final judgement. The hearing provided the Higher Regional Court's preliminary assessment of the points which the Federal Court of Justice had left open. In its preliminary assessment, the Court stated that it leans towards the position of the plaintiffs on several matters.
- It granted the parties the opportunity to comment on the indications given in the hearing by June 12, 2024 and indicated to announce a decision on August 21, 2024. At the same time, the Court suggested that the parties should consider entering into settlement negotiations.
- Only after having received a ruling Deutsche Bank will be in a position to understand the reasoning in detail and establish whether there is a basis for appeal to the German Federal Court on matters of law.

12. What is the likelihood that the matter will be resolved at a cost to Deutsche Bank's shareholders of less than € 1.3bn?

- Unfortunately, it is impossible to judge at this time. As noted, Deutsche Bank believes its arguments on both facts and law are strong. However, the Higher Regional Court statement has created the possibility that the takeover litigation will be adjudicated in favor of the plaintiff, crystallizing a claim. As a consequence, Deutsche Bank will book a provision of € 1.3bn in Q2.
- It is possible that the final ruling will be more favorable than the Court statements suggested in the hearing, or that there will be elements of an unfavorable written ruling that are flawed and would be overturned on appeal.
- Also, it is possible that the parties will reach a settlement.



13. Given the size and unexpected nature of the potential provision, why have the bank stated in the announcement that it “does not expect a significant impact on the bank’s strategic plans or financial targets”?

- We are focused on executing our *Global Hausbank* strategy, positioning our four businesses as trusted partners to our clients globally. This judgement in no way changes this strategic focus.
- Our financial targets for 2025 are unchanged: compound annual revenue growth between 2021 and 2025 of 5.5% to 6.5%, a return on tangible equity greater than 10%, cost/income ratio below 62.5% and a CET1 ratio around 13%, representing approximately 200 basis points above our MDA requirement.
- We do not have specific financial targets for 2024 but do not expect the provision to adversely affect the bank's ability to achieve its revenue goal of € 30bn and its € 5bn adjusted costs quarterly run rate.
- We are executing on our business growth, cost efficiency and capital efficiency plans in order to support and accelerate this strategy.

14. Can you explain the impact on CET1 of approximately 20bps considering the provision of € 1.3bn?

- Deutsche Bank recorded a first quarter 2024 net income attributable to Deutsche Bank shareholders of € 1.3bn, of which 50% was not recognized in reported CET1 capital, given the Bank’s 50% payout ratio objective for financial year 2024, payable 2025.
- On a pro-forma basis, the € 1.3bn provision for this matter reduces the Bank’s first quarter 2024 net income attributable to Deutsche Bank shareholders to zero.
- Therefore, the impact from this matter on our CET1 capital, on a pro-forma basis as of 31 March 2024, is approximately € 650m, or 20 basis points in CET1 ratio terms.

15. Will this affect your capital distribution plans?

- Our distribution ambition for a 50% year-on-year increase in cash dividend per share remains unchanged. So does our 50% total payout ratio objective, comprising cash dividends and share buybacks, in relation to the prior year's net income attributable to shareholders.
- Deutsche Bank management also believes, based on the continued execution of our financial and capital plans that the bank remains on track to achieve total distributions in excess of € 8bn in respect of financial years 2021-2025, paid in 2022-2026, consistent with our objective to accelerate distributions beyond the original € 8bn target.
- Furthermore, the bank continues to pursue its € 675m share buyback launched on March 4, 2024. As at April 19, 2024, the bank had repurchased 20.6m shares for a total of € 283m. The bank anticipates materially completing the current program by the end of the first half of 2024.



16. Given that this potential provision was not expected, are you still in a position to apply for a second share buyback in 2024?

- It is too early to make this determination. It remains our objective to accelerate and enhance returns above the baseline expectations as articulated above and in our recent investor communications.
- However, as indicated, incremental distributions are expected to be determined within each year based on management's outlook and estimation of excess capital.
- As disclosed, the full provision would reduce the bank's CET1 ratio by approximately 20 basis points.
- The Management Board will consider this decision in light of the final provision amount and other factors expected to influence the capital plan in the remainder of the year, including the pace and extent of capital optimization measures.

17. Is the provision expected to be tax deductible?

- Given the complexity of the legal issues and recency of the court's statements, we will continue our analysis of the legal arguments and the potential impact on our financial statement, including the tax implications.
- Currently it is difficult to assess with any certainty to what extent the legal provision may be tax deductible.
- Given those uncertainties and taking into account the bank's deferred tax asset position, our CET1 impact assessment assumes no tax benefit associated with the provision.

18. What will be the bank's next steps?

- We will continue our legal analysis and, at the same, carefully assess our options for a potential settlement. We have not made any decisions, in this regard, yet. Obviously, we will pursue those options which we deem most reasonable for the bank under the given circumstances.

19. Is this matter the last material item in the litigation backlog?

- Now that the Postbank takeover litigation will move into the bank's balance sheet legal provisions, the remaining estimated amount of potential future outflows for civil litigation matters and regulatory enforcement actions is € 560m.
- There is a constant flow of items into and out of this estimate. We cannot comment on the nature of the items but refer to Note 27 entitled "Provisions" to the consolidated balance sheet beginning on page 302 of the Annual Report 2023, and the description of current individual proceedings.
- Generally, the items now reflected in the contingent liability are significantly smaller than the Postbank takeover litigation matter.



20. Where can I find information on the matter in the bank's Annual Report 2023?

- We have disclosed further information in our Annual Report 2023 on page 310 and in the German version of the Annual Report 2023 on page 352.



Disclaimer

This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion 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 SEC Form 20-F of March 14, 2024 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from investor-relations.db.com.