Deutsche Bank AG

Deutsche Bank Q1 2021

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Transcript

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CHRISTIAN SEWING

Slide 1 – Disciplined execution drives transformation and materially improved profitability

- Thank you, Ioana! A warm welcome from me as well
- It's a pleasure to be discussing our first quarter 2021 results with you today
- We gave ourselves fourteen quarters to transform Deutsche Bank, and seven quarters are now behind us
- Half-way through our timeframe, we have already completed much of the transformation journey
- We have continued to deliver against our transformation milestones. We are on, or ahead of, our expected timeline on all key measures
- We said at the Investor Deep Dive in December we would focus on delivering sustainable profitability. With revenue growth in the quarter, up 14%, to 7.2 billion euros, we demonstrated what this franchise is capable of
- We generated 1.6 billion euros of pre-tax profit and 1 billion euros of profit after tax - that's our best quarter in seven years, despite our now smaller footprint
- That enabled us to generate meaningful capital from net income, which helped us strengthen our capital ratio in the quarter
- Excluding the bank levy, our pre-tax profit is 2.2 billion euros, demonstrating our strong operating performance
- We also made progress on costs. Our adjusted costs excluding transformation charges and bank levies reduced from 4.9 to 4.6 billion euros year on year, in line with the path we provided with our fourth quarter 2020 results
- We remained disciplined on capital, risk and balance sheet management and we successfully navigated several market events during the quarter
- We are delivering on our path to higher return on tangible equity for the Group, with progress toward sustainable profitability
- This quarter, we generated a 7.4% return on tangible equity, including full recognition of the annual bank levy
- Progress across all businesses in the first quarter reinforces our confidence that our strategic path is the right one
- Now let me take you through some of the highlights from this quarter on slide 2

Slide 2 – Q1 demonstrated progress against 2022 financial plan

- We continue to remain fully focused on executing our transformation strategy and delivering on our 2022 targets and ambitions
- Our progress this quarter shows that they are well within reach
- Refocusing our business around core strengths is paying off: our revenues of 7.2 billion euros fully support our trajectory to the 2022 revenue goal
- Our adjusted costs excluding transformation charges and bank levies have reduced by roughly 4% year on year, in line with our cost ambition for 2022, as we outlined at the Investor Deep Dive
- We continue to benefit from our leading risk management capabilities. Provision for credit losses was 69 million euros this quarter, down 86% from the first quarter of 2020
- We have seen a more constructive credit environment than we initially expected, which has allowed us to lower our expectations for provisions for 2021, although we continue to see uncertainties in the operating environment
- We improved our cost to income ratio to 77% for the quarter, which leaves us well positioned to meet our 2022 target of 70%
- The Core Bank achieved a 71% cost-income ratio
- With a post-tax return on tangible equity of over 7% for the Group, our 8% target for 2022 is within reach
- Our first quarter return on tangible equity for the Core Bank is in fact higher than our 2022 goal, at nearly 11%
- Now let me take you through the progress we have made executing on our strategy across our core businesses on slide 3

Slide 3 – Progress on strategic priorities

- The Corporate Bank continues to offset interest rate headwinds through repricing strategies and growth initiatives
- We made progress in clearing payments, via an expansion of our partnership with Mastercard
- The Investment Bank continued to benefit from our refocused business model, with another strong performance in FIC and market share gains in Origination & Advisory
- We continue to expect markets to normalize in the remainder of 2021, but we feel reassured in our view that a substantial portion of our Investment Bank growth since 2019 is sustainable. We now expect our revenues for 2021 to be very close to 2020 levels

- The Private Bank was also successful in offsetting interest rate headwinds with continued business growth
- With growth of 15 billion euros across net new client loans and net inflows to Assets under Management, the Private Bank is well in line with its ambition to attract more than 30 billion euros of business growth as we discussed in the Investor Deep Dive last year
- We also made progress on our cost plans. In the Private Bank Germany, we agreed the balance of interests for our distribution network with the workers council
- This will lead to the closure of approximately 150 branches across both brands in Germany by the end of the year, as we outlined last September
- In Asset Management, assets under management grew by 28 billion euros to 820 billion euros, a new record high
- The business continued to generate net inflows in the quarter, although these were partly offset by outflows of cash, as investors returned to risk assets
- In short: the dynamics in all four core businesses show that our re-focused business model is paying off
- Successful execution is increasingly visible in our revenue performance, as you can see on slide 4

Slide 4 – Growing revenues under refocused strategy

- We have grown revenues in our Core Bank by 12% this quarter to 7.1 billion euros, excluding specific items
- This growth has principally come from our Investment Bank, which has delivered strong performance in both FIC, particularly in Credit, and Origination and Advisory
- Our Corporate and Private Banks successfully offset headwinds with a combination of deposit re-pricing and volume growth, as we just discussed, and we see continuing momentum in these businesses
- Asset Management delivered revenue growth, boosted by transaction and performance fees
- Over the last twelve months, that takes our Core Bank revenues to 25 billion euros, a 7% increase from the previous twelve-month period, ahead of our 2022 ambitions
- In summary, all our core businesses have proven the strength of their franchises, putting our 2022 objectives well within reach
- Now let me turn to costs on slide 5

Slide 5 - Cost discipline continues for the 13th consecutive quarter

- In line with our plan and expectations, we reduced adjusted costs excluding transformation charges, bank levies and the unexpected deposit protection premium to 4.6 billion euros for the quarter, down year on year
- As we outlined at our Investor Deep Dive in December, we are advocating strongly for a stable target size for the Single Resolution Fund, which would result in lower bank levies
- However, for the first quarter of 2021, we have booked roughly 600 million euros, that's around 300 million euros higher than we had expected, based on the increased target size of the Single Resolution Fund communicated by the Single Resolution Board
- We continue to advocate for change in 2022
- As it relates to costs within our control, we remain committed to our 16.7 billion target for 2022. And we're working towards it every day, executing on cost saving measures, as planned
- We see scope for further efficiencies, for example, from alignment of infrastructure functions supporting the Corporate Bank and Investment Bank
- Let us now turn to profitability on slide 6

Slide 6 – Strategic transformation drives higher profitability

- Our relentless focus on delivering our transformation agenda is reaching the bottom line
- We have seen a 75% year on year increase in our adjusted profit before tax in the Core Bank for the last twelve months to the first quarter, and all four core businesses contributed
- At the same time we continued to de-risk in the Capital Release Unit, which nearly halved its pre-tax loss compared to the first quarter of last year
- Since we started our transformation strategy seven quarters ago, we have substantially reduced the Capital Release Unit's losses. We remain committed to minimising the P&L impact of de-risking efforts by the unit and to our cost reduction plans
- Let me now turn to risk management on slide 7

Slide 7 - Disciplined risk management

- Strong risk discipline is a central pillar of our strategy, across credit, market, liquidity and non-financial risks

- Provision for credit losses was 69 million euros this quarter, or 6 basis points of average loans on an annualised basis, principally due to the improved macroeconomic environment
- We continue to manage a high quality and well-diversified loan book, with strong underwriting standards, a robust and proactive risk management framework as well as dynamic collateral management
- We have also remained vigilant on concentration risk, strict on risk appetite parameters and proactive in risk identification and management
- Our market risk management benefits from a dynamic hedging framework, with daily stress testing and monitoring
- Our comprehensive non-financial risk controls contribute to robust crisis management practises
- These capabilities have not only helped us achieve consistently contained credit and market risk losses, but have also helped us avoid negative impacts from external events such as the ones we saw in the quarter
- And we continue to strengthen non-financial risk management, tightening our control environment and continuing to work on strengthening our Anti-Financial Crime capabilities
- Now let us turn to capital and balance sheet on slide 8

Slide 8 - Maintained strong balance sheet

- Our Common Equity Tier 1 ratio has marginally increased to 13.7%, over 300 basis points above regulatory requirements
- Our liquidity reserves also remained stable at 243 billion euros, as we continue to improve the quality and reduce the cost of our funding base
- Our liquidity coverage ratio is 146%, 70 billion euros above regulatory requirements
- As a result, we can deploy our capital and liquidity strength to support clients in what is still an uncertain environment
- Before I hand over to James, let me summarise our progress this quarter on slide 9

Slide 9 – Disciplined delivery of transformation agenda

- As we promised you at the Investor Deep Dive, our focus remains on executing our transformation agenda, while staying focused on our clients
- Our first quarter results this year very clearly reinforce our confidence in this path

- We have made clear progress in terms of client momentum, which is visible through our revenues and the macroeconomic backdrop has improved relative to our earlier outlook
- We continue to make progress on our key deliverables to support cost and control improvements
- The management board changes this quarter are a further alignment of our business and our cross-divisional strategic priorities to drive efficiency
- We have also continued to focus on Sustainability. We made further progress towards our sustainable financing and investment targets, with cumulative volumes of 71 billion euros. We will say more about this in our Sustainability Deep Dive on May 20
- Finally: at the end of the quarter and at the half-way point of our journey, 87% of the expected transformation related effects are already behind us
- In short: we are well on our way to meeting our 2022 strategic and financial ambitions
- With that, let me hand over to James

JAMES VON MOLTKE

Slide 10 – Q1 2021 Group Financial Highlights

- Thank you Christian
- Let me start with a summary of our financial performance for the quarter, compared to the prior year, on slide 10
- As Christian said, we remain focused on delivering sustainable profitability
- We generated a profit before tax of 1.6 billion euros or 1.8 billion euros on an adjusted basis
- Total revenues for the group were 7.2 billion euros, up 14% versus the first quarter 2020 and 33% versus the prior quarter
- Noninterest expenses were down 1% year on year
- As we indicated in mid-March, in line with the latest guidance from the Single Resolution Board, the SRF is expected to be expanded to over 70 billion euros and our estimated assessment has been adjusted accordingly to approximately 600 million euros
- We also saw an unexpected market event which led to an additional contribution of 28 million euros to the German statutory deposit guarantee scheme in the quarter
- As Christian mentioned before, we saw a decrease in our provision for credit losses to 69 million euros or 6 basis points of loans

- Risks remain in the environment, but we now expect full-year provisions to be substantially below last year
- Our CET1 ratio saw a small increase to 13.7%, up 9 basis points quarter on quarter, however significant regulatory impacts are still expected to come in the first half of the year
- Tangible book value per share was 23 euros and 86 cents, up 3% year on year
- The tax rate for the quarter was 35%
- Let's now turn to page 11 to look at our Core Bank more closely

<u>Slide 11 – Core Bank Financial Highlights</u>

- Core Bank revenues rose 12% year on year and 30% sequentially
- Net interest income for the Group increased by roughly 235 million euros versus the prior quarter, driven by the recognition of the TLTRO 3 incentive and FX translation effects
- Net interest income in the Corporate Bank has proven resilient over the last 12 months, even when excluding the first quarter effect of TLTRO 3. Deposit charging remains a priority for the Corporate Bank and together with expected loan growth, will help to offset the ongoing margin pressure from the interest rate environment this year
- In the Private Bank, net interest margin will remain under pressure from deposit margin compression despite TLTRO 3 effects, although charging roll-out and ongoing loan growth will help to mitigate this, as the business continues to focus on growing other sources of revenue
- Overall, we expect the net interest margin at Group level to remain broadly stable at slightly over 1% excluding one off effects. Business mitigations such as increased charging, as well as continued balance sheet optimisation will mostly offset the drag from low interest rates
- Noninterest expenses were up 3%, mainly driven by the higher allocated bank levy
- This takes our profit before tax to 2 billion euros, more than double the same quarter last year
- We have delivered a 6 percentage point year on year increase in our post tax return on tangible equity for the quarter, to 10.9%, or 13.5% if adjusted for bank levies
- We have also seen a substantial improvement in our cost to income ratio, to 71%
- We achieved profit growth with disciplined management of balance sheet resources: our risk weighted assets and our leverage exposure have remained stable

- We now turn to costs on slide 12

Slide 12 – Adjusted costs

- In the first quarter, we reduced adjusted costs by 2% year on year, largely due to lower compensation and benefits, given workforce reductions
- We saw a modest decrease in our IT costs resulting from lower IT services and hardware
- We also achieved a reduction in professional service fees, as we continue to internalise the external workforce, and we achieved further reductions in categories such as travel and marketing expenses
- Our first quarter adjusted costs excluding transformation charges and reimbursements related to prime finance were 5.2 billion euros, including the higher bank levy charges we discussed earlier
- Transformation charges were 116 million euros, up 38%
- As I mentioned earlier, unforeseen market events have also resulted in an increased contribution to the German statutory deposit guarantee scheme, which we expect to incur on a quarterly basis going forward
- We expect this incremental contribution to be roughly 70 million euros in 2021 and approximately 60 million euros per year thereafter until 2024
- It is too early to determine the level of incremental contributions to the voluntary scheme or whether any additional contributions will be necessary
- Importantly, the German Bankers' Association has decided to consider additional reforms to the voluntary scheme
- Together with bank levy assessments, these expenses are largely out of our control and the underlying expense reduction this quarter would have been greater absent these charges
- As discussed in December and in March, we do not believe it is sensible to further constrain investment spending to offset these uncontrollable expenses in the near term; however we believe it is too early to adjust our cost expectation of 16.7 billion euros for 2022
- Let us now move to slide 13 to discuss our provision for credit losses

Slide 13– Provision for credit losses

- This quarter, provision for credit losses is significantly below the previous quarters and lower than our most recent guidance, at 6 basis points of loans
- Our stage 3 provisions were down materially, reflecting releases and fewer impairment events

- Our stage 1+2 provisions benefited from the strong macroeconomic environment, supported by model based releases driven by forward looking indicators
- We retained a portion of the management overlay we established in 2020 to account for future uncertainties in the outlook and made further conservative model and methodology refinements
- We will continue with our focus on prudent risk management and we now guide to provisions in a range of around 25 basis points of loans for 2021

Slide 14 – Capital ratios

- Turning to capital on slide 14
- Our CET 1 ratio rose to 13.7% during the quarter, benefiting from our strong first quarter net income
- This effect was offset by dividend and AT1 accruals, equity compensation effects and higher regulatory Prudent Valuation deductions
- Risk Weighted Assets rose from 329 billion euros to 330 billion euros during the quarter, but were 3 billion euros down excluding FX effects
- Notably, additional hedging led to lower market risk RWA, while operational risk RWA benefited from further improvements in the internal loss profile
- These reductions outweighed higher credit risk RWA, including a 4 billion euro impact for large corporates, following the receipt of a final TRIM decision from the ECB
- Further Risk Weighted Asset increases from regulatory and supervisory changes are expected to negatively impact the CET1 ratio by approximately 80 basis points in the upcoming quarter
- Here, we see three main drivers:
- First, we expect the ECB to conclude its Targeted Review of Internal Models by issuing final decisions regarding Leveraged Lending and Banks and Financial Institutions
- Second, we are expecting final ECB clearance of our implementation of the EBA guideline on Definition of Default
- Third, we will implement revised RWA calculations in response to CRR2 becoming effective at the end of the second quarter 2021, for example in relation to the Standardized Approach for Counterparty Credit Risk
- Our fully-loaded leverage ratio decreased by 8 basis points to 4.6% this quarter
- Of this decrease, 4 basis points came from FX translation effects, 3 basis points from increased trading volumes and net loan growth, and 1 basis point from negative capital effects

- Our pro-forma leverage ratio, including ECB balances, was 4.2%
- In the second quarter of 2021, we expect an increase in leverage exposure of roughly 20 billion euros, from the introduction of the Standardised Approach for Counterparty Credit Risk as part of CRR2
- With that, let's now turn to performance in our businesses, starting with the Corporate Bank on slide 16

Slide 16 – Corporate Bank

- Profit before tax in the Corporate Bank was 229 million euros, versus 121 million euros in the prior year quarter, while adjusted profit before tax rose 69% to 266 million euros
- This equates to a 7% adjusted post-tax return on tangible equity for the quarter and 6% on a reported basis
- Revenues were 1.3 billion euros in the quarter, 2% higher year on year excluding the effects of currency translation and 1% lower on a reported basis
- Sequentially, revenues excluding specific items grew by 6% compared to the fourth quarter 2020
- The Corporate Bank offset year over year interest rate revenue headwinds of 120 million euros through benefits from the TLTRO 3 program, charging agreements, portfolio rebalancing actions and business momentum
- Based on the current interest rate curves, this revenue pressure should gradually diminish over the course of the remainder of this year and should effectively neutralize next year
- At the end of the first quarter, charging agreements were in place on accounts with approximately 83 billion euros of deposits
- In the current quarter, Corporate Bank generated revenues of 74 million euros from these charging agreements
- On an annualised basis, that's around 100 million euros ahead of the guidance we provided at the Investor Deep Dive last year
- In addition, we continued working towards doubling the fees we generate from platforms, FinTechs and eCommerce clients over the next two years
- We detailed our strategy for clearing payments via online marketplaces and expanded our partnership with Mastercard to achieve our targets in this area
- Noninterest expenses and adjusted costs ex-transformation charges increased by 1% year on year, mainly driven by higher bank levy allocations
- This was partly offset by headcount reductions and non-compensation initiatives, as well as benefits from currency translation

- Compared to the fourth quarter 2020, loans grew by 2% to 117 billion euros, as deposits also grew by 2% to 258 billion euros, while the increase in RWA mainly reflects regulatory inflation related to the ECB's targeted review of internal models
- Loan volumes in the prior year quarter were driven by client drawdowns of committed facilities, which were subsequently largely repaid
- We released 20 million euros of credit loss provisions in the quarter, driven by an improving macroeconomic outlook and releases related to specific exposures
- Turning to revenues by business segment in the first quarter on slide 17

Slide 17 – Q1 2021 Corporate Bank revenue performance

- As announced by Stefan Hoops at the Investor Deep Dive in December, we have revised our presentation of Corporate Bank revenues to be more aligned along client categories
- We provide further details on this on page 45 of the presentation
- Corporate Treasury Services revenues, which includes Corporate Cash Management and Trade Finance & Lending, increased by 2% year over year excluding currency effects and were 1% lower on a reported basis
- Interest rate headwinds were offset by benefits from the TLTRO 3 program, charging agreements and portfolio rebalancing actions
- Institutional Client Services revenues, which includes Cash Management for Institutional clients, Trust and Agency and Securities Services, grew by 3% excluding effects from currency translation, but were 3% lower on a reported basis
- Fee income growth in Trust and Agency Services offset a decrease in Securities Services due to interest rate reductions in key markets
- Lastly, Business Banking, which covers small and entrepreneurial clients in Germany, was essentially flat year over year, as interest headwinds were offset by charging agreements and benefits from TLTRO 3
- I'll now turn to the Investment Bank on slide 18

Slide 18 – Investment Bank

- Revenues for the first quarter of 2021 excluding specific items increased by 34% year over year, driven by strong business performance and good progress on our strategy implementation
- This is the 6th consecutive quarter of double digit year on year revenue growth for the Investment Bank, with continued market share gains in Debt and Equity capital markets

- Noninterest expenses increased 9%, driven by higher bank levy allocations. Excluding these, noninterest expenses were essentially flat
- The Investment Bank generated a pre-tax profit of 1.5 billion euros in the first quarter, more than double the prior year period and a post-tax return on tangible equity of 19%, with a cost to income ratio of 52%
- Year on year reductions in loans and Risk Weighted Assets reflected the repayment of revolving credit facilities
- Leverage exposure was impacted by materially lower pending settlements due to a change in regulatory treatment that took place in 2020
- Provisions for credit losses fell to zero this quarter. An improved macro-economic outlook drove forward looking indicator releases for Stage 1 and 2 performing loans, which offset modest stage 3 provisions, predominantly in Commercial Real Estate and Transportation
- Turning to the revenues by business segment on slide 19

Slide 19 – Q1 2021 Investment Bank revenue performance

- Revenues excluding specific items in Fixed Income, Currency Sales & Trading increased by 33%
- Financing and Credit Trading revenues were significantly higher, driven by strong performance across products, with our Distressed business performing particularly well
- Year-on-year performance also benefited from the non-repeat of prior year mark-to-market losses
- As expected, revenues declined across our Rates, FX and Emerging Markets businesses as a result of lower market activity when compared with the exceptional levels seen in the first quarter of 2020
- However, we were pleased with the underlying business performance
- In FX, our Derivatives business continued with strong performance, despite the lower levels of volatility
- The decline in Rates was driven by normalization in market activity; however, pockets of the business outperformed year over year and overall franchise performance is ahead of our strategic ambitions
- In Emerging Markets, the normalization of revenues in Asia and Latin America was partially offset by growth in the CEEMEA region on the back of increased client activity
- Revenues in Origination and Advisory were up 40%, with our global market share increasing 30 basis points year on year

- Debt Origination revenues increased net of hedging activities, driven by elevated fee pools in High Yield and Leveraged Loans and continued strong Supranational, Sovereign and Agency activity
- We also saw significantly higher Equity Origination revenues, from the continued strength in SPAC activity, as well as growth in IPOs and follow-ons
- Advisory revenues were lower year on year, although excluding the net impact of hedging activities, revenues increased
- Turning to the Private Bank on slide 20

Slide 20 – Private Bank

- The Private Bank achieved a 43% year-on-year growth in adjusted profit before tax to 297 million euros, and a post-tax return on tangible equity of 6.3%
- Business volumes rose by 15 billion euros, a substantial step toward delivering on our ambition to attract more than 30 billion euros of net new business across assets under management and client loans by year-end
- Revenues were 2.2 billion euros, essentially flat or up 2% year-on-year if adjusted for FX translation effects
- Significant year over year quarterly interest revenue headwinds of slightly above 100 million euros were mitigated by growth predominantly in fee income from investment and insurance products. Revenues in the quarter also benefited from loan growth and TLTRO 3
- The quarterly year over year revenue pressure from the low rate environment will remain meaningful for the rest of the year, as the impact will moderate more slowly than for the Corporate Bank
- However, this pressure will be substantially less next year; less than half, based on the current rate curves
- Adjusted costs excluding transformation charges declined by 3%, primarily reflecting savings from transformation initiatives including continued synergies from the German merger, workforce reductions and continued strict cost discipline
- The cost to income ratio improved to 83%, reflecting flat revenues and continued cost reductions
- Provisions for credit losses were 98 million euros or 16 basis points of loans
- The decline mainly reflects releases driven by an improved macroeconomic outlook
- However, provisions for credit losses continue to be impacted by the COVID-19 environment

Slide 21 – Q1 2021 Private Bank revenue performance

- As shown on slide 21, revenues in the Private Bank in Germany were up 1%, as continued headwinds from deposit margin compression were more than offset by growth in fee income from investment and insurance products, as well as higher loan revenues and the aforementioned TLTRO 3 benefits
- Private Bank Germany originated net new client loans of 2 billion euros, mainly in mortgages, and attracted 2 billion euros net inflows in investment products in the quarter, in part reflecting successful deposit conversion
- In the International Private Bank, net revenues excluding specific items and FX translation effects were up 1%, outperforming our strong prior year results
- Personal Banking revenues were up 4%, mainly from higher loan and investment product revenues
- Private Banking and Wealth Management revenues excluding specific items and FX translation effects remained stable. Sustained business growth in investment products and loans as well as benefits from TLTRO 3 offset headwinds from lower interest rates
- International Private Bank attracted net inflows of 7 billion euros in investment products and 2 billion euros of net new client loans in the quarter. Growth was especially strong in Asia and Germany

Slide 22 – Asset Management

- As you will have seen in their results, DWS had a successful first quarter
- To remind you, the Asset Management segment on page 22 includes certain items that are not part of the DWS stand-alone financials
- Adjusted profit before tax of 190 million euros in the quarter increased by 61% over the same period last year, driven by improved revenues
- Revenues increased by 23% versus the prior year, primarily due to a favourable change in the fair value of guarantees and higher performance fees
- Management fees were stable at 547 million euros, as improvements in equity market levels and consecutive quarters of net flows offset the impact of continued industry wide margin compression
- Noninterest expenses increased by 31 million euros or 8%, with adjusted costs excluding transformation charges up 9%
- The increase in costs was driven by higher variable compensation resulting from DWS share price increase and platform investments. Other general and administrative expenses declined versus the prior year
- The divisional cost to income ratio improved by 8 percentage points to 64%

- Assets under management of 820 billion euros have grown by 28 billion euros in the quarter, driven by positive market performance and FX impact
- Net inflows were 1 billion euros for the quarter
- Inflows excluding Cash were around 10 billion euros, predominantly into Passives and Alternatives, offset by outflows in low margin cash products, as investors returned to risk assets in favourable financial markets
- The business also attracted 4 billion euros into ESG products during the quarter

Slide 23 – Corporate & Other

- Corporate and Other reported a pre-tax loss of 178 million euros in the first quarter, versus a pre-tax loss of 40 million euros in the prior year quarter
- The higher loss was mainly driven by the non-recurrence of a positive valuation and timing effect recorded in prior year period
- Funding and liquidity charges not allocated to the businesses were 36 million in the quarter
- Consistent with our prior guidance, we expect the funding costs held in Corporate & Other to remain at around 250 million euros in 2021
- We can now turn to the Capital Release Unit on slide 24

Slide 24 – Capital Release Unit

- The Capital Release Unit recorded a loss before tax of 410 million euros in the quarter, a significant improvement to the prior year quarter result of negative 765 million euros
- Revenues were positive 81 million euros in the quarter, up from negative 57 million euros in the prior year
- De-risking impacts in this quarter were offset by positive revenues from gains on asset sales and reserve releases, reflecting market conditions, and from operating income
- Risk Weighted Assets were 34 billion euros at the end of the first quarter, a 24% reduction from the prior year quarter
- In the current quarter, the impact on RWA from de-risking was 1.5 billion euros which was partly offset by model impacts and CVA inflation
- Leverage exposure was 81 billion euros at the end of the first quarter, declining by 31% compared to the prior year quarter
- Compared to the prior quarter, leverage exposure increased by 9 billion euros

- As mentioned at the Investor Deep Dive, we recorded an additional allocation of Central Liquidity Reserves to CRU of 13 billion euros
- The higher allocation combined with higher prime finance leverage more than offset the 9.4 billion euros of de-risking and other impacts
- Noninterest expenses declined by 28% reflecting lower adjusted costs including lower transformation spend
- Adjusted costs excluding transformation charges declined by 239 million euros or 36% from the prior year quarter reflecting lower service cost allocations, lower bank levy allocations and lower compensation costs
- For 2021, we will continue to execute towards the Risk Weighted Asset and leverage exposure plans that we laid out at the Investor Deep Dive, including the transition of our Prime Finance platform
- We expect this transition to conclude by the end of 2021. Migrations of client balances are already underway and will accelerate over the Summer
- For the remainder of the year we expect negative revenues in the Capital Release Unit and we are on track to hit the cost reduction targets that we set out in the Investor Deep Dive

Slide 25 – Outlook

- Christian talked about the continued execution of our strategic agenda and the progress we have made this quarter, as we look to our 2022 targets
- On revenues, the improved trajectory in the Core Bank shows that we are operating at a level that puts our goals well within reach, and we see continued momentum in our client franchise
- We are actively managing our cost to income ratio to our 2022 target of 70%, despite the unforeseen and uncontrollable items this quarter, which have raised our baseline cost plan for 2021
- We do see pressures on costs that are volume related, tied to better than expected performance and we are working to offset these where we can with new initiatives
- However, our 2021 pre-tax profit expectations have improved, despite higher expenses, reflecting stronger revenues and lower credit provisions
- It is too early to comment on the likely impact of our recent performance and the uncontrollable items on 2022, but we remain committed to our strategic and financial targets and ambitions for 2022, in particular our 8% group post-tax return on tangible equity target, and our profit trajectory leaves us well positioned to achieve this
- We have been and will be diligent on risk management and will continue to manage the balance sheet conservatively

- Our guidance for provision for credit losses is in a range around 25 basis points of loans for the full year 2021
- We reiterate our target of a CET1 ratio greater than 12.5% and we continue to target a leverage ratio of approximately 4.5%
- With that, let me hand back to Ioana and we look forward to your questions

Daniele Brupbacher (UBS)

Yes, good afternoon. Thank you for taking my question. I have to say, plus 9% on results day is definitely a statement, so well done with these results. Impressive. I would have three questions, one on revenues, one on dividend and one on regulatory RWA inflation. And on the revenue side, I think, obviously, we are not too far away from 2022, and I think, a key debate in the market has been revenue sustainability.

I guess, all you can do is to deliver good results quarter after quarter, so I was just wondering whether you could talk a little bit how the second quarter has started, what your expectation is and probably by key revenue pockets? That would be helpful. And then on the dividend, if I saw that right, you accrued 300 million in the first quarter. I think, also quite a statement if I got that right there, but how should we think about dividend accrual for the rest of the year? Is there a sort of pattern we should expect?

And then, very lastly, James, you mentioned the 80bps CET1 ratio impact in the second quarter due to regulatory inflation. I think, that's well understood. If you go out a bit longer term, what else is coming down the road? I'm thinking about, fundamentally, the trading book, probably. What else is going to hit you at some point down the road? Thank you very much.

Christian Sewing

Well, thank you, Daniele. Thank you for your comments and questions. Let me take the revenue question. You know our habit, and I think, good habit not to guide on quarters, but let me try to answer your question in this way. So, obviously, versus Q1, we will see a certain normalisation of revenues in the Investment Bank.

Nevertheless, and I think, that is what really creates, also, our momentum, we are very encouraged by the robustness and sustainability of our revenues in the Investment Bank. And we see the momentum and the steady development in all stable business, be it Asset

Management, Corporate Bank, Private Bank.

And in this regard, having this in our eyes and looking at the statements we made today, we believe that, based on the Q1 performance in the Investment Bank, we are confident that we will achieve revenues for the year, which are in line or flat-ish to last year, or very close to last year.

And if you then look at the other three businesses, how they have actually developed in Q1, take James' comment into account that actually, the interest rate headwind is reducing over time now, in particular in the Corporate Bank, then followed by the Private Bank. Our compensating measures like deposit repricing is working well. Actually, we are doing even more on this one. Our growth initiatives in all three stable businesses are working and are bearing fruits.

That actually tells me that all the individual revenue goals, which we have given in the Investor Day for 2022, we have an even higher confidence in achieving that. And that counts for Asset Management, that counts for the Private Bank, that counts for the Corporate Bank.

And then, now taking, again, a view at the Investment Bank, with the guidance we have given this morning for the full year 2021 and then thinking that our expectation for 2022 was, I think, around 8.5 billion, with the robustness and sustainability of revenues, which we also see now in these days, we feel very confident to achieve that, what we told you in the Investor Day for 2022. And hence, our confidence is even higher than before.

Daniele Brupbacher

Thank you.

James von Moltke

Daniele, on your other questions, thank you for the question, I would actually only add that just looking at Q2 last year, there are some interesting dynamics. As you know, IB has a tough comp. PB, actually, an easier comp because there were some unusual items in the revenue line last year. Corporate Bank does continue to have some pressure on rates or revenues, or interest rate revenues in Q2.

And then asset management has a good run rate, as Christian just mentioned. Fair value of guarantee has resulted in a little bit of swing, so you have to adjust for that in Q2. The other thing I just mentioned is, TLTRO III revenues don't repeat in Q2 to the extent that we had them in Q1. It was a total of about 125 million in revenues, based on the catch-up in Q1. We think, the kicker will step down to about 50 million in revenue in Q2. So, a few dynamics I just want to highlight for you all.

Daniele Brupbacher

Thank you.

James von Moltke

On the dividend, we have a relatively mechanical accrual for the common stock dividend, based on some rules that we have from the ECB. So, we're going to accrue for the balance of the year at 33% of net income after the AT1 coupon accrual. That AT1 coupon accrual's running at about 100 million per quarter, and so, everything else will be accrued at 33%.

That's not to be read definitively as an indication of our distribution intent, but as you point out, in respect of the 300 million for the first quarter, is certainly a good start on our long-term distribution goals.

And then, lastly, on regulatory inflation, we called out the 80 basis points. What's encouraging is, it's more certain, and I think, the timing is now also somewhat more certain. Some of it could slip into Q3, but by and large, we now have visibility into that. It breaks down 50 basis points in the remaining trim impact, 20 basis points in CRR2 impacts and ten basis points in EBA items, the definition of default in particular.

So, those are the items, and I think, we've got them, now, sized and probably, from a timing perspective, fully built into our planning. You asked about the forward after that. If I refer you back to my IDD presentation from December, we had, on slide 22, we see a little bit more inflation in 22, perhaps 5 billion, but then a pause until FRTB and some other items, which we assess at 25 billion in 2024. And we'd probably leave you for now with that guidance unchanged at this point.

For the back half of the year, there are some movements on reg changes still expected, but we think, at this point, that those would be roughly neutral, as we navigate to the year-end. Hope that all helps, Daniele.

Jeremy Sigee (Exane BNP Paribas)	Hello. Thank you very much. A question on revenues, and then a question on costs, please. Firstly, on revenues, I just wanted to follow up on your TLTRO comments. Does the 50 million you expect for Q2 continue through 3Q and 4Q as well? And then how do you see the chances of getting a further benefit next year? Do you think it's likely that you can get the loan demand enough to earn that? So, that's my first question. And then, secondly, you talk quite a bit about costs in your comments. You're reducing underlying costs in line with the plan. You see some additional savings potential, but you're also flagging upward pressure from bank levies and deposit guarantee schemes, as well as upward pressure from volume and revenue-related costs, which were a good thing. And you tell us that that's P&L-positive. But you're, obviously, hinting at the possibility of revising your stated targets for 2021 and 2022, so I just wondered if you could talk a bit more about your thinking on how you balance those different cost drivers and what they could mean for the targets?
James von Moltke	Sure, thank you, Jeremy. So, I'll take both. Christian may want to add on the expenses. So, TLTRO III, as I mentioned, about 125 million of a kicker, so beyond the run rate benefit around the 50 basis points. And that kicker, we recognise on virtual certainty that we meet the loan commitments. And I think, it's worth saying, we don't earn the money for free, and the business is executing on lending/supporting clients that allows us to achieve those thresholds. But we did in Q1. We would expect to recognise, as I mentioned, 50 million incremental in Q2, and then a further 100 million in Q4, again, based on our estimate at this point on the virtual certainty tests. And that's the amount above the ongoing benefit of 50 basis points. I will say, at this point, we have about 41 billion of TLTRO III drawn, so that's the volume that's driving those numbers. So, a little bit of volatility, but helpful for the balance of the year, and also into 2022, to your point, given the extensions that were decided on in December. On the expense side, look, we have consistently spoken about executing on our reduction plans, and we've demonstrated, at this point, a track record of over three

years of meeting our goals.

We mentioned that there are items out of our control that have arisen, the SRF and deposit insurance contributions, notably. But we've also been clear, and I said this in December, that we don't intend to offset those items in the cost line because we think, we would starve the company of necessary long-term investment capacity, especially in things like regulatory mediation control, remediation technology improvements.

And we think, that's the right call, because these costs are, essentially, transitory. It does mean, the baseline for 2021 rises by 400 million from the 18.5 billion that we laid out as a plan for you back in December. But, as we said, we're comfortable that we've been able to more than offset this already in this year with stronger-than-expected performance on revenues and also credit costs.

Looking further ahead, we think, it's too early to make changes to the financial model, and we're continuing to execute on all of the plans that underly the 16.7 billion target we set in December. And among other things, as we said, we want to continue advocating for lower assessments in the uncontrollable areas, and we remained laser-focused on controlling the things that we can.

I will say, though, that when all is said and done, we are focused, if you like, on a hierarchy of our goals and targets. The most important, we think, is the 8 or 9% RoTE target, when you think about the group and the core bank levels. And a critical driver of those goals is achieving the cost/income ratio of 70%, and the expense and headcount, obviously, contribute to that, but so does revenue.

And like we've done in 2021, I think, we're increasingly comfortable that we would be able to offset those uncontrollable items next year in achieving the higher targets, if you like, the ROTE and cost/income ratios, based on the momentum that we've seen.

Jeremy Sigee

That's very helpful. Thank you.

Christian Sewing

From my side, really, James said it all. I simply want to support one thing. The discipline and focus in Deutsche Bank to reduce cost is as much there as it has been for the last three years, and I simply also want to remind you that, for instance, the management changes, which we have done right now, is also intended to do some process and structural changes, ie, the integration of operations into the front office means we have a different front-to-back model, which, obviously, will result in further efficiencies.

This is exactly how James phrased it, that we do everything to work on additional measures, and also to, at least try to partially offset the uncontrollable items. And on the SRF, I can tell you also, my function as the BdB president, we will do everything to, again, advocate for that because we have more than 40 billion of funds unused there, which we could far better use for the European economy. And therefore, this debate is, for us, not over. We will continue to advocate.

Andrew Lim (Societe Generale)

Hi, good afternoon, and congrats on another great set of results. I've got three questions, if I may. So, first of all, on NII sensitivity, we've seen euro long rates increase, and I was just wondering if that's something that we can look forward to, in terms of pushing up your NII higher at some point. I know, you've given sensitivity analysis in your deck, but that's more apt to, maybe, the short end, and then longer than three months. So, perhaps the ten-year and 20-year sensitivity might be something you could provide there.

And then, secondly, on SPACs, if we look to April, SPACs volume seems to have tailed off quite a bit. Just wondering what you think, as the outlook, whether that's temporary, due to regulatory issues, or whether that's a new normal that we should expect, going forward? And then, thirdly, I can't not ask about Archegos. Obviously, you've ended up with surplus collateral. I'm just wondering if you could give your take here as to how you've ended up in this favourable position?

Perhaps you could give a bit of colour as to when you realised that you had to offload these positions, how fast you did that, and then what kind of leverage, maybe, you offered to Archegos in relation to, maybe, other clients in prime brokerage? Thank you.

James von Moltke

Thanks, Andrew, and appreciate your comments. Look, on the curve, as you point out, we provide our typical NII sensitivity disclosure on page 37 of the deck, and I think, that's actually a reasonably good measure. I get that the above three months doesn't tell you how much of it is truly out the curve. So, the sensitivity is more in the five year range of the curve, but we think that that move in long rates and the 700 or so over two years is a good indication of what might come as long rates begin to move, especially in euro.

We're very focused on managing curve risk, but we're also focused on maintaining some degree of sensitivity to movements in the long end of the curve, which is actually, structurally, I think, part of our business.

Christian Sewing

And on the SPACs, given the enormous dynamics surrounding this business, it is difficult to put a valid number on that also for the future quarters. We have a clear strategy. Our SPAC business is very differentiated, and as we said already, in January, we take on very high-quality clients, do it with high-quality partners, and don't so much look for league tables on front ends. So, I do believe, also in that business, we will see a certain normalisation.

To your regulatory question, I cannot comment on that, but for sure, if you see a boom in certain businesses, you need to expect certain questions into a business. But I think, we should also not underestimate that there is actually a good amount of ancillary business in that business, not only the starting point of SPAC, but then also the advisory business around it.

And I think, we are well positioned for that, so in the end, it's a good business for us. We are very selective on the partners and on responders, but there is also ancillary business, which makes us quite confident also for the future.

On Archegos, look, I think that, at the end of the day, and I don't want to go too much into details here, but the risk management expertise, the way we have done our documentation, we have done our monitoring, the expertise we have in the second line of defence, but also in the first line of defence, in order to exit those situations, is clearly speaking for Deutsche Bank. And we have done this business for years and years and years, and obviously, had similar situations before. I remember that when I was chief credit officer.

And I think, simply, the way we have monitored the position, the way we have also enhanced documentation, increased certain requirements, put us into a position to exit it in a way we did, ie, even handing back collateral.

Jernej Omahen (Goldman Sachs)

So, good afternoon from my side as well, and well done on the results. I've just got a couple of questions left. So, just on Archegos, and I don't want to ask any specifics on the exposure, but can you just explain to us the risk from your former Prime Brokerage business, which was transferred to BNP? Is that risk still with Deutsche Bank? And up until when does that risk stay with you? Because, I think, from your comments, it indicates that you've actively managed this position on your own behalf, I guess.

And then the second question I have is on these deposit guarantee fees. Christian, you said, we continue to advocate for change, and I was just wondering, in your mind, what is the range of possible outcomes, and over what timeline do you think that they're achievable? I've got a long list of questions left, but I'll just ask one last one. So, on this SPAC thing, is it fair to say that the ECM revenue, which, I think, came in at 196 for the quarter, that this is where the SPAC revenue would sit?

And then, I think, you, yourself, indicated that perhaps you expect this number to slow down a little bit. What should we expect this 200 million to be, given, I think, it's already at 50%, pretty much, of what it was last year? Thank you very much.

James von Moltke

So, on the Prime Finance business, I'll start, and then, I think, Christian will take the other two questions. Yes, we are, essentially, operating the business on BNP Paribas' behalf, and so there is cost and revenue transfers that go with it. But naturally, it's impossible to manage a business from a risk perspective on two sides of a fence. And so, we risk manage the balances, and therefore, the risk is with us.

The encouraging thing, of course, is the outcome here, but the prime finance risks and electronic execution risks, as we see it, should be in an operating type level, and therefore, we had the confidence, when we agreed the transaction with BNP Paribas, to move on that basis. And that's evidently what we were able to achieve in the quarter with this. We're very focused on the transfer. It's been a very successful process to date, and we're a few months away from completing that.

But the partnership with BNP Paribas has been strong, and was, if anything, strengthened by managing through this situation collaboratively.

Jernej Omahen

For sure, and I think, it's remarkable that, obviously, you're one of the few banks that didn't incur a loss on their position. But just to get this straight, so the economic risk passes on to BNP at what point?

James von Moltke

Yes, the benefits and burdens of the business, come the end of the year, once the balances and client relationships have fully transferred to BNP Paribas will be with BNP Paribas. While the client positions are on our balance sheet, we bear the risk of those client positions, hence the importance of the risk management through to the completion of the transition.

Jernej Omahen

All right, thank you.

Christian Sewing

Look, to your question on what options we have, I think, Jernej, it, in particular, refers to the SRF. I referred my comments with advocating to the SRF. Obviously, we are still advocating that the threshold should not be increased from 55 to, approximately, 72 or 75 billion, again, for the reasons that we think we can use, and should use, rather, these funds differently in order to directly finance the European economy. That is number one.

Number two is, obviously, the way of payment. We can also think about the usage of more irrevocable payment commitments instead of the direct P&L impact. I also made a proposal that the banks should actually say, instead of paying into the fund, pay directly into a fund, which immediately generates credit facilities for European midcap companies so that we have a direct linkage into the economy.

So, there are various options, which we discuss with the various stakeholders, and actually, there is also the willingness to listen to us and think about, at least other alternatives. And hence, it is far too early to give up, and therefore, I wanted to make that point. On the SPAC business, again, I think, we see, on the one hand, in particular in the origination of new SPACs, a normalisation. You are right, it is part of our ECM revenues. In my view, it is too early to judge what that could have an impact on the underlying revenues in the following quarters.

Again, if there is a normalisation, revenues, in this regard, would trend down a little bit. On the other hand, again, we have a second leg to the SPAC, and that is the ancillary business in the O&A and in the advisory business. So, that's very closely linked, and hence, I'm, overall, comfortable with the outlook, which we have given you for the full Investment Bank.

Adam Terelak (Mediobanca)

Yes, thank you for the questions. I wanted to follow up on NII. You gave guidance at the IDD last year on the residual NII pressure. Rather than asking on the sensitivity, I was wondering how that residual pressure has changed with the steepening of the long end of the European and the US yield curves, whether the amount to come through the P&L this year is actually slightly lower now? So, just some numbers about that would be great.

And then I wanted a clarification on the TLTRO thing. You've given the gross amount. Can we have that by division? And that would give us a bit more colour of which revenue line's been benefitting the most. Thank you.

James von Moltke

Thanks, Adam. Sure. So, to the first answer, it's ever so slightly improved, at least in the current run rate, and also the forward curves. So, I wouldn't say, a dramatic impact, versus what we built into the plan last December, but what is encouraging is, it's moving in the right direction. It had been steadily moving in the wrong direction, in terms of increasing pressures, and now we see a bit of relief.

Especially, by the way, a little bit in 2022, but the out years are improving by more, to the earlier question from Andrew. And hence, by the way, I was referring, in the 700 million sensitivity to the euro, there's a little bit more on dollars as well. So, we're encouraged about the direction of travel and the out years.

In terms of the TLTRO, it's split about, I'll give you round numbers, 50 million in each of PB and CB, and about 25 million in the Investment Bank. And that split is based on, essentially, them earning it through the loan production. So, that's how we've laid it out.

Adam Terelak

Okay, so the NII trajectory on a 21/22 view is little changed, but longer term, has big upside?

James von Moltke

Yes, a little bit of help, and the CB breakeven next year is something that is new to the picture with the change of curve. Again, it moved from a little bit negative to, basically, flat. And then we do see an uplift from 2023 onwards, which, again, is encouraging.

Amit Goel
(Barclays)

Hi. Thank you, and thank you for taking my questions. So, two follow-ups. So one, just in terms of the revenue outlook, at the Investor Day I think there was some detail given for the FICC business in terms of sustainable revenues in 2020, the 6.4 billion number. I'm just curious, basically, if you can give us a bit more colour in terms of which of the areas you anticipate the stronger performance to continue this year, and whether that sustainable level, you think, has, then, improved going into 2022?

And the second question, just on the impairment charges, I think at that time also you gave guidance of 25-30 BPS for 2022, potentially with a higher level for 2021. With the revised, or with the updated 2021 guidance, would you still expect a similar level in 2022 with less potential for write-backs at that point? Or would you also expect a lower normalised impairment charge as we go through to that period? Thank you.

Christian Sewing

On the sustainability of revenues, first of all we would confirm the messages which we have given you on that day. I think it was page eight of Ram Nayak's presentation when he went through the waterfall of FICC. We have seen in Q1, obviously, versus Q1 2020, a very strong recovery in credit, which was even stronger than we have anticipated. We have, on the other hand, seen a more normalisation in the macro businesses in rates and FX.

But overall, I can assure you that the general trend of the underlying sustainabilities and revenues, be it in rates, in credit FX, and emerging markets, we confirm the so-called waterfall which we have indicated to you.

And therefore I think it is, also based on this strong Q1, we will not change, obviously, our 2022 overall guidance for the investment bank. The only thing, based on the strong Q1 number, is an update of the outlook for the remainder of the full year 2021.

But the underlying momentum, the client engagements support us in our analysis where we have said we have stabilised the business in the FICC, and even started to grow. And a good part of that is sustainable business.

James von Moltke

And then, Amit, on the CLP outlook, it's really too early to tell 2022. We had called, in December, for a normalisation of the CLP run-rate. And we, I think, in the past had indicated that we think that level, normalised, is somewhere between 20-25 basis points. Obviously the improvement in the credit outlook has accelerated beyond what we thought was likely back in December. But that, then, puts us in an interesting place, whether some of the good news is brought forward to 2021, or whether we continue on a run-rate, or something even better than the run-rate level, in 2022, given the outlook for continued, very strong economic performance.

So, too early to say, but we're following it, as you know, very carefully. And continuing to focus on good underwriting, good risk-management practices, and the credit book.

Kian Abouhossein (JP Morgan)

Yes. Thanks for taking my questions. First of all, congratulations on the great results, not just against your Swiss peers, but also US peers. First of all on cost, you had a plan of 18.5 billion that we discussed at the Deep Dive for 2021. Just wondering how you're thinking about that, considering the uncontrollable costs. And for 2022, I understand the 16.7 billion remains the target, and clearly there are some moving parts here. But can you discuss a little bit what the worst-case scenario could be, assuming worst-case scenario on these uncontrollable costs, in order for us to get a feeling, understanding, of what, potentially, the cost base could look like? And, in that context, you took levies of 571 million in the first quarter. Just trying to understand how, exactly, that breaks down and what we should think about the annual charges here.

The second question I have is just in relation to the revenues. You clearly have done a great job on NII, offsetting it with re-pricing, and you talked about that. I'm just trying to understand with interest rates unchanged on the forward curves, more or less unchanged for the next two years, how should we think about the ability to offset that? I think you mentioned the 1% margin. Should we think that is sustainable, or do you think through re-pricing, or are you having the low-hanging fruits and re-pricing, and that will be much more difficult in the next two years?

And then the last question, if I may, just to reconfirm, the 6.4 billion FICC sustainable revenue number that you gave at the Deep Dive, and Ram superbly explained, is that still the number we should think about sustainable revenues, or should it be higher, considering you're gaining market share? Thank you.

James von Moltke

So, Kian, thanks for the questions and the comments. A lot to go through. Look, on the uncontrollables, I wouldn't want to paint a worst case. We're working through it. We're working through it on, as Christian mentioned, the advocacy around the single resolution fund contributions. Which, going back to Jernej's question, it isn't a deposit guarantee fund. It's a solvency backstop, which is part of the reason we feel that it's a strange thing to be growing the target with an increase in deposits in the system.

How it breaks down, how did we get to 571? It's really based on the balance sheet as of the end of 2019. So it's a trailing allocation methodology. It isn't totally transparent, but you, obviously, understand the definitions and the drivers, broadly. The challenge for us is, that bank levy is at least flat, despite the simplification of the bank, and the reduction in the balance sheet size. And so it's painful to be going through the restructurings, and the improvement in the company, and yet seeing the increase in levy, despite decreasing drivers.

Thinking about your question on the net interest margin, obviously we've been looking carefully at the impact of the curves. We feel more confident in the forward on that net interest margin in the two deposit-heavy businesses, and hence the guidance we've provided. We do think that the combination of improving curves, deposit charging, balance-sheet optimisation, and a lot of the other things we've talked about, are giving us more confidence about a stabilisation of that net interest margin, in and around the 1%. Maybe slightly over. And that feels solid to us.

And so, like a number of things, we think this quarter is, in a sense, calling a turn in some of the drivers that we've been battling against, net interest margins one of them. By the way, capital is another, given the now-greater visibility we have into the capital forward, given the reg. inflation items we talked about earlier.

Christian Sewing.

And Kian, on your third question, let me put it this way. I would be very glad if you all would take our guidance from the Investor Day, and take the 6.4 of sustainable revenues into your models. Because then we come closer to what we are planning. So obviously, after Q1 and all the discussions we are having, we are not changing this outlook. We feel confirmed with this outlook. And if you go into this page eight again, you even see certain initiatives to 2022 where we increase it to 6.7 billion in that business, which I can see is happening.

Now, I know this is, obviously, all about numbers. But having been 30 years with Deutsche Bank, never, ever forget people's motivation, if you have a certain momentum. And that's exactly what is happening in this bank. So therefore, we need to keep the focus, we need to keep the discipline. We need to follow up on our strategy, but with the momentum I see with the people coming, day-in, day-out, working for this bank, of course in these days, compared to three years ago, they take the next client call at 6:30 in the evening. Which, potentially, people have not done three years ago. And that's exactly what is also a very, very important soft item, which completely brings confidence to me that we will make these numbers.

Kian Abouhossein

That's great to hear. Just to come back, very briefly, on cost. The target for 2022, if I remember correctly, had 400 million of levies in there. And your run-rate is something like 600. Is that correct?

James von Moltke

That's correct, Kian. Yes, that's correct. 600, maybe 700, based on some definitional changes to do with our merger, the merger of the PFK into AG. And hence, again, the importance in our minds of advocacy around this point.

Magdalena Stoklosa (Morgan Stanley)

Thank you very much, and again, congratulations on the quarter. It's great to see. I've got two questions, and they're both on revenues. I'm going to start with the corporate bank. I think that, in the Deep Dive, and throughout our conversations about the corporate bank over the last 18 months, we've talked about the requiting measures. And, of course, the bulk of it was on deposits. We've talked about account fees. We've talked about fee increases in various places. And, of course, given the amount of deposits that you already charge is way above the targets that we have spoken about, could you tell us about what is the ultimate target? How much of those 250 billion in corporate deposits that you've got, you're likely to be able to re-price over a longer period of time?

And, of course, any other, you've talked about payment fees from platforms, things like that. But anything else that you feel is going to make a real difference to that revenue line over the medium term. So that's my first question.

And my second question really is on your idea, and I know we've talked about it a lot. But when you've talked about flat revenues, year on year, and we look at the numbers, you've, effectively, made about US $10.5 billion last year. You've made $3.7 billion, almost $3.8 billion in the first quarter. Which, effectively, means that your cumulative nine months IB revenue from here can come down by 15%, and you're actually going to be flat year-on-year. So my question really is, so there is quite a significant normalisation in that remaining three quarters there. But how do you think about your mix within that scenario?

Because, of course, you've got the dominant FICC that tends to earn 75%-80% of your IB revenues. And, of course, you've got the broader capital market and banking. Do you think that the banking side is likely to outperform FICC on a relative basis in the next nine months, to, effectively, also quite easily meet your $10.5 billion? Thank you.

James von Moltke

Magdalena, thanks for the questions, and also the commentary. I'd say there is still some distance to go in what we think is achievable in the charging. We tried to enhance the disclosure a little bit on page 35 of the deck this quarter, to show where we're headed. It's obviously never going to be 100% of the book, based on thresholds and other things that we apply to clients. But I think, as we have continued down this path, we've seen more and more resonance, if you like, of the need for banks to be able to price this liquidity appropriately.

And we think that, in part, is driven by change in the competitive environment. But also in, just, the disciplined execution of the plans in the CB. And, by the way, the same applies to the private bank. The charging agreements that we disclosed there are on interest revenues. But a lot of the re-pricing changes we define as custody fees, and so don't hit the net interest line in PB. But, as you can see, there's also significant scope in PB. So we're going to continue executing on that, and we do think there's still an addressable deposit base in both businesses.

Christian Sewing

Yes, and your second question, it's hard to say. First of all, I agree with your calculation, i.e. taking the first quarter and then the remainder of the year. That makes us confident that we can achieve last year's numbers. You're right. And I think we always said, and also in the prepared remarks, that there is, in our view, a normalisation across IB for the second, third, and fourth quarters. Nevertheless, we can see a real, strong underlying robustness of these revenues. We have, obviously, quite a good preview on the pipeline in O&A for, in particular, now, for the second quarter, but also what we are discussing, so to say, for the remainder of the year.

We have a financing business which we can, obviously, pretty well estimate what is coming there from the accrued business. And then that was the focus of our strategy, to be in the trading business there, where we have a leading market position. And that, again, then ensures that we are, either in the flow business or in the more structured business, that we are, as partner for our clients, and hence we simply believe that there is an underlying flow and robustness of the revenues. Which makes us confident, including the great performance in Q1, to achieve the bigger 9 billion revenues in the IB in 2021. A detailed distribution, too early to say, now.

Stuart Graham
(Autonomous)

Hi, thanks and congrats, as well, on the results. I had a question on yesterday's Bundesgerischtshof ruling. What do you think the broader implications of that are, please? I guess, looking forward, will it slow your re-pricing policy, and, looking backwards, could you have to reimburse customers where you've raised fees with only their silent consent? And then, two geeky numbers, please, for James. First, in a few places, you referenced year-on-year FX impacts on revenues. Could you tell us how much FX benefited the adjusted costs year-on-year, please? And then, secondly, can I just confirm, you've still got 8.2 billion of loans subject to COVID-related forbearance measures. I think that's on page 31 of the interim report. Is that correct? Thank you.

James von Moltke

Hi, Stuart, and thanks, as well. So, yes. This ruling that you refer to is hot off the press, having been yesterday afternoon announced. So, to be honest, we've had very little opportunity to analyse it. And we don't yet have the written reasoning for the decision, so there's a lot, still, to learn. And I would also come out that it came as a surprise to us, given that we had won the case on the merits in the lower courts. Now, importantly, this is an industry-wide issue. Postbank was the representative case, about a general terms and conditions question in client documentation. So, as I say, it's too hard to come up with a real assessment of the impact, but, as you refer to, I would say, on the surface, it makes the work to implement pricing changes in the businesses affected by those contracts more administratively burdensome. But I wouldn't say that it would change our direction of travel in any way.

Christian Sewing

And, Stuart, potentially, to add on this point again, it only came yesterday afternoon, so we have to really understand the details. But we should not underestimate that something like that can also have an opportunity in re-pricing overall. So I'm sure, as James is rightly pointing out, that is an industry issue that goes even beyond the banking industry. So I'm sure that people, overall, will review pricing and that is also an opportunity.

Stuart Graham

Is it retrospective, or it's just forward-looking?

James von Moltke

It's, again, hard to say. The actual court case is defined as an injunction. And so it would be, you'd interpret it as relating to the future. And certainly we'd look at it that way. But again, we'll need to wait to see the written judgement, and then react to that.

On the numbers-driven questions, in round numbers the FX benefit would have been about 100 million in the quarter relative to last year. That is beginning to, also, normalise in terms of a year-on-year. As you know, the FX movement, now we've lapped that, or more or less lapped it.

And then with respect to the forbearance, I'm not sure I understand your question precisely, but we have continued with the same disclosure around moratoria and forbearance that you see in the earnings report. And if there's something I'm missing about your question, we're happy to follow up.

Stuart Graham

You just show it granted and active, and I just want to say, which one of those are active? It looks like it's still 8.2 billion on the non-moratoria on the voluntary forbearance measures.

James von Moltke

Yes. I believe that's still an active number. But we can follow up to confirm that.

Nicolas Payen (Kepler Cheuvreux)

Yes, good afternoon. Thanks for taking my question. The first one will be on credit loss provision. And I would be curious to know, what would be the numbers you would have reported, if you wouldn't have managed with your overlay that you did during the quarter. And then, the second one, still on credit loss provision, regarding your 25 BPS cost of guidance for the full year, what kind of increase should we expect for the three remaining quarters? Is it increased from stage one and stage two, or for stage three, and is it linked to the end of the state guarantee, and supports, by the end of the year? Thank you.

James von Moltke

Thanks, Nicolas. So the overlay, there are moving parts, but first of all, we did remove the methodology overlay in Q1 that we applied last year, so the numbers are normal course numbers now. I guess that's the first thing. The second thing is the forward-looking items, or information adjustment, was a release for us, as you've seen, I think, for a number of our peers. And by itself, that release would have represented about 150 million in the quarter on change in economic outlook.

There were other movements, which, as you can see, were conservative on a net basis, and so meant that that 94 came out in total of the stages one and two. But we feel really good about the allowance at this point, given all the history travelled, and the adjustments that we've made. Which leave us, I think, still in a very prudent place. And then with the allowance largely flat to the end of the year.

As it relates to the 25 basis points, on the numbers it would translate into a range around 1.1 billion for the year. Obviously that would imply a pretty significant increase in the coming quarters in the credit costs. We hope that's conservative. But it would rely on incremental stage three impairment events, obviously hard to predict. We've seen credit be more constructive recently. And also, in that 165 number were, in fact, some releases on earlier stage three impairments that went back to performing.

In FLI terms, it depends on the future, but we would see that normalising, and perhaps creating a build, just as you wash the very high GDP rates that you're expecting in the next couple of quarters, out of the forward look. So there'd be some volatility from FLI. I hope that gives you some colour as to what we're seeing.

Andrew Coombs
(Citi)

Good morning. Thanks for taking my questions. One on fixed income, and then one more, broadly on revenues. On fixed income, if I go back to Ram's slide at the Investor Day in December last year, he gave a useful split of the revenues by product over nine month 20. So at that point credit and financing, I think, was 28% with overall revenues about 36% of fixed income revenues. Can you provide us with the equivalent number for Q1? Because I expect that credit and financing make up over half of your fixed income revenues, but I'd be grateful if you could confirm that.

And then, more broadly, with the target number that Ram outlined, the 8.5 billion by 2022, that assumed no increase in fixed financing revenues, whereas I'm assuming that's where you've had a big jump this quarter. So, are you expecting that to reverse? That's part of the first question.

The second question, just a bigger picture question on revenues. You've talked about the TLTRO-III kickers, that's 275 million that will step down next year. You've talked about SPAC revenues normalising. You've talked a bit about fixed income revenues normalising. And yet you're guiding to 24 billion in revenues, roughly, for this year, and your target for 24.4. So somewhere there are some quite significant incremental revenues elsewhere that you are looking for in 2022. Can you just elaborate a bit more on where those revenues are going to come from? Thank you.

Christian Sewing

So let me take your second question, the overall one. Again, I think if we talk about the 24.4 billion, and let's tackle the investment bank last. We have a very clear view on the achievement of our targets in all three businesses, asset management, private bank, and corporate bank. And that is more simple and easier to forecast, given that you very much base it on the existing volume. And the stability of the underlying revenues is, obviously, easier to forecast.

Now, looking, again, at that what the underlying strength and the underlying growth is in that business in Q1, that what we can see with the measures we have in place, be it depository pricing, assets under management, in-flows, both in asset management but also in private banking. Loan growth, which we see in the corporate bank and the private bank. We simply feel very confident that we can achieve those numbers which we have indicated on the Investor Day. Some of those numbers which we have indicated for 2022, for instance in asset management, we might even achieve earlier. So there is a high degree of confidence.

Now, looking again at the investment bank, and I think now we are a little bit overestimating the impact, for instance, of the absolutely well-run SPAC business in Q1. But if you take it as an overall percentage of the total IB revenues, that business will not make or break the IB run in 2022. So we have a very strong underlying business in the FICC, in the credit business, and also as we, in our view, have such a strong momentum in the client engagement, origination and advisory, that we simply think that, with two years running above 9 billion of revenues, we feel confident to achieve the 8.5, in particular with the analysis which we have given you in the IDD on the sustainability of revenues in FICC.

And that we confirm today, that we see that, exactly like we told you in December, potentially even after Q1, slightly better. And, for that reason, there is no way that we walk away from our revenue targets which we have given you there.

James von Moltke

And Andrew, on your mix question, it's always very hard to predict the future on the mix and how it shifts over time. Obviously Q1 was weighted more towards credit, both credit trading and financing, than is typical. And it also was particularly impactful on the year-on-year comparison in the quarter. So, without in any way diminishing what we think was good relative performance in rates, FX, and emerging markets, the quarter was defined by a strong credit performance.

The mix, going forward, is, as I say, hard to judge. What we like about our business is the portfolio nature of it. So you get to places where each of the businesses is performing in line with its market opportunity, driven by volatility, a bit driven by client activity, driven by the mix of structured versus flow business. But seeing the interaction, then, as the mix develops, you do get some comfort about the trend and the direction of travel, even as the mix can be a little bit unpredictable from quarter to quarter. And, of course, the year-on-year comparisons can move from quarter to quarter.

Anke Reingen (RBC)

Thank you very much for taking my question. I just wanted to follow up on capital, and capital return. The way you said, this is a changed quarter. Obviously now, with a 33% accrual, it is a little bit less theoretical. I just wanted to ask if you could give us a bit of an update in terms of how you're thinking it. We have a 33%. When are you considering adding a buy-back to it? Could we expect this for full-year results, or what the overall mix is? And then, also, probably acquisitions. Now, as you said, you're largely done with your own transformation. Where do you think you would like to, if you would be looking, what areas would you be thinking of? Is it like cost-cutting, or what it be more like asset-light, where you basically think you could create value for shareholders, or if you'd do a bolt-on, or a deal, and what criteria you would be looking at? Thank you very much.

James von Moltke

Thank you, Anke. And, as I mentioned, the dividend accrual is mechanical, based on a rule. But the nice thing is to exit the first quarter with the 300 million on the books represents a 15 cent dividend just on that, if it were all to come out in dividend. I think that gives us some flexibility, as we think to both the size and the mix of the distribution that we intend to start next year. But it's too early to say, as I say, on both sides and mix. But we're pleased that we've set a milestone here.

It does, also, as you point out, the greater certainty we have about the capital path does, potentially, open the door to undertaking smaller acquisitions with more confidence, and the capital to support them. I wouldn't tell you that that's made it more imminent, if you like, but it definitely helps with confidence about the capital impact of potential acquisitions.

Christian Sewing

And Anke, on your second question, if I can slightly correct that, I think James and I would do a very bad job if we are saying the transformation is largely over. We have half-time, and we need to keep the focus and the discipline. There is a lot to do on everything, be it revenues, be it costs. So we are fully focused on that. And we certainly believe, and fortunately we have seen, that over the last 12 months with each quarter where we perform, we get better, also in relative terms, and that is, then, the right basis for any other discussion. But, for the time being, 100% focus only on our transformation.

Ioana Patriniche

Thank you, operator. And thank you for your questions, and for joining the call today. As ever, the IR team remains at your disposal for any follow-up questions you may have, so please don't hesitate to reach out. And with that we look forward to speaking to you at our second quarter call in July.

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 Q1 2021 Financial Data Supplement, which is available at www.db.com/ir.