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Transcript

**Speakers:**

James von Moltke, Chief Financial Officer

Tarik El Mejjad, Bank of America



Tarik El Mejjad:

Morning everyone. Thanks for attending this our second session this morning. Thank you for joining the conference and very pleased to have you here. I think the transition for this session is very easy, and I'm sure you've seen we had record high attendance just before; very topical subjects, consolidation in Europe and closer to home, in Germany. I think the way to talk is tell us what you can say about it now and I'll follow up if I don't have enough answers.

James von Moltke:

Sure. Thank you, Tarik, and obviously thank you for hosting us today. Delighted to be here and yes, after the last speaker, I think a natural transition given the focus on the German market and there I have to say we've been 100% consistent with our messaging and focus internally, which is delivering on our execution path, delivering on our targets for 2025. Focused on the work that we still have ahead of us in terms of our own transformation. And so, we think that focus has been, again, clearly communicated. And what's the reason for it? We think our strategy is extremely robust in showing the results of the focus over the last several years. We can go into a little bit the business positioning and where we see the momentum, but we think that strategy is going to deliver a significant amount of shareholder value over time.

It's interesting, the dynamic that we've talked about for a while is that there is industrial logic in Europe to consolidation at the right time and that's something that I think we still have some work to do before we're really positioned to participate in. And so, our focus has been on ourselves on driving value from our businesses. I guess the last thing to say is the German market is in fact as Andrea said, very competitive already.

So, we look at this situation as we say, uncertain in terms of its outcome, but from a competitive perspective, we feel quite confident in our position in Germany, in how we're serving our customers, how we're building our businesses and market share. And to



be honest, we stand to benefit a little bit, at least in the near term from disruption of two of our competitors in that private market. So, I think we've been clear on our messaging, and we feel good about the direction of travel.

Tarik El Mejjad:

Clear. If I widen a bit the question maybe and get your point of view in terms of how things unfolded, people talking about cross-border M&A, but actually on paper it's in-market, potential M&A with some acquisition in Central Europe and Eastern Europe. So, what does it tell the kind of protectionism which we've seen from Germany with official declarations about supporting the independence of Commerzbank and the project of EU integration and even actually within the markets, HVB-Commerz would be just a new market natural economic integration, no?

James von Moltke:

Well, Tarik, to be honest, I'll leave the politics to the politicians of this situation. I think there's interesting arguments on both sides. One argument is we need banks to be strong to support their communities and to be able to perform critical services in the economy. I think that's important and in a sense it's nice to see the recognition of that value the industry provides to our economies and our communities. So that part of it is good. There's an interesting piece of it that I think Andrea referred to, which is how do we see our economic block and how do we manage some of the social issues of what is the definition of cross-border when you're in a common market and hopefully in time a banking union. And I'll leave all that to the politicians and the press.

Tarik El Mejjad:

Well, thank you. So, let's move on now to Deutsche Bank, talking about your business as such. So, you consistently express the confidence to achieve above 10% return tangible equity by 2025 for some time now actually. So how do you think about both upside and downside risk to this and do you think there's room to improve beyond that level in the longer term?



James von Moltke:

Well, thanks for the question and Tarik, let me just take the last part of that is we are very confident that the 10% RoTE next year is just a milestone on the path to higher returns over time. And why do we feel that? Again, we feel that the momentum that we have in the business is ongoing operating leverage, driven by cost discipline, and just continued execution of our strategy will deliver increasing returns over time. In fact, that's now embedded into our compensation incentives and obviously our planning. So, I don't want people to think that 10% is somehow a resting point or a level that we feel is good enough, especially in light of observations about the cost of capital.

Why are we so confident about 10% for next year? Look, as you say, it is a strategy that we embarked on back in 2022. We called it the Global Hausbank and we can go into why we feel it's been so successful in terms of how our businesses are performing in the market, how our clients are reacting to us. But the elements of the path to 10% are pretty simple. It's operating leverage driven by revenue growth. We see that revenue growth in our businesses. We've seen it in the first couple of quarters of this year and the momentum has continued. So that's an important element. I mentioned the cost story. Here on the operating side, we've laid out plans around discipline, benefits from investments, ongoing cost savings programs that will roll out again next year, but also in the years to come. We do see a normalization of credit and we can talk a little bit more about the credit environment, but credit costs have been running higher than is normal for us, and so we see a normalization of that next year. It's never a straight path, but hopefully going forward, we'll be in a position to say we've put all of the legacy issues that we've faced over the past several years behind us.

This year, we had a surprise with the court commentary about the Postbank litigation. But as that also falls away to us the path to 10% is very clear and there is momentum in the years to come. Some of which again was described previously around net interest income



environment, but also the fee and commission income growth that we see going forward.

Tarik El Mejjad:

Very good. I mean, let's then go through the different points you've highlighted starting with revenues. So, you mentioned you're on track to meet 5.5% to 6.5% target growth, but the growth drivers have been changing from what you've announced. So, Corporate Bank and the Private Bank have been the main contributor over the past couple of years for obvious reasons with high rates. So how is the mix changing now as the policy rates are normalizing?

James von Moltke:

Sure, and I see one of the interesting things, if I look back to 2022 when we had our last investor day, we were in the early days of this interest rate cycle and the cusp of a number of changes that were taking place. The war in Ukraine had just started, but we were also at the end of a period or towards the end of a period of what I'll call over-earning in the financial market businesses given COVID. So, there's been an interesting rotation in that time.

As you say, one of the reasons we raised our compound annual growth rate target to now 5.5% to 6.5% was that the impact of interest rates on our business was much stronger than we might have anticipated a few years ago. That run has been superb, if you like, for the industry. Obviously, the rapid increase in rates, but also what we've referred to as the deposit beta. So how much of that's been retained versus passed through to clients has been unusually favorable for the banks in this cycle. And that's driven a lot of earnings momentum for the Corporate Bank and Private Bank, not solely incidentally from the interest income piece. We can talk a little bit about some of the drivers of non-interest revenues.

We see that rotation interestingly going forward to 2025 as coming back to the fee and commission income businesses, not just financial market oriented, but strongly financial market oriented, while interest



income is outperforming where we thought we'd be say a year ago. So, in 2024 we'd originally guided to net interest income being down as much as € 600 million from 2023, and this is net interest income in the banking books. We've been able to preserve that level of 2023 in 2024 and are positioned to grow modestly off of that level in 2025. And so, we're in a place where interest income is now I think sustainably higher than it was before and the non-interest revenue generators are coming back.

Tarik El Mejjad: So, we'll get to the non-interest income parts, but staying a little bit more on the NII. So, what are the levers that actually will comfort forward you into still small progression in the NII in 2025?

James von Moltke: Well, there's a number, but the main one is hedging. So, there's rollover of the long-term hedges and some of the over-hedges that we built in the period when rates were high, and we began to see the turn is offsetting the impact of short-term rates in the businesses overall. The impact on Corporate Bank more exposed to short-term rates will be more pronounced, but in the Private Bank, we still see growth going into next year where that rollover and the sensitivity to short-term rates is a little less. So that's the main feature, but there are other features. Earnings on capital, unsecured funding costs, and on and on. And also, the loan side, the asset side spreads have been a little bit better. Hopefully we'll see some more loan growth. So, all of that put together is giving us momentum also on the net interest income side.

Tarik El Mejjad: So, on the long road bit, I mean Germany is becoming more and more tough place with some lot of uncertainties, maybe geopolitical developments with the US elections and maybe escalation on China, trade war on China, issues could impact Germany, which is economy highly reliant on trade with China. So how do you see that impacting your long roads on the corporate side?



James von Moltke: Well, one thing I want to say is we obviously Germany's largest bank, so we care about the economic performance of Germany. But because significant parts of our business, especially in the Corporate Bank or outside of Germany, we also participate in growth internationally. But yeah, Germany has, and you see this in the corporate loan volumes and to some extent also on the Private Bank side, loan growth is essentially stagnated over the past couple of years. Now some of that was the mortgage market, so housing has gone through a very difficult part, but that's actually turned the corner now as we kind of first into the second quarter, we've started to see some growth come back in housing finance. It's modest but it's there. And some amount also in unsecured consumer lending. What has been very quiet has been the corporate loan book, and you've seen that in terms of the manufacturing statistics and some of the confidence indicators. So, we are seeing call it stagnation in that loan growth that we would like to have turn the corner earlier this year.

Tarik El Mejjad: And in terms of outlook, from what I described as potential backdrop?

James von Moltke: Well, it's path dependent. We had the news yesterday about China and that of course rolled over into stocks and manufacturing companies that are exposed to China. So, it's going to depend on factors not just within Germany but also trading partners and what have you. I do think that, and we continue to think from an economic research perspective, 2024 has been a year, a little bit like 2023, of flat economic performance, maybe slight up and down quarters. But some of these sorts of the things that have been holding back the German economy and also the external market environment should provide some momentum into 2025. We'll wait to see it, but we think the opportunity to see some growth is there for 2025.

Tarik El Mejjad: Very clear. Let's move on now to the fee products. It starts with the Investment Bank. So, you've been doing



quite well. Is the growth you've seen more size of the market-driven or market-share gain, mainly on the FIC? Start with that.

James von Moltke:

Well, for us it's been both. We've seen, so starting with FIC, well let me talk about the Investment Bank in general. Growth in the first half in revenues in the Investment Bank, 12%. And we see continued momentum now into the second half. So, we're really pleased with how that's been going in what I'll call both businesses, so Fixed Income and what we call Origination & Advisory. So, we're really encouraged with that performance.

Now to talk about FIC, first of all, we've been gradually regaining market share over the past several years, based on just great execution, the right people, technology, client engagement, ratings upgrades, all of those things have fed into a market share that's been steadily gaining. We still see some continued scope for market share gain, particularly as we complete certain investments. So, flow credit, for example, is a place where we've been investing around the world. So, we still see some opportunity there, but it's been, so this year, a combination both of market share gains and a market growth in Fixed Income.

Tarik El Mejjad:

And from the capsule perspective on the IB growth, how are you managing the control of other ways of having these growths?

James von Moltke:

Well, we are doing a lot of work on optimization of RWA, and we've maybe come back to it, but some of that is felt obviously in the Investment Bank. I think the second thing is the FIC financing business is one that we think there's opportunity to grow, but we've relatively speaking constrained growth there and being focused on really, if you like, client and transaction selection. Interesting in the market risk area, just the diversification benefits. Some of the modelling mean that that is relatively capital-efficient at this point, and so we don't see growth necessarily as driving, if you





like, a linear relationship between revenue growth and market risk RWA growth.

Tarik El Mejjad: Very clear. I mean used to give us guidance into your quarter. What can you say about the Q3 performance so far?

James von Moltke: So, I take the two businesses. So, we would see our FIC business as being up year-on-year about mid-single digits. So encouraged by that performance really, it again speaks to some of the market share and business management work that Ram and his team have been doing. In that mid-single digits, we've seen really strong growth performance in emerging markets and credit, and macro has been broadly in line with last year, a little bit up on foreign exchange, a little bit down in Rates, but a bit of performance that we think speaks again to market share gains in the third quarter.

If I go to O&A, there we've been outperforming the market in the first two quarters. In the third quarter it looks like we'll more be in line, so maybe around 15% year-on-year growth in O&A, and all together, you put those two together and we should have some quite healthy growth to report in the Investment Bank in Q3.

Tarik El Mejjad: Very encouraging. I'll go back actually to the business model in the IB and the market specifically. You mentioned diversification, which is the element into growth and also RWA control and managed control. Some of your European competitors strategy has been actually to widen spectrum of products on the FIC, but also on equities and structured flow. You decided some years ago to focus on FIC. So, what's your strategy? I know it's not this plan, but in the future, to actually widen again your spectrum products on the IB?

James von Moltke: We've been very disciplined in terms of sticking to our product set in FIC. There have been areas that we've had the ability to grow market share within that box, and we've done a couple of things that you might think of as adjacent. A couple of years ago there was talk



about base and precious metals, but in essence stuck very closely to that box. And what we've seen is building the business sort of block by block around the world. Great example is credit where we hired, I think the right people here in Europe, a team in Asia. We've rebuilt our credit businesses there; we've done something similar now in the U.S. And so just patiently building the business inside the four products of Rates, FX, credit and emerging markets. And we like the discipline of that strategy. And there has been, as you've seen, room to grow. To be honest, clients have wanted to see us come back to be a major supplier to them and their counterparty. Remember as well, you need to have all the different pieces. You need to have the right people, sort of client appetite, technology, and good risk management. We think we've got all those pieces working well together.

Tarik El Mejjad:

Perfect. So, scale is not an issue for you?

James von Moltke:

Scale is not an issue, especially again with the diversification benefits in market risk RWA. In O&A, we've been investing, if you like reinvesting, especially last year where the market opportunity was there, and the Numis transaction. We are really happy with both of those sorts of moves, and I think the growth that we've seen this year is really early days of seeing the returns on those investments. So, we're very pleased with our performance in O&A, again well above the market. At the moment we're at a market share of around 2.6%, year to date. That's up about 70 basis points from where we were in the prior two years. And we think a lot of that has been organic rather than the impact of new hires and Numis. So, we think we've got a pretty attractive runway there.

Tarik El Mejjad:

Thank you. Moving to cost and cost management. So, performance have been better than initially expected. You've got € 5 billion cost per quarter. Do you think you've moved now from remediation transformation into cost efficiency and investment?



James von Moltke: Well, look, we're doing both, Tarik, to be honest. So, we talk a lot about our cost programs, and set a target for ourselves of € 2.5 billion. Whether it's run rate at the end of the next year or into 2026, but we are aiming to capture € 2.5 billion of run rate benefits over that period. And we've made really good progress. We're about 60% achievement of that, and we're managing every day very carefully the delivery and also the associated investments. The way I think of it is J-curves of initiatives that we call key deliverables. They cost you some money, they produce benefits, and then you can reinvest some of those benefits. So, we have a disciplined program there, and then in the day-to-day tactical, really disciplined expense management. And that's enabled us to meet the commitments we made to shareholders at the beginning of the year, which is to run the company on an operating basis around 5 billion per quarter. We're working to try to bring that run rate down as we go into the end of this year and into next year, and we've been delivering on that, intend to keep delivering on that.

Tarik El Mejjad: So yes, you mentioned potentially even lower than the € 5 billion. What are the levers for that? Is it more of what you're already doing, or you can pull some others?

James von Moltke: Look, we're always looking at others. I often think of it as it's an onion peeling exercise. The more you get into it, you do see more opportunity to drive expense out. Again, some of it's structural, some of it is re-engineering, some of it's tactical. So, we'll never stop looking for things to optimize and work on. And by the way, we think, to your very first question, is there momentum beyond 2025? Again, the expense piece is part of that, because this onion peeling exercise, finding more and more areas where we can be more disciplined, and by the way, get the benefits of technology and automation investments that we've been making. We're still at the relatively speaking early days of all that. The other thing, just to point out, so people have it in their minds, some of the investments



and some of the cost savings had to do with the Private Bank, especially in Germany.

We've made significant investments over the past several years, creating what I'd call the preconditions to take out the costs. And actually, you're seeing some of that already in the numbers, but preconditions meaning the technology conversion that we did and completed last year. Taking restructuring and severance and agreeing with packages of restructuring with the workers' council and workers' representatives. Also, the agreement with Deutsche Post last year that is going to unlock the ability to manage down the Postbank distribution network in Germany. Those were all preconditions to us really getting after that Germany expense base in our retail business. And we're optimistic that that's going to roll out then in the years to come.

Tarik El Mejjad:

Perfect. If we move to asset quality, in Q2, you slightly increased your cost of risk guidance. How are you confident that this small uptick you've seen is it, or is it not a bigger trend that you anticipated? And then we can dig later on different pockets.

James von Moltke:

Yeah, let's go into it. So yes, you're right. In the first half we booked a little over € 900 million of credit loss provisions. Inside that € 900 million was about € 500 million driven by, I'll call it two things, or two buckets. One was commercial real estate, especially in the US, we should go into that. And the other was two larger corporate defaults that we referred to. Now, one thing to just bear in mind on the larger corporate defaults. We typically have credit hedging in place, and so if you like, the gross credit loss provision is not the same as the net exposure that we have in the company. So, while we don't want to see those types of defaults, the exposure is not the same as what we book in CLP.

In the commercial real estate, the turn that we were beginning to see in the first quarter and called maybe a little bit too early is something that we are now seeing



take place. I think you see that in some of the external indicators, the indices. You actually see it with a relatively strong market environment, so investor engagement in real estate, including the United States. You may have seen that we have a portfolio in the market, and it's too early just to evaluate exactly what it means, but we think that first of all, investor engagement has been very high, and then pricing looks to us to be reasonably strong. And then of course the rate cycle is beginning to relieve some of the pressure on commercial real estate. So, we see that normalization that we were expecting to happen happening.

Again, those are the things that have been driving our credit loss provisioning a little bit higher than we'd anticipated, but some of that we see as normalizing. We're watching Germany's carefully. Obviously, the default rates in Germany have ticked up, and the economic performance has been, as I mentioned earlier, stagnant. That said, in the leading indicators and, if you like, the watch list, all the things, we don't see our portfolio as being especially impacted at this point, something we watch carefully.

Tarik El Mejjad:

Very clear. I mean, a trend we've noticed is the European supervisor is highly concerned about potential delayed into the rate increased shock on the bank's balance sheets, and that could translate into higher capital requirements, buffers, or higher scrutiny from the supervisor. And often the risks raised is geopolitical risks, as we touched upon earlier in this meeting. What's your interactions with the supervisor in that sense, and how do you see that concerns and possible implications on your capital demand is happening?

James von Moltke:

Well, I'd say it's been intense. There have been a number of examinations of credit that the ECB has done in the industry horizontally. They've had observations, they've given us feedback. And so, on the plus side, there's an intense look at the portfolios that



have taken place, as I think was evidently the case in the leveraged lending side. There's been a spirited dialogue between the two sides.

And as you say, the rate impact has been making itself felt. I think most obviously in commercial real estate, a handful of the corporate situations are also driven by the rate cycle. But I will say that what we see in the credit has been perhaps a more modest impact than people might have expected from this rate cycle. And I don't know if it's a combination of better hedging on the part of corporates, better risk management on the part of the banks, that for the cycle we've been through, you might have expected to see more damage in the economy.

And that's why I said earlier, as I looked at next year, we do see a normalization of this credit, the credit loss provisioning for us. Again, real estate, we would think begins to come down. We may begin to see releases take place.

I think by the way, for this quarter, at this point there's a number of events that are still out there that are fluid. So, as we get to the end of the quarter, there's one larger corporate restructuring in Germany we don't know the outcome of. There's actually a recovery that we're waiting to see the impact of. So, there's a number of things fluid, so we will have to wait and see what this quarter brings. But I will say that the trend, to us, is in line with what we've been expecting.

Tarik El Mejjad:

We look to leverage finance and you have a few banks that's been under the radar for ECB on that perspective. So, what can you say on this? What has been your latest discussions on this?

James von Moltke:

Well, so it's been going through iterations back and forth. I don't want to go into detail about what that looks like, because it's confidential supervisory information. But again, as I say, a spirited dialogue.



Look, for us, first of all, leverage lending is a great business. We do it well. We do it, I think, in a very risk-controlled way, and of course much of that risk is distributed to the market. So, it has some very idiosyncratic features of the product, but we think that the product is an important one as a financing tool in the economy, not just for financial sponsors, but for other highly leveraged corporates.

So, I think the ECB is trying to exercise a lot of pressure on the industry to make sure that this is done in a risk-controlled way. And that's fine, absolutely appropriate to their role. But I think the industry and the supervisor have to find the right balance of how to conduct the business in a way that supports clients, supports the economy, but without taking on undue risk. I think we're getting closer to the end of that dialogue, and we'll see what comes out of it.

Tarik El Mejjad: And the implication on this would be a small adjustment on the SREP ratios, or would be add-ons, or?

James von Moltke: Too early to say what they did it's hard for us to know, because we only see our sliver of the dialogue that they're having. So too early to say, but there may be some reaction.

Tarik El Mejjad: Thank you. Maybe it's time to open the audience for any questions in the room. No, so I'll carry on then. So, in light of the recent settlement with a large share of plaintiffs in the Postbank takeover litigation matter, what can you share on the current status of the outstanding claims?

James von Moltke: I'd say relative to my thoughts and discussions with investors earlier this year, we've made a lot more progress on the settlement than we thought we might have. So that overall is pleasing, because we've been able to mitigate some of the risk of what could be a binary outcome. So, we're pleased with the progress of settlements.



At this point in terms of number of claims, we've settled a little bit over 70% of the individual claimants, mostly the ones that were in the lower courts. And that represents a little bit over 60% of the total claims by value. So that's where we are. We announced in August that we thought that would create a release of about € 430 million.

On a net basis this quarter, assuming around € 100 million of other things going on in the legal line, you'd expect to see about € 330 million of that on a net basis come into the P&L, so good progress.

I do want to remind investors we don't control the court's timing. As it happens, the next hearing is set for the date of our third quarter earnings, which I think is the 23rd of October. So, we got caught a little bit on the timing of the court last time. This time, I want to make sure people are aware of it. Not sure what happens on that date. Sometimes you think that court events give you a clear one or zero answer. It doesn't always end up being the case.

We have about a little bit over € 500 million left of provisions on the balance sheet. And as we've announced, the settlements so far have been running at about 45% of the claimed amount. So, those, hopefully, give you some senses of the orders of magnitude.

From a capital perspective, we did start to take a look at what this means for our capital plan going forward. As we sit here today, we're going to focus on delivering strong operating results in the third and fourth quarters, making sure that we have a very strong capital step-off into next year, that we are positioned to deliver on our capital plans and promises to investors. And we've begun that engagement with the supervisors on that capital planning and authorizations.

Tarik El Mejjad:

And capital planning also involves distribution. What can you say on that and what can you go back into?





James von Moltke: Well, we've been pretty clear on the trajectory that we've laid out, and we've tried to create a very simple structure. Obviously, simple gets complicated in some of the details, but 50% per annum growth in dividends and in buybacks as a baseline for the market to expect. And so, that's where we view our commitment and delivery objectives in what we're working to do. We have talked about there being the potential for incremental buybacks, distributions above that baseline trajectory. This year, obviously, the disappointment was that the Postbank litigation put that out of reach at the middle of the year, and therefore, we weren't in a position to do what we'd like to have done, but we haven't changed anything about that trajectory that we've been working to deliver on.

Tarik El Mejjad: Thank you. I get many questions from investors about it, did you have any ability to actually work better on your capital optimization to deliver that extra buyback despite the Postbank litigation? And one of the tools, I mean, it's on everyone's mouth now is the synthetic risk transfer and being Deutsche Bank, and I think you've been doing that for a while, you are well-trained for this. Why didn't you use this kind of extra capital optimization to still deliver?

James von Moltke: We are. First of all, we talked about € 25 to 30 billion expressed in RWA terms of capital optimization, I don't want to say kicked off the program, when we first started talking to investors about what we've referred to as accelerating the Global Hausbank strategy and, by the way, that acceleration had revenue growth aspects, cost management aspects, and capital optimization aspects. And as I said about the cost side, interestingly, again, it's onion peeling exercise. So, we do tend to find that as you get deeper into optimization measures, you then find more opportunities.

So, I don't at all want to rule out that we'll find more to do than the € 25 to 30 billion, but we're focused on delivering on the € 25 to 30 billion. At this point, we've talked about probably two a quarter, maybe there's



some upside on that versus where we stood at the middle of the year, which was about € 19 billion. So, we think there's a good path to get to, let's say, € 24 billion of the optimization in 2024 and leaving a fair amount still to do in 2025 and potentially some upside on all of that. So that's the optimization piece.

On the SRT side, Tarik, we've been at this for a long time, so we have sort of hedging programs, CLO programs that are 20 years old that are very seasoned and investor universe that knows what these programs look like for us. Now in the market environment that we're in, what we're finding is, yes, there is opportunity to do more either in upsizing existing programs and in some cases the pricing has been better than we might've anticipated. So, we're getting better execution at larger sizes and also potentially expanding the envelope of the programs we can offer, what we can put into this. And so there is still scope, but for us there isn't a step change. It's incrementally growing on the programs that are out there.

I think there are a couple of questions now.

Audience:

Thank you very much for the presentation. Can you talk a little bit about the funding outlook, the liquidity position? I mean if we think back a year ago, we were worried about liquidity and that's obviously vanished, but there must've been lots of moving parts in the last 12 months. And so, I'd be interested to hear your take on that plus your outlook in terms of issuance and capital instruments as well.

James von Moltke:

Sure. So, I don't know how much stress we all felt about the liquidity environment, but you're right, there were a couple of things. So, the TLTRO refinancing, potentially QT and other things rolling through the market and the rate environment, you'd think there might've been some pressure on the bank, and it hasn't happened. It's one of the reasons, by the way, the beta or the retention's been as favorable as it has been. So that's good. I actually don't see that necessarily. So, no catalyst for



changing that dramatically, although we are all looking at our deposit base and how we want to grow our business and optimize funding costs. So, I see that as having gone through this cycle without any real pressures on the banks, which is a huge positive for us all.

On the unsecured side, we've executed on this year's plan. I think we're getting close to 100% of this year's plan, if we're not already there. Feel very good about where we are, but too early to talk really about next year's plan, but there's been really no pressure. We've done one AT1 and I think a Tier 2 as well this year and feel good about where we are in capital instruments, but it's too early in the year to come to you with next year's plan.

Audience:

Hi. Good morning, James. I just wanted to ask you a question on the Commerzbank deal. I know that you said very clearly that at this stage in the development of the bank it is not something that you would be looking at. But if you think about what are the reasons, I'm interested in understanding the reason behind this thinking. Is it because you feel you don't have enough capital? Is it because you feel that you don't have the management capacity to realize the synergies because retail still is in the middle of its own turnaround plan and restructuring plan? Is it because you don't want to put more capital in the German retail market, and do you think that there are better markets for you to locate capital to? So, what is the relative weight of these three constraints? Thank you.

James von Moltke:

I don't want to rehearse the range of thinking. There are a lot of considerations that go into every bank's strategic thinking. I mean, the weight is overwhelmingly, we have our strategy to execute. We've got promises we've made to investors, and we don't think we're ready, we're positioned. I don't think the terms of trade are favorable for our investors given where we're rated. And in a sense, management feels like there's a huge amount of upside still we need to



demonstrate to our investors before you would want to share that with another group of shareholders in a stock transaction. I think it's overwhelmingly the consideration that there's so much more for us to do executing our own strategy and unlocking the value in our company before we start to look at things that are expansionary.

Tarik El Mejjad: That's all that we have time for. Thank you very much for being with us James, thank you.

James von Moltke: Tarik, thank you.

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