James von Moltke and Stuart Lewis at Goldman Sachs European Financials Conference (Virtual)

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Transcript

Jernej Omahen (Goldman Sachs): Okay, so first of all, good morning from my side and welcome back to our European financials conference. But obviously, most importantly, welcome to our next session, which is a session on Deutsche Bank. We are delighted to be joined by both James von Moltke, who is the Chief Financial Officer of the Group, and Stuart Lewis, who is the Chief Risk Officer of the Group.

As you can imagine, the composition of this panel suggests that we are going to focus on the issue which is front and center of investors' minds, not just for Deutsche Bank, but for European banks in general and I think global banks as well. And that is the issue of the extent, the scope, the magnitude of credit quality deterioration as a result of the operating environment that we are currently facing. We are obviously going to cover a much broader array of issues, but that will be the center of this discussion.

Before I go into Q&A, let me pause here and let me first thank both James and Stuart for taking the time to join us here today. We certainly appreciate it. I think this is going to be a very interesting session. And I personally certainly hope that we make you feel welcome. So welcome, both.

James von Moltke: Thank you, Jernej. Thank you for the opportunity.

Jernej Omahen: Thanks very much. And so let's kick it off. An awkward thing happened in the first-quarter results of European banks. So we had a loan loss provisioning range which went from 9 basis points at one end of the extreme to 269 basis points at the other. Deutsche Bank with around 40 bps was towards the lower end of this range; broadly half of that of BNP, which we would consider to be a close peer of Deutsche Bank.

So I wanted to kick it off by asking what are the top-down macro assumptions that underpin your loan loss provisioning, what type of recovery you are assuming. What happens if that recovery doesn't materialize?

Stuart Lewis: Jernej, let me take that, and thank you again for the invite. I don't think our model is any different from many of our peers. We tend to look at a variety of inputs into that model, which center around GDP expectations, both on a global level and on a national level, and particularly where we have large loan assets in countries that have large loan assets.

And then we also look at unemployment data as well. And that is particularly, driven by our large retail presence in Germany. So German unemployment has had quite a big predominant impact on our macro forecasting.

And in terms of what we have done to date on trying to figure out what the impact on loan losses might be across that portfolio, we have run three distinct scenarios and try to therefore ascertain what the impact would be on Core Tier 1 capital and also what the impact would be on credit loss provisions.

Scenario one was run quite early on in this whole crisis with an expectation that there would be maybe not so deep a V-shape and a quicker recovery. I think we can all assume that that no longer holds true. Scenario two, which is a central assumption, is one where we would see the peak of the pandemic in Q2 and with some economic recovery starting to be visible at the end of Q2. That recovery would continue to improve through Q3 and into Q4. And then there is clear downside scenario that we had run where we would see a far more gradual recovery, really taking us to the end of 2021.

Your observation on some of our European competitors being higher provisioned in Q1, we tend not to think so much about the level of our quarterly CLP. We tend to look at the total reserves, so the total loan allowances that we have as a bank across our organization. And we are about 95 basis points of total loan loss allowances as a percentage of our portfolio.

We have, compared to most of our European peers and certainly our US competitors, a far lower percentage of our loan book in consumer-related financing, whether that's consumer finance or credit cards. BNP have probably about 11% or 12% of their loan book in consumer-type exposure. We have around 5%.

And actually, we have done some comparative analysis where if you out strip out the consumer loans and credit card lending and then look at what I've described more as wholesale provisioning, then I don't think that we are too much off market compared to many of our peers. And that is before you start to then think about the nature of our loan book and the underlying quality of our loan book.

Jernej Omahen: Stuart, just staying on the topic of the composition of the book and the risk propensity within that book, so you have already highlighted that you think unsecured consumer is obviously an area of exposure where you expect disproportionate losses. So within the context of Deutsche, what are the portions of the loan book or the credit portfolio, rather, that you are watching most closely? And what is the scope of those exposures?

Stuart Lewis: On the retail side, consumer finance and Italy are the areas that we are looking at that closely. As you know, we have got a fairly large presence in Italy, both in the mortgage book and the consumer finance books.

On the wholesale side, within the investment bank and the corporate bank, there are a variety of sectors, which I think, wouldn't surprise you that we are watching pretty closely. We have a large Commercial Real Estate (CRE) portfolio. It is well diversified. The exposures are generally in what we describe as gateway cities. The average loan to value in that portfolio is about 60%. And first lien is at 60%. So generally, I think that's pretty robust. The average size of the whole portfolio is around EUR50 million per asset. So it is a pretty well-diversified book across the US and across Europe.

Other areas of the loan book that we focus on. We have exposure to the oil and gas sector. Our oil and gas exposure tends to be to the major oil international companies, MNC companies, and also the national oil companies as well as some of the emerging market large oil companies. We have very limited exposure in the noninvestment-grade structured lending portfolios, so the weaker kind of oil and gas shale purchasers or other offshore developers.

We also have exposure to the aviation sector with about EUR4 billion of aircraft financing. That financing tends to all be to modern fleets. And again, we think that having stress test the underlying residual values versus the loans and the loan to value of the loans that our portfolio feels reasonably resilient to downside.

Another area of exposure that we are focused on is the retail sector. On the retail sector, we have got about EUR5 billion of exposure. Very little of that is to the consumer goods sector. Most of the exposure tends to be into the grocery and perishable goods sectors. So that is the kind of areas that we are focused on.

We have done a bottom-up look across all those high and medium risk sectors. We have identified the single assets that need more attention; clearly some have moved to work out helping our clients as well as we can through their cash flow difficulties.

Jernej Omahen: Okay. So if we go back to a question that I think we discussed already at the time of your last quarterly report, James. So when somebody looks at the loan loss provisioning guidance and the peak of around 45 basis points and then tries to compare that with what the European bank authority thought was going to be the provisioning peak for European banks. For Deutsche Bank, they calculated around 82 basis points and the economic scenario underlying that calculation from where we stand today seems to be substantially more benign.

So in your mind, when you look at that figure, 82-basis-point EBA peak versus 45 basis points, your estimate of how severe this will get, what is the key difference between the two?

James von Moltke: So I will let Stuart speak to the comparison with the EBA stress test, but just one thing to correct what you said. We said the range that we provided in terms of guidance was for the full-year 2020 of 35 basis points to 45 basis points rather than that 45 basis points would be the peak.

We would expect that this quarter, the second quarter, will be the peak of the loan loss provisioning for this year. We think it would be higher than the average for the year. Our expectation, broadly speaking, would be that credit loss provisions be in a range around EUR800 million for this quarter, barring any sort of unforeseen sort of circumstances.

And then that it would normalize in the second half of this year, again reflecting the central case that Stuart described earlier.

So that where we are coming out and, if you like, affirming our view a little over a month ago when we reported on Q1. There is nothing that we have seen since that time that would change our outlook for the full year.

With that, I will hand it over to Stuart to talk about EBA.

Stuart Lewis: The EBA stress test had a different profile from what we are currently seeing. So it was over a three-year period of really continuous deteriorating growth. And I don't think necessarily that we are going to see that.

I would also indicate that the EBA by its nature also tends to throw in some additional add-ons and implement some floors, which actually can exacerbate the downside scenario. They also don't consider if there is any proactive portfolio management or consider roll-offs. It is also a very static look at the balance sheet and it takes a 2018 balance sheet and assumes it is going to be that profile for the next three years. There is a variety then of mechanisms the ECB use, which I think exacerbates the outcome of their analysis.

Jernej Omahen: So in your view, the EBA analysis and the results we have for the sector overall, not necessarily for your institution, hold very little information value when we try and make conclusions about the current situation?

Stuart Lewis: I think all stress tests, external and internal stress tests help inform somehow. I think the reality is that as an institution, we run stress tests every month to try and figure out what type of scenarios might impact our balance sheet and our Credit Loss Provisions more than others. And this one is, frankly, a scenario, which, given its short sharp shock, as I would describe it, is very different from other stress tests that have been run externally or internally before.

Jernej Omahen; So one thing is incurring losses; then a different thing is having the ability to absorb those losses, I guess. So we had the first quarter of 2020; I think most investors would argue it's the start of the credit cycle. And this was a quarter with strong revenues as well, despite that the number one and the number two banks in Germany reported a marginal loss for the first quarter.

So in a scenario where revenues were not particularly strong but reflected the average, let's say, of the previous year, this marginal loss would be a more meaningful loss. So I was just wondering -- so I take all of your points on the comparative strength of Deutsche Bank's credit exposures.

But if you are wrong and if the operating environment deteriorates from here by more than Deutsche Bank currently anticipates, James, what is the ability of Deutsche Bank to absorb those losses? And perhaps what are the other mitigants outside of purely operating performance that are available to you?

James von Moltke: Sure. Well, let me start with Q1 and say we had a pretax profit of around EUR200 million in Q1. And if you take out the bank levies or Single Resolution Fund (SRF) contribution that is recognized in the first quarter, that would be about EUR700 million of pretax profit.

In some ways, it is probably more instructive to look at post-crisis PPNR or pre-provision net revenue became a sort of a metric that people looked at to understand loss absorption capacity from ongoing earnings. In other words, before you got into capital.

And what was I think gratifying is in the first quarter, that number for the core bank that we report was about EUR1.8 billion. So to my mind, the starting point is that level of profitability, EUR1.8 billion before the SRF and also before the CRU wind-down.

Now, in our case what is a little unusual is we are going through this restructuring. And so there is a burden on our profitability that comes from the Capital Release Unit (CRU). And so as you point out, the profitability of the Group as a whole doesn't have quite the same loss absorption capacity that were it not to be the case that we were running the CRU wind-down.

Frankly, I think the CRU wind-down, though, is helpful as you go forward, both in derisking the Company and then freeing up additional capital as we move forward. So it puts us in line to be much more sustainably profitable, much more resilient over time.

The other thing that is important to note is that as we have gotten to the first quarter of 2020 and now into the second quarter of 2020, we are actually 3 to 3 1/2 quarters through this restructuring. And so if you like, the period of greatest risk, the period of greatest burden coming from the CRU and from the restructuring we are rapidly putting behind us.

Now, as you point out, we are dealing not just with that restructuring but also with the COVID environment, but I think managing through pretty well. We are obviously looking at all levers that we can pull to ensure that our financial performance, our capital isn't unduly burdened by the COVID stress. So seeing where we can offset the impact, for example, on provisioning from the COVID environment and whether that is expenses or other elements of our performance.

So we think a combination of completing the restructuring, relatively robust level of PPNR in the Core Bank, the improvements in sustainable profitability going forward, and as you pointed out at the outset, a conservative loan book, a conservative risk appetite put us in a good position to navigate through this environment.

Jernej Omahen: So coming back just to one of the subpoints of the previous question. If the operating environment deteriorates from here by more than Deutsche expects, what are the mitigants available to you? So I take the point that restructuring charges are going to roll off and the drag from the restructuring unit is going to be lower. But if there was an incremental shock, so to speak, what are your options?

James von Moltke: Well, you start with the revenue performance that we have, in fact, had, rather than a sort of downside scenario. And you have seen I think a pretty robust performance in the banking industry, not just in Q1 but into Q2, as parts of the business and not only the investment bank but also other parts of the business have recovered and sustained levels of revenue that are better than one might have feared as we were in March.

I think secondly, as we are doing, we look at every element that we can on the expense side to offset some of the profitability pressure that comes from higher provisioning than we initially expected. We are looking, as Stuart outlined, at ranges of provisioning outcomes. But at least hitherto, we don't see a downside scenario developing on that front either.

There is a world in which we could potentially slow down the restructuring to preserve profitability and capital, but that is not the world we are in. As we have said at the end of the first quarter, we are continuing to work on the restructuring to progress the many measures that we have put in place. But that is conceivably also a lever that we have to manage through perhaps a deeper crisis than we currently anticipate.

Jernej Omahen: And James, you've touched on the fact that Deutsche Bank is undergoing a period of deep restructuring. How has the ability to execute on your restructuring plans changed, or how has it altered, given the public health crisis that we are going through?

James von Moltke: I know that was a concern that investors had in Q1 around the results. I would say first of all, we did announce a moratorium on new sort of communications of involuntary terminations. We thought that was the right decision at the time, but it was a temporary measure about six weeks and we recently announced that we are resuming that.

But in some ways, that hiatus is a small subset of all the things we are doing to restructure the Company. One way to think about it is Fabrizio Campelli, who was appointed late last year as our Chief Transformation Officer, he is now tracking 70 sort of individual initiatives that we are executing on against milestones and delivery plans. And as we look at that portfolio only around 25% of them we think of as being in some way impacted by the constraints that are put on us from the COVID situation, the health crisis that we are in.

So to give you examples, as you have heard us say, we did complete the merger of our retail legal entity into the DBAG parent a couple of weeks ago. We have also did the core banking conversion in Italy, which has been a significant technology investment over the past couple of years which we completed in late May. I think this is evidence of our ability to keep initiatives on track despite those constraints.

So if I put all that together, we are comfortable that we are continuing without any significant interruptions or diversions from the restructuring path that we have been on. And the management team remains very determined to complete this execution.

Jernej Omahen: And when you think about -- so investors are concerned that the government wants to have a say on a number of issues relating to the way banks run themselves. Capital obviously is one; distribution of capital to shareholders is another. What makes you confident that in what is very likely to be a spike in unemployment that you will not have political interference in continuing with what is a significant reduction of Deutsche Bank's workforce?

James von Moltke: We have had no indication at all that that is a view the political institutions are taking. I think there is a recognition that banks, broadly defined, not just Deutsche Bank, need to take action to redefine their business models. In fact, if you listen to some of the commentary from within the German regulatory and political environment, there is a recognition that the banks need to reshape their business model. And that is an effort that we are clearly undertaking.

We naturally need to work on each restructuring measure with our Workers Council representatives. It is a series of negotiations, but we continue to progress those discussions and negotiations. And we are executing today on measures that were defined, negotiated, agreed last year and we are currently negotiating and agreeing the measures that we will execute late this year and into 2021.

So it is an ongoing process and we don't see really a change in the environment there. There is a recognition that we need to continue moving forward in this restructuring. We are obviously doing it within the social environment that exists in Germany and also globally for our businesses with the appropriate care and attention to the interest of those separating employees. Because we well understand the impact on families of our decisions, but also on the obligation of the management team to execute on our commitments, to hit our milestones on this restructuring, and to achieve what we laid out last July, which is putting the Company on the path to sustainable profitability.

Jernej Omahen And in your mind, the support of all of your stakeholders, including obviously those represented by the Workers Council, remains in place despite a worsening macro picture?

James von Moltke: Yes, in the context of every negotiation of this type, which naturally the interests come to the table and seek to find a mutually acceptable conclusion.

Jernej Omahen: Okay. So let's shift to a more positive topic. So Deutsche Bank has spoken a lot about client re-engagement. Since the initial announcement of the restructuring plan last year, I think we saw more evidence of that than certainly we expected in the first quarter of the year.
And I was just wondering whether you see that continuing, what you attribute to it or what you ascribe it to, what you attribute it to. And what we should expect from this client re-engagement front in the future over the course of this year?

James von Moltke: So yes is the short answer. I can confirm that that client engagement and the metrics that we are looking at around that have remained strong. And in many ways, as we talked about it a little bit a few weeks ago, the crisis has represented an opportunity for us but also for banks as an industry to engage, in some cases reengage, with clients.

So if I go through the businesses quickly, the Corporate Bank has done an outstanding job supporting our corporate clients and the treasurers through the crisis and now into the post-immediate-crisis period. Whether that is on near-term financing requirement, whether it is on risk and risk hedging. Importantly also in Germany, the access to the government-sponsored lending programs has been a way in which we have clearly supported and engaged our clients. Even in trade finance, we have seen an increase in our revenues from trade finance and the ability to work with clients to find structured solutions to their needs.

If I moved to the investment bank, as I mentioned earlier, we have seen a good engagement. We at least held market share in areas like FX and emerging markets, including because of this good partnership between the investment bank and the corporate bank and the coverage of model we have today. And we gained share in rates. And that was a development we started to see in the sort of late third and fourth quarter last year. That has continued then into 2020.

And we have seen a really strong performance in our corporate finance business. We have an origination advisory, where we have regained our position as the leading corporate finance house in Germany, as a leading European and German debt house. And again, a high degree of interaction and engagement with our clients as they manage their companies through this crisis environment, particularly on the financing side, where we have performed very strongly.

Then both DWS and our private bank have been there to support clients also in this time. In the Private Bank by keeping a greater proportion of our distribution of our branch network open in Germany, a higher degree of engagement on digital channels.

And with DWS, whether that is being able to support liquidity requirements or investment opportunities in a crisis environment. I think across all of those metrics, very gratifying levels of client engagement, which of course translates into revenues both in Q1 and beyond.

Jernej Omahen: So I recall in the conversation we had this time around last year, it was at our conference in Paris. I mean, at that point in time, it all focused around the level of Deutsche Bank's CDS: the funding costs, the restricted ability to engage with clients because the funding costs was so high.

So I want to give you an opportunity to comment on this from two perspectives. So number one: how important is the fact that funding costs have normalized, if you want, or reduced a substantially in your efforts to reengage with your clients? And then secondly, how should we think about funding cost evolution from here? It used to be the case that Deutsche Bank at the lowest funding cost of any major global bank, let alone any bank in Europe. I think for a brief period of time, Deutsche Bank's CDS dipped below those of the US peers back in March, which was an interesting development. So how do you see that? How important is the lower funding cost for generating new business? Where does it go from here? When is your next credit rating review and what are you expecting from that?

James von Moltke: I remember the conference well. And I think the distance traveled since in the past year has been remarkable. Not to give oneself the scorecard, but I think we have come a long way. I'd say today that the CDS is no longer a barrier to us doing business in the markets part of our Company and that's a pleasing development, obviously.

Now, we have come much closer to peers over the past 12 months, but frankly, there is still some distance to go. But I would say it is no longer a friction to doing business as it might have been in the second quarter of last year.

Now, I don't think we have yet gotten to the point where the ongoing improvement in our credit profile has provided the tailwind that we would hope to get over time. So I do think there is opportunity in terms of how clients engage with us, whether cleared or uncleared, the tenor, and what have you. So I do see some additional opportunity, but it's ceased to be a friction.

I think that on the rating front, we obviously are unhappy with our ratings at BBB-/BAA3 in the senior non-preferred category. It's just really not a place that a global bank should be. And so one of our sort of key objectives over the next several years has been to improve that rating and come more in line with peers.

Frankly, I think we have demonstrated over time and also in this crisis to date that the balance sheet strength would support a rating higher than our current rating. And the problem that we are working to overcome is the one you addressed earlier, which is sustainable profitability, the pre-provision net revenue to provide more resilience, more loss absorption, and we think we are on the right path to achieve that. And so put that more decisively behind us.

In some ways, building on what Stuart talked about earlier, the crisis, although unwanted for all of us, in a way is an opportunity to prove that resilience earlier than any of us might have wanted. But we do feel that we are very much on the right path to that improvement, but it always takes time with ratings.

Lastly, the funding cost. We have achieved some good funding cost improvements over the past two or three years. Our spreads, as you point out, have come in a little bit; begun to converge with our peers. But also you have heard us talk about more efficiency in the balance sheet. So we have been able to bring down overall the unsecured debt stack and done a number of things around balance sheet usage that is being led by Dixit Joshi in close partnership with the risk organization and our businesses.

So you have seen a decline in our funding costs and we would expect to see more opportunity. But of course, some of the low-hanging fruit has now been picked.

Jernej Omahen: But certainly no negative surprises as far as you are concerned on the credit review side of things?

James von Moltke: It's always an evolving dialogue. The rating agencies as a group have now reacted to the crisis environment and come out with their actions and outlook. But they are in some ways all waiting, as we all are, to see how deep and prolonged this crisis is and whether it sort of diverts banks like us from our strategic path. I think once we get through the crisis, once we demonstrate that we won't be diverted from the strategic path, I think we would go back to the path that we hoped we were on and expected to be on of steady improvement in ratings and funding costs over time.

Jernej Omahen: Let's talk about capital now. So we covered credit and liquidity, but not solvency. So we had European supervisors, in line with what was taking place globally, lower the hurdles for capital for all European banks. Deutsche Bank being no exception. I just want to ask you two questions. Number one: why is it not the right thing to do to lower the capital target that you as a management team are pursuing? So that would be question number one. And question number two: once we get through this crisis, do you expect the changes to capital hurdles to remain? Do you expect the supervisors to tighten the screws again and essentially demand that banks accumulate capital to back to where it was before the crisis?

James von Moltke: Let me start –by building on my answer to the question about ratings. It's an important reason why we are not going to change our capital target of operating ideally at or above 12.5%. Because I think while we are going through this restructuring, it remains the appropriate and prudent thing to do to stay at that level and have an idiosyncratically strong balance sheet position.

And so that has been a decision that we made and Stuart and I have worked closely on. We did announce in late April that relative to our earlier targets of at least 12.5%, the current environment might drive us temporarily and modestly below that 12.5% level. But that hasn't changed our medium-term targeting. We thought it was the right decision, but also the right to give ourselves a little bit more flexibility, but also the right decision to preserve our ratio target.

If I go then to the greater leeway that has been offered to the banks, I would say a couple things. One is I think the ability to use buffers is obviously useful. But as I say, our ratings and the market confidence is critical for us and so we are neither inclined to use that nor frankly based on what we see in our capital planning is that necessary.

As we pointed out, we think a fair amount of the COVID-related impacts on capital will be temporary. Whether that is related to drawdowns on liquidity facilities, Prudent Valuation increases, market risk, RWA increases as examples, over time those things should wash back out of our capital calculation and that capital will be restored.

We told the market that that was about 40 basis points in Q1. We expect to see maybe 20 basis points to 30 basis points additionally in Q2 and then that amount of capital probably come back into our ratio over time. Much as, by the way, Q2 is the peak of our provisioning expectations, we also expect it to be the trough of our capital.

Going to the broader question about regulatory actions, we see most of those actions frankly as being changes in timing. So I think useful to give the industry more breathing room, whether that is on capital impacts that we expected that had been built into our previous capital planning. The Targeted Review of Internal Models, or TRIM is a good example of that. The delay in Basel III final framework implementation is another good example, potentially bringing forward the treatment of software intangibles.

All of those things are good things in terms of breathing room. But we see them more to be changing the timing of the path that we have been on rather than a substantive change in the level or, as we said, our targeting.

Stuart Lewis: Yes, completely agree.

Jernej Omahen:	Fair enough. Okay, let's change tack for the one last time. So at the time of the Deutsche Bank's AGM, Christian made a statement which was very interesting. But obviously what jumped out is his expectation. I think he referred to it as an inevitability of an M&A wave in European banking. Can you add some color to that statement? I mean, did he mean Germany, did he mean cross-border? How imminent is it, and most notably, why is it inevitable?
James von Moltke:	I think we have been pretty consistent in our feelings and communication on this for a while, including, incidentally, that we felt we had – what we refer to it as our homework - to do. There has been a lot of work that we have needed to do in putting Deutsche Bank in the right place and on the right path. Whether sustainable profitability, as we talked about; whether it's the control investments, the regulatory remediation, the technology investments that we have been making. But all of those things I think have been improving our position, both in absolute and also relative terms. So there is homework to do and we are hard at work doing that. But equally, I think the overall dynamic in the world around, for example, scale in banking, the need to spread investments over a larger business. Frankly, the relatively fragmented nature of European banking across the region and certainly even looking at the EU 27 going forward, it's a fragmented banking sector on a relative basis that will have a hard time getting the economies of scale on the same level as has been achieved in the US, absent some consolidations. It is always hard to predict though. So I don't want to overstep in terms of our expectation. It is always hard to predict when that will happen and what form, whether it will be domestic principally or cross-border principally. But the industrial rationale is there and at some point I think we will go there. For now, we are very focused on completing that homework and putting ourselves in the strongest possible position to participate in that when the time comes.
Jernej Omahen:	I guess the reason why investors struggle a little bit with labeling the consolidation as inevitable is because, I mean, for a lack of better example, Deutsche Bank examined the scope to merge with one of your large competitors domestically last year. You have come to the conclusion at that point that that didn't make sense. And when investors think about M&A in banking and they say, well, if the number one and two bank in a large country can't find sufficient synergies to make the financials work, what kind of M&A would make sense? So I guess that would be my question number one. What gives

you the confidence that those synergies can be found and can justify transactions?

And then secondly, I don't think Deutsche is that the only bank that attempted and abandoned -- or considered, rather -- and abandoned an M&A scenario domestically. There's some other examples as well. Do you think that those domestic mergers could be revisited in the current environment?

James von Moltke: We did the work last year to examine a domestic merger and decided that a combination of execution risks, execution costs, synergy potential, and some of the strategic implications of focusing on one thing rather than the restructuring plan that we ultimately announced were the wrong decisions for the Company. And I think the passage of time and the execution over the past three or four quarters has demonstrated that those decisions were the right decisions.

I don't think it necessarily pertains to any combination or every individual domestic market around Europe. But again this crisis has been interesting in demonstrating the banking business, as we all know, is going through a significant evolution. Whether that is the use of technology, what it means to have distribution in one market versus over a broader geography, how you think about brands, how you think about the investment in risk capabilities. All of those things are in some degree a flux.

I do think there is a significant amount of synergy potential that comes from removing duplicative infrastructure around a lot of those what you think of as the corporate infrastructure rather than looking only at the branch-based or the distribution side of the equation. But everything is going to evolve and be I think quite idiosyncratic to individual combinations over time. Again, without wanting to emphasize too much either the timing or the nature of it, but to give you a little bit of color of how at least I think about domestic versus cross-border and why there may be significant synergy potential in cross-border as well.

Jernej Omahen: Okay. I think -- so James, we have done 40, 45-odd minutes, but let us try and squeeze in a few questions on the German domestic market because I know that you have a view there that you have talked about for a long time. So let me ask the question this way.

James, so finally on German banking, I think that the profitability profile of German banking remains the lowest amongst the large European banking markets. You have long been of a view even before this public health crisis that that is changing, that you have seen altered behavior by your domestic competitors to some extent forced through by the negative interest rate policy of the ECB, which is impacting these institutions particularly hard.

You can have market share concentration through M&A; you can have market share concentration simply by outcompeting your domestic peers when you originate new business. And I wanted to ask you, is this front book market share concentration, in your mind, is it still happening? What is the shape of your domestic competitors? And after hearing the German banking is just on the cusp of changing for so many years, is this time really different in your view?

James von Moltke: Let me start with the scale we have in the domestic market. With 19 million retail customers, we are the largest single bank in the domestic market. DWS is the leading retail asset manager in Germany. Our Corporate Bank is extremely strong on the ground, serving not just large corporates but also middle-market and small corporations.

So we think we are at a point where we do have scale in Germany, but there is a lot of work to do to enhance the profitability of that German franchise, and in particular in retail. You will recall that in the Investor Deep Dive we had in December, the lion's share of the improvement in profitability in the Private Bank in Germany was an expense play. So we are not banking on significant growth in the franchise or an increased improvement in the lending spreads, but feel like -- again, going to this homework idea, we can do a lot to improve the profitability of our domestic retail franchise off our own bat.

Does the crisis represent an opportunity competitively? I think perhaps. I would say it is early days to really make a judgment of that. But I think a combination of the crisis, of changes in regulation, and the narrow, very long low or negative interest rate environment will obviously force change in the sector.

I wouldn't want to get out ahead of how soon and how quickly that will have an impact. Again, I think we got to focus on maximizing our opportunity set. And if there is a change in the competitive landscape, that would be upside to our sort of base case planning.

Jernej Omahen: Okay. James and Stuart, I think we have come to the end of this conversation. I certainly enjoyed it. I think that our investors will find it interesting as well. I would like to thank both of you again for joining us, for making the time. And I'm certainly looking forward to speaking to both of you soon. Thanks very much.

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