James von Moltke, CFO
at the Goldman Sachs European Financials Conference 2021

10 June 2021

Transcript

Jernej Omahen: (Goldman Sachs)

Good morning and welcome to our third and final day of our 25th Annual European Financials Conference. We're looking forward to the sessions of today. There's certainly going to be a tilt towards capital markets exposed institutions. We're going to start with James von Moltke, the CFO of Deutsche Bank, afterwards we're going to hear from the CEO of UBS, as well as our own Richard Gnodde, the CEO of Goldman Sachs Europe, and the day we'll complete with Minister Donohoe, who is also the president of the Eurogroup. But I'm delighted that the opening session of this day, the final day, of our conference begins with James von Moltke, the CFO of Deutsche Bank. James joined Deutsche Bank in his capacity in a very, very different time for the Deutsche Bank. Certainly the opportunity set and the structure of the group has changed a lot, James, since you joined.

So I want to ask you the first question, you are two years into executing your new strategy, if you could help us take stock with the way you think Deutsche Bank is. And before you start answering, let me just say thank you for taking the time this morning. You're always welcome at our conference and I'm looking forward to today's session.

James von Moltke:

Thank you, Jernej I appreciate it. And good morning to everyone. I'm delighted to be with you. Well, it's interesting, I have some nostalgia for this conference because if I think to June of 2018 that was when I made a presentation, you may remember, where we talked about the goal of unlocking the vicious circle that we had been in and turning it into a virtuous circle. And there were a number of elements that I laid out at that time that I thought were important to achieving that.

But I also laid out the upside that I thought Deutsche Bank had, if we were successful in achieving it. And I do think we've gotten to that point where the momentum is in our favour, some of which has been driven by the outside environment, and we can talk more about that. But a lot is being driven by the decisions that we've made, the execution on our strategy, and really working hard to unlock some of the value in the company. So that was three years ago now, and as you pointed out, two years ago we announced our restructuring, which included exiting secondary equities, but really focusing on the core businesses that we identified at that time. And as we sit here today, it's been successful. And I think we're still in the relatively early stages of unlocking some of the potential that came with reversing the vicious and opening up a virtuous circle.

Jernej Omahen: I remember that session well, it was in Paris. And I think two days after that session, there was a downgrade over credit rating outlook.

James von Moltke: Actually, you're a year off, it was in Frankfurt, but you're right. The S&P action happened at around the same. The S&P action happened in 2018 and the conference was in 2018, in 2019 Paris was quite a different environment, and it was just before we announced the restructuring. And so the market was waiting to see what we were going to do. And again, I think if you look back on that history, the distance travelled is something that we're quite proud of in terms of what we've achieved, but also humble about, because we recognize that there's a lot of work still to do, to achieve our targets, to unlock the potential of the company.

But we think much of it is in our control. It's about continuing the execution discipline that really I think we began around that time of June 2018, when we were together. And continuing with that execution discipline to focus on achieving financial targets, achieving non-financial, that is transformation milestones, and at the same time, ensuring that we continue the investments that we've been making in the control environment and regulatory remediation. And as we deliver all three of those things, I think by the end of next year, you'll see a very much transformed institution from where we were three years ago in that June of 2018 conference.

Jernej Omahen: All right. So part of that transformation, or perhaps the consequence of that transformation was the client re-engagement, and I think it was pleasing to see, particularly in the first quarter, that multiple quarters of market share loss seem to have reversed. Now it was an exceptionally strong quarter, but still. But can I ask you, also on the client re engagement front, is that something that was an event? I.e. at some point, clients realized you are exiting certain businesses, but are fully committed to the rest? Or is that a process that continues?

James von Moltke: I would say it's a process. It's very much a process. I actually think it began as early as the late third, early fourth quarter of 2019, so after we'd made the announcements and begun to execute on the new strategy. And clients began to believe that we were really committed to the businesses that we've now reduced our perimeter to, and that we could be consistent in serving them and supporting in those businesses. You began to see a change in the tide. Since that time it's been a steady increase of what we call re-engagement over time, but it's a constant flow, literally every few days we'll get an email about a client turning us on or a CSA that is amended to extend terms or RFP wins in our Corporate Bank. And so we've just seen a very steady movement of clients expressing confidence in the platform, the franchise, and appreciating the services that we offer, the way we do it, the people that serve them. And that's very gratifying.

Again on this virtuous circle argument, part of that is driven by things like our credit improvement. So the perception of the company around an improved credit position obviously helps the FIC franchise. And that's very tangible in terms of, again, the trading terms that the clients are comfortable working with us on. And that's an everyday occurrence that we see improvements there. And one of the things that I'm optimistic there about is in many cases, we actually perform below our broker vote with clients. So it's an existing client relationship, but as that confidence returns and our rating improves, we have our broker vote in our actual revenue performance, but we also see that in the other businesses, in Origination and Advisory, market share gains really, and especially in our product strengths.

We see it in the Corporate Bank winning and sometimes re-winning or winning back mandates that had gone away from us in prior years and in the Private Bank, just steady growth in terms of loan originations and also investment products. And in the investment product, one of the again, interesting and gratifying pieces of that, its deposit conversion into investment products. And it's an area we think we're differentiated in, especially in our home market.

Jernej Omahen: So I think that the assessment of Deutsche Bank's home market, the attractiveness of the home market is probably quite downbeat. I think Germany is generally perceived as having a market which just makes it very, very difficult for banks to make reasonable returns. But you've talked a lot about the changes in the environment and the changes in the pricing structure of some of the domestic products. Can I ask you to what extent are you optimistic that this continues in Germany, actually becomes a reasonable market from a profitability perspective?

James von Moltke: Yeah, well, it's an interesting question. Look, last year, let me just go back to 2020. It was one of the few years in which you could really see the virtues, not to overuse the word, of the German market. So one of the benefits of being so heavily weighted towards Germany, including for example, in our loan portfolio, is that it's a very stable market from a credit perspective, very strong sovereign and what have you. So you did see that relative strength for us last year. As you say, though, the market is very competitive. Spreads tend to be narrow, and there's a surplus of deposits looking to be put to work. And that deposit surplus is especially painful in the negative rate environment. And structurally, as you know, it's an overbanked market for a variety of reasons.

So there are certainly those negatives. Do I see some positives in the outlook? Yes, I do. I think first of all, interestingly, the spreads have held up in, for example, the mortgage product and unsecured consumer credit. So we've been watching that carefully to see whether the competition for assets would really flow through into further diminished asset pricing. And we haven't seen that so far. So I think that's encouraging.

I think the second thing that that is more of a secular thing is with the negative deposit rates, you're absolutely seeing if you like a capitulation in the market on the part of savers, finally, to move out of deposit products, into investment products. And as I said earlier, we think we're differentiated in the ability to serve and that that market demand and shift our deposit base into investment products and also win new clients.

But secondly, in the competitive environment, obviously that's affecting all of the other banks, including the savings and cooperative banks. So I think from a pricing perspective and especially a liability pricing perspective, and by the way, that's both on the consumer personal banking world and on the small and commercial banking world, you're seeing more I think, positive developments in that area. And we'll see how the market evolves from here. So there are some strengths and the pressures are still there, but I do see that those pressures may result in a more rational market over time. One thing I did want to mention here is the recent court ruling, which I think investors have been interested in, in learning about. So there was a high court ruling in Germany around what is called AGB in German, but it stands for the general terms and conditions through which the banks engage with their clients. And at the end of the April, there was a surprising high court ruling essentially disallowing negative consent in those consumer contracts.

That was a surprise to us and a surprise to the industry, because it overturned two lower court rulings that had been in our favour. This was a Postbank case, and it overturned about 45 years of generally accepted practice or convention in the market. So it is a surprise to us.

I wanted to mention what we currently see as the impact of that ruling. It's still, I have to say, early days. So we've been going through the work to assess the ruling, how to implement it and what the impacts are. We think there would be a modest look-back impact, which we are currently estimating we would take this quarter that is for Q2, of about a hundred million euros in provisions. That is highly subject to assumptions, but we think based on our historic experience that that is a reasonable place to start from. And then we would see a temporary revenue impact. Because essentially for a period of time, we would have to suspend the fees we've been charging on these current account products until we can reinstate them based on valid legal agreements. That will be, we think, a Q2 and Q3 impact on revenues in each case of about, again, 100 million euros. But we expect that by Q4 we will have re-established those fee agreements and have restored, if you like, that lost revenue stream. So we see the lost revenue as temporary.

As we said in the Q1 earnings call, we actually do see a silver lining to this event. To your point about the structure of the German banking market, we think there's an opportunity here, frankly, to accelerate pricing change in the German banking market. Because it's a moment at which competitively, all of the banks are going to be needing to respond and readjust their pricing structures as a consequence of this decision. Very often, as you know, consumer protection actions tend to have an odd effect of needing to formalize these relationships, and ultimately accelerating pricing changes that were planned over time anyway.

Jernej Omahen: Okay. So the hundred million euros, this is the reversal of negative rates charged to date on these account.

James von Moltke: Sorry, it's account fees. So it's historical account fees over a look-back period based on customer claims.

Jernej Omahen: Right. Okay. So if we take the second and the third question that we've covered so far, the second question was clients re-engaging on the capital market side of the bank, market shares were going up. This was coupled with a very supportive revenue environment. On the German side or domestic side of the business you outlined what you think is a positive structural shift.

But then if we look perhaps a bit closer, so just at the performance in the second quarter, I mean, yes, Q1 was great, three billion of revenue, but yet it felt that this was somewhat of a record quarter with all the right tailwinds materializing at the right period of time. If you look at the performance of revenue in Q2, what are you able to tell us?

James von Moltke: So look, you're right. The Q1 I think was an outstanding quarter, I think for us and for the industry with a lot of things working. We think that, again, the momentum, the trends that we've outlined, remain in place. As we said, client re-engagement, focus on our core capabilities, products, and what have you. And we think that what will emerge from that is more consistent performance and market share gains, both in our FIC and Origination and Advisory businesses.

As we've said, and I think a number of our peers have said, we did and we do expect markets to normalize this year in 2021, relative to the, let's say, the last five quarters, which have been extraordinarily favourable for the financial markets, and of course issuance and trading activity. And we do see that taking place. So I would expect to see, relatively speaking, a normalized quarter in terms of the market's performance in this quarter. And you can see that in some externally visible metrics like volatility and volumes that are out there.

But we do think, as I say, this underlying trend we've had of an improving franchise is still present. And the confidence that we expressed back in April about that strategic direction and the performance that we were seeing and expected in the Investment Bank, that persists. So the outlook that we updated in April for the full year revenues in our Investment Bank was to be flat in 2021 relative to 2020. Which I think goes well beyond expectations, late last year into this year. That's based on an outstanding first quarter, as we mentioned, but then I think good but normalized performance in the second through fourth quarters.

Ultimately we're calling for, as you'll recall in our December Investor Day, we talked about revenues, sustainable revenues in the Investment Bank of about 8.5 billion euros. Which was what we were looking for to support our financial targets and model for next year. And we do see that level of performance in our business and being sustainable, it requires that we earn something between two and two and a half billion in revenues per quarter in the Investment Bank. And we think that's entirely achievable in normalized markets, bearing in mind, of course, normal seasonality.

We see, I think, still ongoing good performance in the other three core businesses. Asset Management continues to perform, financial markets, as you know, are still at elevated levels. And the underlying trends that we've been talking about for a while in the Corporate Bank and the Private Bank around volume drivers, new loan originations, transaction volumes, investment products, they've tended to continue as well into the second quarter.

Jernej Omahen: So I just, I want to go back actually, to some extent, to the previous discussion that we have on this offsetting, or the ability to offset interest rate headwinds and the revenue focus that you have. So you're pointed out the development with the German courts and your response.

But in general, is Deutsche is still able to adapt to change the structure or pricing structure of your liabilities, and in a sense, revenue targets for the Private Bank and the Corporate Bank of 2022? To what extent has this repricing made you more or the extent of repricing made you more or less comfortable in the ability of Deutsche Bank to hit their targets on those two?

James von Moltke: I'd say overwhelmingly more comfortable in our ability to put through pricing increases. As you've seen in our disclosures, we've now repriced balances representing about 83 billion euros. So client accounts representing balances of 83 billion euros of the total. There is still a lot more to do. I would say of that 83 billion euros, as you've seen, it's been overwhelmingly in the Corporate Bank, but the experience in the Corporate Bank of putting through price changes has been to have less client attrition, more client acceptance of those changes as clients, frankly, just recognize that the environment that we're in negative rates, we simply cannot continue providing a direct subsidy to clients.

We have, I think, a further distance and a greater opportunity remaining in the Private Bank. And that goes back to the points I made earlier about the competitive environment. I mean, we see more scope to be more aggressive, more quickly in pricing changes in our Private Banking franchise. And we believe the market will absorb that, in part given the competitive environment. And in part given our experience so far in terms of client conversions.

You've seen banks like ourselves gradually reduce the levels of the thresholds or tiering at which clients get relief on negative rates. And the reaction has been, I think, consistently one of acceptance and very little client reaction in terms of movement. And in fairness, banks have to be prepared to lose some clients in order to rationally price the use of the balance sheet, frankly, on both sides. But here we're talking about the liability side.

Jernej Omahen: Yeah. James, so just a detour slightly or a follow up if you want. So I understand on the retail banking side you were talking about the German banks, your domestic competitors, changing their approach to allowing for the market pricing to move favourably in your direction if you want.

On the corporate side of the equation, you said that you have to accept certain client loss if it materializes. Who is Deutsche Bank's main competitor in Corporate Banking in Germany today? Are those German institutions or large European institutions?

James von Moltke: A mix of both. There are absolutely foreign banks participating in the German commercial market, the small and medium size enterprise market, and there are a number of domestic competitors. So I think of it as a competitive market, but one in which we're very well-placed. Stefan Hoops and his team have been, now that it's an independent unit if you like, has its own identity, its own strategy, business plan, technology budget. They are much more nimble in going to market articulating strategies and executing on them. And I think there's tremendous opportunity for us in that space in our home market. As you know, we had, I think, strategically somewhat neglected the SME market in Germany 20 years ago. And that's something we're still rebuilding from, but it means that there's an untapped opportunity. And remember, to your point, the product set that we offer among German banks it is now nearly unique and clearly our capabilities, the more we're able to bring them together in particular deliver to clients all over electronic platforms. I think we're very well positioned to capture share, and growth opportunities in that market.

Jernej Omahen: Okay. So now I'd like to touch on two topics, which are regulatory/supervisory related. The first one relates to the various levies that the European banks have to pay up Deutsche Bank being no exception. And the second one is on the EBA tests. So the first one on the levy, so we hosted the Chairman of SRB yesterday. And I would like to contextualize this question by contrasting the comments from the SRB, with the comments from the industry.

So the industry obviously thinks that the SRB bucket is probably full, that that capital is not used productively. I think the Deutsche Bank has been vocal on that issue both as an institution and through the association of your banks. What is the outlook here? Are you hopeful that the SRB or the contribution to the SRF tell us off in the near future, could that be a substantial impact on your PNL on your bottom line?

James von Moltke: Look, to begin with, the program by its terms should end in 2024. I don't mean end, but the creation of the bucket and it should step back significantly from 2024. So we do see it as a transitory cost and that's partially explains why we think that there's, as we said in Q1 where we have accessions in the SRF contribution relative to our expectations, it doesn't make sense to offset them with other expense savings because it's a transitory costs and we might be making poor long-term decisions for a short term cost. Am I optimistic that there'll be a change next year? I'd say decreasingly optimistic. The feedback we've had so far is the official sector in various sort of places understands the intellectual arguments that we have made as an industry around this levy.

But I don't think there's a political consensus around making a change to that levy. For a variety of reasons, it's just very hard to unlock. As you know, the industry's arguments I think are good.

The levy is skewed both geographically and from a business model. And the challenge is that it's really a solvency, a resolution backstop is a solvency driven, not a liquidity driven sort of mechanism. And hence, we have argued against the increase in the target level. So as I sit here today, I'm less and less optimistic that there'll be a change in the near term, but that doesn't stop us from continuing to make our arguments.

Jernej Omahen: Do you think the industry has a chance of being successful in shorten that timeline?

James von Moltke: Again, less and less optimistic, but we'll keep trying, well, you think it's a considerable burden and in our case, we are among the more vocal, because it represents an outsized component if you like of our return and earnings picture. Relative to the size of the bank, we've been shrinking the bank now for several years, but the SRF has been flat and potentially increasing. And that's an odd circumstance to be in.

Jernej Omahen: Okay. And now I want to shift to the European Banks Authority stress test, and perhaps link it into Deutsche Bank's own expectations about loan loss provision, evolution over the course of this year and in the future, perhaps contrasted, rather. So we've just gone through the worst economic shock that any of us probably can remember. Yes, the bounce-back has been dynamic and it's continuous and that's good, but 2020 was a year of record GDP decline.

Now, here we are, and European banks are being stressed as the Deutsche Bank being no exception for various scenarios by the EBA. One of them assumes that continuation of shrinkage. So we're stress-testing, or we're stressing what was a period of extreme stress, already. What is your expectation for the EBA test, number one. Number two, how will you interpret the results? What do they mean to you? We understand they're not binding, they don't feed in directly into the SSM assessment process, and yet they inform it. Qualitatively, if for nothing less. And in general, what is your view of the setup of these tests? What is your view on how, and if it should change in the future?

James von Moltke: Sure. A lot to talk about there. Well, let's start with the scenario. So briefly we think that the baseline scenario is pretty much in line with consensus. So no real surprise on the baseline scenario, but the severe scenario is extremely severe. If I look at it, it steps off from a historic contraction and then continues for three years. The confidence interval, we think it's at the very far end of likely events. And, therefore, you would expect the outcomes to be severe, also interest rates in this scenario, unlike previous years, stay low and that, of course, is a burden on the banks PPNR. So I would expect the outcomes of this test to be relatively severe on the industry, broadly.

Obviously, you don't want to speak to our own results. I think one has to remember going to methodology that it is an idiosyncratic test and process in terms of step off points, some of the methodology decisions or approaches that are taken and what have you. So, while I think it's obviously a useful exercise for the industry to do. We learn every year, I think it's a good engagement with our supervisors and regulators, it will always be somewhat in contrast to a real-world stress. As we saw incidentally last year, I remember last year, analysts and investors were wanting to compare, use the stress test from 2018 to try to draw some conclusions about the 2020 stress. And of course it was impossible to do because every stress is going to be somewhat idiosyncratic.

So I think one needs to be careful in assessing those results, how to interpret them, whether on a methodology or a scenario level. To your point about qualitative, that's an area where we've made real investments to try to make sure that our qualitative capabilities are leading practice. And so we're continuing that process and investing. Finally, to the question of how it will inform the ultimate SREP assessment, I'd say it's very hard to tell. I think there are a lot of moving parts this year, in terms of the SREP outcomes. One of which is the horizontal view of what comes out of the stress test, but then everything else that goes into the supervisor's evaluations in SREP. So we're working hard on a wide range of our improvements in the bank that we hope will be accounted for, as well are taken into account in this SREP outcome, alongside the stress test results.

Jernej Omahen: When you look at the result of the test, what has more information value for you? The actual post-stress capital ratio, the relative rank of Deutsche Bank versus other institutions?

James von Moltke: What's valuable to us is observing the draw down, what drives the capital accretion and what we learn from that in a scenario. Actually, there's a real dichotomy here, and it's a great question, dichotomy between what the bank learns and the dialogue with the supervisor, whereas the outside world tends to get only a relatively sort of crude ranking of outcomes. And so that divergence can be, can be quite significant.

Jernej Omahen: So now I'd like to move on and contrast what is a theoretical exercise of applying stress, and then what is your prediction of the most realistic P&L charge for credit losses over the course of this year? And here I'd like to go back to last year. I recall very clearly the two of us having this discussion exactly 12 months ago. I thought that you were wildly optimistic when you made the predictions on the credit loss charge for 2020 at that point in time. I think Deutsche Bank was pretty much alone in suggesting that the second half credit charges might be lower than what you need in the first half of the year. And I just want to acknowledge that. Now the guidance for this year, I believe is 20, 25 basis points. What is the credit evolution at this point? We get it, the economy is better than we thought, hence credit losses are better than we thought. The policy response has done its job. Are you concerned that there is a risk of a cliff edge if policy support is withdrawn?

James von Moltke: We're watching it carefully. Look, we're very mindful that there are downside risks in the economy and the financial markets, as much as we don't see that today, either in our credit portfolio or in the financial markets. Frankly, Jernej, to your point, the outlook has improved since we last gave guidance on credit loss revisions. You saw that the Q1 for us came in very low. It was low, I think across the industry, including releases from stages one and two. At this point, we continue to see quite a strong credit environment. And so it's probably continuing to evolve better than our expectations that we had coming into the year and better even that we had in April after Q1.

At this point for Q2, I would probably expect the stage three events or impairment items to be more or less in line, probably slightly lower than Q1. So relatively modest and stable stage three events. And it's too early to say what the stages one and two will be. You're kind, very gracious on your comments. We do intend to continue to be prudent in our provisioning. We see the downside risks as we've talked about. There are portfolios that we're looking at very carefully, consumer portfolios that still benefit from extraordinary support, and moratoria. Commercial real estate for us, in particular and as an exposure, aviation. But as we see it today, the development in those portfolios remains better than our expectations

Jernej Omahen: James help us just conceptually, contextualize this now. So the worst economic shock that we all remember, in 2020 economies shut down for months on end. Yes, policy response, we understand that, but can this be true? I mean, is there a probability that this is too good to be true? That the assessment of the strength of those balance sheets today turns out to be too optimistic? I mean, how certain are you that this continues?

But you were right. You were right in the predictions, but you have to acknowledge that at the time, and even today, those predictions were and remain counter-intuitive, correct?

James von Moltke: It's what we see in our portfolio. So we're obviously pleased that our prediction turned out to be true, at 41 basis points it was basically in the middle of the range we gave last year. This year, we've given it a range of around 25 basis points. And at this point the balance of probabilities as we sit here today is that we will outperform, i.e. improve on that 25 basis points. Mindful as we are of the downside risks. I don't think it is too good to be true, Jernej.

Jernej Omahen: Good. For everybody not just for Deutsche bank. Okay. So I think we have seven minutes left in this conversation. There's one topic that I would like to cover. It relates to capital point number one, and then within that to potential for capital return to shareholders. So I think you've said, Deutsche Bank has said that you do expect some regulatory inflation on RWAs to impact your core tier one ratio in Q2. So I'd like you to remind us what you think that that impact will be and how you see the evolution of core tier one beyond that.

And then within that, I mean Deutsche Bank is not known for being a dividend paying stock, or at least hasn't been for a multi-year period of time. And yet you raise the prospect of not just dividends for which you've accrued in Q1, but also the prospect of share repurchases and some further point out in the future. And then, so after we cover the core tier one levels, if you could comment from that as well.

James von Moltke: Sure. So you're absolutely right. So core tier one was 13.7%. At the end of the last quarter, we called for about 80 basis points of regulatory inflation. We still see that coming there may be a little bit of slippage into Q3 of certain of the letters and implementation of these changes driven by again, the supervisory side.

But I don't think that changes the direction of travel, which is from the 13.7%, 13.8% range down to about 13% in the CET1 level. That is in a sense an encouraging development, because from my perspective, it moves the biggest slug of the remaining regulatory inflation until 2024 and then 2028 to put it behind us. And we're in a more stable capital management world.

And then our hope is to continue to manage capital in the high twelves, low thirteens going forward, allowing for some balance sheet growth and client investor distributions on the basis of internal capital generation. To your question about dividends and repurchases, absolutely we said in July 2019 and I think the market somewhat discounted this part of our strategy commitments that we intended to return five billion of capital to investors starting next year. So, after a two year capital dividend hiatus that we will return to distributions in 2022, it's absolutely our intention. As you said, in Q1, we put aside on a technical basis, 300 million euros that's outside of our capital ratios for distributions next year. Our hope is that we'll continue to accrue based on earnings and the remaining three quarters of this year that will put us in a good position to resume distributions. Too early to say what the level or the mix of distributions will be. But we intend to begin in earnest on that five billion return in 2022.

Jernej Omahen: Okay. Which then brings us to our last topic. By now, it's almost a tradition, I think. So we had the letter to shareholders released recently of Deutsche bank, and it makes it an explicit reference to the inevitability of consolidation in European banking and how Deutsche bank would like to participate in that.

Now, I'd like to make two points. One, you have approached now, a couple of years ago, one of your domestic competitors to explore a potential combination. I recall very clearly at the time when the talks broke off, that the narrative was, it's not that we don't see a strategic rationale here, but we just don't see the financial rationale. Since then share prices have moved substantially in opposite directions, so that financial rationale I think is better. So I don't want to ask a specific question, but I'd like to you a general question. Deutsche Bank now has a market cap. It has a market cap that allows you to be flexible on M&A both domestically, and cross border. Is that a realistic option for Deutsche? So when you say you want to participate in European consolidation, what timeline do you have in mind and conceptually, what kind of transactions do you have in mind?

James von Moltke: Look, it's really impossible to talk about timelines because there's so many sort of uncertainties attached to timing. But I think as Christian said, very clearly at the AGM, it's something that we see in the future, as part of our future, and part of, I think the benefit of what we've been working on now for several years, as you point out. Not just the stock price, but the firm's preparedness to enter into strategic transactions that are beneficial both to our overall franchise, to our ability to serve clients, and importantly to the shareholders, and the stock price. I think that's improving over time. We've said also consistently over the years, our focus has been on doing the homework to prepare the company and put us on a better footing. And that homework is a lot of things. It's obviously meeting the financial targets, with the financial targets should come, and improve currency, and market capitalization.

But as we do all of that, we are extremely mindful of the work that still lies ahead. I talked about the transformation work that still lies ahead. We're humble about that work effort over the next call it four to six quarters. But we also talk about the control remediation efforts that we have underway in particular in anti-financial crime. We know we still got work to do there, and we're going to ensure that we deliver on our commitments. We will not sacrifice the control investments for financial targets. But we will do everything in management's power to be able to balance the need to deliver returns for investments with those control investments in requirements.

But I think all of those things more broadly as well are the technology platforms we're building, risk and finance capabilities, frontline product capabilities, executing on strategies. These are all things that enable one ultimately to enter into strategic combinations. To your question about the nature of those combinations, very hard to assess. Again, as much as timelines are hard to speculate on, the right combination, the right strategic path for us is equally hard. I think we have built for, I think very competitive business lines in our essence, the restructuring announced in 2019. And I think in each of those four areas, we have opportunities to enhance our platform, and our capabilities. And so we will assess the opportunities as they come.

Jernej Omahen: Excellent. James we've come to the end of our session. I'd like to thank you again for taking the time to be here with us today for agreeing to open our third day of our conference. I certainly hope to see you next year, but I also hope to see you in person soon, so we can do away with these virtual events. But James, thank you very much. And thanks for joining us.

James von Moltke: Thank you, Jernej. Great to see you. Thank you for having me.