Deutsche Bank AG

Deutsche Bank Q4 2022 Analyst Conference Call

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Transcript

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

CHRISTIAN SEWING

Opening Remarks

- Thank you, Ioana, and welcome from me, too!
- Today marks a very significant milestone for us
- Three and a half years ago, in July 2019, we came together with you to discuss our plans for a fundamental transformation of Deutsche Bank, and we set ourselves some key financial goals for the end of 2022
- Today, we would like to talk you through what we have achieved, despite facing significant challenges from a pandemic and the war in Ukraine. We would also like to highlight how Deutsche Bank today is a fundamentally different bank, positioning us for further sustainable growth
- Let's start with the five decisive actions we took as we launched our transformation strategy in 2019 on slide 1

Slide 1 – Five decisive actions executed since July 2019 have transformed the Group

- Firstly, we created four client-centric divisions, which have delivered stable growth as promised. In 2022, these four businesses contributed to our best profits for fifteen years
- These divisions complement each other and provide well-diversified earnings streams
- We are now a better-balanced bank. We are particularly pleased that the Corporate and Private Banks together more than doubled their contribution since 2018, contributing just over 70 percent of the Group's pre-tax profits in 2022
- Secondly, we exited businesses and activities which were not core to our strategy
- We exited equities trading, transferred our Global Prime Finance business, re-focused our Rates business, and downsized or disposed of other non-strategic activities
- Our Capital Release Unit reduced leverage exposure from non-strategic activities by 91% and risk weighted assets by 83% excluding RWAs from operational risk. This has enabled us to re-deploy capital into our core businesses

- Thirdly, we cut costs. Compared to the pre-transformation level of 2018, we reduced our cost/income ratio by 18 percentage points. We achieved this while absorbing more than 8 billion euros of transformation-related effects and facing an inflation rate we have not seen for decades
- Fourthly, we committed to, and invested, in controls and technology to support growth
- We also signed state of the art agreements with Google Cloud and other partners. Our focus on technology has allowed us to grow revenues through closer interface with clients, reduce costs by removing complexity in our technology and improve our control environment
- Finally, we managed and freed up capital. As promised, we kept our CET1 ratio above our target minimum of 12.5% through all fourteen quarters of transformation and finished the year at 13.4%. This was despite an impact of around 170 basis points from regulatory changes, 100 basis points from transformation-related impacts and of course supporting the growth of our businesses
- The Capital Release Unit played an important role here too, contributing around 45 basis points, on a net basis, to our CET1 ratio
- All of this progress since 2018 has enabled us to start returning capital to our shareholders, through both share repurchases and dividends. We plan to propose a dividend of 30 cents per share in respect of 2022 and we reaffirm our commitments for 2025
- Most importantly, pride returned to the organization, which in turn supports our positive momentum. Commitment and enablement scores materially improved over the last three years. This positive atmosphere will of course help to further shape the future of our bank and even accelerate our momentum
- Let me now turn to our performance in 2022 on slide 2

Slide 2 – Positioned the Group for sustainable profitability, growth and greater resilience

- These five decisive actions, and the renewed belief and pride of our people, have positioned us to build and maintain a trajectory of sustainable growth and this is reflected in our 2022 results
- Revenues are above 27 billion euros, well ahead of what we had planned in 2019, despite the business exits I mentioned

- All four core businesses produced positive operating leverage compared to their pre-transformation levels. In 2022, our reported return on tangible equity was above 9% including a deferred tax asset valuation adjustment James will outline in more detail
- In terms of profitability, we delivered our highest profits since 2007, at 5.6 billion euros before tax. Our cost/income ratio is 75% and significantly below the pre-transformation level of 93% in 2018
- Pre-provision profit for the Group was nearly 7 billion euros in 2022, and diluted earnings per share were 2 euros 37 cents
- Deutsche Bank has proved its resilience during the challenging environment of the past few years. We have maintained disciplined risk management and a strong balance sheet, as Olivier will discuss in a moment, and we maintained robust capital and leverage ratios
- Germany's provision of support to households and industries during times of stress is another testament to the strength of operating in the German economy as our home market
- Let’s now discuss the key aspects of our transformation in more detail, starting with revenues on slide 3

Slide 3 – Revenue performance has exceeded expectations, reflecting refocused core businesses

- In 2019, we re-focused our business and looked to grow our Core Bank and our efforts have clearly paid off
- 2022 revenues were over 27 billion euros, 7% higher than pre-transformation levels and well ahead of our original aspirations, thanks to growth across all our core businesses
- This more than offset the forgone revenues from business exits, as the core businesses outperformed their targets for revenue growth
- So, as a result, we are now not only operating a more focused bank, but also a more productive one. Revenues per employee are now 16% higher than pre-transformation levels
- Turning now to our costs on slide 4

Slide 4 – Reduced cost/income ratio by 18 percentage points since 2018

- Our cost/income ratio in 2022 was 75%, an improvement of 18 percentage points compared to pre-transformation levels, at the higher end of our guidance
- We significantly reduced costs and generated annual run-rate savings of more than 3 billion euros from our transformation
- Our focused restructuring efforts more than offset investments in our franchise, and investments in technology and controls, which I will discuss in a moment
- As a result, profit growth has been driven by significant operating leverage
- But we know we also need to continue to focus on generating further operational efficiency
- In addition to the 2 billion euros of efficiency measures we announced in March 2022, which James will provide an update on later, we will focus our efforts on generating further incremental cost savings
- These additional measures will relentlessly focus on a more efficient workforce structure, including but not limited to reviews of layers, cost per seat and location. We will also streamline our non-client facing divisional functions and infrastructure teams. And of course, this also means a continuation of a very disciplined and agile management of our total headcount numbers
- Furthermore, we will also take advantage of further automation opportunities for our front to back experience, leveraging technology to augment client service processes in the Corporate and Private Banks
- Over the last three years we have successfully developed internal tools, which together with external benchmarking gives us the support and transparency to drive these incremental cost savings
- We are pleased with the progress we have made to date with the drivers of the 2 billion euros of efficiency measures and hence we are confident we can deliver these additional items
- Let me now go through the diversification of our businesses on slide 5

Slide 5 – Diversified business with greater resilience

- The Core Bank produced pre-provision profits of nearly 8 billion euros in 2022, more than double pre-transformation levels, and diversification has been a key contributor

- The Corporate and Private Banks together contributed about 5 billion euros, more than 60% of the Core Bank total
- With four strong businesses, we have delivered resilient financial performance through a very unpredictable economic environment and volatile financial markets. This enabled the Core Bank to deliver a return on tangible equity of 11.3% in 2022
- Let me now turn to the performance of these businesses in more detail on slide 6

Slide 6 – Four client-centric businesses with improved revenue growth and profitability

- All four core businesses have significantly improved profitability through the transformation period, on all key metrics; revenue growth, cost/income ratio improvements, and higher returns
- The Corporate Bank delivered its best-ever profit before tax, of over 2 billion euros in 2022, with a cost/income ratio of 62% and return on tangible equity of 12%
- The business leveraged our global network and capabilities to build out its franchise; deposits are up by nearly 35 billion euros over pre-transformation levels, enabling us to take advantage of rising interest rates, and loans are around 8 billion euros higher than in 2018
- The Investment Bank has tripled its return on tangible equity and improved its cost/income ratio by more than 20 percentage points since 2018
- The work undertaken within our FIC business since 2019 has led to significant revenue growth. While we appreciate this took place in supportive markets, importantly, we have also been able to materially grow market share, supported by improved external ratings allowing clients to come back to the platform
- The investment into our diversified platform will enable us to consolidate our current market position, whilst continuing to identify targeted areas of further growth
- In 2022, FIC revenues were nearly 9 billion euros, the highest for a decade and up around 60% over 2018
- We have further strengthened our European bond franchise in the Investment Bank. We were number 1 by volume in European investment grade bond issuance, and we saw our highest electronic

market share of EGBs for over 10 years, building on 2021, which was the previous high

- Lower activity and volumes negatively impacted Origination and Advisory in 2022, but the business had areas of positive momentum including regaining the number 1 position in German M&A

- Private Bank has significantly improved both cost/income ratio and return on tangible equity, outperforming their targets and resulting in profit before tax of 2 billion euros, its highest-ever

- The business has adapted to the changing needs of clients, automated processes, made progress on consolidating our IT platform in Germany, and reduced branches by nearly 500 since 2018. Business volumes have grown by 130 billion euros over pre-transformation levels with new client loans of around 50 billion euros and assets under management up by about 80 billion euros, since 2018

- Asset Management has seen its return on tangible equity rise to 17% since 2018 while improving its cost/income ratio by around nine percentage points

- The business has continued to invest in the future and demonstrated its resilience in tougher financial markets. Despite challenging markets in 2022, assets under management are now around 160 billion euros higher than at the end of 2018

- Simply put, all four businesses have demonstrated positive momentum on all three dimensions, and this positions us well for the future

- Again, supported by our improved ratings with all three leading rating agencies, we continue to see clients coming back to the platform. Combined with the continued expected interest rate tailwinds and the strength of our underlying franchise, we are confident that our strong performance will continue

- Let me now turn to another of our key decisions in 2019, investing in technology and controls, on slide 7

Slide 7 – Targeted investments in technology and internal controls

- We committed to spending a cumulative 15 billion euros on technology, and an additional 4 billion euros on our control environment as part of our transformation. The benefits of our delivery for clients, costs and controls have been substantial. Let me give you a few examples

- We took advantage of Cloud technology, both through strategic partnerships and our own efforts. We now have more than 200 apps in

Google Cloud and have migrated over 1,000 databases to Oracle Private Cloud

- We simplified our IT landscape by retiring apps, which helped deliver a reduction in annual spend of around a quarter of a billion euros per year
- We have built a closer interface with FIC clients by automating our flow trading capabilities
- We made progress in migrating contracts of Postbank clients and related business volumes onto the Deutsche Bank IT platform. This migration is expected to be completed halfway through the year, with planned run-rate savings of around 300 million euros by 2025 in the Private Bank
- We have reinforced our control functions, increasing the number of dedicated professionals by more than a quarter
- We continue to focus investments on our cyber security capabilities and we have improved our processing capacity and improved quality assurance in KYC
- Building a more sustainable Deutsche Bank was also part of our transformation agenda. We have made considerable progress, which we summarize on slide 8

Slide 8 – Sustainable Finance volume target for 2022 exceeded

- We have rolled out a comprehensive sustainability strategy and installed a clear governance structure which establishes sustainability as a core part of the way we run Deutsche Bank
- We set clear targets for business volumes in ESG financing and investment and made each business accountable for delivering on these targets. We have strengthened our controls further and have embedded sustainability criteria into senior executive compensation
- Our businesses have outperformed against our original targets, and this enabled us to accelerate the timeframe for delivery, twice
- From 2020 to 2022, we outperformed our target of 200 billion euros in cumulative ESG financing and investment volumes, with a total of 215 billion euros in our core businesses excluding DWS. In last year's difficult market environment, we increased volumes by 58 billion euros
- In the fourth quarter of 2022, we published pathways to net zero for the most carbon-intensive sectors in our loan book and we have created a

Net Zero Alignment Forum in which Business, Risk and the Sustainability Office manage our footprint accordingly

- We look forward to providing you with an update, and details of our future plans, at our second Sustainability Deep Dive on March 2nd this year
- Before I hand over to Olivier, let me say a few words on the next phase of our strategy through to 2025 on slide 9

Slide 9 – Global Hausbank strategy leaves the Group well-positioned for sustainable growth and operational efficiency

- The progress we have made in transforming Deutsche Bank leaves us well positioned to deliver sustainable growth through 2025
- When we set out our strategy in March last year, we outlined the key themes which underpin these goals and ambitions, and these themes have become even more important in the light of the geopolitical and macro-economic upheavals of 2022
- In an environment of macro-economic and geo-political uncertainty, we will leverage the more favorable interest rate environment, deploy our risk management expertise to support clients, and allocate capital to high-return growth opportunities
- With sustainability being so important, we will deepen our dialogue with and support for clients, expand our product range, and broaden our agenda for our own operations
- And as technology continues to evolve, we will reap further cost savings, accelerate our transition to a digital bank, and expand on our strategic partnerships, which are already creating significant value
- Our platform is positioned to deliver sustainable growth and seize the opportunities of the evolving environment

Slide 10 – Confirmation of 2025 targets

- Finally, a word on our 2025 targets on slide 10
- We are confident we can build on the momentum we have generated, in all our core businesses, on all dimensions, as we continue to transform the bank
- And we reaffirm the financial goals we set out last March

- Our target is a return on tangible equity of above 10% in 2025. The performance of our Core Bank in 2022 gives us confidence that this goal is very achievable
- We reaffirm our target for compound annual revenue growth of between 3.5% and 4.5%, supported by the momentum we already have in our core businesses from a dynamic interest rate environment, and the performance we have delivered in the divisions to date
- With this revenue growth, and the additional efficiency drivers I outlined, we also reaffirm our goal for a cost/income ratio of below 62.5% in 2025
- For 2023, we remain focused on continuing to deliver positive operating leverage and our strong performance in January supports this
- We also confirm our capital objectives
- We will build capital to support profitable growth and absorb future regulatory changes; and we continue to aim for a CET1 capital ratio of around 13%
- We aim to achieve our capital distribution objectives through a combination of dividends and share repurchases, in line with our previous guidance, aiming for a payout ratio of 50% from 2025 onwards
- We outlined a clear dividend path, which we reaffirm today. We propose a dividend of 30 cents for the financial year 2022, but given the remaining uncertainties in the market environment, it is too early to comment on the exact amount and timing of share repurchases in this year
- With that, let me hand over to Olivier

OLIVIER VIGNERON

Slide 12 – Ongoing disciplined risk management and strong balance sheet metrics

- Thank you, Christian. I am Olivier Vigneron and as you know, I became Chief Risk Officer in May
- I am proud to say that I rejoined a bank with a strong and stable balance sheet but more importantly, a bank that is renowned for its disciplined risk management
- This has enabled Deutsche Bank to withstand many challenging and uncertain environments in recent years, and to demonstrate its resilience during times of stress

- In my first months as CRO I have been particularly pleased to experience a strong risk culture supported by well-established risk appetite frameworks
- In order to maintain this discipline going forward, we continue to invest in our people and risk management capabilities, as well as controls and technology which support timely and proactive risk management
- This enables us to manage risks dynamically within our frameworks and most importantly within our risk appetite. We continuously monitor emerging risks, run downside analyses and stress tests, and operate a comprehensive limit framework across all risk types
- In this way we can respond proactively to changes in our operating environment, as you have seen us do in 2022 during the escalating war in Ukraine and the stress on European energy supplies
- Despite challenges throughout the year, our risk management approach helped us maintain strong risk and balance sheet metrics
- Our CET1 ratio was 13.4% and our provision for credit losses was 25 basis points of average loans for 2022, in line with our guidance provided back in March
- Our liquidity metrics have remained sound, and we managed to keep operational risk losses stable over the course of our transformation

Slide 13 – Navigating through an evolving risk environment

- Entering 2023 on this strong foundation positions us well to continue navigating through an evolving and uncertain risk environment
- We relentlessly scan the operating landscape to identify and monitor risks that impact us, and the wider banking sector, making sure we are proactive in our positioning for any emerging risks
- On slide 13 you can see which themes we believe may influence the banking sector in 2023 and beyond. These range from geopolitical developments, volatility in financial markets and a potentially deteriorating credit outlook, to various other risks
- We are able to manage these challenges because our risk framework provides us with multiple layers of protection, which we outline on slide 14

Slide 14 – Disciplined risk framework provides the basis for managing through times of stress and uncertainty

- Our risk appetite is calibrated to capital adequacy and earnings stability with the key metrics of the bank cascaded down to individual businesses
- We employ thousands of risk limits, across country, industry, asset class and individual clients, and across a variety of risk factors and markets
- In addition, we manage credit and market risk limits dynamically, and monitor liquidity daily on multiple dimensions
- We also strictly control appetite for non-financial risks. Our non-financial risk monitoring has more than 1,200 controls that are mapped to different risk types and regularly assessed for their effectiveness
- In October 2022 we introduced sector-specific targets to reduce the carbon intensity of our loan book
- We mitigate risk through extensive use of credit enhancements via external hedging in addition to high-quality collateral and structural protection, such as selecting ‘first lien’ positions
- Our loan portfolio thus benefits from 39 billion euros in collateralized loan obligation and credit default swap hedges, as well as other risk mitigation through private risk insurance on certain portfolios
- Our dynamic market risk hedging strategy has again proven highly effective in the volatile environment of 2022
- Our rigorous stress testing approach takes into account a range of severities and is built around a number of historical and hypothetical scenarios
- This enables us to identify and address potential vulnerabilities in our portfolios, including emerging risks, and supports assessment of non-financial risks
- We benefit from well-established crisis management procedures, robust non-financial risk management frameworks, and clear governance around our risk culture and conduct
- We have established our internal framework for net zero targets, and we will continue to extend the scope of these in 2023
- We continually review the maturity of the bank’s security framework and employ a threat-driven approach to direct and adjust our investments in information security

- Finally, our people are the critical success factor, embedding our strong risk culture throughout the organization

Slide 15 – Conservative risk profile and diversified loan book across geographies, businesses and sectors

- Let me now turn to our loan book on slide 15
- Almost half of our 489 billion euro loan book is in Germany
- We see this as an advantage as Germany is well positioned to withstand times of stress and volatility
- It is Europe's most stable economy and has many multinational companies which have displayed great resilience in times of uncertainties in the past
- And according to the most recent consensus, Germany is not expected to see an energy supply squeeze in the remainder of this winter
- Outside Germany, around 40% of the loan book is equally distributed across EMEA and North America with the remainder largely in the APAC region
- Looking at our business mix, almost 80% of our portfolio is in stable and mostly lower-risk businesses in our Private Bank and Corporate Bank
- The Investment Bank accounts for 21% of the book, distributed across a variety of product and regional portfolios
- Lastly, you can see how well-diversified our loan book is. Household loans, which are mainly low-risk mortgages and, to a small extent, consumer finance, account for 44% of the portfolio
- 24% of the loan book relates to financial and insurance activities, which span a variety of client segments, from exposures with top tier banks to collateralized activities with funds
- The remaining 158 billion euros, or 32% of the total loan book, is split across multiple sectors and remains well diversified
- All exposures are tightly managed, based on conservative underwriting standards
- In the next slides I will provide more detail on our confidence in the credit quality and resilience of selected key portfolios

Slide 16 – Confidence in German loan book driven by conservative lending standards and well-diversified exposures

- Let me start with some additional detail on our German loan book of 235 billion euros on slide 16
- Around three quarters of this book is within the Private Bank and nearly 90% thereof are low-risk German retail mortgages
- In the German mortgage market, clients typically lock in fixed rates for 10 or more years, so our portfolio comprises long-term, fixed-rate loans with a loan-to-value of 66% based on current market values
- As a consequence, this portfolio is generally not at risk of being impacted by the rising rate environment and demonstrates good repayment discipline
- We view German mortgages as low-risk, supported by high employment levels and low household indebtedness
- However, in light of the current environment, we have adjusted input criteria for our decision engine to account for price levels of goods, energy and interest rates. We have seen stable default and recovery rates since 2019
- Only 16 billion euros of the Private Bank's German exposure relates to consumer finance, mainly personal loans, and we continue to see good repayment discipline, despite the more challenging environment
- We do not operate a significant credit card financing business
- Our corporate loan book of 63 billion euros in Germany consists mainly of trade finance and commercial lending
- This exposure is also well diversified across a large number of clients and the average exposure per client is around 260,000 euros
- In line with our frameworks, we have limited concentration risk, and the top 15 names account for only 6% of this portfolio
- Credit quality is high with 71% of loans rated investment grade, and the exposure is predominantly to multi-national corporates
- The portfolio is closely monitored and actively managed with threshold-based hedging and the use of collateral and guarantees for risk mitigation purposes
- We have intensified the dialogue with clients in order to identify pockets of risk early, and we continue to support clients with their needs

- All in all, our strong and high-quality portfolio gives us comfort around our German exposures, supported by a resilient corporate backdrop and ongoing government actions

Slide 17 – Well-managed exposure across Commercial Real Estate and Leveraged Lending

- Despite their relatively low share of our loan book, our Commercial Real Estate focus portfolio and Leveraged Lending exposures remain in focus due to their vulnerability to rising interest rates and market volatility as well as the ongoing impact of post-pandemic trends on selected CRE sub-portfolios
- So let me give you some additional color on these categories on slide 17
- The CRE focus portfolio of 33 billion euros, or 7% of our loan book, consists of non-recourse lending within the core CRE business units in the Investment Bank and the Corporate Bank
- Our CRE lending activities are mainly first lien mortgage-secured and structured with moderate loan-to-values
- The portfolio is well-diversified across regions with 51% in the US, 36% in Europe and 13% in Asia
- Loan originations are primarily focused on assets in liquid regional markets such as top-tier gateway cities, and with high quality institutional sponsors
- The portfolio is well diversified by property type also, with the largest concentration in Office, at 34%, while Hospitality and Retail account for only 12% and 10%, respectively
- While Office is facing headwinds and uncertainty from the adoption of hybrid working models, we benefit from good quality assets in primary markets, moderate LTVs and, again, strong sponsors
- Weighted average LTV is around 61% in the Investment Bank CRE portfolio and 53% in the Corporate Bank. The latter portfolio has shown strong resilience, with no credit losses through recent volatility including the pandemic
- Other real estate exposures, such as our recourse lending, are of a high quality and have seen low losses in the past
- Stage 3 provisions in the Investment Bank CRE portfolio increased in 2022 as market conditions deteriorated in the second half of the year.

However, the increase in provisions was well within the business' earnings capacity

- We expect the challenging market conditions to continue into 2023, and we continue to closely monitor loan performance with a focus on near-term maturities
- We are proactively working with our clients to find optimized refinancing solutions in order to reduce leverage in specific transactions
- And we are also tightly managing our CRE underwriting pipeline and reduced our market risk limits in 2022
- Our Leveraged Lending portfolio of 4 billion euros represents just 1% of our total loan book
- The portfolio is well diversified across industry sectors without any undue concentration risks and the top-10 names account for only 11% of the portfolio on a gross notional basis
- Around 79% of the exposure is in the form of first lien secured credit facilities, mostly of revolving nature
- The remaining 21% is asset-based lending, which is almost entirely US-based and has a negligible loss history
- In the more uncertain market environment in 2022, we actively curtailed our underwriting risk appetite and de-risked our underwriting pipeline
- Overall, Leveraged Lending remains core to our franchise. We are entering 2023 well positioned and with a significantly de-risked underwriting pipeline
- While the macro outlook will weigh on the portfolio, we see limited refinancing pressure due to an overall low maturity profile in 2023
- Now, moving to slide 18, I will take you through our management of market risks and non-financial risks

Slide 18 – Continued active management of other risks

- Market risk has been another focus area over a period of increased volatility throughout last year and this is expected to persist in 2023
- We have supported our clients in navigating through this volatile environment and will continue to do so
- At the same time, we continue to manage exposures tightly and ensure we stay within our risk appetite

- Risk-weighted assets associated with market risk have been at elevated levels throughout 2022, driven by an increase in market volatility that translated into higher Value-at-Risk, which for the fourth quarter rose to 47 million euros, compared to 34 million euros in the prior year quarter
- To manage elevated volatility throughout the year, we have been proactive in containing and mitigating exposure in periods of stress. We did so during the first half of the year during the volatility caused by the war in Ukraine, and continued to support issuers and clients throughout the Gilt market volatility in the third quarter
- We actively managed balance sheet interest rate risk over this period of unprecedented rate rises in order to protect capital, as well as managing the risks around our net interest income
- Moving to non-financial risk exposure, we are satisfied with the progress we have made on risk remediation, and have reduced the highest-category risks by 47% since January 2021
- In addition, we have made good progress in increasing the number of key controls assessed through our quality assurance process
- This improves robustness and transparency of our risk and control assessment, which is a cornerstone of our non-financial risk management framework
- At the same time, we remain proactive in the identification and mitigation of potential threats and control vulnerabilities
- We regularly conduct scenario analyses and deep dives that help us understand potential risk exposures
- We continually review the maturity of the bank's security framework and employ a threat-driven approach to direct and adjust our investments in information security
- Finally, let me turn to provision for credit losses on slide 19

Slide 19 – Sound track record in in managing provision for credit losses through challenging and volatile period

- We have a very good track record when it comes to our guidance for provisions for credit losses, even through volatile and unpredictable environments
- This is due to our robust lending and underwriting, our active portfolio monitoring and provisioning processes, reflecting the true risk we anticipate

- We have outperformed our peers over a 5-year average period, which reflects our asset quality, but also risk management that keeps our risk profile less pro-cyclical and more stable
- And even though 2022 was characterized by a high level of uncertainty, we again delivered provision for credit losses in line with our guidance, without any reliance on excessive overlays
- In June we introduced a downside scenario which implied an additional 20 basis points over an 18-months period in case of a severe gas supply disruption in Europe
- This scenario did not materialize. Gas supply remained stable and storage levels high, as gas from Russia was substituted through other sources and the winter was milder than expected
- For 2023, we initially expected provision for credit losses to be in a range of 25 to 30 basis points of average loans, reflecting persistent macroeconomic and geopolitical uncertainties
- Unlike 2022, we expect provisions for this year to be driven by single-name losses rather than deterioration of macroeconomic forward-looking indicators
- As such and given the recent improvement in the global macroeconomic outlook, we now foresee provisions at the low end of this range
- With that, let me make a few closing remarks on slide 20

Slide 20 – Summary

- We have again navigated well through another year of significant market volatility
- Our disciplined risk management provided a strong foundation which allowed us to be proactive in identifying, monitoring and managing risks
- We have a conservative risk profile and a well-diversified loan book across clients, regions, products and businesses
- Our strategic positioning benefits us with a low-risk and high-quality German portfolio
- As a result, provisions could remain contained closer to 25basis points of average loans for 2023, or essentially flat to 2022
- Let me now hand over to James, who will take you through our financial performance in more detail

JAMES VON MOLTKE

Slide 22 – Delivering our transformation plan

- Thank you, Olivier
- Let me now cover the impact delivering the transformation plan has had on our profitability and financial stability
- We are pleased that all divisions delivered significant positive operating leverage on an annual basis since 2018. We intend to continue to deliver operating leverage for the Group on an annual basis going forward
- Our returns have improved every year since 2019
- We have reduced noninterest expenses over the period. We will continue to be disciplined on costs including working on additional measures to offset cost pressures, in line with our 2025 target of a cost/income ratio below 62.5%
- Finally, our capital remains resilient. Since 2018 we absorbed around 270 basis points of capital headwinds, from regulatory impacts and our transformation plan and ended the year at 13.4%, around 300 basis points above our regulatory requirements
- Let's now turn to the fourth quarter and full year 2022 performance on slide 23

Slide 23 – Q4 / FY 2022 Group financial highlights

- Starting with the fourth quarter, total revenues for the Group were 6.3 billion euros, up 7% on the fourth quarter of 2021
- Noninterest expenses of 5.2 billion euros reduced by 7% year on year, with all cost categories flat or down, which I will detail later
- Our provision for credit losses was 351 million euros or 28 basis points of average loans
- We generated a profit before tax of 775 million euros, up from 82 million euros in the fourth quarter of 2021
- Our net profit of nearly 2 billion euros reflects a positive year-end deferred tax asset valuation adjustment of 1.4 billion euros
- This deferred tax benefit reflects a recovery in the accounting value of our tax loss carryforwards in the US, as profitability has significantly

improved since 2019, due to the successful transformation of our US business

- The return on tangible equity for the Group for the quarter was 13.1%
- Our cost/income ratio came in at 82%, down 12 percentage points compared to the prior year period
- Tangible book value per share was 26 euros and 70 cents, up 23 cents on the quarter, and 8% year on year
- We reported diluted earnings per share of 92 cents for the quarter, which brings the full year total to 2 euros and 37 cents
- For the full year 2022, we generated a pre-tax profit of 5.6 billion euros, up 65% over 2021
- Return on tangible equity for the Group was 9.4% for the full year, compared to 3.8% in 2021
- Excluding the benefit of the deferred tax asset valuation adjustment, our return on tangible equity would have been 6.7% for the year and our full year tax rate would have been 24% in line with our previous guidance
- For 2023 we expect an effective tax rate of 29%
- Let’s now turn to the Core Bank’s performance on slide 24

Slide 24 – Q4/FY 2022 Core Bank financial highlights

- Starting again with the fourth quarter, Core Bank revenues were 6.3 billion euros, up 7% on the prior year quarter
- Noninterest expenses declined 4% year on year with adjusted costs also down 4% for the same period
- We reported a profit before tax of 1 billion euros, more than double the prior year quarter
- Our Core Bank return on tangible equity for the quarter was 14.9%
- Our cost/income ratio came in at 79%, down from 88% in the prior year period
- On a full year basis, revenues in the Core Bank were 27.2 billion euros, up 7% compared to 2021, while noninterest expenses of 19.5 billion euros were down 3%
- The cost/income ratio improved to 71% from 79% in 2021

- In 2022, we generated a pre-tax profit of 6.5 billion euros, up 37% year on year and the highest since we began our transformation in 2019
- We reported a return on tangible equity of 11.3%, or 8.5% excluding the deferred tax asset valuation adjustment, slightly below our target of above 9%

Slide 25 – Net interest margin (NIM)

- Turning to net interest margin on slide 25, we can see the continued favorable impact of the interest rate environment with NIM at slightly above 1.5% in the fourth quarter
- This increase has been achieved despite the non-recurrence of the third quarter buyback gains
- Net interest earning assets are slightly down, due to the impact of the weaker US dollar, and the partial prepayment of TLTRO III
- We expect NIM to remain strong given the ongoing rate rises and we expect to see a material year-on-year NII tailwind in 2023, which I will detail on slide 26

Slide 26 – Net interest income (NII) development

- Let me now provide an update on the interest rate tailwind we expect to see going forward. In March 2022, we guided that interest rate tailwinds, net of funding cost offsets, would add approximately 1 percentage point to the revenue compound annual growth rate from 2021 to 2025
- This figure has risen to approximately 1.5 percentage points from our 2022 landing point, based on rates and funding spreads as of January 20th
- You can see, the divisional CAGRs net of funding impacts on the right of the slide
- As we want to give you a consistent view across rate and funding cost impacts, these figures are based on the evolution of our planned liability stack rather than a purely static balance sheet, but do not include the impacts of planned lending growth
- In 2023, we expect to see strong interest rate impacts due to the timing effects from the rapid pace of interest rate rises

- By 2025, the rollover of our hedge portfolios will have offset the reduction in this timing effect, resulting in the NII benefit being maintained
- As I noted at our third quarter analyst call, the sequential tailwind from 2022 to 2023 is expected to be approximately 1 billion euros for the full year
- Moving to costs on slide 27

Slide 27 – Adjusted costs – 2018 to 2022

- We reduced adjusted costs excluding transformation charges and bank levies by 3.1 billion euros or 14% since 2018. Excluding FX movements, costs were down 16% during this period
- Compensation and benefits costs decreased by 1 billion euros driven by changes in workforce size and composition
- Non-compensation costs were lower across all categories. Both professional services and IT spend were down by nearly half a billion euros
- The IT spend reduction was in line with the overall cost reduction
- As Christian indicated, our cumulative IT spend was 15 billion euros over the past four years
- Within this spend, we saw reductions in our running IT operating expenses, as the benefits from simplified architecture came through. At the same time, we continued to invest into our technology and people to future proof the bank
- The 1.1 billion lower costs in the ‘Other’ category reflects reductions across a number of line items with major contributions from building costs, regulatory fees, operational taxes and insurance expenses

Slide 28 – Adjusted costs – FY 2022 and Q4 2022 (YoY)

- If we look at the twelve-month comparison for 2022 on slide 28, adjusted costs excluding transformation charges and bank levies stayed flat at around 19 billion euros, or down 3% excluding FX
- Increases in compensation and benefits of 399 million euros were mostly offset by reductions in non-compensation costs

- Reductions in non-compensation expenses reflect our continued cost management efforts, specifically from reduced costs for outsourced operations and lower occupancy related spend
- You can also see that fourth quarter adjusted costs excluding transformation charges and bank levies were down by 2% year on year, or 4% excluding FX
- Let me now give you an update on the key pillars of the efficiency measures for the Group we outlined in March at our investor day, which will contribute to our 2025 targets on slide 29

Slide 29 – Efficiency measures: >€ 2bn cost saves planned for 2022-2025

- These initiatives are expected to deliver structural cost savings of more than 2 billion euros between 2022 and 2025. Let me give you some examples
- The Germany platform optimization, entailing branch reductions and the technology integration of the IT platform, shows how we are creating efficiencies by simplifying our overall architecture
- We recently completed the second migration wave, which converted around 4 million additional Postbank contracts to the Deutsche Bank IT platform. One of our key priorities for 2023 is to complete the IT migration and start decommissioning the legacy IT Postbank system
- We expect these actions to generate around 600 million euros of savings by the end of 2025
- Another part of our technology upgrade is the re-architecture and simplification of our application landscape
- In 2022, we decommissioned 9% of our total application stack and plan to decommission a further 500 applications by 2025
- Supported by our cloud-based infrastructure, we have also migrated key applications to the cloud and will continue to build on this progress
- While we expect these savings to come through closer to 2025, we expect to deliver around 600 million euros of savings overall
- Our front-to-back process re-design has also delivered tangible results with more automated processes, supported by improved controls, and we will specifically continue to focus these improvements on loans processing, risk management and reporting activities
- For example, we have designed a more efficient KYC process that will eliminate unnecessary client KYC questions by 40%, while enhancing

control effectiveness, via “smart” forms and workflows determined by client-specific characteristics

- Overall, we expect these actions to deliver around 500 million euros of savings by 2025
- In addition, we have also identified around 500 million euros of cost savings primarily in infrastructure efficiencies
- In line with the plans we outlined in March 2022, we have optimized office space resulting in a significant reduction of 170,000 square meters in 2022, representing around 6% of our total global footprint
- Going forward, we will continue to focus on optimizing our workforce management including a more streamlined corporate title distribution
- Turning to provisions for credit losses on slide 30

Slide 30 – Provision for credit losses

- Provision for credit losses for the full year 2022 was 25 basis points of average loans, or 1.2 billion euros, in line with previous guidance and confirming the resilience of our loan book
- The year-on-year development reflected the impact of the war in the Ukraine and weaker macro-economic conditions, while 2021 benefited from economic recovery post the easing of COVID restrictions
- Provision for credit losses for the fourth quarter was 28 basis points of average loans on an annualized basis, or 351 million euros, very much in line with the previous quarter
- Stage 1 and 2 provision release of 39 million euros, compared to a net release of 5 million euros in the prior year quarter, benefited from a stabilization of macroeconomic forecasts towards the end of year, the release of an overlay from previous periods and improved portfolio parameters
- Stage 3 provision increased to 390 million euros, compared to 259 million euros in the prior year quarter. As with the previous quarter, the increase reflects an overall higher number of impairment events, but we have not observed specific trends emerging, and in particular did not observe a material impact of higher energy prices on provisions
- Moving to capital on slide 31

Slide 31 – Capital ratios

- Our Common Equity Tier 1 capital ratio came in at 13.4%, a 3 basis points increase compared to the previous quarter
- FX translation effects contributed 2 basis points
- 3 basis points of the increase came from capital supply changes, reflecting our strong organic capital generation from net income, largely offset by higher regulatory deductions for deferred tax assets, shareholder dividends and Additional Tier 1 coupons
- Risk weighted asset changes drove a 2-basis-point reduction in our CET1 ratio, principally due to higher market risk RWA partially offset by net reductions in credit risk RWA; operational risk RWA remained broadly unchanged quarter-on-quarter
- The higher market risk RWA resulted from higher sVaR levels, mainly driven by a change in the applicable stress window versus the previous quarter
- Credit risk RWA reduced during the quarter as the impact of regulatory model changes was more than offset by tight risk management in our Core Bank
- Looking ahead, we expect our CET1 ratio to remain subject to volatility, principally due to regulatory model reviews and ECB audits
- In 2022, amendments were made, in particular, to models for our Mid Cap portfolio and our German retail portfolio
- Now, we expect model changes for the wholesale portfolio to follow in phases; a first set was implemented in the fourth quarter of last year with a RWA impact of around 2.5 billion euros
- The models for the larger portfolio of financial institutions and large corporates are expected to follow over the course of this year
- We expect to be able to absorb model related impacts via continued retention of earnings, but the timing of regulatory model decisions is likely to create CET1 ratio volatility
- That said, we aim to end 2023 with a CET 1 ratio of 200 basis points above our Maximum Distributable Amount threshold, expected to be 11.2%
- We ended the year with a leverage ratio of 4.6%, in line with our 2022 target of around 4.5% and an increase of 25 basis points versus the previous quarter
- FX translation effects resulted in a 5 basis point leverage ratio increase

- 11 basis points came from higher Tier 1 capital, reflecting higher CET1 capital and our AT1 issuance in November 2022
- Finally, 9 basis points increase came from the seasonal reduction in trading activities at year end
- With that, let's now turn to performance in our businesses, starting with the Corporate Bank on slide 33

Slide 33 – Corporate Bank

- Full year revenues for the Corporate Bank were 6.3 billion euros, 23% higher year on year. Strong revenue growth was driven by increased interest rates and continued pricing discipline, higher commission and fee income, as well as deposit growth and favorable FX movements
- Momentum was strong in the fourth quarter, with revenues increasing by 30% year on year mainly driven by the improved interest rate environment and solid underlying business performance supported by higher client deposits
- Noninterest expenses of 3.9 billion euros decreased by 5% year on year as positive contributions from non-compensation initiatives and lower nonoperating costs were partly offset by FX movements
- Loan volume in the Corporate Bank was 122 billion euros, down by 1 billion euros compared to the prior year quarter, and down by 7 billion euros compared to the previous quarter driven by FX movements and increasing selectiveness of balance sheet deployment towards the year-end 2022
- Provision for credit losses increased from essentially nil in the prior year to 27 basis points for the full year, reflecting the more challenging macroeconomic environment
- Profit before tax was 2.1 billion euros for the year, up by 103% year on year
- The cost/income ratio came in at 62% and return on tangible equity was 12.5%, in line with our commitment for 2022
- I will now turn to revenues by business segment in the fourth quarter on slide 34

Slide 34 – Q4 2022 Corporate Bank revenue performance

- Corporate Treasury Services revenues of more than 1 billion euros increased by 26% year on year driven by increased interest rates across all markets and higher deposits
- Institutional Client Services revenues of 442 million euros rose by 28%, benefitting from higher interest rates and deposit growth
- Business Banking revenues of 273 million euros grew by 51% year on year, reflecting the transition to a positive interest rate environment in Germany
- I'll now turn to the Investment Bank on slide 35

Slide 35 – Investment Bank

- For the full year, revenues ex-specific items were 3% higher compared to what was a very strong 2021
- Revenues in FIC were significantly higher, with strong year-on-year growth across the majority of the franchise
- This was partially offset by significantly lower revenues in Origination & Advisory in an industry fee pool down 36% versus the prior year
- Noninterest expenses were slightly higher versus the prior year, but essentially flat once adjusted for the impact of FX translation and increased bank levies
- Our loan balances increased year on year driven by higher originations primarily in Financing, combined with the impact of US dollar appreciation versus the Euro
- Leverage exposure and RWAs were essentially flat year on year, as underlying business reductions were offset by the impact of FX movements
- Provision for credit losses was 319 million euros, or 32 basis points of average loans. The year-on-year increase was driven by a weakening macroeconomic environment, whilst the prior year benefitted from a post-Covid recovery and lower levels of impairments
- Turning to revenues by segment on slide 36

Slide 36 – Q4 2022 Investment Bank revenue performance

- Revenues in FIC Sales & Trading increased by 27% in the fourth quarter when compared to the prior year, the highest fourth-quarter revenues in over a decade
- Adjusting for the impact of a concentrated distressed credit position in the prior year quarter, the year-on-year performance was approximately 70% higher
- Very strong performance across the majority of the franchise was partially offset by significantly lower revenues in Credit Trading
- Rates revenues were up over 400%, with Emerging Markets and FX revenues significantly higher. The strong performance was driven by the ongoing heightened market activity and strong client flows
- Financing revenues were slightly lower year on year, as increased net interest margin was offset by reduced activity in Commercial Real Estate and the APAC business more broadly
- Credit Trading revenues were significantly lower, due to the non-recurrence of the aforementioned concentrated distressed credit position in the prior year quarter and a market environment that continues to be challenging
- In Origination & Advisory, revenues were down 71% against what was a record fourth quarter fee pool in the prior year and reflecting the underlying product mix of our businesses
- Debt Origination revenues were significantly lower due to materially reduced Leveraged Debt Capital Markets revenues. The leveraged loan market continued to be largely inactive, and we remained selective in our new business dealings, with a focus on reducing our existing commitment pipeline. Loan markdowns during the quarter were minimal
- Investment Grade debt revenues for the quarter were also significantly lower, as was the industry fee pool. From a full year perspective, our revenue decline was less than the industry average
- Equity Origination revenues were significantly lower, reflecting an industry fee pool reduction of over 60%, with the IPO market down over 80%
- Revenues in Advisory were significantly lower, as the industry fee pool declined materially against a record prior year quarter
- Turning to the Private Bank on slide 37

Slide 37– Private Bank

- Private Bank revenues were 9.2 billion euros for the full year, up 11% year on year, or 6% if adjusted for the impact of the BGH ruling in 2021 and specific items
- Those items include the previously disclosed gain on sale of around 310 million euros related to the Financial Advisors business in Italy
- From an operating perspective, revenues increased, driven by higher net interest income and continued business growth. This more than compensated lower fee income mainly reflecting current macroeconomic uncertainties
- Noninterest expenses declined by 11% supported by net releases of litigation provisions and lower restructuring expenses
- Adjusted costs declined 5% year on year, driven by savings from transformation initiatives including workforce reductions and branch closures as well as lower internal service cost allocations
- The Private Bank attracted net new business volumes of 41 billion euros, in the year with 30 billion euros of inflows in assets under management and 11 billion euros of net new client loans
- Provision for credit losses reflects a high-quality loan portfolio, especially in the retail businesses, as well as tight risk discipline. The International Private Bank was impacted by single exposures, primarily in margin lending
- Profit before tax rose to 2 billion euros for the full year, and more than doubled to 1.6 billion euros excluding specific revenue items, transformation costs and restructuring charges
- Turning now to revenues by segment on slide 38

Slide 38 – Q4 2022 Private Bank revenue performance

- Fourth quarter revenues in the Private Bank Germany were up 7%, or 10% if adjusted for the net impact of the BGH ruling, since the fourth quarter in 2021 included a positive true-up associated with estimated revenue losses
- Higher net interest income more than compensated for lower fee income, which was impacted by lower client activity and more challenging markets as well as reduced fees from insurance products reflecting long-term contractual changes

- The business attracted net inflows into investment products of 2 billion euros in the quarter
- In the International Private Bank, revenues were up 49% or 10% adjusted for the gain on sale and specific revenue items from Sal. Oppenheim workout activities. We do not expect material contributions from this portfolio going forward
- Revenues excluding specific items increased by 11% in Wealth Management & Bank for Entrepreneurs, driven by higher deposit revenues mainly in Germany and EMEA, as well as the positive impact of FX movements during the year
- Premium Banking revenues increased by 6% reflecting higher deposit revenues which more than compensated lower loan and investment product revenues
- Business growth continued, with net inflows in assets under management of 4 billion euros in the quarter, of which 3 billion euros in investment products, mostly in Italy and EMEA. Business volume growth of 29 billion euros in the full year marked the highest increase since the formation of the International Private Bank

Slide 39 – Asset Management

- Let me continue with Asset Management on slide 39
- As you will have seen in their report, DWS reported a modest decline in performance compared to the prior year, despite the market turbulence we saw in 2022
- My usual reminder; the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Reported revenues declined by 4% versus the prior year, in part supported by FX movements. Management fees grew by 4%, reflecting higher fees from Alternatives, partly offset by negative market impacts in Active and Passive. Performance fees were significantly lower than the prior year, primarily due to a large Multi Asset performance fee reported in the fourth quarter of 2021
- Other revenues declined on lower gains from co-investments, higher treasury funding costs, less favorable fair value of guarantees and a lower contribution from the investment in Harvest
- Noninterest expenses and adjusted costs increased by 10% and 4% respectively, including FX movements

- The increase in compensation costs was mainly attributable to strategic hires to support our transformation and business growth
- The increase in non-compensation costs reflects higher professional service fees and IT costs from further investments into platform transformation, and the normalization of other costs such as travel & entertainment and marketing and events
- Non-operating costs include a 68 million euros impairment of an unamortized intangible asset related to US mutual fund retail contracts as well as higher severance and litigation costs
- Profit before tax of 598 million euros in the year declined by 27% compared the prior year
- The cost/income ratio for the full year was 70% and return on tangible equity was 17%
- Assets under management declined to 821 billion euros, reflecting 108 billion euros of market depreciation. Net outflows were more than offset by the beneficial impact of FX movements. Full year net outflows were 20 billion euros, primarily in Fixed Income, Passive and Cash products, partly offset by net inflows in Multi Asset and Alternatives
- Moving to Corporate & Other on slide 40

Slide 40 – Corporate & Other

- For the full year 2022, Corporate & Other reported a pre-tax loss of 1.6 billion euros, compared to a pre-tax loss of 1.1 billion euros for 2021
- The higher loss in 2022 was primarily driven by impacts from valuation and timing differences, which resulted in a loss of 122 million euros, against a benefit of 158 million euros in the prior year
- Valuation and timing differences arise on derivatives used to hedge the Group's balance sheet. These are accounting impacts, and the valuation losses are expected to be recovered over time, as the underlying instruments approach maturity
- Funding and liquidity impacts were negative 334 million euros for the full year 2022, in line with our prior guidance
- Expenses associated with shareholder activities not allocated to the business divisions, as defined in the OECD Transfer Pricing guidelines, were 506 million euros, a small increase to the prior year
- Other impacts in Corporate & Other were negative 817 million euros, primarily from certain infrastructure expenses retained in 2022

- For 2023, we expect the pre-tax loss in C&O to be around 1.2 billion euros, driven by shareholder expenses and funding and liquidity. In addition, C&O will report the results of the Capital Release Unit, which I will detail shortly and which is expected to generate a pre-tax loss, however, significantly lower than in 2022
- We can now turn to the Capital Release Unit on slide 41

Slide 41 – Capital Release Unit

- For the full year 2022, the Capital Release Unit recorded a loss before tax of 932 million euros, an improvement of 431 million euros from the prior year
- Revenues for the year were negative 28 million euros, compared to positive 26 million euros in the prior year, due to the non-recurrence of the Prime Finance cost recovery more than offsetting lower de-risking and funding impacts
- Noninterest expenses declined by 36%, primarily driven by a 35% reduction in adjusted costs, reflecting lower internal service charges, and direct compensation and non-compensation costs
- Leverage exposure declined by 17 billion euros driven by de-risking, market impacts and natural roll-off of the portfolio
- Risk weighted assets declined by 4 billion euros driven by lower Operational Risk RWA and de-risking
- Since inception in the second quarter of 2019, the Capital Release Unit has reduced risk weighted assets by 63%, or 83% excluding operational risk RWA, and has reduced leverage exposure by 91%
- In 2022, having outperformed against its targets for leverage exposure and RWAs, the Capital Release Unit also successfully met its target of less than 800 million euros for adjusted costs excluding transformation charges
- Overall, we have been extremely pleased with the CRU team's execution against the mandate of the division and their critical contribution to the transformation of Deutsche Bank
- Before I turn to the outlook, let me comment on the two changes that will impact our reporting in 2023 and beyond on slides 42 and 43

Slide 42 – Expected re-segmentation of CRU in Corporate & Other

- Having fulfilled its mandate by the end of 2022, we will discontinue reporting of the Capital Release Unit as a separate division
- Since its inception in 2019, the Capital Release Unit has contributed substantially to the success of Deutsche Bank's transformation and its target achievement
- As I mentioned before, between the second quarter of 2019 and the fourth quarter of 2022, the division was able to reduce leverage exposure by 227 billion euros to 22 billion euros at the end of 2022, outperforming its 2020 target by 29 billion euros
- At the same time, the Capital Release Unit reduced its risk-weighted assets by 40 billion euros to 24 billion euros at the end of 2022, outperforming against its 2020 Investor Deep Dive target by 8 billion euros
- This reduction in RWA represented a critical contribution to the achievement of our capital objectives while supporting the re-allocation of capital to the Core Bank
- Across 2019 to 2022, the RWA reduction in the CRU led to an improvement in the Group's CET1 ratio by around 45 basis points, even after subtracting operating losses
- The CRU also contributed to improving the Group's leverage ratio by around 55 basis points over this period
- Lastly, the division reduced its adjusted cost base by 2.5 billion euros since full-year 2018
- We will not be transferring any additional assets to or from the Core businesses
- The remaining CRU assets will roll off over time. These are mostly interest rate derivatives, but also include the Polish FX mortgage portfolio and certain other FIC & Equities assets
- As we move to 2023, we will also introduce what we believe is best practice for internal service cost allocation, which I will outline on slide 43

Slide 43 - Transitioning to best practice Driver-Based Cost Management methodology effective from Q1 2023

- Going forward we will allocate infrastructure costs to businesses based on a new Driver-Based Cost Management methodology. The methodology will be applied to both infrastructure costs allocated to businesses, as well as to some expenses that were previously held in C&O

- As a result, we will get better transparency of the drivers of infrastructure costs resulting in an improved cost allocation to the individual businesses, while highlighting potential areas for further cost savings
- The group cost/income ratio and return on tangible equity metrics are unaffected by the change in allocations of infrastructure costs, but the respective divisional metrics will be impacted by this change going forward
- Finally, costs defined as Shareholder Expenses will continue to be held centrally in C&O and will not be allocated to divisions, consistent with our current practice
- Let me now turn to the Group outlook for 2023 on slide 44

<u>Slide 44 - Our transformation created a solid foundation for further sustainable growth</u>

- Today, we discussed how we successfully performed against our strategic objectives through Compete to win and have delivered a transformed bank
- As the environment changes, so does our business mix, and the more favorable interest rate backdrop has created a strong step-off for further revenue growth
- So let me conclude with a few words on how we see 2023
- With regards to revenues, we anticipate performance around the mid-point of a range between 28 to 29 billion euros, reflecting the impact of interest rates, particularly in the Corporate and Private Banks, as well as robust organic business growth. This would be partially offset by some normalization in other businesses, notably FIC
- Turning to costs, we remain focused on delivering positive operating leverage, a key driver as we work towards our 2025 goals. We anticipate inflationary pressures, but also benefits from our cost efficiency measures, and for 2023, we expect to keep our non-interest expenses broadly flat to 2022
- For provision for credit losses, as Olivier explained, our risk management discipline, coupled with a more benign macro-economic and credit outlook in recent weeks, support our guidance of 25 to 30

basis points of average loans for 2023. Our current outlook would tend towards the lower end of that range, in other words, essentially flat to 2022

- Finally, we reaffirm our commitment to our capital distribution goals in respect of the years from 2021 through 2025. As Christian mentioned earlier, we reaffirm our dividend path and we will provide an update on share repurchases when there is greater clarity on the timing and extent of regulatory headwinds and the direction of the macro-economic environment

- To summarize, the macro backdrop contains many uncertainties, but we believe we are well placed to capture the benefits of our positioning, particularly through revenue growth, continued risk discipline, and our cost reduction initiatives

- With that, let me hand back to Ioana and we look forward to your questions

QUESTION & ANSWER SESSION

- ***Disclaimer:*** *During the call, there were technical difficulties encountered which led to a temporary break of the live transmission of the call. In order to assure full transparency, after the live transmission was resumed, it was decided to repeat the first question by Daniele Brupbacher of UBS. For clarity and ease, we have included both versions of this first question in the written transcript only in the appendix of this document.*

Daniele Brupbacher (UBS)

Thank you. I mean, the first question is really a bit high level. Obviously, 2022 was the final year of the Compete to win strategy. Obviously very clear achievements, there were also probably some disappointments, there were tailwinds, there were headwinds and I was just wondering whether you could share your thoughts around this and how you assess all that.

And probably also, going into 2023, how do you think about the key uncertainties? Is Origination & Advisory coming back? Is it fixed rates, is it risk cost, costs, just how you feel about this?

And the second question was really about the 2023 revenue outlook and here you gave us the Group outlook, but can you talk a little bit about the divisions, what the drivers are and how we should think about this one and probably how the year started so far, that would be useful. Thank you.

Christian Sewing

Right, Daniele, thank you very much for your question.

So, on your question, I do think that before we go into the individual strengths and potentially also areas of further improvement, let me, first of all, say, Daniele, that I think this bank is immensely proud of that what we have achieved.

Not a lot of people thought that this turnaround, which is an absolutely sustainable turnaround, is doable but we, who have been close with the Bank and being in these positions, we always saw the potential.

And I think the most important what we achieved over the last three and a half years is actually the reinvigorated passion, the focus and the pride of the organisation. And I really would like to highlight that here because I think people too often really miss the point, that we are talking about a people's business with our employees but also with regard, that the key item we are doing is covering clients and therefore you need absolutely proud people who are doing their job with passion.

And that's what we managed over the last three years and that's actually which is also the basis for everything which we think we can achieve in the next three years.

Now, why did we do this? Because I think this organisation found its balance, found its direction and found its strategies and I would say, to your question, one of the clear achievements of this transformation and also what we have seen in 2022, is actually our strong focus on the four business areas where we think we are able to compete and where the clients really want to work with us.

And we see that when we look at gaining market share, by the way not only in the FIC business but also in other areas of the Bank: Corporate Banking in Germany, Wealth Management internationally, we clearly win market share because we know we are acting there and we are operating there where we have our strengths.

Then, I do think over the last three years we would have never been able to actually do this, what we have done, without first-class risk management. We had two crises, so to say, to manage the pandemic but also, obviously, the impact of this awful war in Ukraine.

And you can only do it if you have complete belief in your capacity and capabilities as risk manager. We have had that for the last thirteen, fourteen, fifteen years. You see that with our results. And, again, in 2022 we had an outstanding year in terms of risk management, by the way, Daniele, both on the front office side as well as on the back-office side in risk management itself.

And then obviously the focus discipline which we had in the CRU, James was talking about that, which really helped us to create the capital which we then used in order to invest it into the business. And, last but not least, it's the cost culture, and that is something in

Deutsche Bank which we haven't had before, and I think I can judge on it because I have been here now for 33 years.

But the cost culture for three and a half or four and a half years now where we took out, over the last three years, more than 3 billion euro of cost is something which earmarks a new era.

Now, this brings me to the point of where are areas of improvement. I wouldn't call it area of improvement but it's clear that we cannot lose this cost focus. And James talked about this in his prepared remarks, how we want to take out the next 2 billion euro.

Just in the year 2022, out of the 2 billion euro we already took out 490 million euro out of these four areas, i.e. German restructuring, technology architecture, front-to-back process re-design, infrastructure efficiency. All the measures he mentions on page 29 of his presentation, 490 million euro has been already done in 2022. And that focus will go on.

And on top of that, we know we need to do more and therefore we set up an incremental cost management programme which even delivers more, also in order to find the right response to the inflation which we see in the economy. And, therefore, I think cost cannot go away.

Second point where we need to, in my view, improve is regulatory remediation. We know there is a lot of work ongoing. We have achieved a lot but we cannot let loose. We need to do it. It's a foundation in order to grow sustainably and hence all focus also on that in the year 2023.

Last but not least, I would say while we got really good at it, I think we can even further improve the way we are doing our portfolio allocation, capital allocation, in particular in volatile times like we have it right now. I think we have shown the strength in 2022, otherwise we wouldn't have been able to show these results, but obviously you can learn from that.

And with all the tools and techniques and instruments we have, to even make sure that we shift our business there from a capital return within our Global Hausbank strategy, there is the best return.

So, if we think about this, then I would say I would say these are the clear strengths and also areas where we can improve. And if I take that forward, then I do believe this really is paving the way for 2023.

And 2023, to your second question, clearly we see an upside on the revenue side. James was talking about the net interest tailwind which we have of approximately 1 billion euro.

But it's not only that, it's also the underlying business which we are doing, in particular on the stable business which are growing. The Corporate Bank is growing quarter by quarter. And if I look into that what we have achieved in Q4 2022, compared to Q3 2022, Q2 2022, steady improvement.

If I now see how January started, by the way not only in the Corporate Bank, also in other businesses, but also, again, in the Corporate Bank and see the forecast for Q1 2023, this is a steady increase of the stable business, not only based on the net interest income but also by the underlying growing volume we are writing with our clients.

And hence we feel confident about the €28.5 billion of revenues with a clearly increasing revenue side on the Corporate Bank. Also, in the Private Bank from an operating side, we are clearly increasing the revenues, obviously having the tailwind of the interest rates.

We had a very good start also in Asset Management because you have seen where the markets are. I think we plan cautiously there. So, I see real momentum there.

And in the Investment Bank, to be honest, I'm hugely proud of what we have achieved.

You have seen the market share gains and even January again shows me that the underlying flow of our business with the clients is absolutely showing the momentum which we have seen before.

And therefore, I think we have a good chance, actually, the Investment Bank, to show a revenue result on a previous years' basis. Even if there is a slight decline in the Macro businesses or in the FIC business, we can also see that part of the O&A business is coming back. We have a very stable financing business.

So, you have two businesses with clearly increasing revenues, Corporate Bank and Private Bank, you have a stable Asset Management and you have an Investment Bank which is stable in itself and very sustainable and then you take the net interest income which is obviously a tailwind you need to account, and hence we are coming to a clearly increased revenue line in 2023.

Taking then flat costs and flat provision for credit losses where we see the environment into account, we see another nicely evolving pre-tax profit next year which is better than this year.

Daniele Brupbacher	Thank you.
James von Moltke	Thanks, Daniele.
Chris Hallam (Goldman Sachs)	Thanks for taking my questions. So, first on costs, what gives you the confidence on holding non-interest expenses flat in 2023, especially in light of that cost miss in 2022? Can you provide any further details regarding the building blocks there that underpin those assumptions? And also, any updates on the medium-term cost outlook and cost measures. Then, secondly, on the 2025 targets, which you've reiterated, has the make-up of how you get to those targets changed significantly, given what we've seen, the moves in rates, moves in inflation, the broader macro and obviously credit conditions? And then, finally, just on share repurchases, following up from one of your earlier comments, James, what are the regulatory headwinds you're waiting to hear on? How large could they be? When do you expect to have that clarified and, therefore, when do you expect to be able to give a number on the buybacks?
James von Moltke	Thanks for the questions, Chris. I'll take all three and Christian and Olivier may want to add. First of all, on costs, look, we've established a run rate, so what gives me confidence about 2023 is we exited 2022 at the run rate we essentially have to preserve now through the

year.

And that means that a lot of the initiatives that we've talked about, as Christian mentioned, that the key deliverables that we bucket for you on page 29 of the deck, that are in flight and that's, I think, an important thing to understand. This isn't stuff on a whiteboard, this is where the initiatives are funded.

We have delivery underway. We already have delivered on a significant portion of it, and we have great governance and tracking of how we bring this all to fruition. That's underway and in a sense those deliverables offset the impact of inflation and other investments that we make in the business over time. But the critical thing is to continue to manage to that run rate.

Now, obviously there's some variability. If it's about 1.6 billion euro or 1.65 billion euro per month, there'll obviously be some variability, but in essence it's trying to manage that flat, given all of the moving parts.

We'll also have the Single Resolution Fund assessment, non-operating expenses and, where possible, we obviously seek to influence those to be as small as possible. In a sense that has to continue now for several years. Obviously, there'll be some FX impact over the years on that run rate but that's what the mindset is and how we think of the building blocks.

As Christian outlined, we're always working to find more measures on the expenses and peel the onion and, to be honest, the deeper you get into it, the more tools you build to understand and control your expense base, I think the more opportunity you also find, which is good because, as I mentioned, inflation has been running ahead of what we anticipated, say, a year ago.

On the targets and the path to the targets, it's a similar story. Revenue growth with flat expenses drives operating leverage and the cost income ratio down, RoTE up. We feel really good, as Christian outlined, about the compound annual growth rate in revenues that we laid out in March and, if anything, the 2022 start on that path was better, interest rates a little better and the underlying drivers also better.

On credit, we entered a cycle that perhaps we didn't expect prior to the beginning of the war but we see a normalisation of credit as we get into 2024 and 2025 and we feel pretty confident on the book, as you've heard Olivier describe, and he can go into as well.

So, while the environment has clearly been dynamic and the cost base has reset upwards, in part with inflation, in part with some investments that we made last year, I'd say the overall picture is actually pretty consistent with what we shared with you in March 2022.

Lastly, on the share repurchases, the reg items that are on the way, really the most significant is what we refer to as the wholesale IMI or Internal Models Investigation. So where we've been, and, as you know, other banks as well, there've been reviews underway on the applicability of new EBA guidelines in our model environment. And there the reason for caution is both the timing and magnitude of that item as well as potential offsets that we've been working on, whether to do with other models or limitations that have been applied in our IRB world.

And so with the uncertainty, as I say, timing and magnitude, and therefore volatility, we think it's just prudent to hold on to the capital to ensure that we wouldn't be distributing an amount that, while by the end of the year we would have been very comfortable distributing on an interim basis, it might have made us look a little thin and potentially influenced our ability to support balance sheet growth, support clients in this environment.

So, hopefully that gives you a little colour on how we've been thinking about it and what is coming down the pipe. Operator, I think we can go to the next question. Thank you, Chris.

Nicolas Payen (Kepler Cheuvreux)

Good afternoon. Thanks for taking my question. I have two, please, one on risk management and one full open costs. The first one, on risk management, you mentioned in your guidance a 25 to 30 basis cost of risk.

What are your underlying assumptions behind this trend for 25 and what would drive an increase to 30 basis points? So, in other words, what's your sensitivity into this range? And if we could also have a bit of colour on where we stand vis-à-vis the scenario of the complete gas cut-off within this guidance?

And the second question, the full open costs is if your revenue growth does not materialise as you expect, what kind of flexibility do you have? Because notably in your prepared remarks you mentioned additional potential mid-year costs, notably in agile management of headcount numbers.

So, if we could have a bit of colour on this item, please. Thank you very much.

Olivier Vigneron

Sure. Thank you for the question on credit loss provision. As you know, we have guided a range of 25 to 30 basis points and your question is really how did we get to the bottom of this range, i.e. 25 basis points, which we take as flat to what we've done in 2022.

Well, really, the tailwinds that I can identify are, number one, the prospect of perhaps a shallower recession in the US, inflation is trimming back and we have a prospect of normalisation of interest rate rises this year, and also the decline around energy concerns due to the mild winter, the different measures consumers have taken and also Germany's 200 billion euro package on energy prices is a key factor.

The fourth one is really China reopening that nobody forecasted and that is beneficial to growth. So, for instance, different research are now not forecasting, really, a recession for the full year for Germany but perhaps more a stagnation. So, all these tailwinds would guide us towards the bottom of the range.

To your question how do we go to the top of the range, it would be any downside risk around these factors, really. So, that will be my answer.

The second part of your question concerns at the end of Q3 2022 when we had a lot of uncertainty and we were very concerned, coming out of the summer, around the possible energy squeeze, we did a lot of detailed work in our book to estimate the possible impact around that.

And we guided for the next 18 months a 20 billion euro downside, both in terms of likelihood but also in terms of impact because of the measures I've mentioned about the government and how people are adapting to new energy supplies.

We see this downside risk as to be discounted, both in likelihood and in magnitude.

James von Moltke

And, Nicolas, in your second question, the flexibility of the expense base to adjust to the downside potentially in revenues is something we've talked about over the past several years and, as you know, our answers have been we weren't comfortable in an environment where we were managing a shrinking expense base and going through the transformation.

We didn't feel that the levers we had to the downside, variable expenses, were really sufficient to offset variability on the revenue side. We think we're pivoting to a better place in that regard over 2023 and the subsequent years.

And why do I say that? I think it's on both lines. As more of our expense base shifts to the "stable business", more predictable, you have less variability, if you like, that you need to account for. So, that helps in the equation.

And the other thing is as we now move to an environment where we have cost saves underway, we have an investment profile that is, if you like, fully funded and we're in execution mode, if you like, on the cost reductions, I do think we get to a different place in terms of flexibility. We started talking about this a little bit.

So, it's not just marketing expenses, bonuses retention, the truly variable expenses in the cost base. There's also decisions we can make more in discretionary costs, in investment, timing that would over time give us more flexibility. So, to answer your question, I think we've made some real progress towards having more flexibility to manage.

As you heard us say in the second quarter 2022, we're

	very cognisant, though, of preserving investments that are critical to our future, and hence that's the balance we've been working to strike. Thanks for your question.
Anke Reingen (RBC)	Thank you very much for taking my question. The first one is a follow-up on the costs. Sorry if I missed it but what is the direction in cost from 2023 to 2025? Considering the cost savings and less SRF and inflation, should it be flattish or could it be even trending down and maybe what inflation assumptions have you taken in there? And then on the revenue guidance and your increase in upgrade from higher rate benefit, the 0.5 percentage point in the CAGR, why didn't you change the CAGR, that 3.5%, to 4.5%? I guess everything else sounds a bit more optimistic as well or am I mixing up different years here? Thank you very much.
Christian Sewing	Look, Anke, let me take the first one on the cost side. So, overall, obviously, with the inflation where it is, it is not that easy to exactly forecast that but our view, when you look at the next three years, is actually to operate on the basis of flat costs. That's what we want to achieve. Therefore, we came out last year, in March 2022, and said we think we need to take out, and we can take out, the extra 2 billion euro. This is exactly what is detailed out on page 29 where we're making good progress and, as James is saying, this is not just a "PowerPoint", there are underlying key deliverables which are monitored on a weekly and monthly basis and we are confident to achieve that. Now, given the situation where we are in, with inflation a bit stickier and higher than we even thought in February and March 2022, we do believe that we need to do more things, like James was just saying, and hence we are working on additional incremental measures in order to make sure that our costs are staying flat over the next three years and that, obviously, then works into our operating leverage. So, in this regard we have an assumption that the inflation is coming back, clearly, to below 5% in 2024 and then to 2% in 2025. We know this is always very

complex to forecast at this point in time but that is something which we have, so to say, in our plan.

But the key assumption is, and what I can see also from the additional tools James and Rebecca are working on, for instance on driver-based cost management and the way we can now really see the transparency and drive the costs is that we need to do more than the 2 billion euro and we are able to do it.

James von Moltke	Anke, on the compound growth rate, look, we like the idea of reiterating the targets. Obviously, our confidence in the high end and potentially exceeding it is higher today than perhaps a year ago. But we didn't see a need necessarily to raise that target at this point in time. We can happily live with a target that looks conservative as things stand. Remember, again, FX has a pretty big impact and there are lots of other things. The only other thing I just want to say is remember that there was a business growth aspect in the compound growth rates that we provided in March 2022. So, we've broken out the interest rate-driven improvement, which is good, but we're also confident about the underlying growth rate, given the drivers that you've seen, for example, the 41 billion euro of net new business volume in the Private Bank in 2022. So, we're going to keep on working at that and if we can exceed that target, so much the better.
Anke Reingen	Okay, thank you.
James von Moltke	Thank you.
Tom Hallett (KBW)	Hi, a couple of questions from me, please. On the deposit beta that's been a big topic of discussion over the last few months, could you provide us with some colour on the Retail Corporate deposit dynamics and does it remain below the target rate? And then, secondly, on capital/buyback, if I'm not mistaken, you said maybe 1 January next year you'll be operating with about 13.2% go-to level and in the meantime we've got a lot of RWA inflation, you've got Basel III annualization stuff coming through, pay-outs of dividends and so forth.

It feels that even if the market conditions stay as good as they are, the chance of a buyback feels pretty low. Is that fair? How else should I understand that? Thank you.

James von Moltke

Thanks for the question, Tom. So, on deposit beta, we talked about this a little bit last quarter. We look at, in essence, four portfolios, dollar and euro and then our Private Bank, that is Retail and Corporate Bank books, and what we're continuing to see at the moment is the beta, or elasticity, as we see it, is showing a very large lag.

It's very significant in percentage terms. Obviously, we don't go into it in detail but that lag continues in essence to surprise on the upside at the moment.

Reflecting, I think that the models that we build around this historical behaviour is you don't really capture what happens in a rate cycle where your starting point is negative or zero, depending on the currency, and the pace of the rate increases at the short end is as rapid as it has been.

And so we've seen that lag. Obviously, in dollar it's catching up to the models over time more quickly than in euros where we're still at the very early part of the tightening cycle. But it's one of the reasons we saw, I think, pretty significant upside in 2022, some of which will carry into 2023 on lag benefits relative to our earlier models.

So, that's really encouraging. On the planning and the conservatism in buybacks, I think Christian may want to add some thoughts.

Christian Sewing

James has said it. Look, first of all, I think it's a clear statement that we reconfirmed our 8 billion euro of capital distribution until 2025 or for the years 2021 to 2025. You have seen that despite there is quite a volatile environment outside there, we increased our dividend.

But to this distribution, this consists obviously of the instrument of buybacks and we remain optimistic that we will use this instrument and that we also have a chance to use it this year.

But I think you also deserve a Deutsche Bank management which is always looking at it from a conservative point of view. James just outlined that there are still some uncertainties, in particular on the regulatory side. We want to wait for that.

But if I look also how we started into the year from a capital ratio with 13.4%, which, by the way, I think was a very positive jump-off, if I see how the business is going, I remain very optimistic that we can do this but you deserve it at a time where we can talk exact numbers and exact timing and hence you see an optimistic management, also with regard to that instrument.

Tom Hallett

Okay, thank you. And, James, just a quick follow-up. On the Basel III annualization impact, is there any update on that? Because one of your peers, you know... It seemed to be diluted a little bit versus, say, a year ago expectations? Are there any changes at Deutsche Bank?

James von Moltke

Tom, a lot of moving parts in that as well. The truth is the capital calculations and forecasts have lots and lots of moving parts. On Basel III we were encouraged by what we see in the proposals that have come out of Brussels and going into the trial log.

So, in fairness, we probably assumed in the estimate we gave you last year, consistent, by the way, going back several years and around 25 billion euro in RWA terms, there's been some puts and takes in terms of the various moving parts of it. And, of course, the other question is what's your step-off going into the move from 31 December 2024 to January 2025. So, lots of moving parts.

We don't see an improvement versus the 25 billion euro right now, we actually probably see a deterioration of perhaps 5 billion euro but, really, all driven by op risk RWA and that, in turn, would be driven by higher revenues in 2025.

But that's an estimate and there's going to be lots of moving parts, again, there, FX, revenue growth and the final rules. So, I wouldn't want to paint too negative a picture but I also wouldn't want to suddenly go away

	from that 25 billion euro estimate that we've given you now pretty consistently since, I think, 2018 or maybe 2019.
Tom Hallett	Yes, interesting, thanks.
James von Moltke	Thank you.
Adam Terelak (Mediobanca)	Afternoon. Thank you for the questions. I just want to clarify on capital and regulatory inflation. If you're taking regulatory inflation this year, does that frontload any of that Basel impact? Clearly, if you've got RWA inflation ahead of a credit risk floor, either input or output, then you'd think one would be just frontloading that impact. So, is it just a timing issue when it comes to this year's regulatory inflation? And then, secondly, I wanted to ask on the DTA write-up. Obviously, taking 1.4 billion euro, I'm less interested on this year but more how quickly that comes back through your capital. So, you've given us your tax rate expectations but what does your cash tax rate look like? I assume it's significantly lower, meaning a more capped generation in the next two years. So, any colour on those two would be great. Thank you.
James von Moltke	Thanks, Adam. So, on regulatory inflation, again, it's one of the moving parts, as I mentioned. Step-off is a consideration in terms of how much comes on overnight from December to January. Yes, there is a little bit of netting in terms of higher floors, LGD and PD floors, in the IRB going into Basel III implementation in 2025 but there are other things that move in the other direction and hence my answer to Tom, which is lots of moving parts. Operational risk is probably the only one that if you net it all out, that probably moved in the negative direction but it includes that concept of bring forward. On the DTA write-up I have a couple of things to say. First of all, this year's impact, as was last year's, is really on the US tax position, US tax loss-carry forwards. Really, encouraging given it reflects the enhanced

value of the franchise.

Around cash taxes, look, because they're disregarded, the DTA itself has disregarded the ratio and then the GAAP earnings essentially reflect an accrual, the impact is relatively modest over time as to the value of the tax shield reflected in your capital accounts. So, I wouldn't see that as a major driver of capital creation.

The other complexity that exists around this in the US is, as you know, the US has become, as a jurisdiction for tax, much more complicated over the past several years with the BEAT and the minimum tax level. So, we've factored all of that into our current estimate of the utilisation of those tax characteristics. But as you can imagine, there have been some considerable moving parts there, as well.

Adam Terelak

But that 1.4 billion euro should come into capital at some stage, but just need to be very, very patient for it.

James von Moltke

Over time, and there is a cash tax benefit that is recognised over several years. That's fair.

Adam Terelak

Thank you.

Magdalena Stoklosa (Morgan Stanley)

Thanks very much, I've got two. One is about the cost of risk targets, and other one about volumes and what you see from the client business perspective in Corporate Bank and Private Bank. So, maybe, first, on the cost of risk. I know we've discussed it a little bit already, but my question, really, is when you look at that range, and I know you talked about what can get us to the bottom versus the top of the range, a lot of macro assumptions, but what is your underlying base case macro underpinning that range, what is best scenario with key variables?

And secondly, I'm very interested what you think about the idiosyncratic risks, as well as the sector one. Because, of course, over the last couple of weeks, we have seen news flow, or Adani or Americanas and, of course, you can argue that these are accounting issues. But we seem to be having these idiosyncratic relatively large risks. So, potentially, large risks, versus the sector ones, more macro-driven ones. How do you reconcile those risks, as well, within the guidance?

The question around the volumes, around the Corporate Bank, in particular, because, of course, we've talked about the revenue growth in 2022, which, I have to say, across the board, impressive. But what sort of business volume do you actually see in the Corporate Bank over the next, let's just say, two years? Because we are starting to see weakness in originations across the board. Thank you.

Olivier Vigneron

Thank you for your question. I'll start on the cost of credit risk. So, for 2023, we see the credit loss provision that we said would be between 25 and 30 basis points on our loan book at amortised cost, has been driven, really, by Stage 3 provisioning. So, meaning that we've done quite a careful bottom-up analysis in the different sectors of our book of where we want to provision to take into account higher rates, recession. So, especially on MidCcap, on Commercial Real Estate, Leveraged Lending. We do not see, really, forward-looking information on macroeconomic variables as being a key driver like it has been in 2022, where we had 358 million euro, a bit above 25 basis points, driven by the deterioration in macroeconomic environments.

So, the base case of the better outlook would definitely mean that we could have some releases coming from these effects. But really, the rest of the credit loss provisions are driven by this bottom-up analysis, which is sector analysis, and have taken into account the headwinds that we all talked about, high rates from higher inflation, recession, etc.

In terms of idiosyncratic risk, of course, when starting this exercise, you don't foresee everything that you can account to during the year. You do account for some. I won't comment on a specific situation, as you can expect.

But as I have outlined in my talk, we do have for every exposure, quite a clear framework, either industry risk limits that prevent exposure to higher-risk industries, or a country-risk framework that's quite robust that would limit exposure to a higher-risk country, as well as a concentration framework, that also very important to avoid large concentration risk. And when structuring lending, our lending standard to lead to outcomes where we’re well collateralised and where we have structural enhancements. And that what I would say that gives us some confidence around our loan book and managing an idiosyncratic event.

Christian Sewing

Magdalena, on the growth side, the Corporate Bank, and then later, in the Private Bank. Look, on the one hand, we see, still, an increasing loan book in the Corporate Bank. It’s a little bit more on the short-term side. That's the change which we have seen in the second half of 2022 because corporates are also, obviously, securing their liquidity a little bit less on long-term investment facilities. But in particular, the Corporate Bank, next to, obviously, the benefit of the NII, we see an increasing flow and revenues from payments, trade finance, and our overall cash management business. Not only for corporates, but also, with regard to our financial institutions where we’re doing cash management with. And that is where we focused our business on, were we also invested a lot into technology. So, if you think about the growth rate for the next three years, then, actually, a lot of people think that most of that will come from the NII. It’s actually that even more is coming from the underlying volume, which we see in cash management payments, and then, trade finance. So, it’s very much diversified, and that's exactly, also, what we see now in the month of January.

In the Private Bank, it’s also very balanced, we see growth next to the NII, in particular, coming from the international Wealth Management business. We are gaining market share, in particular, in Asia, so we are focusing on that business. In Germany, I think a good revenue development. Of course, with less in, for instance, private mortgages because the demand in private mortgages is reduced, given the environment we are in. But if I then look at the investment business, the payment business in the Private Bank, but also, actually, on the consumer finance business, we are doing well. And therefore, I would say that we are also seeing, there, an increase even in the year 2023. So, overall, next to NII, a pretty diversified revenue stream. And the nice thing for us is that the revenue increase outside NII, is at least exactly the same amount or, if

	not, higher than simply, then, the NII contribution.
Magdalena Stoklosa	Great, thank you very much.
Stuart Graham (Autonomous Research)	Hi, thanks for taking my questions. But first, congratulations from me, too, on the *Compete to Win* plan, we can quibble about some of the numbers, but the fact is you achieved a strong turnaround for the bank during a tough macro period, confounding many naysayers, like me. So, I think you, Christian, James, and the rest of the management team, can rightly be very proud of that turnaround. More mundanely, I have two short number questions, please. On the regulatory headwinds, to get to 13.2% at the end of 2023, from the starting point of 13.4%, I'm coming up with 60 basis points of regulatory headwinds, does that sound correct? And then, secondly, at the last investor deep-dive, you talked about an ambition of 800 million euro of green revenue in 2022. What was the actual number, please? Thank you.
James von Moltke	Stuart, thank you for your kind words, and we appreciate it, and also, the attention you've paid to this process over the years. So, on the regulatory numbers, I would say on balance, if you like, net, that number would be high. Obviously, lots of ingredients into the calculation this year, so organic capital generation, distributions, including AT1, other elements in the calculation like offsetting employee compensation items, and what have you, and then, business growth. So, there's a lot of moving pieces in that picture, but I would say on a net basis, the 60 basis points looks high. The other thing just to remember is that Basel III bill. So yes, our guidance would be 200 basis points above MDA, so 13.2% at the end of the year. As we get closer to the end of the year, and look at business growth, and the path to Basel II, we'll also have a clearer view on what we need as a step off at the end of the year into next year. So, lots of moving parts, but I think your math is a little high.
Stuart Graham	So, the right number would be 40 basis points, then?

James von Moltke	I'm not going to get drawn on a go-fix with the numbers, Stuart, but we can talk a little bit more.
Stuart Graham	Okay.
Christian Sewing	And on your green revenue, to be honest, I can't tell you the exact number, we will get back to you. Because, we have fortunately, and I'm very proud of that, achieved our 200 billion euro goal, as you have seen. We are also pretty confident that we can, from here on, tackle the 500 billion euro. But we will provide you with these numbers when we get on March 2nd, 2023 in our Sustainability Deep-Dive. So, give us a little bit of time, in order to come up with this number.
Stuart Graham	Sure, thank you.
Christian Sewing	Thank you.
Jeremy Sigee (BNP)	Hello, thank you very much. Firstly, I just wanted to, if you'll allow me, keep going a little bit on the moving parts around capital. Just two specific points, please. Firstly, could you put a range of numbers around that wholesale model impact that you're expecting? If you could give us a rough range of what that could be, that would helpful. And then, the second specific is you had quite a big balance sheet reduction at year-end, and I wondered whether you expect that to re-expand in Q1, just with seasonal shrinkage and growth again. And then, my other question is on the provisioning discussion and credit quality. If I compare with other banks, including some of the US banks, as well as European peers, some of the others talk much more about buffers for the sake of buffers. Over and above what they think is necessary, but just to play it safe. Whereas acknowledging that you've done an extremely good job of risk management, your provisioning seems to be more close to what you expect to happen. So, I just wondered what your thoughts were about that buffers discussion.
James von Moltke	Sure, Jeremy, thanks for the questions, and maybe I'll go in reverse order. On the buffers, you're absolutely right. We, essentially, stick to the model outcomes unless we see some compelling reasons to move on that. As we finished the year, we didn't see a reason for that, and so, the number you see is what we believe is

necessary. We've been consistent on that, I think it serves the company well and is in line with what is expected of us, certainly, from an accounting perspective, and should, also, arguably, from a regulatory perspective.

On balance sheet reductions, end of year, there was seasonality, as there always is in leverage exposure in the Markets business, and then a little bit of a short-term decline in loans, particularly in the Corporate Bank. And we'd expect some of that to come back in Q1, which is also why, I think, on the capital side, the step-off has, probably, surprised us, as you know on the upside, and it was mostly in credit risk, RWA.

On ranging, the wholesale IMI, I won't be drawn on that. First, because it's a wide range, there's uncertainties in that, in the model, and it's, in essence, or largest portfolio, so there's a lot of work to do to tie that all down. What we're really focused on, as I mentioned earlier, is the timing, not just of that, but also, of some offsets that we see, coming into the capital calculation. So, in essence, it's the volatility, which is also why I don't want to be drawn, at this point, into Stuart's question about what is the net impact through the year as you think about capital build.

Your first question about moving parts, really, I think I answered that, and hopefully, have given you some colour in the various answers as to what we're dealing with. And I think Christian's been very clear about management's direction of travel, once we have more clarity, here, on the various moving parts.

Jeremy Sigee — That's helpful, thank you.

James von Moltke — Thanks Jeremy.

Andrew Coombs (Citi) — Good afternoon. Two follow-ups to Christian, please, if I may. The first was on this point about alpha versus beta, in terms of the revenue growth. If I look at your guidance for 2023, you've got the 28-29 billion euro versus 26.7 billion euro in 2022, on an adjusted basis. You've said that rates after adjusting for higher funding costs will be 0.7 billion euro of that. So, at the lower end of your range, it does appear that rates are actually the majority of the expected growth in 2023, unless you're assuming a normalisation in Markets revenues, or something else, so perhaps you could just elaborate on that?

And then, my second question would be in response to the answer you gave to Daniele the first time around, before the conference cut off. I think you talked about some of these regulatory model reviews, and you were saying about how there's the risk that in the aim to create regulatory soundness, the regulatory almost goes too far. Too far for the European banks to remain competitive. So, I wanted to ask your view, in light of heightened capital requirements of any businesses which you think are now uneconomic and where you can't compete and where you would be better off exiting or, at least, downsizing? Thank you.

James von Moltke

So, Andrew, why don't I start, and pass it on to Christian on how it informs capital allocations because I think it’s a really good question. Just briefly, on the revenues. Yes, if you take the gain on sale out of the 27.2 billion euro, our starting point is 26.9 billion euro. Add the 900 million euro to get to 27.8 billion euro. And to get the middle of the range, we’d have to grow in every other aspect of the company by about 700 million euro. That doesn't seem too stretchy to us, given the momentum in the businesses on all of those drivers. And also, some unusual items we had in the year, valuation and timing is always a little uncertain, as we’ve talked about. So, hence, if you like, the confidence you're hearing from management about the path forward. And in the beta discussions we’ve talked about, we brought forward some of the benefits that would otherwise have been in the 2024 period, and a little bit in 2025, into 2022 and 2023. Hence, some of what you're seeing.

On the regulatory side, yes, you've heard us say this a few times. The more you put floors into the IRB models, the more things outside of economic risk drivers are reflected in how we need to capitalise the businesses, it does affect the return on capital that we earn from them. It means we have to look at capital allocation carefully. So that's something we’ve always been focused on, and remain intentionally focused on as we adapt, now, to a changing regulatory environment.

Christian Sewing: Yes, there is hardly anything to add, Andrew. But when I talk about this regulatory items, it’s not only the model discussion, which James, I think, talked a lot about now. It’s in Europe, also, these additional items, like SRF, countercyclical capital buffer. And of course, you are looking, then, from a portfolio allocation, also, next to all the impacts from the Basel III, what does it mean? This is exactly what we are doing, and there we are, thinking, and that was one of the comments I made, where we can, I think, even get better in the final, or in the finetuning of the portfolio allocation, and thinking about what does it mean in two or three years for that and that business. I think we have shown it already, also, in parts of the Investment Bank business within our transformation, that we made the right calls. We showed it last year, not only when we foresaw the weakness in the Leveraged Lending, but also, with the additional capital, which we had to accept that we are, obviously, then, also, right-sizing, there, our appetite.

And the same thoughts we will do when it comes to German mortgages, when it comes to the extra capital which we have to preserve for that. I think, in this regard, it is something which is taken into account, but there is nothing, actually, which makes us nervous and which prevents us from achieving our goals. It actually is something which, in my view, is not only finetuning but optimising our capital allocation, and that's exactly what we need to do.

Andrew Coombs: Thank you very much.

Christian Sewing: Thanks Andrew.

Kian Abouhossein (JP Morgan): Yes, thanks for taking my questions. The first one is just quickly to clarify the decision not to have a buyback is your decision, or it’s being asked by you to wait until further notice?

The second question is related to cost. If I look at the 2023 stated cost, relative to 2022, clearly, there are some, not one-off items, but some transformation costs in there, some mitigation costs in there, roughly 550 million euro or so, if you add it together. Should we assume a similar amount of these kinds of costs in

2023? And in that respect, you mentioned that this business will make a north of 1.2 billion euro, does that include the CRU? And can you tell me the cost of the C&O business, so I can get a bit of a better clarification of my modelling?

And then, the last one is, if I may, just very quickly, you used to have a cost guidance of 18.5 to 19.0 billion euro in 2025, should we just ignore that now, as we're in a new world? And if that's not the case, clearly, this year's guidance on CAGR, you're not getting to your 62.5%. So, just trying to understand is there some kind of cost improvement element in the later years on a net basis, rather than just on a growth basis? Or all of that has to, really, come from revenues?

James von Moltke

So, Kian, thanks for your questions. I'll try to be brief on all of them. So, on the first, let me be really clear, the decision on the buyback was ours, it was management's decision, did not reflect any influence from the regulators. On the cost, going forward, starting with the Corporate & Other area, the 1.2 billion euro we gave, hopefully, a little conservative, when all is said and done, includes the CRU. So, is a number that is proforma for all the changes that I mentioned, in terms of the push-out in DBCM and the CRU. And we'll be able to give you some more numbers, over time, on the restated basis for that. So, lots of ins and outs, but the net is down.

There will be the, call it, 500 million euro or so, now, of shareholder expenses. And then a little bit of volatility around things like restructuring and severance, plus the CRU expenses in there. Those CRU expenses are coming down significantly over the years to come, so we'd see some improvement from that, over time.

And on the 18.5 to 19 billion euro, look, let's start with just FX, which is, I think we disclosed, added something like 600 million euro to the expense base. Some of that, of course, will have come back a little bit with the rally in the Euro, so far this year. So, there's a little bit of FX, a little bit of incremental investment that we've now built in. But remember, if revenues in 2025 are 1 billion euro or 2 billion euro higher than we had initially anticipated through the sum of everything that we've talked about, each billion of cost, at 62.5%, supports 625 million euro of additional expenditure. So, there's flex in the ratio. If we travel at about the level we were this year, our math tells us we should be right in line with that.

And then, lastly, on the litigation item. Litigation ran higher than we expected this year, for sure. Some of the items were, frankly, unexpected, and so we would hope that that goes back to a more moderate level in the years to come. So, again, lots of things to manage in the years ahead, but we think our model works well.

Kian Abouhossein: Thank you.

James von Moltke: Thank you Kian.

Andrew Lim (Société Générale): Hi, afternoon. Thanks for taking my questions. So, first of all, well done on the operating leverage coming through in the Corporate Bank and the Private Bank. But it seems tainted somewhatby what's gone on in the Corporate & Other division. You seem to have quite a large outsize negative revenues and large costs, can you tell us what exactly happened in the fourth quarter, whether these should be temporary in nature, and revert back down to a lower level?

Secondly, on the Investment Bank side, I think you've talked about the robustness of trading coming into 2023, could you give a bit more colour on whether this is macro-driven or credit-driven? And maybe, give us sense of the year-on-year increases for January? And then, on the IBD side, you've been weak there, this is Origination & Advisory, of course. Have you seen a sense in January that this is rebounding strongly with the revenue markets that we've seen?

And then, thirdly, I've got to come back to this buyback issue. I just can't rationalise it in my head why you're pausing this. You've given an answer alluding to modelling considerations and these having to be taken into account. But at the same time, I can't sense that things have actually deteriorated in terms of macroeconomic outlook in the past quarter. You, yourselves, say that cost of risk is actually going to be flattish year-on-year for 2023. Is that really an issue? What's happened in the past quarter to make you more cautious? And if it's not really that, if it's more to do with credit risk rates, inflation, as you've alluded to, is there a sense, there, that maybe the CET1 ratio might come under a bit of pressure from the 13.4% that you've just reported? So, a bit more colour there, please.

James von Moltke

Sure, Andrew, I'll try to go through as much of that as I can. So, in the fourth quarter, the biggest expense what was the litigation item, which is in Corporate & Others. So, the biggest, if you like, variance to Q3 2022 was the litigation item. In general, to your point, the push-out of those expenses that you'll see on a proforma basis, and then going forward, represents, depending on the business, maybe, 2%, up to 4% of the cost-income ratio. So, it's a significant impact, but over time, given the efficiencies that we're working to achieve, especially in infrastructure, we think that, essentially, washes out by 2025. And the guidance we gave in March 2022 for the businesses assumed that that push-out would take place. So, I don't think in substance, it changes, really, much about the businesses and their trajectory.

On the Investment Bank, we've talked about solid performance. It's encouraging what we're seeing, the beginnings of a recovery in Originations & Advisory, as you've seen Debt Capital Markets on the Investment Grade side got off to a very strong start, both in the market and our market share perspectives. And you've started to see the reopening of High-Yield markets. There is a pipeline, if you like, a backlog of M&A transactions to close. Now, clearly, there needs to be more recovery in the episodic over the coming months, really, to see that momentum pick up again. But what we've seen so far this year is encouraging. I don't want to go through a year-on-year detail, but another encouraging feature is just, and this underlies some of Christian's commentary, the franchise nature of the revenue performance across flow, in particular, in January, so far, is very encouraging to us if we compare it to the prior year.

Lastly, on the buyback. Look, as Christian said, our goal is to be conservative. We, frankly, built or plan last year on a set of assumptions looking into the future, not just our financial plan, but also, our capital plan. At a time when, I would say, the optimism or the risk on environment that we're seeing today wasn't present and the step-off wasn't known to us. So, your question is a fair one, does it really reflect what we see today, and the answer is no. We think the environment is more favourable it's than the basis on which we built that plan, capital plan. Nevertheless, given the uncertainties, we think the appropriate decision to have held back at this point. Frankly, if that conservatism was unwarranted, then that capital is, in fact, excess, and can come out later in this year. So, I think it's as simple as that.

Andrew Lim

I'm sorry, and just on those buybacks, can you make a decision at any point during the year to bring those buybacks through?

James von Moltke

Yes. And hence, the flexibility of the buybacks. And I think, by the way, obviously, peers are doing what they do, and as appropriate to them. And it's exactly the point with buybacks, that you have the flexibility to govern both the timing and the amount, based on what you see and the confidence. So, I think the idea that that people lock into the view that it's a January announcement of a certain amount is probably not appropriate to buybacks.

We've been really clear on the dividend path, and as you know, the dividend path is a significant component of the total capital return, 5 billion euro through 2024, and 8 billion euro in respect of 2025, and we think we're on a good path. Of course, we'd like to see more of the buybacks, frontend loaded, rather than backend loaded, and we think they're a powerful tool. But we also think prudence and flexibility are also important features of thinking about buyback in the toolkit.

Andrew Lim

That's great, thank you.

James von Moltke

Thank you Andrew.

Amit Goel (Barclays)

Hi, thank you. Two questions so it'll be relatively quick. The first one, so thank you for the update on the risk piece. I am getting questions from investors about potential exposure to the Adani Group. The Group did comment about Americanas exposure, I think, in the past. So any colour there would be helpful.

	And then secondly, just again, going back to revenue outlook sustainability. In terms of a FIC business, I guess a couple of years ago the thoughts were that maybe 7 billion euro or so would be a sustainable run rate. We're expecting a bit more than that now. I'm just curious what you're thinking the sustainable base is going forwards for the next year or so. Thank you.
James von Moltke	Thanks, Amit. So on specific clients, as you know, we just don't comment on specific clients. Yes, I think the Lojas Americanas situation was a bit unique in so far as there was erroneous information in the market. So we felt important to clarify quickly. Generally we point you to Olivier's statements that we manage our loan book carefully in its underwriting, in the security interests, and what have you. And so hence we look across the portfolio as we've indicated with confidence. On the fixed sustainable rate, it's an interesting question. I tell you that if I go back to the materials that Ram Nayak went through with you in the 2020 Investor Deep Dive. We've clearly outperformed those assumptions, which is great. And I think that franchise enhancement and our ability to invest further in it than we had anticipated tells you that there was more potential there than we thought at the time. And I also think that the underlying dynamics have become more favourable perhaps than we assessed. Can we turn that into a reliable run rate, it's hard. And maybe we come back on that question as the year goes by. We're not saying that 8.9 billion euro is a new run rate, and we'd expect to grow from here. We definitely think there's some normalisation over time. But I think we would take the view that the baseline has simply moved up based on both the environment and the way we've, Ram and his team in particular, have executed on the opportunity.
Amit Goel	Thank you.
Rohith Chandra-Rajan (Bank of America)	Hi, thank you very much. I'll keep it to one in the interest of time. Just to follow up on the earlier discussion around the volume contribution to revenue growth. I think Christian mentioned that he thought that that could be similar to or more than the rates

benefit in 2023.

I'm just wondering how that compared to 2022. So when I try and do those numbers, I get to a little bit over half a billion euro. So you seem to be indicating something like a doubling in the volume benefits in 2023 versus 2022. So I'd just like to get your thoughts on that, please.

James von Moltke	Sure. Thanks, Rohith. Well, to begin with, remember that there's a grow over piece of this, right? So we probably exceeded our estimates of the business volume growth being 41 billion euros, for example, between net new assets in Private Bank and the loan growth exceeded our expectations. So there is a grow over element of that, and then this year's originations. There's also a bit of a mix shift that takes place in the businesses. So we would think that a little bit more of the growth will shift, for example, away from Germany into the IPB and particularly Wealth Management, and the Bank for Entrepreneurs. And also in the Corporate Bank, we could see some shift, as Christian noted, from some of the short-term lending, lower spread lending, to more structured. So, I think there's a variety of features that underline the view that we have on how volumes and mix shift and also spread can help support that, just the interest rate only piece of it.
Rohith Chandra-Rajan	And sorry, so how would you compare the revenue contribution from growth in 2023 versus 2022? Is it significantly bigger in 2023 than 2022? Is that what you're expecting?
James von Moltke	I think about the same. If I go through the numbers, about the same.
Rohith Chandra-Rajan	Okay, thank you.
James von Moltke	Thanks Rohith.
Timo Dums (DZ Bank)	Hi, good afternoon. So thank you for taking my questions. I have questions on Private Bank and Corporate please. So, starting with a quick one on Private Bank. Could you please attach a number of the

branches that you plan to close this year? And also, is it fair to assume that the benefit was most likely, or most of that would be visible only in next year? So this would be question number one.

And secondly, looking at your Corporate Bank business, could you give some colour on the extraordinary growth in the Business Banking subdivision? I mean that really outshines the Treasury and Institutional Services that also both of them posted strong growth. But the subdivision was above 50%. So this would be interesting. And also, if this is something that could be repeated as well. Thank you.

James von Moltke

So on the second question, Timo, it's the rate sensitivity there and the fact that it's uniquely on the Euro book. And they benefitted from the two rate hikes. Because remember the first hike to positive took place very late in the third quarter. So you essentially had the impact of one full and one partial rate hike in that business. And it's just more sensitive and had a very pronounced lag effect.

On the branches, I don't have a precise number for you. We talked about potentially disclosing that. But backed off a little bit. I would say not far off the pace of this year. I don't think quite as many as this year. But still a considerable programme of branch closures that we have scheduled. Look, the timing of it does take a while to flow through. And the paybacks for branch closures aren't as attractive as you might think. But that is taking place. And rather like the earlier conversation, there is a grow over benefit in 2023 from the branches that were closed during 2022. So we'd expect to see a little bit of help on the expense line there as well.

Timo Dums

Great, thank you.

James von Moltke

Thank you Timo.

Appendix: Question #1 from Daniele Brupbaher (first version, prior to technical difficulties)

Daniele Brupbacher (UBS)	Thank you. Good afternoon. Thank you for the presentation. I wanted to start a little bit high-level. Obviously 2022 was the final year of the Compete to win strategy implementation. I mean, there are clear achievements, there were probably some disappointments in some areas, some headwinds, some tailwinds. I just wanted to ask you after these three years how do you assess all these points and how do you think about key uncertainties going into 2023? Is it really origination advisory revenues, is it fixed trading, risk costs, costs? How do you see the key question marks for this year? And then obviously the revenue guidance is helpful. Would you be ready to give a guidance by division and what the drivers are and what the revenue trends year to date have been so far? Thank you.
Christian Sewing	Thank you, Daniele, and thank you for your question. Indeed, Daniele, not an ordinary question but I think a very, very important one, in particular as it comes now to the end of this three and a half years of transformation. Before I go into more details of your question, i.e. the strengths and potentially also some weaknesses, let me very clear and that is that I think we are all, in the Management Board and obviously also myself, really immensely proud of what we have achieved. I think except for very few people, nobody actually ever believed that this turnaround, and let me strengthen this and emphasise this, the sustainable turnaround was possible, and I personally always knew it's possible because I have known over the last 30 years what the potential in this Bank is if we balance the Bank to their strengths. And that actually, before I go into some numbers and into some key areas of strength and advantages of the turnaround, I think, first and foremost, that with this transformation, Daniele, we reinvigorated the passion,

the pride and the focus of our staff.

And that is something which, despite all the hard work and the transformation, which is really driving the organisation, and if I say it's really driving the organisation, we can see it now in January again. This company is so proud, feels that we have found our middle, our balance, where we want to play, where our strengths are, that the people go on and go on and feel this tailwind.

And in this regard, before you even come what is the real qualitative and quantitative strengths, I think we should never forget one thing, that we are a people's business and this is exactly what we reinvigorated, and this is something which will carry us now through the next years.

Now, when you ask me about the last three and a half years, the strengths, I would always say, and James will add to this, it's clearly our strong focus on areas where we can win and where we think we are competitive. I think the focussing of our business on those areas in 2019 was key.

It was a brave step but something which is really playing out, and you can see it in the market share, by the way not only in the market share of the FIC business but if you see what kind of position we regained in German Corporate Banks, when you see other items, it's clearly something where this focus on the business side helped us.

Second, if we run through two big items, which is the pandemic and the Russian crisis, I would clearly say it's our first-class risk management. In those times, relying on a robust balance sheet and relying on the expertise in the risk management is key in order to make those decisions in the front office, which are important to drive this company.

Then we couldn't have done it without the discipline run-off of the CRU. CRU clearly helped us to generate the capital in order to transform this organisation. And lastly I would say a cost culture which this bank has never seen before and, again, something I'm proud of.

But let me go then also to the disappointments or the weaknesses, and I do think the last three years have shown us that on costs we can even do more. James called it out through his presentation, we are clearly working on the €2 billion of cost saves.

Very confident to achieve that with the four main items, i.e. the German restructuring, the transformation, the front to back proceedings and the infrastructure clean-up. There is even more and you know that we are working on incremental.

Secondly, I would say we need to even get better on regulatory remediation as the foundation for the next phase. So, clearly something where we need to further improve. I think we have seen an ever-improving capital management in terms of portfolio allocation but also there, in terms of the volatilities, we see something which we are focussing on.

And, lastly, not related to Deutsche Bank but when you are in this seat for almost five years, if you compared to others, yes, I am a bit disappointed about the regulatory environment we see in Europe as well.

It is clearly something where there is a strong focus on safety and soundness, which is right and you have always heard me, that I'm saying we needed these reforms in order to establish a stable financial market.

But, on the other hand, we also need to remain competitive and some of the additional asks are simply too much, and therefore I think that is something which we all need to focus on.

So, if I think about these items, actually, over the last three years, then this is the bridge to 2023 and the next years, and this is clearly building on our strong businesses and taking now this healthy momentum. James was talking about the revenue side, the 28.5 billion euros, the midpoint between 28 billion euros and 29 billion euros. Definitely achievable based on the tailwind we have from the interest rate.

But also, if you really go into business by business, it's not only driven by the net interest income but it's actually been also driven to a same amount by the underlying increased volume, be it on the credit side or on the investment side.

And that's what we see and that's what makes me very, very comfortable, that in particular in this stable business, Corporate Bank and Private Bank, we will see increasing revenues.

The Corporate Bank is simply running, again based on NII, but also on new contracts. Private Bank doing very well. You have seen the complete turnaround in the last year. All what I can see in January, same direction.

Investment bank I think is stable in itself. We have three good businesses, the financing, the trading business and an O&A business which we expect is recovering.

Even if there is a slight decline in revenues in the trading business in the year 2023, which, by the way, I can't yet see in January, then this I think will be actually compensated with a better Origination & Advisory business and, again, we should not forget our financing business.

And asset management, obviously, also, depending on the market. Yes, it started very well but let's see where it goes, but definitely I expect a number which is above last year. So, all that, with the tailwind, gives me this 28.5 billion euros.

If you then think about our other two items, stable costs and flat loan loss provisions, then, to be honest, we see a nicely increasing profit before tax, based on this focussed strategy we have, and that makes me confident that we are exactly on the right way.

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 11 March 2022 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from investor-relations.db.com.

This document 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 document, refer to the Q4 2022 Financial Data Supplement, which is available at investor relations.db.com.

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