Deutsche Bank AG

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Transcript

Speakers

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Dixit Joshi, Group Treasurer
James Rivett, Head of Investor Relations

James Rivett

Thank you, Hailey. Good afternoon or good morning and thank you all for joining us today. On the call, as always, our CFO, James von Moltke, will speak first. Then our group treasurer, Dixit Joshi, will take you through some fixed-income-specific topics. We'll then be happy to take your questions. The slides that accompany this presentation are available for download from our website, db.com.

But before we get started, I just want to remind you that the presentation may contain forward-looking statements which may not develop as we currently expect. Therefore, please take note of the precautionary warning at the end of our material. With that, let me hand over to James.

James von Moltke

Thank you, James, and welcome from me. Let me start with a summary of our third quarter financial performance compared to the prior year on slide 3. We're pleased with our performance in the quarter and in the first nine months of the year despite the challenges that the COVID-19 pandemic has created.

As Dixit will discuss later, our balance sheet remains conservative with strong capital and liquidity. We were profitable in the third quarter and in the first nine months of the year with results ahead of our internal plan.

In the third quarter, we generated a profit before tax of €482 million or €826 million excluding specific revenue and cost items detailed on slide 39 of the appendix. Provision for credit losses of €273 million return to more normalised level this period. The provision included €71 million related to COVID-19, as a stage-3 build was partly offset by releases in stages 1 and 2.

The releases were driven by the improved consensus macroeconomic outlook in the quarter, partly offset by a higher management overlay to account for uncertainties in the outlook. Operating leverage was strong at 23% on a reported basis, as revenues increased by 13% while non-interest expenses declined by 10%.

Let me discuss the drivers of improved profitability, starting with revenues on slide 4. A core objective of our transformation is to stabilise and then grow revenues. We've grown group revenues by approximately €0.5 billion over the last 12 months. The increase has mostly been driven by the investment bank, where we have benefited from client re-engagement around our refocused strategy and strong market conditions.

We see a substantial part of the investment bank revenue performance to be sustainable. You see this in core bank revenues, which have increased to around €24 billion over the past 12 months. This puts us close to the plan of €24.5 billion that we described at the last investor deep dive as part of our path to the 8% return on tangible equity target in 2022.

But we are not complacent. We will continue to work on measures to offset the interest rate headwind and the further anticipated normalisation of market conditions in investment banking.

Turning now to our progress on cost reductions on slide 5. We've delivered 11 quarters of year-on-year reductions in adjusted costs excluding transformation charges and bank levies. Excluding transformation charges and prime finance costs, adjusted costs were €4.7 billion in the third quarter.

This puts us well on track to meet our 2020 target. This would be a reduction of €3.3 billion, almost 15% over the past two years. Disciplined execution is becoming increasingly visible in our profitability, as you can see on slide 6.

A core objective of our transformation is to improve sustainable profitability. That means generating positive operating leverage by growing revenues and at the same time reducing costs. We've generated positive operating leverage for four quarters in a row at both the group and a core bank level.

This operating leverage has driven significant improvement in core bank profitability. The improved core bank performance has increasingly offset the negative impact of the wind-down of the capital release unit.

Over time, more of the core bank's profitability should flow to the group's bottom line, as we continue to progress on our transformation agenda and provisions for credit losses normalise.

All four of our core businesses generated positive operating leverage, as you see on slide 7. The operating improvements were driven by disciplined execution of our strategy, as each business seeks to increase its return on tangible equity.

Both the corporate bank and the private bank have implemented measures to offset the interest rate headwind. The investment bank benefited from a recovery in revenues combined with ongoing cost reductions.

In asset management, DWS has shown its resilience with a rebound in revenue driven in part by net asset inflows, as well as ongoing cost reductions. This operating leverage was also not at the expense of the resource discipline.

Over the last 12 months, risk-weighted assets were broadly flat or slightly down in each of our businesses. This discipline around risk-weighted assets is a key element of our commitment to conservative balance sheet management, which we discuss on slide 8.

As we execute on our transformation, we will continue to manage our balance sheet conservatively. We held our CET1 ratio broadly stable at 13.3%. Liquidity reserves increased to more than €250 billion with a liquidity coverage ratio at 151%. These metrics are comfortably above regulatory requirements.

Performance in our loan portfolio since the first quarter supports our guidance for the full year. We still expect provision for credit losses to be in a range of 35 to 45 basis points of loans. We reiterate this guidance despite the recent renewed uncertainty in the macroeconomic outlook.

This compares favourably to our international peers, reflecting the high-quality nature of our loan portfolio and tight management of credit risk. It also reflects the fact that around 50% of our loan portfolio is in Germany.

Before handing over to Dixit, let me summarise the key points on slide 9. It is now five quarters since we launched our strategic transformation, and for the fifth quarter in a row, we've delivered on or ahead of our financial targets and transformation agenda.

The combination of higher revenues and lower costs is driving higher core bank profitability. This positions us well to deliver against our long-term targets. With that, let me hand over to Dixit.

Dixit Joshi

Thank you, James. Let me start with a summary of our net balance sheet on slide 11. Our resilient balance sheet has allowed us to manage through the pandemic while keeping our transformation on track.

Liquidity reserves account for 25% of the net balance sheet. Our loan-to-deposit ratio at 75% provides significant room to prudently grow loan balances in coming periods. And our funding profile remains well diversified. The most stable sources were at 81% of our net balance sheet or 85% including TLTRO.

Low-cost deposits are our main funding source, contributing almost 60%, and we've steadily reduced our reliance on unsecured wholesale funding, which is now less than 2%. In addition, we've reduced our long-term debt by €4 billion and replaced it with cheaper sources, including TLTRO 3.

Moving to liquidity on slide 12, both our reserves and the liquidity coverage ratio increased in the quarter. This is primarily a result of the excess liquidity in the financial system and reflects a trend that we have seen across the sector.

Loans declined by €9 billion as clients continued to repaying committed facilities that were drawn earlier this year. Core bank deposits increased by €3 billion, partially offset by €1 billion lower wholesale funding deposits.

Higher net derivatives margin received, methodology enhancements, and further deleveraging in the capital release unit also contributed to the increase in liquidity. As a result, we ended the quarter with liquidity reserves of €253 billion and a liquidity coverage ratio of 151%.

The excess liquidity gives us the capacity to support our clients as and when demand for additional lending increases. Over time and in response to customer demand, we do intend to prudently manage back our liquidity toward target level.

Slide 13 provides you with some context around how we think about this year's growth in excess liquidity and visibility around how we have managed those costs.

Liquidity reserves have increased by €31 billion year to date. A large driver of this year-to-date increase is from TLTRO funding, consistent with our European peers. We've increased our net participation during the year by €20 billion. Current funding rates are attractive, in line with the ECB's deposit rate facility.

In the first half of 2021, the funding rate will reduce to 50 basis points below the facility rate, subject to our achievement of the ECB's loan growth target. This shows that while our liquidity levels have increased over the course of the year, we operate at significantly lower costs than in previous years.

In addition, we're also working to improve the composition of our deposit base. While total deposits are only slightly up year to date, we've managed to reduce unsecured wholesale funding and non-operating corporate bank current accounts while growing most stable retail deposits.

Management of our deposit base is important to optimise the funding mix of the bank but also to support revenues from charging client balances, as we show on the next slide.

We continue to make substantial progress in passing through negative rates to our corporate and private bank customers. This has not only allowed us to control volume growth but also helped offset continued revenue headwind from the lower interest rate environment.

At the end of the third quarter, we had charging agreements in place for accounts with in total around €75 million of deposits generating revenues of €57 million. We currently expect these charging agreements to generate around €200 million of revenue this year, well ahead of the target we originally set for 2022.

Looking ahead, given our progress to date, focus will increasingly shift toward smaller client balances. The trend of deposits and scope for deposit charging, as well as the associated revenue, is therefore expected to flatten in the coming quarters.

Looking now a bit closer at our capital ratios, starting on slide 15, our CET1 ratio was 13.3% at quarter end and increased by two basis points in the quarter. Progress in the capital release unit, lower operational risk, RWA, and repayment of client credit facilities were broadly offset by movements in OCI and growth in core bank RWA.

The buffer above regulatory requirement for the CET1 ratio increased by two basis points to 285, as shown on slide 16.

Our total capital ratio was 17.6% at quarter end, €8.4 billion above our MDA minimum requirement. The buffer increased by 14 basis points in the quarter to 259 basis points. This increase was mainly driven by lower risk-weighted assets and our tier-2 issuance settling in July.

Our leverage ratio was 4.4% at quarter end, an increase of 28 basis points, as shown on slide 17. The increase reflected the exclusion of certain central bank balances from the leverage ratio denominator following the implementation of the CRR Quick Fix. The change in definition was partly offset by the growth in our businesses.

We continue to operate with a significant loss-absorbing capacity well above our requirement, as shown on slide 18. At the end of the third quarter, our loss-absorbing capacity was €70 billion above the minimum requirement for eligible liabilities or MREL, our most binding constraint.

Given our significant buffer, we're well positioned to absorb several items impacting our loss-absorbing capacity in 2021.

These include the derecognition of bonds issued under UK law following Brexit of €4 billion, a reduction of €4 billion in eligible liabilities as certain instruments fall below the one-year maturity threshold, the switch from a TLOF to a RWA base MREL requirement, and a higher subordinated MREL requirement becoming applicable post changes in European law.

We will partly offset these reductions by further new issuances, which we'll discuss on slide 19.

Since our last call, we issued €4.5 billion, including euro and US dollar, senior non-preferred instruments in a TLAC-optimised format. This now takes our year-to-date issuance to close to €14 billion and largely completes our 2020 requirement.

We raised a further €4 billion of TLTRO-3 funding in the quarter offset by the repayment of €5 billion of legacy central bank funding. This increased the tenor of our central bank funding while lowering the associated cost. We now have €34 billion of TLTRO-3 funding outstanding and expect to increase our participation to around €40 billion, the maximum allowance.

In framing our issuance plan, we will, as always, be mindful of the larger contractual maturity next year, our MREL requirement, regulatory changes, as well as continuing to meet rating agency criteria. We are currently in the strategic planning process, which will also guide our resource needs.

As in prior years, we look forward to updating you at the next quarter fixed-income call regarding our 2021 issuance plan. We may consider pre-funding some of our 2021 requirement in the fourth quarter of this year, depending on market conditions.

In conclusion, on slide 20, our balance sheet remains low risk and funded by highly stable sources. On the CET1 ratio, uncertainty remains regarding the economic environment, client behaviour, and regulatory action. But given where we ended the third quarter, we are confident of maintaining the ratio well above our 2022 target of 12.5% in the near term.

You may have seen that Fitch has upgraded our additional tier-1 instruments by one notch earlier this month. The subgrade reflected a higher capital level and buffers above regulatory requirement.

We’re happy about this action in the current environment. We view this as an important signal that our stakeholders acknowledge the significant progress the bank has made over the last few years.

On liquidity, we expect to prudently manage down our excess liquidity toward our target level over time. But given the attractive TLTRO conditions, we are under no time pressure. As James outlined, we continue to expect provision for credit losses of 35 to 45 basis points of loans for the full year.

In summary, we will continue the disciplined execution that you have seen from this management team over the last few years. Execution on our short-term objectives keeps us on the path to deliver our 2022 targets. These include a significant improvement in organic capital generation with a target of post-tax return on tangible equity of 8%. With that, let us move to your questions.

Robert Smalley (UBS)

Hi, good morning and good afternoon and thanks for doing the call. Couple of questions related. First, you have a slide on VaR on page 30, and it was the… One of the measures is elevated for the second and third quarter. Now that we have somewhat more normal trading conditions in the market, do you see that coming back down to the levels Q3/Q4 of 2019? That's my first question.

Second question, which is a follow-on to that, you guys have done great in trading the past couple of quarters but, on the net interest income side, been a bit squeezed from margin compression. As we have a more normalised trading environment, what are the plans to improve the net interest income side?

And third question just on the provisions, following up on a question on the equity call and looking at the larger disclosure on page 29, it reads to me that you made a significant management judgement call on provisioning, given the economic environment and probability of higher non-performers down the road. Could you talk about your thinking and everything that went into that? Thanks.

James von Moltke

Sure, Robert. It's James. Thanks for joining. I'll go for the first and the third questions and then ask Dixit to comment on interest income.

First of all, the trends you've seen have not been around more risk taking but rather the market conditions and volatility. While we have seen some normalisation and we would expect that normalisation to continue, of course it depends on market conditions from here.

Briefly, a comment on the HistSim numbers that you see on the second of those two pages, and you will have read about it in the earnings report disclosure. Obviously, HistSim, different model reacts differently and more sensitively to volatility in the marketplace.

But one thing I'd point out is now that we have transitioned to the HistSim models, we hedge to those models. But the history we show was still hedged to the Monte Carlo model, so that HistSim history isn't the path we would've walked even the market condition had we been fully transitioned to those models.

As relates to provisions, you're correct. We did apply an overlay, as we did in the second quarter. We incremented the overlay with a rationale around continued uncertainty in the economic environment.

And so, as we were asked on Wednesday on the earlier call, we did in a sense not follow the models completely in terms of the release that we might have recognised based on changes in the expected credit loss, in turn based on changes in the economic environment and the variables that we were looking at, precisely reflecting uncertainties in the market environment.

And of course in October to date, some of those uncertainties have materialised. We feel good that the actions that we took in the third quarter are prudent, and we feel good about our guidance, even in light of the recent changes and developments around the COVID pandemic.

Of course, there's uncertainty that lies ahead and into next year in the path of the economy, the path of pandemic. But we feel really good about the decisions and judgements that we made in the year to date and also the great work our risk team has done, having a very strong handle on the portfolio on a granular basis, as well as on all of the modelling, as you know, goes into expected credit loss.

Dixit Joshi

Robert, hi, this is Dixit here. James had touched on this briefly during the equity call, but it's largely driven by an accounting difference rather than an economic difference quarter on quarter. Q2 reported NII was artificially high, and this was due to one of items, as well as some of the impact of the short-term growth that you saw on committed facilities.

But if you really look at the underlying economics in the business, especially for the corporate bank and the private bank, these were largely stable Q3 versus Q1 and versus Q2, with the accounting mismatch being held in C&O.

And to your question on what is really driving NII, a number of things, as you've seen, in the evolution of our balance sheet, have come together, including interest rate charging, which has been driving NII at an outperformance rate, as you saw.

We indicated at the investor deep dive last year that we were anticipating around a hundred million of revenues in 2022, and we're well on track to more than double that during this year. Again, in the outlook that I provided, that charging trajectory will slow down from here on because we have tackled larger deposits in our deposit base. But again we'll continue to roll out those charging initiatives.

The other is just balance sheet efficiency, including deposit efficiency, and that's a feature that you see through the course of this year, that the mix between operational and non-operational deposits intentionally has been steered towards a higher proportion of operational deposits through the course of this year.

And so a combination of those, in our mind, lead to the stable NII that you're seeing in spite of the interest rate headwind that the businesses have been experiencing.

Lee Street (Citigroup)

Afternoon all. Thanks for doing the call and well done, another good quarter. Three from me, please.

Just on revenues, obviously you've had a really impressive growth in revenue, and the investment bank, as you highlight, has been the key driver.

Can you give us any indication, out of 8.8 billion of investment banking revenue you've generated so far this year, what proportion of that we might have to consider as more recurrent? And what proportion of that we should be thinking about as being more market sensitive? That'd be really helpful.

Secondly, you mentioned a higher subordinated MREL requirement. Can you just give us your thinking around on how much higher that will be?

And finally just any thoughts from yourself or any tangible indications on what else you need to do to see or what you need to do to see a change in ratings outlook? Obviously, you referenced the change at Fitch on the AT1. But in terms of the actual overall outlook, what else do you think you need to do? They'd be my three questions. Thank you very much.

James von Moltke

Lee, welcome. James, I'll start on the first and hand it over to Dixit.

It always hard to tell, but you heard perhaps our commentary on Wednesday that some significant proportion, maybe half or more, of the revenue improvement, we think, will be sustainable.

And the basis for that is we obviously did have outperformance particularly in FX and rates, the businesses that are particularly sensitive to volatility in the market environment. And naturally you'd expect in a normalised environment some of that to retrace.

At the same time though, credit has actually had something of a headwind this year because of the COVID environment, so both market valuation impact and flows in credit. And so we actually see, I think, some benefit from that as the market environment normalises. Those offsetting impacts are part of our thinking.

The other thing you recall is that in our FIC complex, there is a greater proportion of financing revenues, so call it accrual or interest carry that we earn relative to peers. One hopes that that dampens the volatility a little bit. It does so on the upside and the downside by and large, and those are all factors that go into our thinking around the sustainability.

And the last point to make is just our view that the implementation of our strategic change last year has really carried through into better focus, better performance, better client engagement in both the FIC and also origination advisory businesses.

So that gives us some sense that the market share improvements are sustainable, and even a down wallet year, which a lot of us expect in 2021, we can retain some of the revenue improvement.

Dixit Joshi	Lee, I'll take the question on subordinated MREL. The discussions with SRB, as you know, have only recently started. We do expect our formal requirement to come through in the first quarter/the second quarter of next year. It is our expectation that the subordinated MREL requirement will become the more binding of our constraints compared to TLAC due to the legal and regulatory changes. And we think this will then drive the need for senior non-preferred issuance through the course of next year. That said, our starting point is a good one, as you see with the surplus that we have, which we're more than comfortable. We'll accommodate some of the regulatory changes that are coming down the pipe, as I indicated on the slide.
James von Moltke	On the rating side, our sense is that the strategic decisions we've made and the disciplined execution that we've shown now for the last five quarters and frankly several years, thinking about the expense line, we're doing the right things to reposition the bank and that should over time be recognised in improved ratings outlooks. Over what period of time and what events might catalyse a change is obviously in the thinking of the rating agencies, and I can't comment on that. But we do think that the focus we've had, particularly on sustainable profitability and that aspect of the change in our performance over the last year addresses one of the key concerns that the rating agencies and other stakeholders have had around the company. That's how I respond.
James Hyde (PGIM)	Hi James. Hi Dixit. I have a question that could partly relate what you said and another question more on revenue sustainability. It seems to me one of the things the rating agencies are likely to wait for is a more clearer outcome of the impact of the current crisis, especially post second lockdown. I wanted to understand what exactly drove the reduction in what you classify as stage 2 fell from 52 to 41 billion in the quarter

despite uncertainty and despite the fact that you actually had, unlike some peers, an increase in the COVID-related forbearance in the corporate side in the quarter.

I understand that there may be a reason to take lower ECL relating to stage 2 with the outlook, but is the calculation of the stage-2 exposure something that's modelled within…? Do you ignore what's happening to forbearances?

Quite clearly, here you got a management that's won a lot of credibility on pre-provision delivery.

Second question on that pre-provision delivery. Just wondering you have basically a… You had a 33% year-to-date up in the investment bank from obviously a low point last year, most difficult times, and minus 10% on costs. How you're going to be able to manage bonus expectations in that situation, given the type of business that that's in? Thanks.

James von Moltke

James, thanks for the question. I'll try to be brief. On stage 2, what you saw was the reversal of what took place in the first quarter, and it was largely highly rated financial institutions and clearing houses where there'd been a movement that was large enough to trigger a stage-2 event in probability of default but against extremely low levels of probability of default.

So the percentage move offered very, very low level was enough to trigger stage 2, and in a more normalised environment that was reversed, so exactly as we expected.

And we followed the model, which is actually the answer to the second part of your question. We are following what our risk teams are telling us in terms of their granular assessment of the portfolio of the focus industries and the development also of the homogenous portfolios on the retail side and then, on top of that, what the models are telling us.

Our guidance has followed that throughout the year, and frankly the developments in the portfolio and the economy have been within the range of our expectations. There have been increases in forbearance and including on the corporate side a number far, far fewer.

When you see the movement, the number of obligors is, of course, small in on the corporate and investment banking side, but the larger share of the balance is in retail very small in balances.

But it's as you'd expect in the middle of a credit cycle, including, for example, in portfolios like CRE that when we restructure or give forbearance in some form like interest holidays, that shows up in that statistic.

We think that's the right decision both for our clients and for the specific projects in many instances that this relates to. But in neither case does it represent a management team that's doing anything other than following the facts as we travel through this crisis. The facts of the underlying portfolio, that is.

On the operating leverage side, we've been working to do a number of things on the expense side of the equation, whether that's headcount reduction, non-compensation expenses. You actually see increases in our accruals for variable compensation relative to the expectations we had coming into the year.

So we were mindful, James, of the need to compensate appropriately for performance, balancing a range of considerations, but one of which is franchise protection, franchise preservation, given the nature of our business.

Jakub Lichwa (RBC)

The proportion of your revenue coming from the investment bank is obviously growing. How do rating agencies look at that?

You have already had before relatively high proportion revenue coming from more volatile businesses. I understand that you are going to try and tell them that is now more sustainable. But to what extent do they see the plan as being executed? Again, the revenues are coming, but they are not necessarily coming from where I think you thought that they would have. That would be it. Thank you.

James von Moltke

Thanks for the question, Jakub. We're pleased that based on our performance, the client re-engagement, we were able to participate in a very strong environment in investment banking. We wouldn't have wanted it to be the other way around.

But equally, as we pointed out, it's an environment of disciplined resource reallocation, whether that's capital, risk-weighted assets, or also more expenses and the people engaged in that business.

I think the stakeholders you're referring to recognise that this is still very much in line with our strategy. And it's also the composition of the business over the past couple of years, as we've talked about a little bit, has moved to places where we're a leading player and therefore we think have sustainable advantage.

We are focused on client transactions, flow in the system, and very prudent risk taking, including underwriting and the lending book. And I think that's recognised.

And then, in terms of business mix more general, absolutely, we'd like to see the corporate bank and private bank grow from here and the business mix develop in line with our original communications in July and December last year.

That said, they're performing in line with our plans, as we've pointed out, despite the very adverse environment, particularly on interest rates that they faced. And they execute on their strategies around both revenue preservation, revenue growth, and increasingly expense reductions.

We do expect the pre-tax contribution from those businesses to increase even as revenues are growing no more slowly than perhaps the investment bank did in the past 12 months.

Anke Reingen (RBC)

Thank you very much for taking my question. I just had a question regarding the ECB and various speculations or ideas of what they could potential announce in December. I have to admit I'm bit out of my comfort of zone.

But from your point of view, what do you think would bank bond buying mean for you in terms of spread compression, lending, or changing mix? It would be great just to hear your view how this would impact you? Thank you very much. If that would be announced.

Dixit Joshi

Anke, hi. There's certainly speculation around what the December announcement might be, but we did get fairly good idea this week of the direction of travel, whether that's the expansion of central bank, asset purchase which will continue, and you saw €120 billion between now and year end.

In a sense, it's not much different than the central bank expansion of balance sheet that we've already been seeing over the last few years and the commensurate increase in liquidity around the euro system, which then find its way on to bank balance sheet.

And so we've been… As you can see, managing our balance sheet in a manner that allows us to optimise, whether that's the disclosure we've given you today in terms of what the cost of funding is for some of this excess liquidity.

And as you see, through the way we've managed our balance sheet through the year, it's been quite attractive, whether that's through tilting toward operational deposits, through interest rate charging, and initiatives we have there, where we're running at two times our target at 2020 run rate or optimisation of TLTRO.

And so certainly we'll need to continue to focus on those initiatives through the course of next year. But we feel comfortable that we have been offsetting the drag from negative rates through a combination of these initiatives. I hope that's helpful, Anke.

Anke Reingen

Yes, but I can say would even be positive. If spreads would further come down, they are more of a relief, or should I not think about it that way?

Dixit Joshi

We are always encouraged by our spreads coming down, Anke. But I would say that our reliance on capital market funding, as you see through our stable sources of funding, is actually quite small relative to the net balance sheet that we have.

And partly that's because we've over the years tilted towards more stable deposit funding. We've reduced our reliance on wholesale funding, and then we've also managed our capital market issuance plan in a manner that is funding optimised and cost optimised for us.

Corinne Cunningham (Autonomous)

Hi, there. Thanks very much. A couple of quick ones actually. Just wondered if you got any steering on your RWA inflation going forward. I know that… I guess the pressure has been a lot less this year than expected, as some of the early corporate borrowing has been repaid. But I'm thinking particularly in terms of regulatory pressure, Basel 4, etc.

And the other question was just on the EBA paper last week, legacy paper. Do you think that's increasing the pressure or timing on need to redeem legacy securities, including yourself? Thank you very much.

James von Moltke

Thanks for the question. James. I'll take the first. As I gave guidance on Wednesday of reg inflation about 30 basis points this quarter, that represents… Two of the three drivers are on RWA. One is our expectations around TRIM. The other is definition of default, which is an EBA item.

Together they probably represent about 9 billion, so there's 6 billion on TRIM that we've advertised for a while and then additional RWA inflation from the EBA definition of default. And that's baked into that 30 basis point. There's some other denominator impacts that more or less net out.

Dixit Joshi

Corinne, on the second question, I guess you're speaking to the EBA paper referring to inflation risk across the capital stack.

We've been digesting that. We're quite comfortable, given the implementation of BRRD into German law, which is proceeding and is underway right now and is in the legislative process. We expect this to come through in the fourth quarter of this year, and this will largely remove that inflation risk on our legacy capital instruments. And so in that light, we're quite comfortable with the way we're positioned.

Corinne Cunningham: And even if it removes inflation risk, they've still got features that would mean that they don't count for capital purposes. Does that mean you just think about them as funding, or do you think there is still some residual pressure to redeem?

Dixit Joshi: Certainly, there's no pressure to redeem, as I said, necessarily in specific relation to the inflation risk once the legislation goes through in the fourth quarter.

That said, the instruments do count as capital on a phase-in basis through the course of next year, and so as always, we're mindful of the replacement cost of those instruments, the capital treatment, and capital benefit that they have for us through the course of the years. And in that respect, we'll make a determination on any action related to those securities as we get closer to those decision points.

James Rivett: Thank you, Hailey. Thank you all for joining us. You know where the investor relations team is if you need us. Otherwise, just a quick reminder. We have our next investor deep dive on Wednesday, 9th December, virtually. We look forward to virtually seeing you all there. Be well.

This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to the Q3 2020 Financial Data Supplement, which is available at www.db.com/ir.

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