



Deutsche Bank AG

Deutsche Bank Q3 2024 Analyst Conference Call

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Transcript

Speakers:

Christian Sewing, Chief Executive Officer

James von Moltke, Chief Financial Officer

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CHRISTIAN SEWING

Slide 2 – Strong 9M performance provides confidence in full-year ambitions

- Thank you, Ioana, and a warm welcome from me
- I'm delighted to be discussing our third-quarter and nine-month results with you today. These show our ongoing strong operating performance, further reinforcing our confidence in our 2024 ambitions and 2025 financial targets
- I'm particularly pleased that our continued, intense client engagement has supported momentum in all businesses. This enabled us to generate revenues of 22.9 billion euros in the first nine months, putting us well on track towards our goal of 30 billion euros for the year
- We recorded the third successive quarter of adjusted costs at 5 billion euros, in line with our 2024 guidance, underpinning our forward trajectory
- We are pleased with the settlements we achieved in August and September in the Postbank takeover litigation matter, equivalent to around 60% of the total claims by value. This resulted in a litigation release that supported our reported pre-tax profit of 2.3 billion euros, up over 500 million euros year on year, and our reported post-tax return on tangible equity of 10.2% in the third quarter
- For the first nine months, our reported RoTE stood at 6%. Excluding the Postbank takeover litigation-related impact, RoTE was 7.8%, up from 7% in the prior year period
- Asset quality remains stable, despite the sequential increase in our provision for credit losses, which James will go through in more detail
- Importantly, we expect provisions to reduce towards more normalized levels going forward, particularly in expectation of improvements in Commercial Real Estate over the next quarters
- Our CET1 ratio of 13.8% reflects our strong organic capital generation
- This puts us on a clear path to distribute capital to our shareholders as planned, and we have now sought authorization from the ECB for our next share buyback
- Let me now discuss in more detail some of the drivers of our nine-month results on slide 3



Slide 3 – Disciplined execution driving continuously improving performance

- Disciplined execution of our *Global Hausbank* strategy is driving steadily improving performance and operating leverage
- Pre-provision profit grew by 17% year on year to 7 billion euros in the first nine months, with operating leverage of 5%, both excluding the Postbank takeover litigation-related impact
- Growth was driven by both revenue momentum and cost discipline
- Nine-month revenues grew 3% year on year with around 75% of revenues coming from more predictable income streams
- Reported noninterest revenues were up 14% year on year, with continued strong growth in commissions and fee income of 9%. This demonstrates that our strategy of growing our capital-light businesses is paying off
- At the same time, net interest income in our key banking book segments remained stable, and better than anticipated at the beginning of the year
- We remain focused on expense discipline, keeping our adjusted costs to 15.1 billion euros, or 5 billion per quarter, as we continue to offset inflation while allowing for investments by delivering savings from our Operational Efficiency program
- Our cost/income ratio excluding Postbank litigation-related impacts improved to 69% from 73% year on year
- Now let's look at the franchise achievements across our businesses, on slide 4

Slide 4 – Ongoing momentum across businesses through focused growth strategies

- The Corporate Bank increased the number of deals won with multinational clients by 18% compared to the first nine months of the prior year
- We also had strong momentum in commissions and fee income, which grew by 5% across all regions
- At the same time, NII remained resilient, supported by continued pricing discipline and deposit growth of 8% year on year
- In the Investment Bank, we increased activity so far this year with our priority institutional clients by 11%, demonstrating the ongoing



commitment and focus of our business and coverage teams in supporting our clients

- Nine-month revenues in Fixed Income & Currencies were up 5% year on year, supported by a 5% increase in Financing revenues, even compared to a strong prior year; looking at the third quarter, FIC demonstrated a strong performance and was up by 11% year on year
- Origination & Advisory grew revenues by 58% and increased its global market share year to date compared to the full year 2023, while we maintained our number one ranking in our home market
- The Private Bank sees further momentum with 27 billion euros of net inflows, and grew noninterest revenues by 5% year on year, driven by higher margin products and volumes across both client segments
- The division continues to transform its Personal Banking unit with around 50 branch closures year to date and more to come. The business also announced a further optimization of our Deutsche Bank branch network in the quarter, which will start next year
- Asset Management grew assets under management by 67 billion euros year to date to 963 billion euros. This was boosted by continued strong inflows into our diverse product suite, which should support future revenues
- The Group also made progress on its sustainability strategy including ESG rating upgrades. In October, S&P's Corporate Sustainability Assessment was upgraded to 66 and is now within the top decile of the financial industry. The MSCI rating was upgraded to AA from A
- Let me turn to our progress against our strategic objectives on slide 5

Slide 5 – Continued execution across strategic pillars

- Our third quarter results demonstrate our continued progress across all three pillars of our *Global Hausbank* strategy
- Starting with revenue growth, our well-diversified and complementary business mix delivered a compound annual growth rate of 5.6% since 2021, in line with our upgraded target range, and we expect it to increase from here
- For the remainder of the year, we anticipate continued momentum in commissions and fee income driven by ongoing high client engagement and our franchise strength, while NII remains stable



- This gives us full confidence in reaching our revenue ambition of 30 billion euros for the full-year 2024, providing a strong step-off into 2025
- Moving to costs, we continue to deliver on our Operational Efficiency program, having completed measures with delivered or expected gross savings of 1.7 billion euros, almost 70% of our target, with around 1.5 billion euros in savings already realized
- We have made further progress on workforce reductions, including 600 FTEs in the third quarter, bringing the total number to more than 90% of the 2024 year-end target
- The achieved progress to date and efficiencies still in the pipeline will support our adjusted cost run rate for the remainder of 2024 and further reductions in 2025 to meet our objective of around 20 billion euros in noninterest expenses, while continuing to invest in business growth, technology and controls
- Lastly, we delivered a further benefit of 3 billion euros of RWA equivalent reductions in the third quarter, driven by data and process improvements. This brings total RWA equivalent reductions from capital efficiency measures to 22 billion euros, which puts us in sight of our end-2025 target range of 25 to 30 billion euros, more than one year early
- We expect to achieve further reductions from securitizations as well as data and process enhancements, and we continue to work on finding further incremental optimization opportunities to exceed our target
- Let me conclude with a few words on our strategy, on slide 6

Slide 6 – Global Hausbank strategy continues to deliver growth and profitability on the path to long-term ambitions

- Our operating performance in the first nine months shows that our *Global Hausbank* strategy positions us well to serve our clients' needs and continues to deliver growth and profitability. We have firm confidence in reaching a RoTE of at least 10% next year
- To be clear, our focus remains on us, our strategy and financial targets, unlocking further value for shareholders through the measures we have underway
- Looking at revenues into 2025, we expect continued franchise momentum and our capital-light businesses to drive further growth, harvesting investments we have made and are still making



- In the Corporate Bank, we expect further growth in commissions and fee income from our investments in our fee-based institutional business, as well as our payments platform
- FIC is expected to show further improvement into next year, benefitting from our investments into the franchise, in both existing and adjacent businesses, as well as continued strength in Financing
- In O&A, we have a clear value proposition to our clients, supported by our investments, which should help us to further increase our market share in what we expect to be a growing market environment, with further benefit of new hires still to come
- At the same time, the Private Bank anticipates growing noninterest income, mainly from investment products predominantly in Wealth Management & Private Banking, further supported by NII
- Within our Asset Management business, we expect to benefit from higher assets under management levels this year, which should lead to an increase in management fees in 2025. Additionally, we anticipate positive flows into the Alternatives business and continued growth in Passive, including X-trackers
- These drivers underline our confidence in achieving our revenue goal of 32 billion euros in 2025
- Turning to costs, we have taken decisive actions to put legacy items behind us, substantially reducing our risk profile, and driving restructuring measures in order to clear the path to 2025, and we continue to focus on controls to future-proof the franchise, which will help us reduce nonoperating costs
- The delivery of operational efficiencies is expected to further reduce adjusted costs over the coming quarters
- Together, we are confident these measures will bring us on a path to around 20 billion euros of noninterest expenses in 2025, which will also support delivery of robust operating leverage
- We expect credit costs to reduce towards more normalized levels in 2025, largely driven by the expected continuation of the positive development for CRE provisions and the benefits of interest rate reductions flowing through into the economy, providing us with a much cleaner slate into 2025
- We remain dedicated to creating value for our shareholders and confident that with achieving our financial targets, we can also maintain our trajectory to increase distributions beyond our original goal of 8 billion euros in respect of the financial years 2021 to 2025



- Given this continued progress, we have now sought authorization from the ECB for our next share buyback
- To sum up, we remain focused on our *Global Hausbank* strategy, and with our business momentum and all the progress made, we have clear line of sight on our target of a RoTE of greater than 10% for 2025
- With that, let me hand over to James

JAMES VON MOLTKE

Slide 8 – Key performance indicators

- Thank you, Christian and good morning
- As usual, let me start with a few key performance indicators on slide 8, and place them in the context of our 2025 targets
- As Christian mentioned before, we are on track towards our objectives, and we expect further improvements over the coming quarters
- Our liquidity metrics also remained strong; the liquidity coverage ratio was 135%, above our target of around 130%, and the net stable funding ratio was 122%
- In short, our performance in the period reaffirms our franchise strength and our confidence in reaching the 2025 targets
- With that let me turn to the third-quarter highlights on slide 9

Slide 9 – Q3 2024 highlights

- Group revenues were 7.5 billion euros, up 5% on the prior year quarter
- Noninterest expenses were 4.7 billion euros, down 8%, benefitting from a partial release of the Postbank takeover litigation provision following the settlements in the third quarter. A provision of 547 million euros remains in place for the outstanding plaintiff claims
- The settlements achieved in August and September enabled us to release around 440 million euros of Postbank-related provisions in the quarter which were partially offset by charges of around 90 million euros related to other legacy litigation items
- Nonoperating costs were positive 302 million euros in the quarter, including a net litigation release of 344 million euros and restructuring and severance charges of 42 million euros



- We generated a profit before tax of 2.3 billion euros, up 31%, and a net profit of 1.7 billion euros, up 39% to the prior year quarter
- Our tax rate in the quarter of 26% was impacted by the aforementioned litigation effects
- In the third quarter, diluted earnings per share was 81 cents and tangible book value per share was 29 euros and 34 cents, up 6% year on year
- Let me now turn to some of the drivers of these results

Slide 10 – Net interest income (NII) / Net interest margin (NIM)

- We remain well positioned to continue delivering strong net interest income over the coming years, so let me start with a review of our NII on slide 10
- NII across key banking book segments was 3.2 billion euros, and our trajectory continues to outperform our guidance from earlier in the year
- Compared to the prior quarter, higher deposit volumes and loan margin expansion offset expected beta convergence in the Corporate Bank, although reported NII includes lower levels of CLO recoveries than in the prior quarter. Private Bank was stable sequentially, reflecting ongoing strength in deposit revenues
- Our base case remains that our quarterly NII run rate will continue to be broadly stable and we reiterate that we expect full-year banking book NII to remain in line with the 13.1 billion euros reported in 2023, despite absorbing a headwind of around 150 million euros versus 2023, from the discontinuation of the minimum reserve remuneration
- Our hedging strategy has positioned us well for a declining rate environment, as outlined on page 32 in the appendix
- Our hedge portfolio stabilizes our income by extending the tenor of interest rate risk, but it also protects us against a drop in interest rates, and to that end we have increased the notional of our hedge portfolio over the last 12 to 18 months in response to the slower-than-expected rise in deposit betas
- The weighted average maturity of our hedges is around 5 years. Based on current forward rates, we expect the income from the hedge book to grow by 300 to 400 million euros each year as we roll maturing hedges
- As such, we expect the hedge portfolio to provide a long-term tailwind to our revenues at current forward rates



- With respect to 2025, more than 90% of the income is locked in with existing positions already
- With that, let's turn to adjusted cost development, on slide 11

Slide 11 – Adjusted costs – Q3 2024 (YoY)

- Adjusted costs were 5 billion euros for the quarter, in line with our guidance
- Savings from streamlining our IT platform and lower spend for professional services were offset by higher costs for compensation and benefits, which increased by 4% year on year
- The increase reflected wage growth as expected, higher performance-related compensation and increases in internal workforce after our targeted investments throughout 2023, partially offset by further workforce optimization
- Let's now turn to provision for credit losses on slide 12

Slide 12 – Provision for credit losses

- As Christian mentioned, I will elaborate on the headwinds which have persisted this year, but let's start with this quarter's provision for credit losses, which was 494 million euros, equivalent to 41 basis points of average loans
- Stage 1 and 2 provisions were on a moderate level, as various portfolio effects largely offset increases from softer macroeconomic forecasts and overlay recalibrations in the third quarter
- Stage 3 provisions increased sequentially to 482 million euros mainly driven by the Private Bank, including transitional Postbank integration effects
- Provisions in the Corporate Bank remained stable and included the gross impact from a larger corporate restructuring event, which had already impacted the second quarter
- Investment Bank provisions were slightly lower sequentially, given the anticipated and substantial improvement in Commercial Real Estate in the quarter, including a negative impact of 23 million euros from the expected CRE loan portfolio sale, which is underway and where we have gained pricing visibility



- Let me now take you through some additional detail on our provisions on slide 13

Slide 13 – Provisioning trends

- This year, we faced several headwinds, which negatively impacted provisions and our full-year guidance, but which we do not expect to persist into 2025 at all, or in the same magnitude depending on the item
- First, the transitional effects from the Postbank integration led to longer-than-expected impacts across our internal collection and recovery processes, but we expect these to fade over the coming quarters
- Second, we have been dealing with two relatively fast-paced larger corporate events, impacting year-to-date provisions at a level unusual compared to historical standards. However, the pre-tax impact was mitigated by around 70%, as these loans benefitted from credit-concentration hedging
- And lastly, our full-year CRE provision run rate has been at a cyclically higher level, but has now substantially declined quarter on quarter, as envisaged. We continue to see more signs of stabilization, which supports our confidence in a gradual reduction in future provisions
- In general, we maintain tight underwriting standards and continue to conservatively manage our loan book which includes managing single-name concentration risks through comprehensive hedging programs, including our recently issued Significant Risk Transfer transactions, which bring the total notional volume of hedges to 41 billion euros
- Our regular and comprehensive portfolio reviews, including close assessment of trends at the sub-segment level and deeper dives into more vulnerable sectors, show that overall credit quality remains stable; forward-looking indicators such as rating migration and trends in our non-investment grade portfolio and watchlist ratios do not suggest a noteworthy deterioration in asset quality
- We also see broadly stable developments in our domestic market, as outlined on page 38 of the appendix
- Our 220-billion-euro German loan book is low risk and well diversified across businesses, and 70% of the portfolio is either collateralized or supported by financial guarantees. We also have more than 12 billion euros in hedges



- More than three quarters of the book is in the Private Bank, of which around 90% consists of low-risk German retail mortgages
- Our corporate loan book is well diversified and of high quality. Exposure is predominantly to multi-national corporates and MidCaps, with almost 70% of loans rated investment grade
- Importantly, early warning indicators in Germany remain robust; the number of limits subject to our watchlist remains largely unchanged since the end of last year and we do not observe any significant, broad-based rating deterioration across the portfolio
- In summary, our portfolio is holding up well and adjusting our reported gross provisions for offsetting effects from recoveries through hedging, which are captured as revenues, our pro-forma year-to-date net provisions would have been around 34 basis points
- We continue to expect a sequential reduction in provisions, towards more normalized levels as we go into 2025
- Before we move to performance in our businesses, let me turn to capital on slide 14

Slide 14 – Capital metrics

- Our third-quarter Common Equity Tier 1 ratio came in at 13.8%, 30 basis points higher compared to the previous quarter
- The increase was largely driven by CET1 capital, reflecting strong earnings net of deductions, and an approximately 790-million-euro or 22-basis-point positive effect from the adoption of the Article 468 CRR transitional rule for unrealized gains and losses
- Risk-weighted assets increased for market risk and credit risk. The credit risk RWA increase was driven by model impacts and business growth, mostly offset by reductions from capital efficiency measures
- Lower operational risk RWA were driven by the partial release of the Postbank takeover litigation provision
- At the end of the third quarter our leverage ratio was 4.6%, flat sequentially, as higher leverage exposure driven by securities financing transactions and trading assets offset an increase in Tier 1 capital in line with the CET1 capital development
- With that, let's now turn to performance in our businesses, starting with the Corporate Bank on slide 16



Slide 16 – Corporate Bank

- Corporate Bank revenues in the third quarter were 1.8 billion euros, essentially flat year on year, as normalization of deposit margins was mostly offset by higher deposit volumes, growth in commissions and fee income, and increased loan NII
- The 5% increase in commissions and fee income in the first nine months reflects the impact of our growth initiatives and shows good progress to offset the normalization of deposit revenues
- In the third quarter, commissions and fee income was 4% higher year on year, reflecting growth in our Institutional Client Services business, and essentially flat compared to the seasonally strong second quarter
- Deposits increased by 7 billion euros in the quarter and are 23 billion euros higher year on year driven by higher term and sight deposits across currencies
- This growth was partially driven by certain client accommodation activities, which we expect to normalize in the fourth quarter
- Provision for credit losses was at 126 million euros, in line with the previous quarter, and increased significantly year on year driven by higher stage 3 provisions and the non-recurrence of a one-off model change in stage 1 and 2 in the prior year. Higher stage 3 provisions included a larger corporate restructuring event, which had already impacted the second quarter and was partially covered by risk mitigation measures
- Noninterest expenses were slightly higher year on year driven by front office investments and higher internal service cost allocations
- This resulted in a post-tax return on tangible equity of 13.1% and a cost/income ratio of 64%
- I'll now turn to the Investment Bank on slide 17

Slide 17 – Investment Bank

- Revenues for the third quarter were 11% higher year on year on a reported basis, driven by improvements across both FIC and O&A
- Revenues in Fixed Income & Currencies also increased by 11%, driven by significantly higher Credit Trading and Emerging Markets revenues and supported by stable performance in Financing



- Credit Trading showed strength in the Distressed business and continued performance in Flow, reflecting investments made into the franchise
- Emerging Markets demonstrated year-on-year growth across regions
- Foreign Exchange revenues were higher, with continued strength in Spot, while revenues in Rates were lower in a market environment that continues to be uncertain
- Moving to O&A, revenues were significantly higher than in the prior year, with increases across business lines reflecting a growing industry fee pool
- Debt Origination revenues were higher, driven by increased industry activity across Investment Grade and Leveraged Debt
- Advisory revenues were strong and materially higher year on year, with the business benefitting from prior period investments
- Noninterest expenses and adjusted costs were both essentially flat year on year, with the impact of strategic investments offset by lower infrastructure allocations
- Provision for credit losses was 135 million euros, or 52 basis points of average loans. The previous year quarter materially benefitted from a provision release from model changes
- Turning to the Private Bank on slide 18

Slide 18 – Private Bank

- Revenues in the quarter were 2.3 billion euros, essentially flat, with noninterest revenue growth of 7% year on year
- The decline in NII was driven by continued higher funding costs from the impact of minimum reserves, the Group-neutral impact of certain hedging costs as well as a negative episodic effect from our lending books, mainly in Personal Banking. Excluding these effects, third-quarter revenues in the Private Bank would have been up 4% year on year
- Personal Banking continues to record higher deposit revenues in Germany which were more than offset by the aforementioned impacts weighing on the net interest income
- Wealth Management & Private Banking grew revenues by 5% to 1 billion euros, driven by higher lending and investment revenues, partially offset by lower deposit revenues



- We continue to see good business momentum with net inflows into assets under management of 8 billion euros in the quarter mainly in Wealth Management & Private Banking
- The Private Bank continues the transformation of the Personal Banking business in Germany with around 50 branch closures and further workforce reductions in the first nine months of the year. Savings have been offset this quarter by higher infrastructure cost allocations and higher compensation expenses, including wage inflation, as well as continued residual expenses for service remediation
- As announced in the fourth quarter of 2022, the refinement of our methodology to allocate infrastructure costs resulted in Group-neutral year-on-year expense shifts between the businesses, noticeable this quarter in the Private Bank; however, even including the allocations, adjusted costs were down 2% in the first nine months, compared to the prior year period
- Looking ahead, we foresee the Private Bank to resume the cost reduction path next quarter with residual costs for service remediation to continue to taper and further benefits from ongoing transformation, including from the integration of the IT platform and further branch closures
- As I outlined earlier, credit quality of our domestic and international portfolios remains high. Loan loss provisions this quarter still included 40 million euros of transitional Postbank integration effects which should cease
- Let me continue with Asset Management on slide 19

Slide 19 – Asset Management

- My usual reminder: the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Profit before tax improved by 54% from the prior year period, reflecting operating leverage from higher revenues and stable noninterest expenses
- Revenues increased by 11%, driven by management fees of 626 million euros. This growth from both Active and Passive products reflected increasing average assets under management from market development and net inflows



- Performance and transaction fees were significantly lower driven by the impact of real estate valuations and lower transaction volumes in Alternatives
- Noninterest expenses were 1% lower, while adjusted costs were essentially flat compared to the prior year
- Lower non-compensation costs, particularly in IT, offset slightly higher compensation and benefits costs
- Assets under management increased by 30 billion euros to 963 billion euros resulting in record-high assets under management levels. The increase was attributable to positive market appreciation and net inflows
- The positive net inflow trend for Passive continues, with a further 10 billion euros gathered in the quarter, resulting in over 27 billion euros of net inflows year to date
- Active Fixed Income contributed with net inflows of 10 billion in the quarter, more than offsetting net outflows in Active Equity, Multi-Asset and Alternatives products
- The cost/income ratio for the quarter declined to 67% and return on tangible equity was 18.9%, both improving from the third quarter last year
- Moving to Corporate & Other on slide 20

Slide 20 – Corporate & Other

- Corporate & Other reported a pre-tax profit of 424 million euros compared to a pre-tax loss of 202 million euros in the third quarter of 2023, primarily driven by a provision release in the Postbank takeover litigation matter of around 440 million euros
- Revenues were positive 157 million euros; this compares to positive 35 million euros in the prior year quarter. The increase was driven by valuation and timing differences, which were positive 295 million euros, reflecting partial reversion of prior period losses and impacts from market moves
- The pre-tax losses associated with legacy portfolios were 142 million euros driven primarily by provisions for legacy litigation items
- At the end of the quarter, risk-weighted assets stood at 34 billion euros, including 13 billion euros of operational risk RWA. In aggregate, RWAs



have reduced by 8 billion euros year on year, mainly reflecting a change in the allocation of operational risk RWA

- Leverage exposure was 36 billion euros at the end of the quarter, slightly lower than the prior year quarter
- Finally, let me turn to the Group outlook on slide 21

Slide 21 – Outlook

- Our ongoing performance demonstrates the successful execution of our strategy
- Our revenue trajectory remains on track to 30 billion euros for this year, on the path to our goal of 32 billion euros in 2025
- Looking at the fourth quarter and starting with the Corporate Bank, we expect revenues to remain essentially flat sequentially, as growth in noninterest revenues compensates for lower deposit income
- In the Investment Bank, we expect a strong performance across our businesses in FIC, compared to the fourth quarter of 2023
- We are encouraged by our fourth-quarter pipeline in Origination & Advisory, which is higher year on year and suggests positive momentum for the remainder of 2024, both sequentially and year on year
- The Private Bank is expected to grow revenues sequentially driven by higher NII
- Finally, we expect Asset Management to grow revenues as the momentum of the last six months carries over and further accelerates into the fourth quarter, with potential upside from performance fees
- We expect to further reduce our adjusted cost run rate closer to 4.9 billion euros in the coming quarters to allow us to achieve around 20 billion euros of noninterest expenses in 2025. The reduction should come through a combination of ongoing cost discipline and benefits from our efficiency and tactical measures
- We expect reported provision for credit losses for 2024 to land at around 1.8 billion euros, higher than our prior guidance, but we continue to expect an amelioration will follow next year, as the transitory headwinds we called out will pass, leading to a reduction towards more normalized levels



- Our robust operating performance in the third quarter, including the ongoing work in putting legacy items behind us, helps us lay the foundation for delivery in 2025
- Furthermore, our strong capital position gives us a good step off for our 2025 and 2026 distribution objectives
- And as Christian said, our full focus remains on the execution of our own strategy
- With that, let me hand back to Ioana, and we look forward to your questions

Questions & Answers

Anke Reingen (RBC)

Yes, thank you very much for taking my questions. The first is on loan losses. When you talk about 2025 and towards a more normalized level, is that closer to 30 basis points? And then what should give us the confidence that the loan losses can come down in Q4 and 2025? You show us slide 13. Should the Postbank integration and the large corporate events almost drop out, or drop out in 2025? And when you gave us 2024 guidance, and we've been looking, sorry to say, but at two quarters of upward revision, what did you underestimate when you previously guided for 2024?

And then, second, on the buybacks. Yes, great to hear you applied for approval, but can you be more specific on the amount? Should we use slide 24, where you talk about the 50% increase year over year as a potential indicator of your request at this time? And what does it mean for potential additional buybacks in calendar year 2025? When do you think you can make a decision? And is that a function of the loan loss charge guidance as well?

And maybe that's an opportunity to say something about the still outstanding settlements post the Postbank ruling today. Thank you very much.

Christian Sewing

Thank you, Anke. It's Christian. Let me start, and as usual, James will add to all your questions. But let me start with the share buybacks, because that also goes into the direction of the most recent ruling of the Cologne court.



First of all, with the share buyback after the full provisioning of the Postbank litigation case in April, we always said we want to show to you two clean quarters, Q2, Q3, which we did. And even without the release which we recorded in the third quarter for Postbank, we have shown a record quarter for Deutsche Bank in the third quarter. And that gave us then the conviction and the clear path now to apply for a share buyback. By the way, I think with the 13.8% CET1, this is also a nice step-off which gives us the confidence for the application.

With regard to amounts and timing, we always do it like in the past. We keep that discussion with our regulator, but I can tell you that there is full confidence, with James and myself and the management team, that based on the step-off of 13.8% CET1, based on the trajectory of our operating results, we are convinced of our distribution of above € 8 billion for the time zone between 2021 and 2025. So nothing changed.

Also, what I would like to emphasize is that today's ruling, you have just seen that, is not actually affecting our share buyback because we provisioned that amount in full. And also, in our capital plan going forward, we did not assume further releases. So, in this regard, of course, we don't like the ruling, and now we have to analyze it and think about potential next steps.

But for the capital plan going forward, and for the share buyback, this has no impact because we are fully provisioned. And in this regard, we remain convinced and confident that we can deliver above the € 8 billion. For us, it was important to show two good quarters and solid quarters in terms of operating performance. And I think we see that, from a revenue point of view, from a cost point of view, and hence with the underlying result.

Let me briefly go over to the loan loss provision question, because I understand that that obviously raises some questions on your side. I really think it's important that we look into the composition of the loan loss provision and what really drove the number to € 494 million this quarter.

And yes, we said that we see in the second half of 2024 a decreasing trend. Let me explain why this did not



happen. Number one, I know you are looking with concerns to Germany and Commercial Real Estate. With regard to both items, to be honest, I see a robust portfolio quality.

In particular, if I look at the Corporate Bank side and the Private Bank side and the underlying loan loss provisions in Germany, we don't see any material change. We don't see any material change in the portfolio composition. If you look at indicators like up-versus downgrades, if you look, like additions to watch lists, this is not a concerning trend.

Now, what increased in the Private Bank is still the result of the backlog in the Postbank operations, that actually we thought that this comes earlier down. It will come down. We even will see some bookings, i.e., in terms of that we will see releases of certain reserves in 2025. So the trend is coming down, and we will see releases, but we hoped actually for a faster reduction in this regard during the year 2024. So that is one item.

The second item, I think, which is underlying positive is on Commercial Real Estate. If you look at the underlying portfolio composition, the trend is coming down. It's for the first time that Commercial Real Estate provisions have come down quarter over quarter.

And it would have come even more down if we wouldn't have done the portfolio sale, where we got the first mark, and where actually we booked an additional provision from the portfolio sale with a low double-digit number. That is obviously capital accretive.

But overall, the Commercial Real Estate provisions are coming down. And that is again something which we forecasted at the start of the year, but to be honest, we thought that this is already happening in Q2. Now it is coming in in Q3.

And the third item is one larger loan loss provision in the south of Germany for a corporate name, which is, though, significantly hedged. So if you see the net loss position which we have from that, it is far less than the gross loan loss provision which we have booked in Q3. That was also, by the way, a name where we already booked the first loan loss provision in Q2.



So if you take these three items, the Postbank item, which will come down, and we even see reversals of bookings in 2025, if you see the underlying rate in Commercial Real Estate, and on top of that, if you look at the one name where we had gross loan loss provisions, but which was significantly hedged, actually, we see also with regard to 2025, and that was what James was referring to in his prepared remarks, a normalized run rate for loan loss provisions of € 350 million.

And that is where we see, based on the portfolio quality we have, the trend going. And in this regard, I do think that we have seen now in this quarter the peak of the loan loss provisions, with that number coming down to approximately € 350 million per quarter in the 2025 year.

Anke Reingen

Thank you. Can you come back on the capital, on the buyback? So should we look at the 50% increase? And is the plan still to potentially top up in the course of 2025? Thank you.

James von Moltke

So Anke, you referred to page 24 in the appendix. And yes, that lays out the path that we broadly wish to follow to deliver on the promises we've made. As I say, the € 8 billion to us is a number that we think we're confident we'll exceed. We're not going to go into precise euro numbers at this point, but I think slide 24 lays out a good path.

As it relates to incremental buybacks next year, it's very early to make that determination. As we've talked about, there are lots of moving parts in a capital plan under the best of circumstances. Next year, we'll have CRR III coming due in two phases, changes in the environment, potential upside in areas like, for example, the sectoral buffer that's been applied in Germany to mortgages. So lots of moving parts that, at this point, one doesn't want to get ahead of. So we'll make that decision much later in 2025 than today's application.

Anke Reingen

Okay, thank you very much. Thank you.



Flora Bocahut
(Barclays)

Yes, thank you. Good morning. Thank you for taking my questions. I have one on NII and one on cost, please.

So on the NII, could we come back, please, to the drop we saw this quarter in the Corporate Bank? It's led the banking book NII to be just € 3.2 billion this quarter. And I think the full year guidance, you have implied it will be again about that level in Q4. When I look at slide 32, and it's useful, thank you very much for putting in that slide, I see you've locked a significant part of the hedge income already for the next two years. So that's very reassuring. I also see that you've used a ten-year swap that would be 2.3% to 2.5%. And that makes sense based on today's curve. But the risk here is rather to the downside. So the question here is also, the light blue column, the contribution from the rollover of the hedges, if the ten-year swap would go towards, say, 2% or 2.2%, would we still see the rollover contribute positively in the next two years on top of what you've locked already? So that's for NII.

And then the second question is on cost. I think you were saying before, James, that to make your guidance for 2025 cost, you would need to get adjusted cost quarterly run rate down towards € 4.9 billion. Now, obviously, you've just had three quarters in a row where you've met the guidance for this year at € 5.0 billion. So maybe could you talk a little bit into the capacity for you to get there already in Q4, and what gives you the confidence that you can get towards the € 4.9 billion quarterly run rate for adjusted cost next year? Thank you.

James von Moltke

Thank you, Flora. Happy to answer those questions. So on the NII disclosure that we provide, you're right. There's, of course, some risk on the rollover of the hedges. We like that we've locked in 90% for next year. And yes, we use the implied forward curve to look at what the future might be. The dark blue is, as I say, what's locked in for the next several years.

Remember, of course, that the gap is against hedges that are rolling off that were essentially at zero or very, very low. So the idea that there may be a little bit of downside in the light blue bars, that's true. But the quantum is against very low hedges put in many years



ago, as much as ten years ago, in that rollover.

And that actually goes to the first part of your question, which is the Corporate Bank. Yes, we had in the series a low point in the Corporate Bank, but actually, there are some hedges that now roll off in the fourth quarter in two chunks. And that gives us some good visibility into the trajectory for the Corporate Bank.

If I think about the two businesses separately, we think we may have passed the low point in the trajectory for Private Bank already now in Q3, and we'll be passing that low point in Q4 for the Corporate Bank. It's obviously early to make that judgement, and we'll see how everything plays out, including the balance sheet growth, deposit growth betas and what have you. But we think we're on a path now to be rising in 2025, not just because of the benefit of the long-term hedges. So it's an overall quite encouraging picture, as we see it.

Going to costs, yes, absolutely, we're focused every day on managing the run rate down. And I think we've said in the past, towards € 4.9 billion. That remains our objective here. The trajectory in the first three quarters of this year has been encouraging. And even in the third quarter, I can point to some things that are of a non-recurring nature in the third quarter, I'd say. So I think we're close to, or at, the € 5 billion level. But we need to continue working it down from this point. And that is the full focus of the firm.

We have the projects and the initiatives in place to do that. So for us, it's just about additional delivery of our operational efficiency program. We've talked about it in the past. It's optimization initiatives in Germany. We've announced some more actions on the distribution network in Germany. We've been investing in technology, and we're harvesting some of the benefits of that.

I think we have a very successful track record now on workforce optimization, because what you see in the overall headcount, as well as the compensation and benefits line, is the impact of reductions in force that we've implemented, reinvestments, both in the front office in technology and controls, all of which we've managed within the run rate.



And we think we've got a whole raft of initiatives of a strategic nature underway to deliver further on those run rate improvements, as well as tactical steps that we've been taking throughout the year and will continue to take to ensure we deliver on the objectives. Hope that all helps, Flora.

Flora Bocahut

Yes, that's very clear. Thank you very much.

Kian Abouhossein
(JPMorgan)

Yes, hi. I've got two questions. One is relating more specifically, a question on the Article 468, the CRR III. You're using these transitional rules. I'm just trying to understand the dynamic on the OCI, it's about 20 basis points on your capital. So just to understand, first of all, the dynamic, but also your decision process or why you're taking the benefit.

And then second question is related to your 2025 revenues. You need to grow revenues just under 7% from € 30 billion to € 32 billion. Even if you adjust for the € 300 million delta on your hedges, clearly it's quite an upward-sloping curve in terms of revenue growth in a more difficult German environment. And maybe you could just outline a bit how we should think about your assumptions in a more difficult German environment, and I'm not sure what your German environment outlook is, in 2025 in terms of reaching that € 32 billion, especially, again, Corporate Bank 2025 and Private Bank 2025.

Christian Sewing

Thank you, Kian. Let me start with the revenues, and James is then going to your capital question. First of all, before we talk about 2025, I think it's very encouraging that we have full sight on the € 30 billion for 2024. And again, I think we have established a track record in achieving our revenue guidance for the last years.

And if I look where we stand at the end of the third quarter, how actually October started, in particular on the trading side, you just heard James talking about the potential low point in NII in the Private Bank, then also where equity indices are and what that potentially means for performance fees and Asset Management, we are super confident that we can achieve the € 30 billion, which is obviously the right jump-off for your question regarding the € 32 billion.



Now, when we come to the € 32 billion, the first item is again a continuation of what James outlined on the NII side. Because everything that we can see from our forecast, given our hedging profile, but also in particular looking at our deposit growth, which we see in the Corporate Bank but also in the Private Bank, we do feel that, just from an NII across the bank, and in particular carried by the Corporate Bank and by the Private Bank, we do see an upside of approximately € 300 million to € 400 million on the NII side.

By the way, Kian, that does not include the expected growth on the Financing volume, in particular also in Chetan's business, in the Investment Bank. So when I look at the forecast, just from the Financing part in that area and the NII part, obviously my starting position is then € 500 million up, i.e. € 30.5 billion.

And now let's go through the businesses and, in particular, look at the investments which we have done over the last 18 months to move the businesses, in particular in the non-NII area. There's, of course, the Investment Bank, and there, the O&A business. You have seen with the last quarters that we clearly outperformed the market. We have grown market share. Not everybody, who we hired over the last 18 months is yet obviously running at full speed, so this is still to come.

So we expect, in the O&A business, further market share gains. And we also expect that 2025, with all indications we have from our mandates which we see for Q4 and Q1 already, this will be a year with actually higher fees for the banks. And that means if you have a higher market share, which we already increased by 50 basis points year to date, we will obviously benefit. So we do believe that just in the O&A business, we see upside of another € 500 million towards the number which we are printing for the year 2024.

Then we have invested, and you have also seen over the last years actually, to compliment here Ram Nayak, we have seen constant increases in market share in the FIC business. I think we have done a terrific job over there. Now, if you follow Ram's planning going forward, obviously we have an eye in certain business areas like



Credit, but also from a regional point of view, we invested quite significantly over the last nine months into our US franchise. So I would say, with the market shares which we definitely also won again in Q3, with the investments we have done in that business, there is also further increases to come from the FIC business in the Investment Bank.

Then let's turn to the Private Bank. So I talked about the NII profile. But obviously the biggest lever which we see in the Private Bank, and there we see actually already a good momentum is on the Wealth Management side. But if you look at the assets under management, which are increasing steadily, I think we're at, year to date in the Private Bank, approximately € 27 billion of net inflows into assets under management, we will obviously benefit from that next to the NII I described before.

Similar, by the way, on the assets under management in Asset Management in Stefan's book. So that, I also clearly expect a three-digit million increase in revenues in Asset Management next year.

And that leaves me with the Corporate Bank. I think the Corporate Bank in itself is a success story. This is, in the meantime, so to say, at the heart of the bank. Quarter by quarter, we are increasing the mandates we get from our corporate clients around the world. There is clearly the trend of the corporates around the world to go for at least one alternative to the US banks. They would like to have the European alternatives. With the network we have and the investments we have done in our payment platform businesses, as well, into our digital offerings, we can see further increases in the fee business there.

So all in all, starting actually at € 30.5 billion with the hedging profile on the NII side, and looking at the track record, I'm very confident that the € 32 billion is a number which we can achieve.

And last but not least, if I really think about 2025, if you think about the walk and the normalized costs we have on the loan loss provision, clearly reduced costs on the legal side, James was just talking about all our efforts and also progress we are doing on the operating cost side, and we will have less restructuring costs, to be



honest, Kian, but you know me personally, we don't even need € 32 billion of revenues in order to go to the 10%. But that doesn't mean that I'm trying to put a soft touch on the € 32 billion. I think you have heard my absolute conviction that € 32 billion is definitely achievable.

James von Moltke

And Kian, just to touch your OCI filter, the CRR III rule that we're taking advantage of. I think the short answer is, because it's there. The time value of capital in our ratio, especially as we're often measured against a distance to MDA, appears to us to be valuable. And hence the decision to take advantage of that transitional arrangement.

Remember that the 22 basis points could be a lower number when the time comes that the transition benefit is over. So the passage of time in the book of securities that are generating those unrealized losses will see some attrition, and then the interest rate environment will change. So it's a number that may be considerably lower than 20 basis points when that transition period ends. And therefore, we think it's valuable for our shareholders to be able to redeploy that capital during that 18-month period.

Kian Abouhossein

Very clear. Thank you.

Chris Hallam
(Goldman Sachs)

Yes, morning, everybody. Just two for me. So first, on M&A, does the current M&A situation in Germany impact at all how you think about your banking strategy in the home markets, the competitive landscape in Germany, or how you would prioritize organic versus inorganic growth?

And then the second, in O&A, it looks like you lost some share in the quarter. Your share was trending up 70 basis points in the first half, and now I think you're calling it up 50 basis points versus 2023. So just what are the moving parts there? Is that just mix? And does that change at all how you think about the composition of O&A revenues into next year, obviously notwithstanding the answer you just gave to Kian?

Christian Sewing

Thank you, Chris. Let me take the first one, and James is taking the second one. On the M&A side and on the specific potential situation you're referring to in



Germany, that does not change our strategy at all. I think we have a very solid and a very good footprint in Germany, both in the Private Bank as well as in the Corporate Bank.

We have worked on two sides in Germany to make that even more attractive. You see all the work which is done by Claudio, in particular in the retail bank, to make this business more efficient. We know that there is work to be done, but I can see how Claudio is focusing on that to have an efficient platform to offer digitized products to our retail clients. And honestly, quarter by quarter, also with the feedback we get from the clients, we see clear improvement.

On the corporate side, I think, again, what I said before, it was the right decision to establish ourselves with an own Corporate Bank and to make sure that we are, so to say, the bank for German Mittelstand family-owned clients and obviously the large clients, to support them domestically, but in particular, when they go abroad. And in this regard, we feel that we are rightly positioned, and with all the efficiency program, we can see that the profitability in the German business on both sides is further increasing and will further increase.

Now, whenever it comes to these kinds of potential items, to be honest, Chris, we shouldn't underestimate the opportunities for us. Because at the end of the day, it creates uncertainty. It creates uncertainty with the other institutions, but in particular also with the clients.

And we are ready to act. And this is what we established over the last three to four years, both in the Corporate Bank and in the Private Bank. And in this regard, we have a clear strategy. That is delivery of 2025, 10%. And in this regard, whenever there is an opportunity to gain market share domestically, we will do this.

James von Moltke

And Chris, to your question about O&A market share, you're correct that Q3 was a little lower than the year to date. And that was mostly mix, and particularly that leveraged debt capital markets was a smaller part of the wallet in Q3. We're actually encouraged by continued year-on-year improvement in our M&A market share,



where some of the investments are beginning to bear fruit. And that's particularly on an announced basis rather than a booked basis.

If I look to what we would estimate the market share to be in the fourth quarter, based on the forward look of our pipeline and estimates of next quarter, we think we'll be back in the 2.5-2.6% range, where we've been this year. And that's an encouraging step-off into next year.

Chris Hallam

Okay, thank you. That's very helpful.

Giulia Aurora Miotto
(Morgan Stanley)

Yes, hi, good morning. Thank you for taking my questions. I have two, and both fairly longer dated. So the first one is on the Postbank integration. If we take a step back, why is this still a topic? By now, I would have expected the bank to be fully integrated, the IT to be merged. So when can we essentially stop talking about this and really see a step change in the cost on the Private Bank?

And then my second question is on private credit. This is becoming incrementally a topic. US investment banks were talking a lot about this in Q3 results. How do you approach private credit? Do you see it as a potential disruptor to some of your lending business? Do you see it as an opportunity to grow fee businesses by partnering? Yes, any comment on the private credit side? Thank you.

James von Moltke

Sure, Giulia, it's James. I'll take both, and Christian may want to add on the private credit side. Look, Postbank, the recovery from the operational disruptions that took place in last year's third quarter has taken us longer than we expected.

Among other things, we were extremely focused on ensuring that we closed out the backlogs of processes that were adversely affecting our clients. That was our focus. It was also the BaFin's focus as they looked at the problem set. And hence, collections was an area that we waited longer to focus on improving.

We've now made those investments, and we've hired the people, we've trained the people, and that collections process is getting closer to normal. That took us longer than we expected this year, no question,



which is why it's had the impact on the CLP guidance that it did. But given where we are right now, and being up and running on that process, I think we feel much more comfortable that we're at the end rather than that there's still risk.

The other thing is a little bit in the details, but the last model conversion of a portfolio from Postbank onto the DB systems and models on the risk side, that took place in the third quarter. That also influenced that number of € 40 million. So why is it a topic? The longer-term impact of the operational disruptions, that is coming to an end, as well as the models.

On private credit, we see it more as an opportunity than as a threat. Obviously, there's a degree to which the banks face the risk of disintermediation, but I think that downside is more than offset by the upside of, frankly, a growing market, a growing ability to place risk in the marketplace and thereby increase our origination business model, fees on origination, and expand loan origination beyond what the capital on our balance sheet supports by itself.

We also see opportunities in collaboration with private credit firms to do more, collaboration with our own asset manager, DWS, to do more, as DWS builds its strategies in private credit. So we aim to be here a participant, not just as an originator, but also as a partner and a participant in managing private credit.

So it is a change in the market. It is a disruption to some extent, but one where strategically, we at Deutsche Bank feel we're actually well positioned on a relative basis, globally and particularly in Europe, to be a beneficiary.

Giulia Aurora Miotto

Thank you. Can I just check on Postbank? So now the IT system is fully integrated, you have just one, or are you still running a parallel one?

James von Moltke

No, at this point, everything has moved over, and the remaining work is really archiving and what have you. One system. Interestingly, there's some future opportunities. This is actually one of the cost benefits that we see, and revenue benefits going forward.

Postbank has actually jumped out ahead of Deutsche



Bank in some of its digital properties, and the investments we're making this year, going into next year, would actually help us catch up and accelerate further the Deutsche Bank side of that equation.

So in a sense, there is more opportunity to be serving customers in a leading way, competitively, in this marketplace in both brands, now that we have the hard work behind us. And by the way, most of the synergy value captured, a little bit more still to come in Q4 and Q1.

Giulia Aurora Miotto

Thank you.

Stefan Stalmann
(Autonomous)

Yes, good morning, gentlemen, and thank you very much for taking my questions. I wanted to ask, please, you're mentioning that you're clearing the path for 2025 targets, acting decisively to address legacy items. Does it hint at any elevated one-offs potentially coming in the fourth quarter, let's say on restructuring expenses?

The second question I wanted to ask is on this upcoming portfolio sale in US Commercial Real Estate. Can you give us a rough sense of what the notional of that portfolio is, and are those stage 3 loans, please?

And if I may, just a quick third question. You mentioned these credit-concentration hedges and the benefits from them. Could you let us know in which P&L items, which revenue items and which divisions we would find these hedge benefits, please, and how large they are?
Thank you.

James von Moltke

Stefan, thanks for the questions. I'll take all three, and again, Christian may want to add. I'd say it's too early to tell on your question of is there anything extraordinary that we may book in Q4.

And the reason for that is when I think about litigation, for example, what's in our control and not, either analytically or in actual settlement activity, is always hard to tell. But certainly, and I think we've been consistent in messaging on this, we want to put ourselves in a place where we no longer have surprises like the Postbank takeover litigation item for shareholders.

Equally, we're in the planning process, restructuring



and severance. We're still working towards our € 400 million budget for the year. You've seen that we did less than we expected in Q3, and so there may be a bit of a catch-up in Q4. If there are additional tactical measures that we identify, we may go a little bit further there.

Another area I might point out is real estate. We're always looking at our real estate portfolio, and to see where we can optimize further. In all of those areas, too early to say what actions we could find to take place. But I think it's a signal of a company always looking for ways to optimize, improve our run rates and then deliver on promises, in a sustainable way, by the way, deliver on our promises for next year.

On the CRE portfolio, it was approaching, but not quite, € 1 billion that we put in the market. Of that, a little bit, approaching 40%, was stage 3, and then the rest a mix of performing and stage 2. We were encouraged, frankly, by the pricing that we saw.

Remember that when you're doing a portfolio sale, the € 23 million we book, is it telling us our marks weren't right or simply that we're placing somebody else's cost of capital for our own? I think more the latter. And given how close the marks on the stage 3 elements are to our bookings, we see that as encouraging and further evidence of our view that Commercial Real Estate has at least found a floor and is stabilizing.

That transaction, incidentally, I hope we were clear, but we have not closed on that transaction, but we have now booked to where we think it leads us in terms of marks. So that's overall encouraging.

On the hedges, it's in both CB and IB. And in a couple of those exposures, they were shared across the two. We call them concentration hedges. Well, we have a programmatic policy to ensure that our concentrations don't exceed certain levels. When they do, in terms of the underwriting, we sell those exposures away into, typically, CLO structures, sometimes other structures.

The accounting has an asymmetry and produces revenue. Actually, net interest income was smaller this quarter, a little bit more in the first half. In total, over the course of the year, that's amounted to about € 200



million. So only 30% of the losses actually went to capital, given the benefit of the hedging. And I think it's a sign of the prudence that goes into that programmatic hedging that we do.

And actually going back to Giulia's question, it's an area where the growth of private credit is obviously helpful, because we see improvements both in capacity and pricing in the market into which we sell away the risk that we're talking about. Hope that all helps, Stefan.

Stefan Stalmann

Very helpful. Thank you very much, James.

Matthew Clark
(Mediobanca)

Hi. Actually, it's a similar question on the hedges. So there's a commentary of Group-neutral hedging in Private Banking revenues as a drag this quarter. So I'm just wondering where, within the Group, is the offsetting benefit there? Thank you.

James von Moltke

Thank you. Treasury was, or Corporate & Other, where the offset last year was. So what we did was, there was what I think of as hedging of the convexity of the mortgage portfolio, which we historically had kept in Treasury.

This year, the decision was to push that out to the business where we think it appropriately belongs, and where, by the way, one of the reasons to do that was the hedge programs that we're able to implement have improved. So that was the trigger for the change.

And so that's meant that Private Bank on the surface has had a year-on-year comparison that's worse, both on revenues, by the way, and on costs, than the, I'll use the word, underlying performance would show. So it's been a noisy quarter for PB, but in areas that at least two of which are Group-neutral, either on the cost side with other segments, or in this case on the revenue side with Corporate & Other.

Matthew Clark

Thank you.

Jeremy Sigee
(BNP Paribas Exane)

Hi there. Thank you. A couple of follow-ups. A lot's already been talked out. Firstly, on the US CRE, I just wanted to check something that I think you implied. But on slide 37, you've shown the quarterly CLPs have now stepped back down to € 68 million. I think you're implying that that's the new run rate, we stay around



that level going forward.

And I guess it's a positive really that your modified loans are now € 13 billion out of the € 15 billion. So it implies you've worked your way through pretty much the whole portfolio. And I guess that supports that outlook. So first question is really just, are we now expecting to go forward at that € 68-million-ish run rate?

And then the second question, I just wanted to press you a bit more on the M&A topic. You were commenting this morning on the newswires, James, about Deutsche Bank positioned to play a leading role in European consolidation. The industrial logic makes sense, but you're just not ready right now. And I just wondered how you view the scenario of someone like Commerzbank tying up with a different bank and effectively becoming unavailable. What remaining optionality would you have? Where else would you see opportunities for consolidation and for Deutsche Bank to play a leading role?

James von Moltke

So Jeremy, thanks for the questions. So more or less, the answer is yes. If we had printed in Q2 what we did in Q3, I think we would have been congratulated for the foresight. But we are absolutely seeing a trend here. And it's based on the items that we've talked about for a while, so relative stability and valuations, which you see in the loan-to-value, the interest rate environment, obviously the external indices that you've seen, and now, having tested the market with the loan sale, also the results of that market check.

As you also alluded to, inside the € 68 million is € 23 million that you can also think of as a bring forward, and so the underlying run rate was even better. Look, I don't want to promise a number, I think, having leaned out a little bit far in Q1 about Q2, but the direction of travel is there, and all of the drivers that I referred to are there and visible.

And as it relates to the modifications, you're correct. Look, some of this portfolio will have been modified and then have its new maturity and come up for an extension a second time. So it's not impossible that it grows beyond the € 15 billion, just as a metric. But it is



the case that we've been through the lion's share of the maturity profile and potential for modification.

And as we said last quarter, the list of projects where we see scope for new defaults is obviously declining, so the number of loans where we see a risk in that there are modifications or defaults in the next 12 months declining significantly. So all of those things to us are encouraging.

Given you referred to my comments, I'll go quickly, and Christian may want to add. I think our language on the strategic environment in Europe has been consistent throughout. Deutsche Bank, I don't think it's a God-given right, but given the business that we do, our size, our home market and our global capabilities, we think we're well positioned to play a leading role in time.

We've also been consistently clear that we didn't see that time as having come. And that remains the case today. We've been consistent in our messaging that as we look to 2025, executing on our strategies, delivering profitability, demonstrating its sustainability, demonstrating the growth will do more for our shareholders, considerably, than anything that's inorganic. And so I think I want to just emphasize the consistency of our language, but also, over time, the ambitions we have for the organization. But it's all over time.

And one last note to just make to your question. Our opportunity set changes, no question, if, in fact, the combination that is mooted does take place. But it's one of a number of opportunities that one could consider. I don't want to be drawn on what those look like, or when, but as you can imagine, we've given thought to the question you posed over the years.

Jeremy Sigee

Thank you.

Tom Hallett
(KBW)

Hi, thanks for taking my questions. Firstly, when I look through your fourth quarter guidance for the core businesses, I still seem to be coming out short, relative to your € 30 billion guidance, unless trading revenues come in well over double-digits and the same for O&A. So it feels like you expect the Corporate Centre to continue to positively surprise. Is that a fair



assessment? And into next year, how does the € 500 million Valuation & Timing differences which we've seen year to date feed into the revenue guidance for next year?

And then secondly, it's a bit of a broad-based question, but there's a general consensus that as long as rates stay between 2% to 3%, everything is fine. But if rates fall below 2%, it's a different story. So how would you see your interest rate sensitivity changing the further below 2% we go? Thank you.

James von Moltke

Thanks, Tom. In Q4, I'd say, well, one thing that is not built into the guidance, but we refer to, is potential performance fees on the Asset Management side, which the way they are accounted for, they're not certain until the year is done and final.

We do see, as you say, sequential growth in O&A. That's encouraging, and that would help against the € 7.1 billion that we're looking at for Q4. And if I just walk forward the momentum we've had so far in FIC markets this year, that should also produce, I think, a very solid quarter and contribute to the run rate. So we're encouraged there.

Look, the Corporate & Other lines are hard to predict just by their nature. Valuation & Timing, the nice thing this year, really in the third quarter... Remember, in the first quarter, we had some losses in Valuation & Timing that were because of their short nature. Actually, the pull to par happened very quickly.

There is some longer-dated pull to par that we can already see going forward. It's not a big part of what we're planning for 2025. And overall, I'd say 2025 would probably be a reversal, to some degree, from 2024. But it's always hard to predict what goes in those lines, and they're very market dependent. Hope that helps square the math.

Tom Hallett

Yes, that's good enough. Thank you. And then on the rates, sorry, the 2% to 3% falls below 2%?

James von Moltke

Yes, look, it's always hard to predict. But as I said to the question earlier, obviously we would like for these rolls, the hedge to roll at 2% or more. To be fair, that's what the market expects in terms of a terminal rate in euros.



Remember, though, that this is long-term rates. And so the scenarios of a steepening curve, especially as you see less liquidity in the market, maybe higher fiscal deficits and other things, you could actually in the long end, even in scenarios where the short goes down further, see higher long-end rates. So it's not just the level, but also the shape of the curve.

And we look at this hard in Treasury, in our in our ALCO and ALM processes. How do we lock in as much of the future, not just simply by rolling ten years, which is a big part of it for sure, but also by thinking about option structures and other things that can protect specific curve shapes over time? So I don't think of it as totally linear in terms of our exposure to that environment.

Christian Sewing

And Tom, just one addition to that. Also think about, outside the rate sensitivity, actually what kind of investments which we have done over the last 18 months actually in the non-NII business, and exactly for that reason, in order to be really diversified from the revenue streams.

That was the reason why we invested into Wealth Management, the fee business part of the Corporate Bank, and obviously in the O&A business. So I do believe that even if this would come, then, I refer to James' comments but also the strength of the bank in the non-NII business, which is clearly significantly improving.

Tom Hallett

Okay, thank you.

Piers Brown
(HSBC)

Yes, good morning, everybody. I've just got one final one. It's just a modelling question in terms of some of the moving parts on capital into next year, items that we discussed last quarter. But if you could just tell us whether there's any update to the Basel IV guidance. I think I had about € 7.5 billion, 1 January 2025, and then another similar amount with FRTB at the beginning of 2026. And then if there's anything to update on the leverage finance reviews or on the EBA AVA technical draft. I think those are two other potential moving parts for next year. That'd be helpful. Thank you.

James von Moltke

Thanks, Piers. No, not much in the way of new news. Still, our estimates, € 15 billion in total split basically 50-



50, is still about right. So next, the Q1 impact is operational risk related. Q1 2026 would be FRTB related. The OCI filter item that I talked about with Kian would also be a feature then, whatever that number is in 2026. So those are the build items that are still left ahead of us.

I think, as I say, there's also the possibility of things taking place that give benefits against that future. I mentioned the sectoral buffer against mortgages in Germany, conceivably a delay in FRTB. So the nature of the beast here is that it's a bit of a moving target. But with all of the things that we can see right now, we feel very comfortable in our path.

On the AVA item, which I take to be the question, so the EBA Q&A on additional valuation adjustments, I'm not aware of any movement there. I know there was an exposure draft, as I might call it, a lot of feedback for the industry, but there hasn't been a reissuance of that.

We do obviously have very strong views about the ideas that were laid out in the EBA draft. That would be a headwind to our current expectations and capital plan. But we also think that those ideas were excessively conservative and would argue strongly around that. Was your question, though, also more broadly about the leverage lending review with the ECB? There wasn't much really to update there either, I have to say.

Piers Brown

Yes.

Christian Sewing

Well, we should only say that we are still waiting, actually, for the final report. I think, given all the discussions over the summer, we can only tell you that the number came substantially down. And to be honest, we feel very comfortable with the exposures we have. And now we have to wait for the further debate with the ECB.

Piers Brown

That's fine, yes. No, I was actually referring to... I think we've mentioned in the past there was a 15-basis-point add on to your CET1. And I think the way I've modelled it is to assume that goes out in the form of higher RWA or some form of capital reduction.

James von Moltke

Yes. No change today to that. As you know, we were given five basis points back a year ago, which we took



to be a good sign in terms of where we were on a relative basis. But no change to that.

Piers Brown

Okay, that's great. Thank you very much.

James von Moltke

Thank you, Piers.

Andrew Coombs
(Citi)

Good afternoon. Firstly, just a quick clarification. I think in the revenue walk from € 30 billion to € 32 billion, you talked about € 300 million to € 400 million incremental NII in PB and CB from deposit growth. Can I just confirm that that's the case, and that the € 300 million from the structural hedge tailwind is then on top of that?

James von Moltke

So Andrew, no. Just to be clear that we would expect, ballpark, € 200 million in each of the larger deposit businesses next year. And that ties to the disclosure around the hedges. That number is before any benefits of growth in the balance sheet, whether loans or deposits or spreads on either of those two things.

So that's why I think, in Christian's comments, we see upside in NII, not just from the rollover, and let's say that € 300 million to € 400 million depends a little bit still on the interest rate environment, but then incremental NII benefit next year from all those other factors. So I hope that clarifies.

Andrew Coombs

Okay. And then as a follow-up to that, I always thought the hedge wasn't allocated evenly between PB and CB. So interested in anything you can say on the hedge allocation. And then more broadly, just the deposit margin trends that you're seeing both currently, but what you're also assuming going into next year as well. Thank you.

James von Moltke

Yes. So you're right that typically, the longer-term hedges, especially the euro hedge book, is more in the Private Bank than the Corporate Bank. As it happens, in this year-on-year comparison, the Corporate Bank had a larger dollar hedge on, which is the same hedge I referred to earlier that's rolling off in Q4.

So there's an unusual uplift from a three-year US dollar hedge, that the Corporate Bank is benefiting from that evens out the mix next year. On the... Sorry, what was the second question? I'm just blanking for a second,



Andrew.

Andrew Coombs

Sorry, no, it was just on deposit margin.

James von Moltke

Yes. Sorry for the blank. We still plan, arguably with conservative views on deposit margins and beta behavior. Now, the scope for upside from conservative assumptions there naturally has diminished, because we've gone through the upswing and now the beginning of the downswing of the cycle.

We're not seeing anything in terms of behavior today that would suggest more pressure on the banks in terms of pricing. And so that's encouraging. But as I say, the scope for over-earning at this point in the cycle is obviously less, I'm going to say, in beta terms, single-digit percentages rather than double-digit percentages that we once had.

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