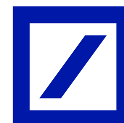


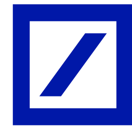
Deutsche Bank AG

Deutsche Bank Q1 2022 Analyst Conference Call

Wednesday, 27 April 2022 | 13:00 CEST

Transcript

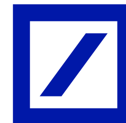
Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer
Ioana Patriniche, Head of Investor Relations



CHRISTIAN SEWING

Slide 1 – Results support trajectory to FY targets and ambitions

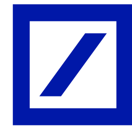
- Thank you, Ioana. A warm welcome from me as well
- It's a pleasure to be discussing our first quarter 2022 results with you today
- Before we go through these, we are mindful that the war in Ukraine has been devastating for millions of people, and continues to bring a high degree of uncertainty to the world economy, to the market environment and to our clients
- We have made our position clear. We condemn the Russian invasion of Ukraine in the strongest possible terms, and we support the German government and its allies in defending democracy and freedom
- We are not taking on any new business in Russia, nor with entities incorporated in Russia. We have been clear that we are in the process of winding down our operations, in line with our legal and regulatory obligations and are accompanying our clients in doing the same
- We are committed to helping our clients navigate this period of upheaval, and we are supporting our people in Ukraine and their families
- However, this of course, has the potential to impact our full year results in our important measurement year
- Nonetheless, we delivered the highest quarter of net profit since 2013, and we believe this puts us on a good trajectory to reach our 2022 goals
- That shows through in our performance. We delivered Group revenues of 7.3 billion euros, an increase of 1% year on year, even compared with a strong quarter in the prior year
- We saw revenue growth across all four core businesses, driven by business momentum, market share gains and investments that will support sustainable growth in 2022 and beyond
- This quarter, we generated a reported 8.1% return on tangible equity, up on the first quarter of last year, despite a 28% increase in annual bank levies, which are recognized in the first quarter
- If bank levies were apportioned evenly across the four quarters of the year, with a quarter of the annual charge booked in the first quarter, post-tax return on tangible equity would have been 11.2%
- We also improved our efficiency; post-tax profit was up 18% over a successful prior year quarter, driven by positive operating leverage



- This brings our cost/income ratio down to 73%, 4 percentage points lower compared to the prior year, or 66% if bank levies were apportioned evenly across all four quarters
- We are mindful that the current operating environment presents many challenges, including on the cost front, and we will continue to focus on cost discipline
- Finally, looking at our balance sheet, we are well-equipped to navigate the current environment thanks to our high-quality loan book and tight risk management
- Our capital position remained strong despite the impacts of the war in Ukraine and business growth
- And this enabled us to continue our progress towards our goals for capital distribution to shareholders
- Last week, we completed the execution of our share repurchase program of 300 million euros and we have proposed a dividend of around 400 million euros at the upcoming AGM, delivering on our commitment to distribute 700 million euros in 2022
- Now let me take you through the progress on strategic priorities in our core businesses, on slide 2

Slide 2 – Progress on strategic priorities in core businesses

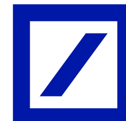
- In the Corporate Bank, business growth continued despite the more challenging market, as we diligently executed on our strategy
- We saw this reflected in loan growth which, alongside interest rate tailwinds, contributed to an increase in net interest income. This, coupled with cost discipline, helped us deliver operating leverage of 18% this quarter
- In the Investment Bank, strong client activity in FIC supported revenues, with year-on-year growth across institutional and corporate clients
- Advisory revenues were more than 80% higher year on year, partly offsetting lower revenues in Equity and Debt Origination
- The Private Bank delivered its best quarter since we launched the transformation, with pre-tax profit up by more than half year on year to 419 million euros. It also captured net new business of 13 billion euros, across inflows into assets under management and loans



- In addition, the Private Bank made significant progress on the German IT platform consolidation. Over the Easter weekend, we completed a successful migration of around four million Postbank savings clients and contracts onto the DB platform
- Asset Management delivered revenue growth of 7% year on year, driven by higher management fees, despite the volatile market environment
- At the same time, the business continued to invest in growth initiatives and platform transformation
- The dynamics in all four core businesses provided a strong step-off point to deliver on our 2022 targets
- Next, let me give you an update on Russia on slide 3

Slide 3 – Russia: impact continues to be carefully monitored

- We believe the investments we made in future proofing our business meant we were well prepared as we entered this period of uncertainty
- This means we were ready to deal with not only the direct impacts of the war in Ukraine, where we reduced our net loan exposure to Russia to below 500 million euros by the end of this quarter, but also the second order ones, and our investments in controls are a testament to this
- As a result, we executed diligently on sanctions implementation without any major issues, and managed the financial aspects of these sanctions
- As it stands, we operate under a heightened alert status, and we are continuously adapting our controls to the evolving threat landscape
- Despite the uncertainties of the current situation, we have not seen any major disruptions to our businesses, even with all the added safeguards we have put in place
- While it is too early to quantify the potential long-term impacts of the war, we believe our conservative balance sheet and transformed business model will help us face the challenges ahead
- Of course, we continue to be mindful of the broader environment and uncertainties that go well beyond the war, such as the supply chain issues that could further impact future economic growth
- Turning now to our progress on sustainability on slide 4

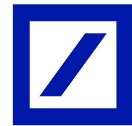


Slide 4 – Sustainability strategy well on track

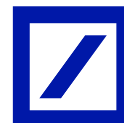
- We continue to make rapid progress in our sustainability activities
- After finishing 2021 with cumulative ESG financing and investment volumes of 157 billion euros, excluding DWS, we are now at 177 billion euros and on track to achieve our 200 billion euro target by this year end
- We saw good volume growth across all categories. Issuance volumes were at 71 billion euros in the first quarter, an increase of 13% compared to the fourth quarter
- Financing volumes increased to 64 billion euros, up 12% sequentially, and assets under management increased to 41 billion, also up 12%
- We are also pleased with the growth rates in all businesses, as you can see on the slide
- As we announced in our Investor Deep Dive, we plan to generate 500 billion euros cumulatively by the end of 2025, this implies an average rate of at least 100 billion euros in ESG financing and investments per year from 2023 to 2025
- According to our models, this would translate into revenues of at least 1.5 billion euros in 2025, representing a compound annual growth rate of more than 20 percent
- We also took an important step on our pathway to net zero by disclosing the carbon footprint of our corporate loan portfolio at the beginning of March
- And we are on track to publish 2050 net zero targets for key carbon intensive portfolios, together with intermediate targets for 2030 at our second Sustainability Deep Dive in October
- We will also share further details on our net zero strategy at this event and how we partner with our clients in their decarbonisation efforts
- A key driver of higher profitability is our delivery of positive operating leverage, which I will now cover on slide 5

Slide 5 – Positive operating performance

- We delivered positive operating leverage at Group level this quarter
- Starting with revenues, Group revenues increased by 1% year on year and the Core Bank contributed by generating revenues of 7.3 billion euros, up 3% year on year



- Excluding revenues in Corporate & Other and the Capital Release Unit, the average annual increase of revenues in the four operating divisions was 7%
- Revenues in the Corporate Bank were up 11% year on year, a second consecutive quarter of double-digit growth, driven by continued deposit repricing and business growth
- Investment Bank revenues grew 7% year on year, over a strong first quarter in 2021. A 15% increase in FIC revenues more than offset a 28% decline in Origination & Advisory
- In the Private Bank, continued strong business growth more than offset interest rate headwinds and, as a result, revenues were up 2% year on year
- Across all these businesses we delivered strong growth in client lending. Our total loan book is currently at 481 billion euros, up 9% year on year
- Asset Management revenues rose 7% year on year, driven by a 13% rise in management fees which reflects consecutive quarters of inflows and assets under management growth during last year
- Assets under management increased by 82 billion euros year on year to 902 billion euros
- Moving now to costs, noninterest expenses were down 4% year on year, despite an increase in bank levies of 28%, or more than 150 million euros, which was offset by lower transformation charges and the cessation of Prime Finance costs
- Adjusted costs excluding bank levies, transformation charges and Prime Finance were also down 1% year on year reflecting lower investment spending needs after the completion of some IT projects and delivery of efficiency gains, in line with plan
- Beyond these cost items, we faced higher than expected expenses mainly in compensation costs, which James will detail later
- Before I hand over to James, let me summarise the first quarter and outlook on slide 6



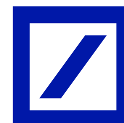
Slide 6 – Evidenced step off towards targets in key measurement year

- The first quarter presented a challenging environment. We supported clients and responded to their needs to help them navigate through difficult times and we will continue to do so
- Our priority is to advance with our strategic plans and to further improve our profitability and efficiency, while benefiting from strong risk management
- Revenues in our stable businesses support this and demonstrate that we are on a clear path to meet our 2022 revenue guidance
- And as always, we are absolutely focused on cost measures and we are executing on our plans. That said, we recognise that the path ahead of us is getting harder, especially with the inflationary pressures we see in the current environment
- But we remain committed to delivering positive operating leverage and tackling cost challenges while also capturing revenue opportunities, as we did in the first quarter
- We are committed to our plan to return capital to shareholders, having already completed the 2022 share buyback program of 300 million euros
- In short, in this quarter, we have delivered a strong step off point toward our targets in this pivotal year, in particular the 8% return on tangible equity target for 2022
- With that, let me now hand over to James

JAMES VON MOLTKE

Slide 7 – Q1 2022 Group financial highlights

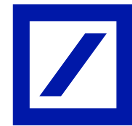
- Thank you Christian
- Let me start with a summary of our financial performance for the quarter, on slide 7
- Total revenues for the Group were 7.3 billion euros, up 1% versus the first quarter of 2021, despite the revenue decline of around 370 million euros in C&O and CRU
- Noninterest expenses of 5.4 billion euros were down 4% year on year. This captures three main cost components:



- Firstly, bank levies came in at 730 million euros, up 28% year on year, and about 150 million euros higher than we originally expected due to a higher assessment basis applied by the SRB and the unchanged conservative determination with regard to the use of irrevocable payment commitments
- Secondly, we booked transformation charges of 38 million euros this quarter, less than a third of the level in the prior year quarter, and we have now recognised 98% of the total transformation-related effects anticipated through the end of 2022
- This leaves adjusted costs excluding bank levies and transformation charges, which were down 3% year on year, despite certain volume related increases, or 5% excluding FX effects. I will detail these shortly
- Our provision for credit losses was 292 million euros or 24 basis points of average loans for the quarter
- We generated a profit before tax of 1.7 billion euros and a net profit of 1.2 billion euros, an increase of 18% year on year
- Tangible book value per share was 25 euros and 15 cents, up 42 cents on the quarter, and 5% year on year
- As Christian mentioned before, the return on tangible equity for the group was 8.1% for the quarter
- The effective tax rate for the first quarter was 26%, which is broadly in line with the effective tax rate we now expect throughout 2022
- We also anticipate that with continued profitability, particularly in the US, we may see additional positive deferred tax asset valuation adjustments in the fourth quarter that would further reduce our effective tax rate in 2022
- Of course, the adjustments and the respective sizing of these remain uncertain and are dependent on a number of different factors throughout the year
- Let's now turn to the Core Bank's performance on slide 8

Slide 8 – Q1 2022 Core Bank financial highlights

- Core Bank revenues were 7.3 billion euros for the quarter, up 3% on the prior year quarter
- Noninterest expenses were down 1% for the quarter and adjusted costs increased 1% year on year



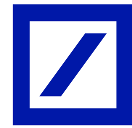
- We reported a profit before tax of 2 billion euros, flat on the prior year, as provision for credit losses normalised compared to the prior year quarter, where we saw releases across all stages
- Our Core Bank post-tax return on tangible equity for the quarter was 10.7%, above the full year target
- And our cost/income ratio came in at 69%

Slide 9 – Net interest margin expected to have bottom in 2021

- Let me provide some detail on the evolution of our net interest margin on slide 9
- Looking back, the decline of net interest margin in the first half of 2020 was driven by the cut in US rates
- The margin has been broadly stable since then, above the level we initially anticipated, driven by increased balance sheet efficiency, deposit repricing and TLTRO income that helped offset ongoing deposit margin pressure
- Adjusting for TLTRO timing effects, NIM in the first quarter would have been at the prior year level
- From here, we expect NIM to rise due to tailwinds from the rising interest rate environment
- Let's now turn to costs on slide 10

Slide 10 – Adjusted costs - Q1 2022 (QoQ)

- First, let's have a look at cost developments since the fourth quarter
- Adjusted costs excluding transformation charges and bank levies decreased by 332 million euros, 7% sequentially, or about 360 million euros excluding FX effects
- Compared with the guidance we provided at the fourth quarter results, we are in line with or even ahead of our expectations with respect to the noncompensation categories excluding FX
- IT costs were 168 million euros lower, and 212 million euros of savings came from remaining costs, both reflecting completion of projects and further efficiency saves
- However, compensation and benefit costs were broadly flat against the elevated levels in the fourth quarter and higher compared to our



previous guidance of expected savings of around 150 million euros. This is mainly due to three components

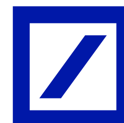
- Firstly, we expensed 80 million euros more as a result of good business performance. An extra 50 million euros related to variable compensation for performance in the first quarter and a 30 million euro one-off impact for carried interest related to future performance fees in Asset Management Alternative funds was also recorded
- Secondly, we had unplanned benefit costs to the tune of 40 million euros which we do not expect to repeat in the rest of the year
- And finally, structural cost reduction efforts, largely in our Private Bank, were offset by costs from investments in strategic hires and control functions, of which 20 million euros were one-off hiring costs
- We continue to execute on efficiency measures aimed at reducing compensation costs, however, we are seeing increasing pressures as we compete to retain and attract talent

Slide 11– Adjusted costs – Q1 2022 (YoY)

- If we look at the year-on-year cost developments on slide 11, adjusted costs decreased by 135 million euros or 3%. Excluding FX effects, costs were down 5% or 237 million euros
- IT costs declined by 110 million euros driven by completion of certain projects and capturing the expected delivery of efficiencies
- Then, professional services and other noncompensations costs came down by 136 million euros due to the completion of IT, control and remediation projects
- Compensation expenses increased by 9 million euros compared to the prior year. Effects from the workforce reduction were offset by payroll inflation and by the impacts from variable compensation and selected strategic investments
- Let’s now turn to provision for credit losses on slide 12

Slide 12 – Provision for credit losses

- Provision for credit losses for the first quarter was 24 basis points of average loans on an annualised basis, or 292 million euros, in line with guidance. A moderate sequential increase was entirely driven by the war in Ukraine



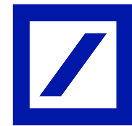
- Elevated stage 1 and 2 provision of 178 million euros, compared to net releases of 95 million euros in the prior year quarter, relate to downgrades of all Russian exposures and additional overlays to reflect macroeconomic uncertainties
- Stage 3 provision of 114 million euros includes a few impairment events predominantly on Russian names in the Corporate Bank. This was offset by a small number of larger releases in the Investment Bank, while the Private Bank provision benefited from a model recalibration

Slide 13 – Russia: direct impact well contained

- Let me now update you on our direct exposure to the Russian Federation at the end of the first quarter compared to our previously disclosed exposures for the year end on slide 13
- Gross loan exposure was cut by 5% to 1.3 billion euros and 21% to 468 million euros on a net basis. The reduction reflects active exposure management and repayments
- Our contingent liabilities were cut by 35% to 1 billion euros and exposures are largely mitigated by Export Credit Agency coverage and contractual drawdown protection
- Overall, we have low levels of direct market risk exposure to Russia after all major derivative counterparty positions were unwound
- Let me now turn to capital on slide 14

Slide 14 – Capital ratios

- Our Common Equity Tier 1 capital ratio decreased from 13.2% to 12.8% over the quarter, or 41 basis points
- This reflects a decline of around 8 basis points from higher RWA driven by core bank business growth, partially offset by lower operational risk weighted assets
- ECB mandated model adjustments related to small to medium sized enterprise lending led to a decrease of 20 basis points
- Strong organic capital generation during the quarter was offset by share repurchases, deductions for dividends, AT1 coupon payments and equity compensation, adding 4 basis points net
- We estimate the impact of the war in Ukraine on our CET1 ratio as 17 basis points, due to higher risk weights on our Russia related exposures

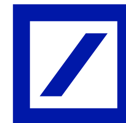


and higher prudent valuation reserves, due to the increased dispersion of market prices

- CET1 capital now includes a capital deduction for common share dividends of 354 million euros for 2022, in addition to the roughly 400 million euros which were already put aside last year to pay the proposed 2021 dividend of 20 cents per share post the AGM this May
- We remain committed to support business growth through continued earnings retention and to finish the year with a CET1 ratio of 13% or higher
- However, what remains hard to predict at this point is the potential for further regulatory driven RWA inflation in the remainder of the year
- Our fully loaded leverage ratio was 4.6%, a decrease of 30 basis points over the quarter
- Of the 30 basis points decrease, 16 basis points were driven by Tier 1 capital which reduced as a result of the call in January of our 1.75 billion euros new style AT1
- Our successful 750 million euro AT1 issuance which settled in early April adds a further 6 basis points to our leverage ratio on a pro-forma basis
- Leverage exposure, excluding FX effects, increased by 28 billion euros quarter on quarter, following continued growth in our Core Bank, including loan growth
- Our pro-forma fully loaded leverage ratio including certain ECB cash balances was 4.3%
- With our reported leverage ratio of 4.6% at the end of the quarter we have a buffer of 134 basis points over our Leverage ratio requirement of 3.23%
- With that, let's now turn to performance in our businesses, starting with the Corporate Bank on slide 16

<u>Slide 16 – Corporate Bank</u>

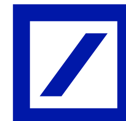
- Corporate Bank revenues in the first quarter were 1.5 billion euros, 11% higher year on year
- Revenue growth was driven by the continued impact of our deposit repricing actions and business growth, particularly in Corporate Treasury Services



- Interest rates turned into tailwinds in the US, non-euro EMEA and Asia, more than offsetting remaining euro headwinds
- Corporate Bank grew loans to 125 billion euros, up by 3 billion euros compared to year-end 2021 and by 8 billion euros compared to the prior year quarter, mainly in Corporate Treasury Services
- Provision for credit losses increased year on year across all stages primarily driven by impacts of the war in Ukraine
- Noninterest expenses of 1 billion euros declined by 7% year on year due to non-compensation initiatives and lower non-operating costs
- The resulting return on tangible equity stood at 7.2%. Adjusted for the pro-rata bank levies, the return on tangible equity in the first quarter would be 9.2%
- Corporate Bank profit before tax was 291 million euros in the quarter, up 25% year on year despite higher credit loss provisions, evidencing improvements in our profitability and efficiency
- I will now turn to revenues by business segment in the first quarter on slide 17

Slide 17 – Q1 2022 Corporate Bank revenue performance

- Corporate Treasury Services revenues of 917 million euros grew by 14% year on year driven by strong business momentum, in particular in Corporate Cash Management, higher loan volumes, deposit repricing and the improving interest rate environment
- Institutional Client Services revenues of 350 million euros rose by 11%, benefitting from episodic items and currency translation effects, while the underlying business remained stable
- Business Banking revenues of 194 million euros were up 1% year on year as solid underlying business growth and benefits of deposit repricing were mostly offset by remaining interest rate headwinds
- I'll now turn to the Investment Bank on slide 18

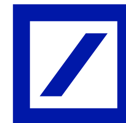


Slide 18 – Investment Bank

- Revenues for the first quarter of 2022 were slightly higher year on year both on a reported basis and excluding specific items
- Strong performance in Financing and macro trading businesses was partially offset by lower revenues in Origination & Advisory and Credit Trading
- Noninterest expenses were higher primarily due to increased bank levies and compensation expenses
- Our loan balances increased year on year, primarily driven by higher loan originations across the Financing businesses. We continue to maintain a well-diversified portfolio across regions and industries
- Leverage exposure was higher, reflecting increased lending commitments and trading activities to support client flows
- The year-on-year increase in risk weighted assets predominantly reflects the impact of regulatory inflation, in addition to loan growth within the Financing businesses
- Provision for credit losses of 36 million euros or 15 basis points of average loans remained low. The year-on-year increase was driven by stage 1 and 2 provisions versus releases in the prior year quarter
- Turning to revenues by segment on slide 19

Slide 19 – Q1 2022 Investment Bank revenue performance

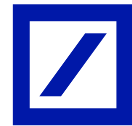
- Revenues in FIC Sales and Trading increased by 15% in the first quarter when compared with the prior year
- Strong performance within Financing and across macro trading businesses was partially offset by lower revenues in Credit Trading
- Financing revenues were significantly higher driven by increased net interest income and higher capital markets activity, with solid performance across all businesses
- Revenues across Rates, Foreign Exchange and Emerging Markets were significantly higher driven by market activity and client flows and benefiting from effective and disciplined risk management
- Credit Trading revenues were significantly lower, with the business impacted by a challenging market environment



- Revenues in Origination & Advisory were also significantly lower versus the prior year, driven by an industry fee pool reduction of approximately 30%
- Debt Origination revenues were lower due to materially reduced Leverage Debt Capital Markets revenues; Investment Grade Debt performance remained robust with revenues slightly higher year over year
- Equity Origination revenues were significantly lower, driven by a material decline in the industry fee pool and reduced SPAC activity versus the prior year
- Revenues in Advisory were significantly higher reflecting a high level of completed transactions against a solid pipeline
- Turning to the Private Bank on slide 20

Slide 20 – Private Bank

- Revenues were 2.2 billion euros, up 2% year on year, or 3% if adjusted for specific items
- Continued revenue growth despite the uncertain environment towards the end of the quarter more than offset headwinds from still low interest rates, although those headwinds have abated somewhat relative to the previous year
- The decline of 6% in non-interest expenses year on year was in part attributable to releases of restructuring provisions of 44 million euros
- Adjusted costs were down 3% year on year despite higher bank levies reflecting incremental savings from transformation initiatives including workforce reductions, as well as continued strict cost discipline
- The Private Bank reported a strong pre-tax profit of 419 million euros in the quarter, up 54% year on year reflecting both continued cost savings and revenue growth
- The cost/income ratio improved to 77%, compared to 83% in the first quarter of 2021. Post-tax return on tangible equity rose to 9%
- Considering bank levies on a pro rata basis, pro forma post-tax return on equity would have been 11% with a corresponding cost/income ratio of 73%
- Assets under management declined by 6 billion euros to 547 billion euros in the quarter. A negative impact of 18 billion euros from market

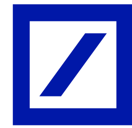


movements was largely offset by net inflows into Assets under Management of 10 billion euros and by exchange rate differences

- Risk weighted assets increased by 13% predominantly due to regulatory changes in the prior year and a growing loan book
- Provision for credit losses was 101 million euros or 16 basis points of average loans in line with the prior year reflecting tight risk discipline and a high-quality loan book; stage 3 provision also benefited from a model recalibration as I mentioned earlier
- Turning to revenues by segment on slide 21

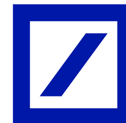
<u>Slide 21 – Q1 2022 Private Bank revenue performance</u>

- Revenues in Private Bank Germany were up 1%
- Higher fee income from investment and insurance products compensated still negative impacts from deposit margin compression, lower benefits from the TLTRO III program as well as residual impacts from the BGH ruling
- Private Bank Germany attracted net inflows of 3 billion euros in investment products and net new client loans of 2 billion euros
- In International Private Bank, revenues excluding specific items increased by 6%
- Private Banking and Wealth Management revenues increased by 5%, or 8% if adjusted for Sal. Oppenheim workout activities. The growth was attributable to both investment products and loans and was supported by relationship manager hiring in prior periods. Revenues also benefitted from FX impacts
- Personal Banking revenues were stable, supported by growth in loans, partially offset by deposit margin compression
- The International Private Bank attracted strong net inflows in Assets under Management of 6 billion euros in the quarter, driven by investment products across all regions
- Net new client loans were 2 billion euros, mainly in Americas and EMEA, in part offset by deleveraging activities by clients in APAC



Slide 22 – Asset Management

- As you will have seen in their results, DWS delivered a strong quarterly performance compared to the prior year period, despite the recent market turbulence
- To remind you, the Asset Management segment on slide 22 includes certain items that are not part of the DWS stand-alone financials
- Revenues grew by 7% versus the prior year, primarily due to an increase in management fees of 74 million euros, mainly from higher average assets under management, which more than offset lower performance fees recognized in the quarter
- Noninterest expenses increased by 16 million euros or 4%, with adjusted costs up 5%
- This reflects higher compensation costs, principally the variable compensation impact of carried interest related to future infrastructure performance fees, and higher asset servicing costs due to the increase in assets under management
- Compared to the prior year, the divisional cost/income ratio improved further to 62%
- Profit before tax of 206 million euros in the quarter increased by 12% over the same period last year, reflecting a stable margin and the strong increase in revenues
- Assets under management of 902 billion have increased by 82 billion euros since the same quarter last year, which is mainly attributable to successive quarters of net inflows in 2021, positive FX translation effects, as well as market performance, as we show on slide 44 in the appendix
- Looking at the sequential performance, assets under management have declined by 25 billion euros in the quarter, reflecting the negative impact from market performance, partly mitigated by FX translation effects
- Net outflows of 1 billion euros in the quarter were primarily due to outflows in low margin cash and fixed income products in a challenging market environment. Excluding cash, net inflows were 6 billion euros in higher margin strategies
- The business also attracted 1.1 billion euros of net inflows into ESG products during the quarter
- Turning to Corporate & Other on slide 23

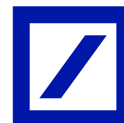


Slide 23 – Corporate & Other

- Corporate and Other reported a pre-tax loss of 428 million euros in the first quarter of 2022, compared with a pre-tax loss of 178 million euros in the prior year quarter
- This was principally driven by a negative contribution of 183 million euros from valuation and timing differences compared to a negative contribution of 4 million euros in the prior year quarter
- The result for the quarter was principally from adverse movements in interest rate and credit spread curves, partially offset by the effects of funding basis and broader rate movements in light of the volatile market environment
- As previously communicated, valuation and timing differences arise on positions that are economically hedged but do not meet the accounting requirements for hedge accounting
- Funding and Liquidity impacts were negative 127 million euros, versus negative 36 million euros in the prior year quarter, and they include certain transitional costs relating to the bank's internal funds transfer pricing framework as well as costs linked to legacy activities relating to the merger of the DB Privat- und Firmenkundenbank AG into Deutsche Bank AG as we have previously disclosed
- Expenses associated with shareholder activities as defined in the OECD Transfer Pricing guidelines not allocated to the business divisions were 120 million euros, a small increase to the 112 million euros in the prior period
- We can now turn to the Capital Release Unit on slide 24

Slide 24 – Capital Release Unit

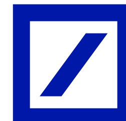
- For the first quarter of 2022, the Capital Release Unit recorded a loss before tax of 339 million euros, narrowing the loss from the prior year by 70 million euros
- Revenues for the quarter were a negative 5 million euros, as funding and risk management costs were partly offset by income from our loan portfolio and net de-risking gains
- This compares to the positive 81 million euros in revenues we reported in the prior year quarter, with the reduction primarily from the conclusion of the Prime Finance cost recovery



- Noninterest expenses declined by 32%, primarily driven by a 27% reduction in adjusted costs, reflecting lower internal service charges, lower bank levy allocations, and lower compensation costs
- This quarter also marks a step down in costs following the conclusion of the Prime Finance transfer
- As a result, the division reduced its loss before tax to 339 million euros, down by 17% from the prior year quarter
- Year on year, CRU reduced leverage exposure by 46 billion euros and Risk Weighted Assets by 8 billion euros
- Since the fourth quarter of 2021, the division has reduced leverage exposure by 4 billion euros through deleveraging and natural roll-offs, and reduced risk weighted assets by 3 billion euros, including a 1 billion euro reduction in Operational Risk RWA
- Looking through to the remainder of 2022, we are confident of achieving the target for adjusted cost of 800 million euros that we set out at the Investor Deep Dive
- We will also aim to drive risk weighted assets and leverage down further and expect to record a negative revenue number for the year
- Turning finally to the Group outlook for 2022 on slide 25

Slide 25 – Outlook

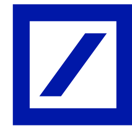
- The current geopolitical outlook and macro economic environment bring a great deal of uncertainty to the financial markets and to our clients
- However, strong revenue momentum in our core businesses continues to support our revenue guidance of 26 to 27 billion euros for 2022 and, in our view, our first quarter results built a strong foundation to achieve this
- As Christian highlighted, we remain highly focused on cost discipline and continue to work towards our targets, but, the current environment remains challenging and the visible cost pressures have intensified
- We remain disciplined in managing our risks and we believe that near-term risk is contained
- Our capital remains resilient, and our organic capital generation was offset by distributions, while at the same time we absorbed business growth, regulatory changes and the impact of the war



- We remain confident in our year-end guidance of around 13%, consistent with our target of greater than 12.5% for our CET1 ratio
- As Christian mentioned, we finished our share buyback program, and the expected payment of dividends immediately after the approval at the AGM will complete the shareholder distributions of 700 million euros in 2022
- We continue to work towards our 2022 targets
- With that, let me hand back to Ioana and I look forward to your questions!

Question and answer session

Chris Hallam (Goldman Sachs)	Good afternoon, everyone. Two questions from me. FIC has obviously been strong in the first quarter, and it looks like you're still taking share there and you slightly tweaked the IB revenue guidance for the year, but the corporate bank and the private bank were also strong, so I wanted to hear how you're thinking about revenue trends beyond 2022, and whether what you've seen so far this year changes anything at the divisional level. And then second, on capital, which was slightly lighter than expected, could you lay out how you see capital ratios evolving through the rest of 2022 and speak to whether anything is changing to a degree which might make you rethink either the phasing or the absolute level of the 5 billion euros capital return commitment embedded in that 13% core tier 1 target for 2025?
James von Moltke	Thanks, Chris, I appreciate the question. You're right, FIC was strong in Q1 and it's reflecting some of the trends we've been talking about for a while around client engagement, the benefits of investments we've been making in people and technology, the impact of the rating upgrades and therefore people opening business with us and lines, and that's all flowing through and we think leads to a sustainably improved view, obviously to some degree dependent on the market wallet. CB and PB, as you say, are showing the type of growth that we've been calling for now a while, as interest rates



and those headwinds start to abate. We've talked for a while about underlying growth and, as you can see in CB year on year at 11% up, you're seeing the combination of underlying growth plus help from interest rates in CB. And similarly, PB, although more affected still by headwinds in the euro deposit base, you're now seeing growth come through, particularly, for example, in IPB up 4% year on year.

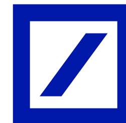
And so we're seeing strength in the business and it feeds our commentary back at the IDD about momentum driving the types of compound growth rates that we've called for in the period from 2022 to 2025 and we think the first quarter performance is clearly validating around that momentum and the direction of travel there.

Looking at 2022, again, the first quarter, no question, helpful in building towards the guidance that we provided. I'll remind you of Christian's comments on the last quarterly earnings call where he went through business by business what we were expecting this year. And I think as we sit here today, all of the businesses are at least in line with that guidance and in some cases, as you point out, the IB, for example, above that guidance.

And actually, as you say, we're seeing strength in CB as well that could lead to some outperformance there. And hence, as we think about the 26 to 27 billion euro guidance that we've provided for revenues this year, we actually think we're biased to the high end of that based on what we see right now.

In terms of capital distributions, we talked about the ratio target for the end of the year or objective in our prepared remark, so there's no change based on the Q1 performance to our guidance for the full year. And, to your point, there's no change in our view on the capital trajectory or the resulting distribution path that we intend.

Look, we had a 40 basis point drawdown through the quarter and, as mentioned, really the drivers were the



model impact and the effects of the war in Ukraine. In that latter case, much as you saw in COVID, we'd expect a lot of that 17 basis points to come back and really most of the model change was already built into our capital planning. So, as a result, no significant impact on our views for the full year, the guidance we provided, and consequently no impact at all on our distribution plans.

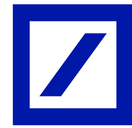
Kian Abouhossein (JPMorgan)

Yes, thanks for taking my questions. Two questions on cost, I think that's the key issue today impacting your share price and I think there's some confusion and maybe, James, you can explain a little bit how we should read the comments.

On the one hand, you have a cost income target of 70% stated, which implies on your revenue guidance 18.2 to 18.9 billion euros on a stated basis, and I assume there 200 million euros of restructuring charges in there. And on the other hand, there's also guidance of flat cost between 2022 and 2021 with around 19.6 billion euros clean and I'm just wondering, first of all, if you could explain that. What should we be focusing on in terms of cost guidance going forward?

And then the second question is again related to cost. If I compare your investor day, where you talked about 3 billion euros of costs plus resolution fund and that was for January-February, the 3 billion euro. One could've argued the cost should be closer to 5 billion euro, maybe 5.1 billion euro. But we ended up significantly higher and you clearly explained that to some extent in your remarks.

However, there seems to be a concern that there's a bit of slippage in cost discipline. And if you could elaborate on that, how over one month, less than a month, there has been so much concern around cost, or there has been a material increase in cost which was not anticipated, so to say, at the Investor Day. So, can you talk about the process and confidence around cost discipline?



James von Moltke

Thanks for the question. I appreciate it and happy to clarify if there's any confusion. The guidance that we provided is unchanged from the Annual Report outlook and as we think about costs for the full year, the essentially flat language is a range. It's a range around zero.

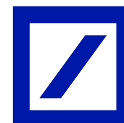
And compared to last year where we look at adjusted costs excluding transformation charges and the Prime Finance expenses, so your starting point in that is 19.3 billion euros. There's a range of course and that's consistent with the earlier guidance that we provided, which was low to high 18 billion euros and remains consistent.

So that's what we've been working to and aligns, as you say, with the revenue guidance we provided and the fact that we're working to a 70% cost income ratio target. So that's the guidance we're providing and what we're working towards.

If I think about where we were back at the beginning of March, we'd had two months of expenses where the run rate combined was really at about 1.5 billion euros taking January and February together, which was clearly encouraging to us. That excludes the single resolution fund costs and I think we were clear in thinking about that as the, call it the operating expenses, excluding single resolution fund.

And, as you can see, March came in higher than that run rate, call it 1.6 billion euros, principally reflecting the compensation items that I mentioned in the prepared remarks. Now, those compensation items essentially materialized in March. We make variable compensation determinations at that time based on revenues and profitability for the quarter as we see it.

The carry costs that we incurred in DWS only became visible to us as the valuations, frankly, came in the underlying investments. And actually, some of the hiring costs also materialized in March. So much of that cost ascension was in fact March and not entirely visible to us when we spoke with you.

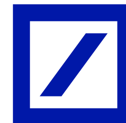


I will say what's encouraging is that the non-compensation guidance, when we tie back to the 450 million euro sequential decline that we talked about in January, we're looking at non-compensation costs that in fact were better than that original guidance. And the miss relative to the 450 million euros of about 90 million euros really all explained by these variable compensation items, by and large costs that we consider positive in as much as they reflect current or future revenues.

So, lots of work underneath the hood there, but we're working towards the 70% and notwithstanding some of these higher expenses in the quarter, some of which, as you know, are out of our control. The SRF, we don't get that invoice until April every year. Some of which was late in the quarter reflecting performance and new information.

The fact that we were able to offset it in the quarter on a cost income ratio basis, given the strong revenues, I actually think is an encouraging sign and continues to put us on track for the cost income ratio that we've, as we continually say, we've been working towards. I hope that helps clarify a little bit, Kian.

Kian Abouhossein (JPMorgan)	Yes, that's very helpful. If I can just follow up just one more time on the absolute cost number. Should I think more around the cost income as a main biding constraint of 70% for this year or more around the level of cost in line with last year?
James von Moltke	Well, of course we give guidance. Management's objective is to work to that 70% target that we've set.
Kian Abouhossein (JPMorgan)	And that's achievable with your 26 to 27 billion euros revenue?
James von Moltke	Exactly. And we translate that into guidance consistent with what's required in our outlook statement, which compares to the prior year and, again, we've been consistent on that. In terms of what management's focused on, we're focused on managing our run rate costs month by month, quarter by quarter.



We've obviously acknowledged that there are some headwinds, some of which appeared already in Q1and that are not repeating in general, and that we're working hard to offset those headwinds. Again, hopefully that gives you a sense of really where management's focus is.

Nicolas Payen (Kepler Cheuvreux)

Yes, good afternoon. Thanks for taking my questions. I have two, please. The first one would be on NII and I wanted to see if you could give us maybe an update on the outlook that you gave us last quarter and if there have been any changes versus last quarter.

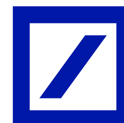
The second question would be rather with regard to your discussion with German corporates and what level of activity they're expecting for the rest of the year. And beyond this, if there were any concerns regarding growth slowing down, a potential recession next year in Germany, and any general concerns that you are discussing with them. Thank you very much.

James von Moltke

Thank you, Nicolas. Look, NII is really one of the reasons that supports our confidence in the guidance that we've provided, and we wanted to give you a little bit more color on that on slide nine in the deck, some new disclosure that we have, really underscoring our view that we've reached the turning point in NII and net interest margin.

And that's driven of course by both growth in the loan book as well as the efficiencies in the balance sheet and now increasingly from interest rates. So that gives us real confidence about the forward on interest income.

If I speak to your question about German corporates, we're all going through an unprecedented crisis and resulting from these awful events that we're seeing in Ukraine, but the knock-on macroeconomic consequences of all of that. German corporates of course are reacting. They're acutely aware of some of the changes in supply chains, obviously energy pricing, the sufficiency of energy supply and so we're working hard to adjust to that new environment.



I think in general you see a relatively high degree of adaptability in the German economy and that's something that we're working with clients on, including how do you adapt your supply chains. And we think it'll probably mean that there's more support in lending needed for the German economy and clearly that's our role. We stand ready to support the economy, to support our clients as they gear up to respond here.

We think it's generally supportive of driver growth in the Corporate Bank, both of supply chain, the additional lending, what is happening in the payment space and so are generally encouraged by the trends we see today Obviously with an awareness that the disruptions in a higher rate environment may lead to a recession further down the road. And we all need to be mindful and appropriately cautious about the outlook on that basis.

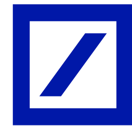
Stuart Graham (Autonomous)

Hi, thanks for taking my questions. I had two. It follows on from those last comments, James. The Bundesbank put a study out saying if the gas stops, there's a deep recession in Germany. I'm sure you've done a stress test on what that means for your loan book. Can you give us a feel for what that impact would be in terms of your ECL, please? That's the first question.

And then the second question is also following on, on the rate sensitivity. You gave that slide at the IDD saying that the forward curve as it stood, I think with 400 million euros of benefit for 2022 and 1.5 billion euros for 2025. Obviously, the curve has steepened further since then, so can you give us an update on those two numbers, the 400 million euros and the 1.5 billion euro, please? Thank you.

James von Moltke

Sure, happy to, Stuart, and thanks for the questions. Look, I'll take them in reverse order. The answer is the curve has improved the revenue outlook relative to that curve that we showed or the impact that we showed. And so, if we're looking at recent curves, it would impact interest rates or interest income this year by over 100 million euros and the 2025 cumulative impact by around 500 million euros, so we'd be closer at the



end of that period we showed to 2 billion euros than 1.5 billion euros.

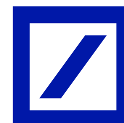
So continued support from interest rates, even relative to the guidance that we showed, and it again supports the strong feeling we have about the guidance for this year's revenues again coming in that 26 to 27 billion euro range and, as I say, biased to the high end as things stand.

One thing, Stuart, I gather you'd asked why we didn't repeat that slide in the disclosure. The reason is it was a December 31st, 2021 step-off number and as time goes by it essentially becomes old and so we didn't want to repeat essentially stale numbers. But absolutely a fair question about that sensitivity and it's one of the reasons we are beginning to provide this interest earning assets and net interest margin disclosure.

On your question about the downside scenario around an interruption of energy supplied to the German economy. I've been talking with our economists. Naturally, we do our work looking at these scenarios. We would come out with similar numbers, frankly, to the Bundesbank study. And so it is a relatively significant impact on the economy in that stress case and potentially a lasting one because you can't refactor the economy and source supplies all that quickly, so it potentially would be an effect that goes beyond one year.

I can't provide you with the ECL impact. That would be a lot of stress testing disclosure. But what I can say is it's not too different from other scenarios that we look at and, frankly, prepare for, which I think is the important takeaway. The stress scenarios that we look at in our credit book, even in severe scenarios, are manageable for us.

And I think the other thing that's very important as you think about that scenario is that Germany has shown itself to have the fiscal space and the political will to support the economy, to support households and



corporates in managing through some of these policy driven shocks that have taken place. So those ECL impacts that you're asking about of course would be mitigated by whatever action the government were to take, either directly or through the development bank.

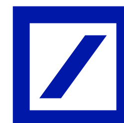
So, it's really very hard to speculate and wouldn't give you much value, frankly, given how subjective it is and the uncertainty about the mitigants. But it's something, as you know, because we're so focused on risk management, on the concentrations in our books, we hedge, as you know, a significant amount of the credit risk on our books through various mechanisms. These are the types of adverse scenarios that, frankly, we're preparing for all the time.

Stuart Graham (Autonomous): That's fair. So, for the 5 basis points of extra provisions this year you referenced, that's just the direct Russia. There's nothing for supply chain bottlenecks, any possible indirect impacts, is that right?

James von Moltke: Yes, that's right. So, we're looking at a base case today. We're not building provisions for that, what we still think is unlikely downside case. But, again, frankly, on a net basis, with some assumptions about the severity of the crisis and the degree of fiscal support, the increment may not be that much more than, frankly, we've shown already. Again, it's very path dependent.

Daniele Brupbacher (UBS): Good afternoon and thank you. Can I briefly come back to the capital return question? And you made some remarks already, but I was just wondering what would currently prevent you from doing further buybacks this year. Or what, just to put it the other way around, what would make you start another program already this year?

Is it a 12.8% CET1 ratio? Does it have to be above 13%? Or what is really preventing you from doing another one? Because currently dividends and buybacks, the 8 billion euros in total are a bit backend skewed, backend loaded and I would prefer to have a bit more already this and next year.



And then secondly, more a technical question. You mentioned again the DTA benefits potentially. Can you give us a range of where that could land in terms of positive impact because obviously it could be quite important in the context of the 8% RoTE target? Thank you.

James von Moltke

Sure. Thank you, Daniele. Look, in this environment, a war going on, all of the uncertainties that we just discussed with Stuart, I think by itself that would temper any management team's perspective about accelerating or growing capital returns. So it's something that we would look at in light of the environment we're in and the uncertainties we have.

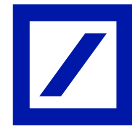
Clearly, right now the focus for us is delivering on that guidance we've given for year end. That means that we need to build a little bit of capital on a net basis through the year. We think most of that will come in the second half based on organic earnings growth or capital generation through earnings, while supporting the balance sheet growth that was in our planning.

And, as you know from our discussions after the IDD, we'd given ourselves some room in our capital planning, some flexibility, particularly in 2023 and 2024, and hence we just don't see any impact of today's ratio or outlook on our distribution plans. But equally, given the uncertainties, we wouldn't be in a rush to accelerate at this point.

On the DTA, it's hard to say. It's going to depend on the analysis that we do every year of US profitability, both in-year and on a projected basis. But to give you a rough range, it could be at similar levels to what we saw in the fourth quarter of last year, so call it around 300 million euros in the tax line.

Magdalena Stoklosa (Morgan Stanley)

Thanks very much, and good afternoon. I've got two questions, James. One unfortunately still on costs and another one on the corporate lending and pipeline there as well.



So on costs, how should we scale the sources of inflation because we've got two things, we've got the payroll and we've got your variable comp. So on the variable comp, I'm with you, it comes with the revenue offset. But how shall we scale your payroll inflation because of course that we all take on the chin and I assume that's particularly acute in Germany and IB. So any colour there would be very useful.

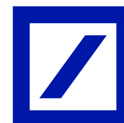
And second, your lending growth in the corporate bank continues to be strong and I just wonder, how do your pipelines look there and what were the drivers of the current demand? What are you seeing there? Thanks very much.

James von Moltke

Sure. Thanks, Magdalena, for the questions. So, look, it is payrolls that we're looking at most carefully. You've seen on non-comp we've been very, very focused and I think over several years now. And while you do see vendors attempting to put through price increases, it's something in part we're protected from contractually and in part we manage through competitive bidding and demand management internally. So, we're very focused on the non-comp lines and, as you say, variable compensation in a sense is a good thing when it increases.

On the payroll, one thing I'll tell you, the recent agreements that we reached in Germany are in line with our planning. So, while there's of course pressure all around the world, at least that item has been now finalized without presenting pressure to the planning or is in line with the planning.

I think where we see pressures, and I think some of our peers have also talked about this, is just retention and recruiting, which reflects the inflation that is out there in the marketplace in compensation costs and that's something we've got to work hard to manage. We want to be competitive. We clearly need to execute on our plans, including incidentally our control investments. But our work that is cut out for us to do that within our budgets and that is where we see some inflation that needs real focus to address.



In terms of the Corporate Bank lending pipeline, we're very pleased, I have to say, with the steady loan growth we've seen across both Corporate Bank and Private Bank, by the way. So, 2 to 3 billion euros per quarter of loan growth is a good level for us we'd like to see sustained and it remains, to the question about risks earlier, within our risk appetite and quality origination and also the client perimeter we target.

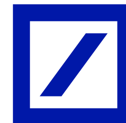
What's driving the CB is really Trade Finance and efforts that we've made over time to invigorate the lending side of our client discussions. For a long, long time the corporate banking salesforce was really a liability salesforce and it takes quite a long time to re-tune it to be both sides of the balance sheet and also to line them up in a way that's sympathetic to how we manage liquidity and essentially the funding cost.

So, we're very pleased about seeing now a hopefully long-term sustainable impact on loan growth and, as I mentioned earlier to Nicolas' question, we think that this environment, far from being a detriment somehow to this, is an environment where we're that much more needed and relevant for our clients, including with our balance sheet.

Anke Reingen (RBC)

Yes, thank you very much for taking my questions. It's just two follow-ups. The first is on the NII. I guess it's just a question you wanted to avoid, but the NII in Q1 of course Private Bank and Corporate Bank is already relatively strong or bounces up quite a bit versus Q4 2021. So should we think that part of the 400 million euros you previously mentioned, and now 500 million euros you said for 2022 is already reflected in Q1? Or is it largely coming later in the year?

And then on the RWA inflation Normally you're quite specific on what we should expect in the rest of the year and this time you're a bit more vague. Is that because you have something in mind and you can't qualify it, or is it just generally cautious? Thank you.



James von Moltke

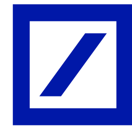
Thank you for the questions, Anke. So, on the first one, we see it accelerating as the year goes by. So, a relatively modest amount of that 500 million euros is in the Q1 numbers and it's only in the CB non-euro piece. And, as you can imagine, especially with rate sensitivity to the short end in dollars and dollar-related currencies in CB, that's only just started and may move quite quickly.

In the euro books, and of course PB is overwhelmingly euro, whatever the ECB actions are, both in magnitude and timing, would impact the rest of the year, potentially north of the 500 million euros because it isn't clear to us that everything that the ECB will do ultimately is already priced in.

You need to remember that there'll be a lot of moving parts when the depot rate moves. There's reversing deposit charging, there's reversing the tiering, but then there's benefits from zero floor deposits and benefits from the asset side that come through. So, there's a lot of moving parts, but the basic trajectory is significantly positive and accelerating through the year based on what we're seeing so far.

Right now, we would assume that the ECB has moved in its depot rate to up by, say, 75 basis points and the Fed by 235 basis points. And that largely hasn't happened yet, so you can see the frontend impact still lies ahead.

On the RWA inflation, yes, there is some uncertainty. We talk about these examinations that take place. We had the same experience through TRIM where you go through examinations, there's feedback and discussion, and then a number in terms of model adjustments or overlays is something you incorporate into your RWA. There're some discussions underway and we just don't know the outcomes of that at this point, so don't know really what to build in at this point.



Jeremy Sigee (BNP Paribas Exane)

Thank you. Two questions, slightly linked. The first one in particular is linked to some of the earlier discussion about provisioning. It's been notable that some of your US peers and also one of your German peers and the US banks as well are taking precautionary provisions to cover the range of economic scenarios that could be ahead of us.

You don't seem to have done so much of that and I just wondered what your thoughts are on whether there's merit in booking some of those precautionary provisions given the range of uncertainties, the potential impacts that could be coming.

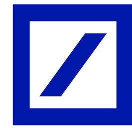
And then my second question is on the Corporate Centre, which was a heavier drag than normal, and then the run rate guidance, and you've given us the various components of that and I just wondered, do we expect all of those to normalize quite rapidly in the remainder of the year? Thank you.

James von Moltke

Thanks, Jeremy. Appreciate the questions. So, look, we think we have done so in terms of precautionary provisions and I'd point you to the disclosure on pages 31 and following on our IFRS 9 determinations and the overlays that we put in. As I said to Stuart, it doesn't reflect a severe downturn scenario at this point.

We do build essentially variations into our models. So, we use a central scenario, macroeconomic variables, and the ranging of scenarios around that is essentially implicit in the models. So, it's reflecting the IFRS 9 model-driven. It's then reflected in the FLI, the forward-looking indicators. In other words, changes in those variables on a forward-looking basis, and then we've applied some additional overlays.

You may see those overlays as relatively modest compared to peers, but, as we said, in the experience going through 2020 and the COVID impact, our view is that simply reflects the relatively low-risk loan book that we run and sensitivity. It's highly collateralized, it's often hedged in terms of credit risk and hence our precautionary provisions sometimes seem less than



others. But I'd invite you to look at the disclosure in terms of how it's predicated.

The Corporate and other numbers, as you call out, were a drag on the performance this quarter. So, we had considerable headwind from Valuation & Timing differences in rounding 200 million euros there and a higher than normal treasury residual. I would not expect those to repeat and anything like that magnitude in the quarters to come.

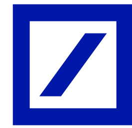
Valuation & Timing is inherently a function of the markets and we saw a huge amount of volatility in the quarter, so overall we were reasonably pleased with the outcome there given all the twists and turns that took place. And remember, essentially that V&T, first, it can reverse any given day based on the changes in curves and relationships and, second, ultimately those losses will pull to par over time given that they're hedging accrual positions.

And on the treasury residuals, again, we've given guidance of around 300 million euros there, so the first quarter was unusually heavy, and we'd expect that to moderate as well over the year. But net-net C&O is a drag on the core bank performance and the group.

Andrew Lim (Societe Generale)

Hi, thanks for taking my questions. So, the first one is on your NII guidance. If I understand correctly, this doesn't include the TLTRO runoff. So, if we did assume that this program is run off, to what extent would it bring down your NII guidance?

And then secondly, just revisiting the cost trajectory again. How committed are you still to this 450 million euro sequential reduction in cost going forward and what will be the starting point looking at Q2 onwards? Do we take that 4,616 million euros on slide ten or do we also take off the higher again compensation one-off that you indicated?



James von Moltke: So, Andrew, thank you for the questions. Look through to slide nine where we show the net interest margin impact of the TLTRO kicker and as that comes out, that's about 1.5 basis points at the margin. We're running right now at 1.12% and change per quarter of TLTRO and that steps down, call it by half, in the second half of the year.

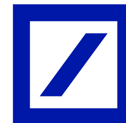
So that's built into our forward look, but as I mentioned in answer to Anke's question I think it was, we have significant acceleration underneath that that we would expect from the rate environment as both long and short-term rates come through.

And then your question on the 4.6 billion euro, that's exactly where we were going in the discussion with Kian. Our focus is on bringing down the run rate. We were happy with where we were in January and February and less so in March, although, again, the reason for the March bump was by and large positive around revenues, both in quarter and in the future.

But, yes, that's the number against which to measure us and if you look at what it takes to deliver the year in line with our targets, there's a path that's in line with the guidance and the run rates that we've provided. And obviously if other things go against us, whether it's inflation or uncontrollable items, like SRF was in the past quarter, we need to find ways to offset that and that's the work that management focuses on, I can tell you, day in, day out, week in, week out.

Andrew Lim (Societe Generale): Great, thanks. And just as a follow-on, the deposit beta experience that you're having thus far, is that closer towards zero or 100% in what you've seen so far?

James von Moltke: Yes, Andrew, it hasn't really started because it's really a short-term rate driven item and, frankly, in the dollar area, when you're coming off a zero floor, you're going to be pretty close to zero, so 100% capped. I will say some of our deposit base in dollars is what I'd call "professional money" so that will tend to be 100% beta business. Some of it's actually zero because of the terms of, for example, trust structures.



So, it's a bit of a mix and too early to really give you guidance as to the performance against our modelled result. As I've said on some earlier calls, my instinct at this point is that we should outperform our models as this starts off, but that we haven't really got a time series yet to back-test against.

Andrew Coombs (Citi)

Yes, staying on the same theme, I'm afraid. If we go back to your two answers to Kian's question, you obviously helpfully provided January and February figures with the Investor Deep Dive and then subsequently today you've talked about the run rate being 1.5 billion euros in January and February, picking it up to 1.6 billion euros in March.

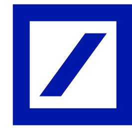
I guess the question from me is, we know your cost income rate was 73.6% over the first two months of the year because you helpfully provided that figure and that includes the bank levies. We know that in March therefore it must've been around 73% as well, given what you reported for the Q1, and that's without any bank levies contribution in March.

I appreciate your comments on higher variable compensation in March, but I guess the question is, what gives you the confidence to go from 73% down to 70% or even below in the remainder of the year when March is actually usually quite a strong month and I imagine the volatility post Russia Ukraine has actually been very supportive for some of your fixed income revenue, so why the confidence? Thank you.

James von Moltke

Yes, so, Andrew, what you just went through is one of the reasons we labour through the SRF in the first quarter because it's so distortive in terms of looking through what the run rates are. But, absolutely, you can quite easily do the math off of run rates if you just do a sensitivity analysis, 1.5 billion euro, 1.55 billion euro, 1.6 billion euros, what the revenues need to be on a monthly basis and cumulatively over a quarter to hit the targets.

Clearly, we need to manage this down from the first quarter but acknowledging that a significant impact in



that 73.4% for the first quarter was SRF driven and that doesn't repeat. But it's the math of a cost income ratio that at a run rate we need to make sure that the revenues support the expenses or, if not, that we're taking the appropriate actions to manage the expenses down.

Adam Terelak (Mediobanca)

Hi, I wanted to come back to NII again. I know you've given us circa 2 billion euros by 2025. I took the full year or the IDD number and market to market for what you said for 25 basis point hikes. The euro curve moved 75-80 basis points, which for me was much more than the half billion euro upgrade you've given us today. So can you just talk through what I might be missing or why the upgrades aren't any bigger?

And then thinking about how to put this through our models over the coming quarters. It sounds like in the Corporate Bank the replication models and the hikes coming through could mean quarter-on-quarter NII upgrades through the CB through this year. Could you speak to what that would look like for the Private Bank?

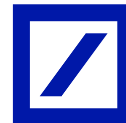
I know you're saying headwinds are still there, but how we should think about that developing through the year and seeing that 500 million euros coming through in terms of U.S. dollar hikes, but also replication on long end moves that we've already seen. Thank you.

James von Moltke

Adam, I refer you back to the first quarter NII disclosure that we built on in the IDD and that gave you a sense of the sensitivity to short versus long-term rates. And just in the year one analysis, it is short-term rates that can drive an impact and of course they haven't moved or haven't moved by a meaningful amount, clearly the depot rate.

There's also some of the sensitivity because of our hedging doesn't show up, even in short-term rates, doesn't show up right away. So hence not much impact in Q1, but an accelerating impact going forward.

To your point about Corporate Bank, yes, we would see an accelerating impact there given that it is a higher



sensitivity to both short-term rates and to non-euro rates than the Private Bank.

And the Private Bank takes some time. There's an odd negative sensitivity in the short-term for the Private Bank. It just takes longer to feed through, given that it's a longer duration deposit book that we're hedging there, and it just takes longer for long-term rates to roll through and benefit that book.

Adam Terelak (Mediobanca)

Okay. Anything I'm missing on the 2025 guide? You said 235 million euros for year four in the slides and I think the euro curves moved more than 75 basis points.

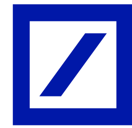
James von Moltke

Yes, so we're calling for the, as I say, the 500 million euros increase in the fourth year, in 2025, so right now our models would suggest 2 billion euros out that far. As we mentioned I think at the IDD, some of the upside sensitivity is non-linear to the downside, if you like, and so there are probably some quirks in how the detailed modelling we do internally behaves versus perhaps some outside in modelling. So that is probably the answer to your question, is the quarks of how the portfolio is working and our hedging strategies.

Amit Goel (Barclays)

Hi, thank you. So, some follow-ups. Firstly, just on the capital return, I just wanted to doublecheck whether there was any regulatory restriction or conversation limiting your ability to do further buybacks at this stage. I was just curious given that you were so fast in doing the first half buyback. And within that, also just wondering if the group were trending below the 13% CET1, obviously there's a bit of variability in RWA that you flagged, during the remainder of this year, and how you would look to address that?

And then my second question also just again relates back to the cost point. I just wanted to check again, this is more of a detailed point and maybe I can follow up with the Investor Relations team, but you gave very detailed guidance on the February year to date P&L. When I look at that guidance, the 4.9 billion euros of revenues, the 73.5% cost income ratio. It does imply a slightly higher monthly cost trend than the 1.5 billion euros in January-February, so I just wanted to check



whether some of that cost had also shifted to March. Thank you.

James von Moltke

Yes, and I'm trying to follow your math and I guess Andrew's math earlier. And again, I think the distortion may be the single resolution fund on the cost. But starting with the capital returns, no, as I indicated to Daniele, in this environment we wouldn't go and ask the question and hence no discussion, no constraints. But, as you know, our capital planning is something that we're highly iterative with our regulators about and they have a high degree of visibility so it would be a fluid dialogue, but no restrictions that have been placed on us.

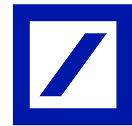
In terms of RWA variability, there's always a large number of moving parts in the RWA planning and the capital planning that we do and so it's a very detailed and, frankly, dynamic process. Where we see accessions arising for any number of reasons, Market risk RWA, regulatory changes, growth that exceeds our expectations or other things, we take offsetting actions and it's part of our day-to-day management of RWA as we do all of the other resources tightly within the firm.

And then your, again, your cost income ratio, you have to look at the run rate excluding that 730 million euro, given how distortive it is, and hence us guiding you to the 66% that we had at the group level if you exclude the 730 million euro. So, the monthly run rate was running below 70%, excluding the SRF, every month of the first quarter.

And of course, there's some seasonality in the first quarter, so there's the question of will you sustain that same level of revenues? And there's the work that lies ahead, given the averaging effect of having a third quarter at 73%, including the SRF. It means we need to continue to run below 70% on a monthly basis from here and that has management's laser focus.

Ioana Patriniche

Thanks for joining us for our first quarter 2022 results call and for all your questions. Please don't hesitate to reach out to the investor relations team with any follow-



up items. And with that, we look forward to speak to you at our second quarter call. Thank you.

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