Deutsche Bank AG

JPM Bank CEO Series

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Transcript

Speakers:
Christian Sewing, Chief Executive Officer
Kian Abouhossein, J.P. Morgan

Kian Abouhossein:
(J.P. Morgan)

Thank you very much for joining us all for this call. This is Christian Sewing CEO of Deutsche Bank. Christian, thank you very much for being with us today in our CEO discussion series. Really happy to have you in particular because Deutsche Bank has been a great turnaround story I would say since you've become CEO in April, 2018 and there's a new strategy, which was set in July, 2019 and in that respect, it's been a big change from our discussion that I see and I'm sure from your discussion as well as clients, but also with investors from several years back in wherever you are today.
Clearly, the question today is can Deutsche Bank make a return on tangible equity of 8%? So that's a big change, but before we dive into the bank in more detail, maybe we can start more from a top-down perspective. First of all, how you see the macro environment, economic growth outlook in Europe and globally, especially considering what is happening and has happened in China. And also considering you have great contacts with the consumer side, the corporate side. So from a Deutsche Bank perspective, how do you see the larger German corporate environment and also small and mid-cap environment?

Christian Sewing:

Well, first of all, Kian, thank you very much for the invitation. It's a big pleasure for me, but also for Deutsche Bank to be on this call. So thanks a lot for that and really happy to discuss these items with you.

Overall, I do think that we have seen a robust recovery in the global economy. There is no doubt and I'm always the person who is also comparing today's development with what you and I discussed one and a half years ago when the pandemic really started. And if you take on average that also in Europe, but also in Germany, not only in the US and then in China, we may reach in the main industries and as an economy, the pre-COVID levels at the end of this year, also in Germany and in Europe, then we can talk about a good recovery.

The recovery even seemed to be, I would say, super strong two or three months ago. We see a little bit of pausing now, Kian, but I'm not negative on this. I do believe that this is on the one hand driven by some bottlenecks, which we also see in the whole delivery chain by some geopolitical uncertainties, which are again arising, but also the discussion of a kind of false way. I don't believe that we will see a full lockdown again, but obviously just the discussions on the fourth wave is always limiting a little bit the demand.

But overall, I would say that I think the economy is actually doing quite well. I think even if we see a little bit of a pausing in the fourth quarter, potentially over the winter months, there would be good demand in 2022 and that on the back of three items. On the one hand, the material fiscal stimulus, a little bit different from region to region, but overall its material stimulus. Secondly, the pent up demand. And thirdly, I've been 30 years at Deutsche bank. I was almost 20 years in credit. I've never seen such a savings ratio with our clients on the private banking side, on the retail side, but also kind of on the corporate side.

And that brings me to your second part of the question, how are my discussions and our discussions with our corporate clients and retail clients. And again, there is a lot of optimism, a lot of optimism in particular, when we compare it to the rather dire outlook, which we had a year and a quarter back. German corporates are actually on average, very, very positive for the next 12 to 18 months, there is a huge demand. And in particular, let me put it this way. Kian, if you go into the day-to-day business, if you want to buy raw materials, if you ask for a craft man doing work at your home, I personally just ordered a bike. Apparently the bike takes five to six months to be delivered. And that tells you that, there is demand out there. Yes, there are shortages, but I'm not nervous at all about the next, the outlook over the next 12 to 18 months, because I think we will see a further strong rebound in the economy. Also on one back and a lot is always discussed about the credit cycle. I think that the corporates, but also the private individuals are in a far better individual situation than 13 years ago. I was in the middle of the financial crisis and the credit risk management. If you compare the equity ratios, the capital ratios, the way corporates are doing the liquidity management, they are in a much more robust state now, than 13 years ago. So all that comes together that I would say we see a robust recovery potentially with a little bit of pausing.

On China, my last point, a strong recovery. And yes, there may be also now a little bit of a slowdown, but I also do believe that China will have a significant growth rate next year on the individual item. What we also saw at the beginning of this week. Yes, of course one needs to watch it. For us as Deutsche Bank obviously we have been risk disciplined in the past that also counts with regard to that event, what we have seen there.

Kian Abouhossein: Okay. So quite a positive picture. In terms of inflation. Maybe we can also talk a little bit about inflation because clearly, interest rates are very important for you in terms of your business. And in that context, can you talk about inflation outlook, clearly transitory or will it jump materially? And in that context, how do you position the bank in terms of interest rates outlook going forward?

Christian Sewing: That's a far more difficult one than the first question in particular, the inflation, because I'm not convinced, Kian, this is just a temporary inflation phenomenon in what we see. And again, that's the beauty of our job. And that's what I always try to tell the young people, but obviously also my senior management go out and have discussions with the clients. And there is almost no industry in particular in Germany or in Europe who is not talking about inflationary developments, which is lasting potentially longer than just this year or the first quarter of next year.

Of course, there are certain bottlenecks in the global supply chain, and I think they were softened over time. There is no doubt, but I do think that the concerns I have on second round effects like salary increases, but also potentially other impacts from different supply chains over time. It's not the end of globalization, never, ever, but we will have kind of a more globalization I kind of a bit more regional focus. The German government will review irrespective of who is taking the government on Sunday night or later on in the process, they will review the one or the other supply chain when it comes to pharmaceuticals or when it comes to other items.

And if you then talk to the various different industries in Germany, whether it's orders, whether it's electronics, whether it's the goods for consumers, everybody is talking about that he or she will expect inflation, which will last longer. And everybody's also nervous about a kind of a second round effect on wages. And that wage is not only coming Kian, in my view. And we see that in the banking industry, but we see it far more in other industries asked today, somebody who is running a hotel, the people are not nervous about COVID, that they cannot open the hotel anymore.

The people are nervous that they don't get the staff in. They pay 20, 30, 40% more for the time being to get people in working for the hotel. So you have a structural shift in all industries, how to get people. And I think that is something which personally I have more in mind. I can't tell you a number, but my gut feeling is from all these discussions that just talking about temporary inflation is in my view, short-sighted. I would see that we see elevated inflation throughout 2022 at least.

That brings me to the next point, on the one hand, I don't believe also with the debt levels, we have the fiscal stimulus that we see kind of material U-turn in interest rates, politics around the world, but we have seen certain announcements also this week. And, and therefore, as for Deutsche Bank, we rather plan on the conservative side and think about that.

There will be the one or the other interest rate to increase over time, but nothing in my view, very short term. And, and that brings us back that we need to do two or three things, (a). Continue, the discipline and the strategy which we put in place in particular, the Corporate Bank, but also the Private Bank to re-price deposits. And I'm really proud of what the team has done, because these are not the simple discussions you can have, but we have done it with discipline, with focus, and we are very successful. And, on an annual site on the Corporate Bank, the re-pricing of deposits, which almost touches now 90 or 95 billion euros and deposits means for us approximately on an annual basis, 300 million of income. Then secondly, from the interest rate curve, actually, we have seen the worst this year and last year, and we see a relaxation on the impact of the negative interest rate or low interest rates in both areas, in the Private Bank and the Corporate Bank.

And last but not least, it is our clear strategy, not only as announced two years ago, but also in the discussions was our clients again, in particular in the retail businesses, the Private Banking business, to make that clear to our clients that putting money into a savings account or a deposit is not the smartest thing. And finally we see a shift in the mindset of the people that they follow the advice. That they take, our risk management advice into account. And in this regard, we had a very successful first half year in the Private Bank in getting the assets under management increased. Actually we did almost the full amount, which we planned for the full year, after six months. And that is actually, I think our task to be close to our clients, to advise them on that and by that, obviously we also shift away from interest rate income to more fee-based income.

Kian Abouhossein: And if I may just follow up just on inflation and indicating that potentially inflation will be higher with us for much longer. Do you feel that it's actually good for the bank? Because on the one hand, it could lead to higher rates quick on the long end on the short end, but at the same time, clearly your input costs are also going up such as wages, etcetera. So just wondering how do you see potentially high inflation actually panning out for Deutsche Bank?

Christian Sewing: Well, if it's not only for Deutsche Bank, but, Kian, now I'm seeing it first of all, from the overall economy. I think we have a still abnormal situation with negative interest rates that is not good for the economy. And by the way, I have never ever met one entrepreneur in Germany or in Europe who is doing the incremental investment because he can get the credit for 10 basis points, lower or 20 basis. He needs to be convinced that his business model works and that there is long-term growth. And in this regard, I do believe that an environment where you have obviously no negative interest rates, but a more normalized situation is good for the economy. And what is good for the economy is good for us. And therefore I do believe also with the cost discipline, which we have shown over the last two years, we can also deal with certain inflationary tendencies, which certainly are there. If salaries go up, there is no doubt, but we can deal with that. And secondly, I mean, one thing is clear. Clearly we complained about the situation of, of negative interest rates. It hurt us tremendously as European banks. So therefore of course it would be a positive for us, but most important Kian, it is positive for the society. It is positive for the middleman in the street, because also that from a political point of view, I think we are running into a huge issue in five, 10 years time in an aging society. If this negative interest rate pertains, then we are talking about other problems than just economic problems.

Kian Abouhossein: They are very clear. Thank you. So going from the top-down outlook and changing gears towards Deutsche Bank and its current strategy and reaching the 8% RoTE. Maybe we can start first of all Christian, on this strategic transformation. We are now over two years in the transformation, how you see it being on track, are you satisfied? How do you see the progress? And in that context, also the third part of the transformation that you announced last December and putting all of that together, how do you and the management board spend your time today in terms of issues, thematic within Deutsche Bank?

Christian Sewing: Look, big question. And, and I'm always hesitant to say that, but yes, overall Kian, I'm satisfied with the development of Deutsche Bank. The problem is whenever a CEO is saying he's satisfied, people may think that they can relax a bit. And this is certainly not what will happen in Deutsche Bank. We have announced on purpose, a transformation, which from the outset, July, 2019 to the end of 2022 is three and a half years. We are now eight quarters through, out of 14, and we have hit each and every target which we put to the market. And that was utmost focus with utmost discipline and with the stability in management team and I don't mean only the management board but in particular, also the layers below which really helped us. And I think the understanding, and that was the most important that the bank came out with a clear strategy on four core businesses. Within these four core businesses, we knew exactly where we are relevant and that really gave clarity to the people that they said, "Yes, we understand that we will reduce also the workforce in Deutsche Bank" which is not a nice message.

But overall, we believe in this strategy. There is clarity and there is quarter by quarter execution. In this regard, we have done well, be it on the cost side, be it on the risk side, on the capital side. And fortunately also we have done actually well on the revenue side because the focus on those businesses, where we put our focus, was the right one, because in those businesses, we seem to be relevant to our client. And that is also the feedback we get from our clients. So in this regard, I think we have done well. Now we are exactly, as you're saying, in the third phase.

In my view of this transformation, the first one was really kind of stability, cleaning up the balance sheet, making sure that the costs are in line. Also getting more confidence with our regulators. We had to do better. So we had to repair. There are still items where we need to do better, but that was number one. Number two was really then transform the businesses. The focus on the four businesses, de-risking the CRU, which is fully underway actually ahead of targets. And now the third one is within this transformation to strike the balance between staying the course on a cost discipline and bringing the cost further down, but also starting to grow the top line.

And here I'm very pleased with, with the progress. And yes, I think we have been open that part of the outperformance, which we already saw in 2020 was a little bit driven by the markets. And so to say by COVID in the Investment Bank, but the most important Kian in is the sustainability part of the revenues, which we have seen there at least 50% of the outperformance, which we in particular have seen in the Investment Bank is stable outperformance. And we see it this year. Otherwise we wouldn't have reconfirmed. I think James also did it yesterday in another conference.

And why? Because clients have come back. Clients now see that our CDS is on average in line with the U.S. peers. Clients have seen the rating upgrades by Moody's and by Fitch which we have seen. So in this regard, we can see that next to all the things we can directly control, like cost and risk taking. Also on the revenue side, we get the confidence of the clients returning to Deutsche Bank. And that creates then a force point, which is always underestimated by a lot of stakeholders. And I said it right at my first speech as CEO in the AGM in 2018.

One of the key items we have to do, is bring back to the people of Deutsche Bank, the pride to work for this institution. And I don't mean arrogance. That was our big mistake. We were arrogant, the worst thing you can be as a banker. But you can be proud of working for your institution, because it makes you happier to, again, go to a client, to talk to your clients, to explain why Deutsche

Bank is what it is and that's what we achieved. And if we keep that momentum and that means full focus on those things, which we can control, and at the same time also giving the people now the leeway to grow in areas where we want to grow then I do think we keep the balance and therefore we in the Management Board are very confident that we can achieve our 2022 targets. But it means that the six remaining quarters, we have the two this year and the four next years must receive the same level of commitment, attitude, and discipline, which we placed so far. If we do this, then I'm actually confident that we can achieve the 8%.

Kian Abouhossein: And if I clearly look at the 8% and I think you have absolutely right, you've done a lot of changes. And really we felt that as analysts coming to the investor update investor day, strategic reviews that you've done in 2019, if you are looking at consensus though, is they're still looking at a return on tangible equity of 5.3%. You're targeting 8% by 2022. Clearly. There's a lot of concern that it's dependent on IB revenues, which you have done very well in terms of market share gains, et cetera. And clearly people are still thinking there's a gap to in consensus in your CB business. So can you explain a little bit and tell the investor base and the parties involved who are listening to this, how they should get comfortable around the 8% and why is the five the wrong number?

Christian Sewing: Yeah. Well, first of all, Kian again, I always think I'm also telling that my children, if they are not believed you have to show the evidence. It is what it is. So I have to show. And to be honest, if I look at the track record of Deutsche Bank before 2019, we didn't have the best track record in meeting our targets. And therefore, I think there is also a little bit of, hopefully I can say that general skepticism about targets put out by Deutsche Bank. And again, I understand that, but we have now shown for almost three years, we have hit that. Now, why am I confident of the 8%? It's actually for three reasons. I do think Kian that in those markets where we have where we are right now, it is incredible important that you have a firm hand on risk management and our risk appetite in particular, in the traditional risk classes like credit market risk has been tested now for the last 10 or 12 years.

Christian Sewing: I would even say that Deutsche Bank without sounding a little bit too positive, can at least be seen as one of the leading risk management institutions. And we never change our risk appetite, whether we were sailing in very kind of safe waters or whether it was rough outside, we had the same risk appetite, which is in the hands of the first line of defense and in the second line of defense. And therefore, I'm a big believer that our balance sheet is not only in order and robust, but that I can also see that from a risk point of view I don't see a lot of downside coming down the road. Number two, the cost discipline is clearly instilled. We said something at the end of the second quarter that we had to take alignments and adjustments to our cost targets, and that we switched in particular for the reasons that there are some uncontrollable parts like the SRF and the German banking deposit insurance contribution we have to pay and I don't want to starve the bank because that would really limit the growth.

And on the other hand, we see already far better revenues than before. And therefore we switched to the cost income ratio, which was unchanged or is unchanged at 70%. The third part, so cost discipline clearly there. And again, James yesterday also announced that we are doing incremental cost measures, which cost us now certain transformation cost in 2021, but given the good profitability and the revenues that will actually not change our outlook in terms of profitability this year, but will help us next year obviously. The third part is revenues, which is obviously harder to control. And therefore I'm so much focused on those items, which I can fully control, but on the revenues let's go through the four businesses. We said last year in the IDD that I expect that the Private Bank will come in at the end of 2022, with 8.3 billion of revenues, which was kind of the target we put. The last 12 months ending at the second quarter 2021, we were at approximately 8.2 billion excluding the BGH impact.

Now we know that the headwinds from interest rates is coming down. I see the new business coming in, be it on the credit side and investment side, which is better than planned. I'm highly confident that we can achieve the 8.3. On the Asset Management, we said in the IDD for 2022, we expect revenues of 2.3 billion. The last 12-month run-rate was 2.4. We have record inflows into Asset Management. I would be more than surprised if we cannot maintain the 2.4 billion. I couldn't even explain to you when that would go down to 2.3 billion. So we are above that what we actually said, the Corporate Bank is clearly something where the headwinds in the interest rate gave us certain headwinds, which we didn't expect in that area.

We said that we will achieve 5.5 billion. Last 12 months, we had 5.1 billion, the headwind of approximately 200 million to 250 million of the interest rate curve is falling away. And we have invested a lot in deposit re-pricing on the one hand, but also into payment platforms and we can see the business coming in. I'm confident that we can achieve the 5.5 billion of revenues next year. So that means the three stable business are either in line with plan next year, or even tracking above. And now we are coming to the Investment Bank where we set 8.6 billion, and I think was the plan or 8.5 billion was the plan for 2022. In 2020, we achieved 9.3 billion we are confident to achieve a similar number in 2021. And now we talk about the sustainability of the revenues and you saw the waterfall slide from Ram Nayak, which is still one to one true. We always have approximately between 1.9 and 2.1 billion in origination and advisory.

That leaves 6.7 billion. If we want to achieve, or 6.6 billion in the FIC business. And here we ticked all the boxes which we told you last year at the IDD from client re engagement in rates and FX, from the funding advantage, from the build out in portfolio trading, in credit trading, from some regional build out. So that I would say the 6.7 billion which we already achieved last year. And now because of some single developments like the one position this imposition is even far better, but the 6.7 is such a sound base. And I even believe with the initiative Ram has in his pipeline and Mark for next year, that I would be also at least more than prepared to say that I think it's a very sound plan that the FIC business will deliver 6.7 plus a 2 billion for an O&A, you are at 8.7, at least in line with the plan.

I would be actually a little bit disappointed if we are not achieving that and that we have shown now for almost two years, everything, what we said has come true in the investment bank. And the underlying reason for that is client re engagement. And that is based on the rating and based on our CDS and the way we deliver. And therefore I'm so confident that also on the revenue side, I can see a clear pass and the other thing it's under our control. And overall that makes me confident to the 8%, but we need to show quarter by quarter. And I accept that.

Kian Abouhossein: That was very reassuring how you go through the divisions and your confidence to reaching those targets and explaining it clearly with the 8% also, there was a guidance that you could potentially pay out material capital back. There was a discussion about 5 billion of capital distribution starting in 2022. And looking at the fact that you believe you're on track on reaching your RoTE target. How should we think about the mix of this 5 billion in terms of dividends, in terms of share buybacks and balancing the future regulatory changes, particular Basel IV, as we call it, and the potential impact it will have?

Christian Sewing: Fair question. I think on the latter question really take our confirmation that Basel IV was always within our plan when we talked about the future capital distribution. So there is nothing now new coming where we said, "Oh my God, we haven't planned for that." And obviously we are still lobbying for a better Basel IV outcome,

But the base case which we have in our mind is fully in the plan, so Basel IV shall not have an impact from a planning point of view on our commitment to return five billion of capital. On the distribution, on the way of distribution, I mean you have seen the accruals we have taken in the first six months of this year. That shows I think not only in which direction the bank has developed, but also our positive intent and more intent our confidence that we can start paying dividends next year for this year.

How we do it to be very honest, is exactly now subject to our discussions when we come up with the detail plan of 2022 and the following years. We also would like to have input from various stakeholders on that, but I can again reconfirm here that our goal and our target to return the five billion is unchanged, is completely in line with the base for planning. The question is only how we return, and here I ask you for your understanding that I can't give you more details. But you have seen already some accruals and in our P&L.

Kian Abouhossein: I'm very clear. And if you're switching to another topic which clearly is of interest to all of us and also where you have been, I would say ahead of the curve is clearly ESG, especially sustainability became an important part of your strategy, and you also hosted a Sustainability Deep Dive in May. Can we talk about what have you been recently achieving and how you're supporting your clients in the transition? There's some positives in terms of insurance et cetera, but there's also probably some negatives or potentially negative business impacts, and also the clients have to adjust to the new world of ESG.

Christian Sewing: I really do believe Kian that ESG is potentially the most critical topic banks have to address over the next years. And I do believe if you get it right Kian, then you can be more than part of the solution. We have been part of the solution in COVID, banks overall. I do think that the transformation of the economy into a green economy can only function if you have a strong financing partner in the middle. And therefore I do believe that banks can assume a role not only of doing the financing, whether it's via bank facilities or via issuing bonds for our clients, but you cannot even imagine what the demand for a device from banks is out here. From large corporates, from medium corporates, because all the corporates in itself know one thing. It's not only that they have to adhere to regulatory requirements, or legal requirements, or political goals like in Germany to recover neutral by a certain year.

The real issue is, that most of the corporates know that if they don't turn into an ESG development and transforming the business there won't be any clients anymore. Because the clients want the discussion on ESG let's be all clear, starts in each and every family latest on a Saturday morning at breakfast with your children. And if you are not prepared to go there, you are out of business. And therefore I think the angle of on the one hand to provide the balance sheet, to be deeply in the capital markets, to be able to issue the bonds on behalf of your clients and other capital markets instruments. And at the same time advise clients how they can get there is something where banks can actually grow on, it's a massive opportunity, but that means for us Kian next to all the financial goals we have, we need to educate and train our people.

And that's what we are doing. We have 22,000 client facing staff. In the retail bank, in the private wealth management, in the Corporate Bank, in the Investment Banking, and these people. And that's what I'm always saying. You guys, to a corporate relationship manager. You need to be on top of ESG as advised. As much as you can talk to your client about a working capital facility or an FX hedge. That is a normal demand I have on my people, and that's what we are doing right now. And now we see that the demand is coming from the clients in asking, "how can we finance it? How can we all do this?" And that's our chance to be really a bank which is giving this advice, providing risk management advice, and in this regard with the ever increasing demand, we have decided in May that we are not increasing our targets by volumes, but that we said everything, what we told you a year before.

I.e. having achieved 200 billion of financing or investments for Deutsche Bank as a group excluding DWS. We preponed our target by two years. And we achieved almost 100 billion or 99 billion at the end of June. The demand is going on. There's only one negative discussion but actually it's a positive discussion that the budget request from the ESG for more people is clearly on the table, which we need to discuss, because now I come to the third point. You need to be very careful, and very disciplined, and very diligent in your processes, in your reporting, in your measurement, and also in deciding, is it ESG conforming, or is it not? And therefore we need the people. I think we have very good processes. I mean, everybody has seen also the noises around DWS.

I can only reiterate what DWS said publicly, that they reject the accusations and that they stand to their reporting. I can only say that we put very much focus on that, but of course that is an ever developing agenda. And therefore, I think we as banks, have also now a chance to further kind of impact the discussion around ESG of taxonomy, but it is something which is from a client demand point of view the number one topic, and not only for 2022. For the next five years at least.

Kian Abouhossein: Very clear Christian. I mean, you outlined a quite positive view around the global economic environments, the stability that Deutsche bank has achieved. The growth pass on the revenue side, the RoTE target, and how to achieve it, and that you are on track on it, and also clearly the ESG side. Which is something where I would say you are well ahead of the curve, and you were one of the first banks to really embrace it, and talk about it. Switching gears a bit and listening to your AGM speech, you talked also about consolidation and potentially something that should be really important within the European context. Can you a little bit discuss your views about consolidation in terms of a two to three year timeframe, also longer term? And from a Deutsche bank perspective, what business areas or regions would be actually of interest to you, either organically to grow and put more cash in, but also from a perspective of acquisitions?

Christian Sewing: So Kian, there are not many surprises now in my answer I fear. I think consolidation will and must happen in Europe. We have too many banks, and I think we need to compare ourselves also globally from a profitability point of view, from a size point of view, from a franchise point of view, and therefore I think in general European banking sector needs consolidation, there is no doubt.

But I also always said with regard to Deutsche bank. Of course at some point in time this topic is coming to the table and will be on the table, but we will only address it when we are fit and ready to do it as a bank and as a group. The good thing is, and hopefully we have shown that over the last quarters and years, and I can reassure you, we get fitter quarter by quarter, and we are not stopping of getting even fitter. But we must get fitter in order to be, if this kind of situation comes that consolidation in particular across European consolation is coming to the table, then obviously we would like to be not at the junior table, but sitting at the senior table on equivalent terms at least.

And this regard means, we need to first finalize our homework. You just said it so nicely. And there is nothing I can do, and I can argue around consensus RoTE of 5.2%. We are telling you that we are confident to achieve the 8%. It's our job to make that happen. And the more we are going into this direction our market capitalization will grow, and it is easier for us to think about that. And also the management maturity and the maturity that we have done most part of the transformation than at some point in time, will allow us to put more management focus on consolidation and on these times, so for the time being it's not a topic for us. For that we first need to finalize our agenda. With regard to individual businesses. You know? For good reasons. I said that I want to have a bank, which is a balance bank where the stable businesses are clearly businesses which really bring the balance to the bank.

We have been publicly stated that in Asset Management we have achieved a maturity level, which would allow us to also look for opportunities. We had an opportunity in the summer and we looked into this one, we were active on this one, also that is clear, and that shows our intention that asset management for instance is something where if it fits from a cultural point of view, from a strategic point of view, from a client and product level, and regional point of view, we are certainly thinking about doing something. But one thing is clear as Asset Management is so important for us we want to consolidate it, and that means we need to be the actor.

Kian Abouhossein: It's very clear and part of kind of growth, and the future of repositioning the bank is clearly also technology, and you spend four billion on technology annually. How do you DBK position from a technological perspective, businesses, peers? Especially also, you have quite a few global businesses. And clearly we know that the U.S. banks are spending a lot of money. We know that the FinTech are coming very strong, especially in transaction payment, transaction banking and payments, especially in the U.S. and eventually they will enter Europe as well. How do you see competition and how is your position from a Deutsche bank perspective?

Christian Sewing: That was the key reason or one of the key reasons, Kian on why we decided to focus our business as much as we did two and a half years ago. Because I knew that one of the critical items to be a successful bank in the future is not only to focus on the right business, and to have ESG, and the right leadership in the bank, but also to really embed technology and technology must drive the business. And we could simply not afford all these business lines which we used to have, and have at the same time benefiting or technology in all these business lines and therefore we said," Also for that reason, we need to focus on that where we are relevant and there we invest." And that's exactly what we are doing. Huge investments into our payment strategy in the corporate bank, huge investments to finally have one IT platform in Germany for Postbank and Deutsche bank.

And it's working. The first runs are really showing nice results. Very good investments in the FIC re-engineering. Project Cannon is a full success that from the client discussions, up to booking in the ledger, you have one system. We didn't have that before. That's all technology. And we even went one step ahead and says, we can't all do that by ourselves, we need a partner. We decided for Google last year. I am very happy about this partnership. For two reasons, A. It is efficient. It brings us to the cloud which makes us more efficient, also even safer and even better. And secondly, next to all that, we have a kind of partnership with Google gained innovation, and a speed to innovate also products. For instance, in the payment side, or also on the retail side, which we didn't have before. So therefore technology is key, but only if you have a focused business strategy and therefore that was first, and then really attaching the technology to that where we think, here we have a game to play.

Kian Abouhossein: And in respect to technology, do you feel that this is an enabler for you just to fend off competition? Or is it a revenue driver? Is it a continuous cost reduction, as you invest you can improve processes? How do you quantify technology really helping you on your RoTE target?

Christian Sewing: On all three, gaining market share, increasing revenues, reducing costs, and on the fourth one I should always say that making us sound and better controlled. As I said before, we still have issues. We still have issues in AFC. Everybody knows that you can really and we beat that with technology. That's what we need to do, and therefore it's quite funny, I'm smiling when you asked me this question, because I'm thinking about our next Supervisory Board meeting where actually also our head of technology, Bernd Leukert, would present, and actually he presents on all these four items. He has always his finger on the gates in a positive way, and that's exactly what we need.

Kian Abouhossein: Very interesting. And in respect to Google, you mentioned converting them to a cloud system. Is there any other relationships that you have with Google in particular that we should be aware of, which could be of material impact in the future?

Christian Sewing: No, I think I talked a lot about them. Again, very happy about that, but obviously with the focus now on our technology development, be it bringing us to the cloud at the same time innovating products, but of course, to be honest, if you have such a partner, then you also think about the one or the other item, which you may didn't even think about when you started the partnership. But that's the nice thing about partnerships you develop, and again, I don't want to say more, but I'm super glad that we can work with Google.

Kian Abouhossein: That's very good. Christian, I want to now turn the tables a bit. You have a tough job. Mine is, I would assume, is a bit easier, but clearly you're trading at half tangible book. What in your view are the biggest catalyst for rerating from here, and what do you think the market is missing really on the investment story today? If you would be in my shoes, how would you explain it? And then I can copy and paste.

Christian Sewing: Again Kian, I'm a little bit repeating myself. It's on us. Hopefully you have a tough job in a year's time when you have to admit that your expectation was simply on the low side, and then potentially for at least a couple of months you have a tougher job than I do have, right? That would be a nice turnaround.

No, but again, I think question's completely fair. I do believe we need to show the finalization of Cairo, that we are keeping the discipline and the focus in terms of the focus on the right businesses, risk, cost, and sustainability of revenues. And if we can show that quarter by quarter there is nothing in the system which is against Deutsche Bank, but there are doubts, because of our history, that we may have a good year and then it stops. I think we have shown now for two or three years actually, that everything we said has come true, but that's what we need to do going forward.

And we always said there is a cost target in terms of cost income ratio of 70%. I think in the first six months of '21, I may say something wrong from a single digit number, but I think we were at 77%. We are in the last 12 months, we showed revenues which clearly hint that our revenue target is the right one, but it was the last 12 months. We need to show it also in the coming 12 months, and therefore there is a way to go from our side.

There is also a way to go that we need to further get better on our controlled side, because you guys obviously look at us and may have some concerns if there is a criticism from the regulators, and therefore the only thing which I ask for is that we get credit for that what we have done, and that you also always take into account that from day one we said it takes three and a half years. On that journey in the three and a half years, we are in each and everything where we are, we are ahead of plan. That makes me confident that we can deliver. But it's our task, and if we do so, I'm sure that you also all turn around.

Kian Abouhossein: In respect to your strategy, Christian, clearly you have outlined very clearly your 2022 targets, and the analysts, and I think the investor community, seem to be a little bit obsessed with 2022, but then reality is you can still go on from 2022 and really it would be good to hear your long-term views around the business. What does Deutsche Bank look like beyond '22? And I don't mean '23, but '24, '25. What is your vision for Deutsche in terms of business areas, in terms of region? And we won't hold you accountable, it's clearly no targets, but just speaking out loud in a changing environment, technology illustrates potentially consolidation. What does Deutsche Bank look like?

Christian Sewing: Well first of all, we are in the middle of that process, because you're rightly saying it, I'm glad you are saying it. The timeline does not end at the end of 2022, and I'm always saying to my colleagues on the board, we now need to plan in parallel. On the one hand obviously 2022 and keep the discipline, as I said, but at the same time now starting to think what's next after Cairo, i.e. the strategy which we laid out to the market until the end of next year.

I do believe that from an overall direction, we got a lot of things right. We know in which businesses we want to be. We know exactly that we want to be the global house bank of our European banks and honestly help them to do business in the world, be it Asia, be it the US, and I think we are the only German bank with such a network, and if you think about the strengths of the German economy, that will also be the case irrespective of the underlying government in the next three or four years. We need a strong German bank supporting their clients, be it on the retail side or in particular on the corporate side. So I think we have found our general balance that we are clearly an international house, but with the dominating market position in Germany.

And now it comes that we need to think about the real theme so over the next 10 years. I'm not the one who is making the bank or strategizing the banks on the latest macro outlook. For us it doesn't make a big difference whether the GDP growth is 3.0 or 2.8 or 3.5. The real thing is that we need to capture the broader themes of the next 10 years. And the themes of the next 10 years is growth in Asia. The themes of the next 10 years is ESG. The themes of the next 10 years is geopolitical tension, which means you need a risk advisor at your side, and these are the things which we now need to put together with our underlying strengths we have and build with that the future, because I want to be the most reliable global house bank Europe can offer, and that from a status that we are the strongest economy in Europe.

We are thinking about that. We will come to the market with that sometime during 2022 obviously, and therefore for the time being, Kian, we are planning in parallel. 2022 in detail, and what's coming later, but more I don't want to say at that point in time, sorry, at this point in time.

Kian Abouhossein: Fully understood. In this respect do you believe that as you said, your political tensions, and you mentioned also political climate where clearly domestic production, et cetera, is being more and more emphasized, does that also mean that banking will be more domestic, and I guess domestic for you is Europe or euro area rather than global, is that something that we will see as well, and that could trigger M&A overall, or does anything change in the way you're seeing between global investments and Euro investments, so to say?

Christian Sewing: Look, I do believe that, just also from a cultural point of view, that whenever you talk about consolidation, in my view it is more likely that there is European consolidation for a European house, than a global consolidation, because it's simply very, very complex to do a global consolidation, and therefore in this regard I would think that the consolidation generally is focusing for European institutions more on Europe.

When you talk about domestic, the issue about domestic value chains, again, I'm not calling out here for an end of globalization, but I do think that each and every country, each and every region, will think a little bit more local, given the events which we have seen over the last two years, and we call it in Deutsche Bank 'glocalization', and that means that you need to have banks around who next to a strong home market like we have in Germany, know exactly how it works in regions like Asia or the US or Middle East, and therefore I think it is so important for us that we keep this regional network so that we can offer our clients who also will be impacted by this localization, that we can offer regional and local advice, and therefore I do believe that our setup as an international house in those four business clients will remain untouched, because localization is calling for global institutions with deep regional know-how.

Kian Abouhossein: That's been very insightful. I really would like to thank you, Christian, for spending time with us, explaining us the RoTE path and also beyond, of the five billion potential payback to shareholders, as well as clearly some views around the future of Deutsche and where we heading, and we look forward for further updates in 2022, and hopefully we can do this again, considering that you really have changed the way the bank is operating from, and I can see that in my discussion. I'm sure you can see it even more in your discussions with corporates, et cetera. It's been really a material change, and I think the London weather is reflecting that. Unusual, the summer, so sunny, but it's really reflecting how you have changed the banks to some extent. Thank you very much for your time.

Christian Sewing: Thank you, Kian. Thank you very much. I really enjoyed the discussion.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 12 March 2021 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from www.db.com/ir.

This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to the Q2 2021 Financial Data Supplement, which is available at www.db.com/ir.