Deutsche Bank AG

Deutsche Bank Q3 2020 Analyst Conference Call

Wednesday, 28 October 2020 | 13:00 CET

Transcript

Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer
James Rivett, Head of Investor Relations

JAMES RIVETT

- Thank you all for joining us
- As usual on our call our CEO, Christian Sewing, will speak first, followed by our chief financial officer, James von Moltke
- The presentation, as always, is available for download in the investor relations section of our website, db.com
- Before we get started let me just remind you that the presentation contains forward-looking statements which may not develop as we currently expect
- We therefore ask you to take notice of the precautionary warning at the end of our materials
- With that let me hand over to Christian

CHRISTIAN SEWING

Slide 1 -- Continued progress on strategic transformation

- Thank you James and welcome from me
- It is now five quarters since we launched our strategic transformation
- And for the fifth quarter in a row we have delivered on or ahead of our financial targets and transformation agenda
- This positions us well to deliver against our long-term targets
- We were profitable in the third quarter and in the first nine months of the year with results ahead of our internal plan
- The results are clearly a reflection of our refocused strategy
- And yes, the results are in part driven by higher revenues in the Investment Bank where market conditions remained supportive
- But we see our revenue growth in the Investment Bank as much more than just market driven
- The performance also reflects the refocus of this division around businesses where we have market leading positions
- In Q3 we have outperformed peers in several of our key areas within fixed income and increased market share

- Despite the revenue headwinds we are facing in the Corporate Bank and Private Bank, the results are in-line with our original plans
- Asset Management is performing in-line with our expectations as well
- We also continue to reduce costs with the 11th quarter in a row of year-on-year declines
- The combination of higher revenues and lower cost is driving higher Core Bank profitability which more than offset the combined impacts of:
    - transformation costs to implement our strategy
    - the burden of winding-down the Capital Release Unit which continues in-line with our plan
    - and elevated provisions for credit losses given the COVID-19 pandemic
- And, finally, we continue to manage our balance sheet conservatively
- Capital was broadly stable in the quarter while liquidity further increased
- This provides a solid position in the current environment to maintain our financial strength and to support our clients
- Let us go through these themes in more detail starting with our progress against our strategic transformation on slide 2

Slide 2 - Disciplined delivery of our transformation agenda

- In July 2019 we identified the transformation related effects that we would take over the next 14 quarters
- After just five quarters we have put over 80% of these costs behind us
- In the third quarter we continued to implement our strategic transformation
- Some examples include:
- In the Private Bank Germany, we announced the reduction of a further 100 Deutsche-Bank branded branches
- Since 2016 we will have removed approximately 30% of our entire German branch network including Postbank
- This announcement reflects the changes in customer behaviour that we are seeing - including a near doubling of online securities transactions of which 30% are now coming through our mobile app
- To support our revenue objectives, we extended partnerships with Zurich and Mastercard

- We further rationalized our real estate footprint with the early closure of a significant part of our New York campus
- We continued to simplify our legal entity structure with the completion of the sale of our Trust business in Mexico
- And we completed the formation of the International Private Bank and introduced a simplified reporting and leadership structure
- This should unlock further revenue and cost synergies between Wealth Management and the former Private & Commercial Bank International consistent with our agenda
- These examples demonstrate our relentless focus on execution
- Let me now discuss our revenue performance on slide 3

Slide 3 -- Stabilizing revenues under re-focused strategy

- A core objective of our transformation has been to stabilize and then grow revenues
- We have grown group revenues by approximately half a billion euros over the last 12 months, driven mainly by the Investment Bank
- The revenue growth in our refocused business model has offset the exit from equities trading
- Clients have re-engaged with a model which focuses on our core strengths
- In each of the last four quarters we have grown FIC revenues year-on-year by a high double digit percentage
- This includes a near doubling of Rates revenues, mainly driven by strong underlying client flow
- In Origination and Advisory, we have consistently outperformed the global fee pool in 2020, resulting in our highest market share in 6 quarters
- This includes ranking third in green bond issuance, up from 14th in 2019
- As a result, 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 euros over the last 12 months
- This puts us close to the plan of 24.5 billion euros 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 headwinds and the further anticipated normalization of market conditions in investment banking
- Turning now to our progress on cost reductions on slide 4

Slide 4 – Cost discipline continues for the 11th consecutive quarter

- We promised that we would not let COVID-19 slow down our pace of execution – and we kept that promise
- We have 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 euros in the third quarter
- This puts us well on track to meet our 2020 target of 19.5 billion euros – this would be a reduction of 3.3 billion euros – almost 15% over the past two years.
- Our relentless focus on costs is now in the mind-set of the bank and will continue
- The disciplined execution is becoming increasingly visible in our financial results as you can see on slide 5

Slide 5 -- Strategic transformation drives growth and higher profitability

- 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 have generated positive operating leverage for 4 quarters in a row at both a Group and a Core Bank level
- This operating leverage has driven significant improvements 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's Bank profitability should flow to the Group's bottom line as we continue to make progress on our transformation agenda and provisions for credit losses normalize
- I am also encouraged that all four of our core businesses generated positive operating leverage as you can see on slide 6

Slide 6 – Driving operating leverage with disciplined resource allocation

- The improvements were driven by disciplined implementation of our strategy as each business works to improve its return on equity
- Both the Corporate Bank and the Private Bank have implement measures to offset the interest rate headwinds
- The Corporate Bank now has charging agreements in place on approximately 68 billion euros of deposits
- These agreements added 55 million euros to revenues in the current quarter alone
- This is materially above the targets we laid out at the investor deep dive in December
- To further accelerate growth, we have recently combined all our operations for business clients in Germany, into a single unit
- The Investment Bank benefited from the before mentioned recovery in revenues combined with ongoing cost reductions
- The Private Bank generated 5 billion euros of net new client loans and 3 billion of net inflows into investment products in the quarter
- On the cost side, in the Private Bank we have now generated 260 million euros of cost synergies from the German merger year-to-date
- Here, we remain on track to reach our full year objectives
- In Asset Management, DWS has shown its resilience with a rebound in revenues driven in part by ongoing cost reductions as well as net asset inflows
- DWS has generated 17 billion euros of net inflows year-to-date with more than one third in ESG products
- Across our businesses, the operating leverage has not been generated at the expense of 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 7

Slide 7 -- Maintained strong balance sheet

- We held our CET1 ratio broadly stable at 13.3%
- Liquidity reserves increased to around 250 billion euros
- Both of these metrics are comfortably above regulatory requirements

- Provision for credit losses was 25 basis points of loans on an annualized basis in the third quarter
- Performance in our loan portfolios since the first quarter supports our guidance for the full year that provisions will remain in the 35 to 45 basis point range
- We reiterate this guidance even with the recent renewed uncertainties in the macro-economic outlook
- This compares favourably to our international peers, reflecting the high quality nature of our loan portfolios and tight management of credit risk
- It also reflects the fact that around 50% of our loan portfolio is in Germany
- In summary:
- Our performance is in-line with or even ahead of all our major strategic and financial objectives
- We are confident we can continue on this path including our expectation to be profitable at the pre-tax level for the full year
- We look forward to discussing this with you in more detail in our Investor Deep Dive on the 9th of December
- With that let me hand over to James

JAMES VON MOLTKE

Slide 8 – Q3 2020 Group Financial Highlights

- Thank you Christian
- Let me start with a summary of our third quarter financial performance compared to the prior year on slide 8
- As Christian said, operating leverage was strong in the quarter
- On a reported basis we generated 23% operating leverage as revenues increased by 13% while non-interest expenses declined by 10%
- Excluding specific revenue and cost items which are detailed on slide 34 of the appendix, operating leverage was 17%
- On this basis, revenues increased by 9% while adjusted costs excluding transformation charges declined by 8%
- We generated a profit before tax of 482 million euros or 826 million euros on an adjusted basis

- In the nine months, profit before tax was 846 million reported or 1.5 billion euros adjusted
- Excluding specific revenue items, restructuring and severance and transformation charges, the Core Bank generated a post-tax return on tangible equity of 6.8% in the third quarter
- Tangible book value per share of 23 euros and 21 cents was slightly below the second quarter driven by FX translation

Slide 9 – Provision for Credit Losses

- Turning to provision for credit losses on slide 9
- Consistent with our full year guidance, provision for credit losses returned to more moderate levels this period
- The provision was 273 million euros in the quarter, or 25 basis points of loans on an annualized basis
- Incremental provision for credit losses related to COVID-19 was 76 million euros including 215 million of stage 3 builds
- The stage 3 build was partly offset by releases in stages 1 and 2 reflecting the better consensus macro-economic outlook in the quarter
- We implemented a larger management overlay compared to the second quarter given uncertainties in the macro-economic outlook which partly offset the release generated by the model
- Including the provisions taken in the third quarter, we ended the period with 4.8 billion euros of allowance for loan losses, equivalent to 111 basis points of loans

Slide 10 – Capital ratios

- Turning to capital on slide 10
- Our CET 1 ratio was 13.3% at quarter end, 285 basis points above our regulatory requirement of 10.4%
- The CET1 ratio increased by 2 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 leverage ratio was 4.4% at quarter end, an increase of 28 basis points

- The increase reflected the exclusion of certain central bank balances from the leverage ratio denominator following the implementation of the CRR quick fix

Slide 11 – Adjusted Costs

- Slide 11 shows the progress we are making on reducing adjusted costs
- Adjusted costs declined by 424 million euros or 8% excluding transformation charges
- Costs declined across all major categories while we continued to invest in our IT and control programs
- Adjusted costs included 89 million euros of expenses eligible for reimbursement related to Prime Finance and 104 million euros of transformation charges
- These costs are excluded from our 2020 adjusted cost target
- On this basis, adjusted costs were 4.7 billion euros in the quarter and 14.9 billion for the first nine months
- As Christian said, this puts us on a good path to the 19.5 billion euro target this year
- With that, let's turn to the progress our businesses have made compared to the prior year period, starting with the Corporate Bank on Slide 13

Slide 12 - Segment Results

Slide 13 - Corporate Bank

- Pre-tax profit in the Corporate Bank was 189 million euros in the quarter, or 243 million euros excluding transformation charges and restructuring and severance which we detail in the appendix
- This equates to a 6.9% adjusted post-tax return on tangible equity
- Revenues of 1.3 billion euros decreased by 5% on a reported basis or 2% excluding the impact of FX translation
- The Corporate Bank partly offset the interest rate headwinds and lower client activity with deposit repricing, higher episodic items, balance sheet management and ECB tiering
- Despite the challenging interest rate environment and other macro-economic headwinds, Corporate Bank revenues for the first nine months were essentially flat year on year

- The Corporate Bank also made progress on reducing costs to offset the revenue headwinds
- Non-interest expenses declined by 1% and included 39 million euros of restructuring and severance charges, mainly related to the finalisation of the German corporate and commercial banking integration
- Adjusted costs excluding transformation expenses declined by 7%, reflecting reductions in non-compensation expenses and FX translation benefits
- Provisions for credit losses of 42 million euros were mainly driven by releases due to the improved macro outlook with modest new impairments

Slide 14 - Corporate Bank revenue performance

- Global Transaction Banking revenues declined by 8% or 4% on an FX-adjusted basis as shown on slide 14
- Cash Management revenues declined as deposit repricing, balance sheet management and ECB Tiering were more than offset by the interest rate headwinds and lower client activity in parts of the quarter
- Trade Finance and Lending revenues were essentially flat excluding the impact of FX translation and episodic items
- Securities Services and Trust and Agency Services revenues declined as a result of interest rate reductions in key markets
- Commercial Banking revenues increased by 1% as growth in deposits and fee revenues was partly offset by lower lending-related revenues
- Turning to the Investment Bank on slide 15

Slide 15 - Investment Bank

- The Investment Bank generated a profit before tax of 957 million euros in the third quarter with a 12% post-tax return on tangible equity
- We made further progress on our strategic objectives including standardization of processes to reduce costs, growing revenues in focus areas and reducing funding costs
- Revenues of 2.4 billion euros increased by 35% excluding specific items, driven by the benefits of strategic repositioning, strong market conditions and good client flows
- Noninterest expenses of 1.4 billion euros declined by 14% in part reflecting lower restructuring expenses

- Adjusted costs excluding transformation charges declined by 5% on continued disciplined expense management, despite higher compensation costs on significantly higher revenues
- Provision for credit losses of 52 million euros, or 29 basis points of loans reflected the improved macroeconomic outlook, partly offset by further COVID-19 related impairments
- Loan balances declined during the quarter returning to more normalized levels, with further repayment of client credit facilities and prudent balance sheet deployment

Slide 16 – Investment Bank revenue performance

- Revenues in Fixed Income, Currency Sales & Trading increased by 43% excluding specific items as you can see on slide 16
- This included a near doubling of revenues in the trading businesses
- Rates revenues more than doubled with further improvements in client engagement given the renewed strength of the franchise
- Foreign Exchange revenues were significantly higher reflecting higher volatility and strength in derivatives
- Revenues from Credit trading were significantly higher driven by the continued recovery in credit markets and strong client flows
- Emerging market revenues were higher compared to a weak prior year quarter principally due to strength in CEEMEA and Latin America, specifically in the flow businesses
- Financing revenues were essentially flat excluding the impact of FX translation headwinds
- Third quarter Financing revenues benefited from a rebound of ABS activity and a further strengthening of the US CMBS market
- Revenues in Origination and Advisory increased by 15%
- Equity Origination revenues were significantly higher driven by market share gains in a record fee pool environment
- Growth in Debt origination also reflected market share gains across both Investment Grade Debt and Leveraged Finance
- Advisory revenues were significantly lower against a strong prior year but in-line with industry performance
- Turning to the Private Bank on slide 17

Slide 17 - Private Bank

- The Private Bank reported a pre-tax loss of 4 million euros in the quarter
- Excluding specific revenue items, restructuring and severance expenses as well as transformation charges, profit before tax was 180 million euros, more than 50% higher than last year
- Revenues were flat as growth in volumes offset ongoing deposit margin compression and the negative impacts from COVID-19
- Both client activity and assets under management have further improved but remain below the pre-crisis levels
- The Private Bank made continued progress on its broader strategic initiatives, including the ongoing redesign of the distribution network and establishing strategic sales partnerships
- In the quarter we generated 115 million euros of German merger related cost synergies
- Noninterest expenses were broadly flat as reductions in adjusted costs were offset by higher restructuring charges
- The charges reflected further progress towards the head office and branch network optimization in Germany
- Adjusted costs excluding transformation charges declined by 10%
- Non-compensation costs declined in part driven by lower internal service cost allocations
- Compensation costs were also lower reflecting reductions in the workforce
- Provision for credit losses was 174 million euros or 30 basis points of loans reflecting the macro-economic environment
- Turning to revenues by business area on slide 18

Slide 18 - Q3 Private Bank revenue performance

- Revenues in Private Bank Germany increased by 1%
- Growth in lending revenues, higher fee income from investment products and higher episodic insurance revenues offset the ongoing deposit margin compression and COVID-19 impacts
- Business growth continued with 3 billion euros of net new client loans and 1 billion of net inflows in investment products in the quarter
- This quarter we implemented the new management and reporting structure for the International Private Bank

- This division combines Wealth Management and the former Private & Commercial Business International
- Revenues in the International Private Bank declined by 1% excluding workout activities related to the Sal. Oppenheim franchise
- The International Private Bank continued to grow volumes with 2 billion euros of net new client loans and 2 billion euros of net inflows in investment products
- The revenues for the two sub-business within the International Private Bank are reported in the Financial Data Supplement
- International Private Banking and Wealth Management combines the former Wealth Management segment with our wealthy international clients
- Revenues in this client segment were essentially flat excluding specific items and headwinds from foreign exchange translation
- Volume growth, reflecting targeted hiring, broadly offset deposit margin compression and COVID-19 effects on average assets under management
- International Personal Banking principally serves retail and affluent customers in our target markets
- Revenues in International Personal Banking declined by 1%, as continued deposit margin compression and the negative impacts of COVID-19 were broadly offset by a valuation adjustment on an investment

<u>Slide 19 - Asset Management</u>

- Asset Management continued to perform well as you can see on slide 19
- To remind you, the Asset Management segment includes certain items that are not part of the DWS stand-alone financials
- Asset Management pre-tax profit of 163 million euros, increased by 56% driven by both cost reductions and higher revenues
- The Asset Management divisional cost income ratio improved by 12 percentage points to 63% compared to 62% at the DWS level
- DWS is on track to achieve all targets set at the IPO
- Revenues grew by 4% principally reflecting a positive impact from the change in fair value of guarantees and lower funding cost allocations
- Compared to the prior quarter, revenues grew by 3% on higher management fees given the increase in average assets under management
- Noninterest expenses declined by 12% with adjusted costs excluding transformation charges down by 11%

- The reduction in costs was driven by ongoing efficiency initiatives, lower transaction costs as well as the absence of write-downs on buildings and leases recorded in Q3 2019
- Net inflows were 11 billion euros in the quarter while assets under management increased by 14 billion euros to 759 billion, within 1% of year-end 2019 levels

Slide 20 – Corporate & Other

- Corporate & Other reported a pre-tax loss of 396 million euros in the quarter, as shown on slide 20
- The loss included 179 million euros of valuation and timing differences
- These differences principally relate to mark to market movements on swaps the group uses to mitigate the interest rate and cross currency risks from funding activities
- The negative impact of Other items also increased, due in part to certain real estate transformation charges as we accelerate our New York real estate footprint rationalization
- It was also impacted by higher than planned infrastructure costs, that have not been charged to business divisions
- Turning to the Capital Release Unit on slide 21

Slide 21 – Capital Release Unit

- The Capital Release Unit recorded negative revenues of 36 million euros
- Revenues were driven by de-risking, hedging and funding costs partly offset by the Prime Finance cost recovery and positive effects from valuation adjustments
- Non-interest expenses in the third quarter were 50% lower, in part reflecting lower restructuring & severance, lower transformation charges and reduced litigation costs
- Adjusted costs excluding transformation charges declined by 40%
- The decline was driven by lower internal service cost allocations as well as a reduction in compensation and non-compensation costs including professional service fees, market data, and other employee driven spend
- Risk weighted assets declined by 3 billion euros in the quarter to 39 billion euros compared to the 38 billion euro target for year-end
- Leverage exposure declined by 12 billion euros or 12% in the quarter

- Consistent with our prior guidance, we expect leverage exposure to continue to decline by 10 to 15 billion euros in the coming periods, subject to market movements
- For both RWA and leverage exposure our 2022 targets remain unchanged

Slide 22 – On track to reach near-term objectives

- As Christian highlighted, we have continued to navigate successfully through the challenging environment
- The progress that we have made in the first nine months of the year puts us on a good path to reach our 2020 financial milestones which are shown on slide 22
- We have updated the outlook statements in the earnings report to reflect our current expectations
- Our group revenue expectations are now marginally higher than our prior outlook primarily reflecting the stronger than expected performance in the first nine months
- Our current planning assumes a normalization of investment banking revenue performance in the fourth quarter compared to earlier in the year
- We expect relatively stable performance in our other core businesses sequentially
- Revenue in the Capital Release Unit is also forecast to return to the range that we outlined at the Investor Deep Dive of between negative 100 to 250 million euros
- We remain on track to reach our 19.5 billion euro adjusted cost target excluding transformation charges and the impact of the Prime Finance transfer
- We have previously guided to deferred tax asset valuation adjustments of 400 million euros for the full year
- Based on our improved profitability and outlook, we now expect this tax item to be 100 million euros for the full year, of which we have taken 25 million in the first nine months
- The improved outlook on DTA should be partly offset by higher restructuring and severance as we work to accelerate as much as possible of our transformation
- Provisions for credit losses in the fourth quarter are likely to be similar to the third quarter level, consistent with our guidance for the full year
- We will continue to manage our CET1 ratio conservatively and we expect to remain well above our 12.5% long-term target

- Our strong CET1 ratio in the third quarter provides sufficient headroom to absorb the likely regulatory inflation and to support clients as they navigate the pandemic
- These are themes that we will address in detail at our next Investor Deep Dive on Wednesday December 9th
- With that, let us take your questions

Question and answer session

Rohith Chandra-Rajan (Bank of America)	Afternoon everybody and thank you very much. I would like to just ask on a couple of areas, please. The first is just following up on your comments on investment banking revenue sustainability. It's clearly been another strong quarter, including some out performance against peers. The market conditions are unusually supportive and consensus looks like it's anticipating something like a 20% to 25% decline in FIC revenue pool by 2023 compared to what we've seen over the last four quarters. And applying that to Deutsche Bank would suggest something like a 1.5 billion revenue headwind in the FIC business. So I'd be interested in your thoughts on the market outlook, how much share you've regained so far and also your aspirations for further franchise strengthening. And then the second area was on the impairment charge. So the Q3 charge was relatively low on the back of some assumption changes driving releases. Be interested if you could provide a little bit more detail there on how your thinking has evolved, given the fluidity of the situation. And is there any change to your expectations for 2021, which I think you previously described as moderate normalisation. And then for this year you just mentioned Q4 charge similar to Q3. could I just clarify whether that's the stage three charge or the net charge that you took in Q3, so that's 25 basis points versus 37 basis points. Thank you.
Christian Sewing	Thanks Rohith. I think I'll take the first question and then James will address the second one. With regard to the sustainability of the investment banking revenues, I reference also the answers we gave already in Q2. And again in Q3 we can clearly see that the main driver for the improvement in the investment banking revenues is really sustainable, and that is the result of our focused strategy.

And in my view Q3 is actually the best evidence, because markets started actually to normalise at the end of Q2 and in that market we have out-performed. That is a clear function of the focus we have given ourselves.

About 80% of the revenues we generate in business where we have a leading market position. We see in particular in times like these that clients then tend to do transactions with institutions where they are in the top five in the industry, and that's exactly what we have in 80% of our revenues.

In the FIC business, let me highlight some franchises where we invested in people, in IT, also in overall resources. Look at rates. We clearly benefited, and that is now since 12 months from new hires, from a very strong risk discipline. And clearly from the fact what we also outlined for the last three or four quarters, that we can see a re-engagement of clients which is continuously going on and where we clearly see the momentum not only in Q3 but it's ongoing.

In Emerging Markets, again a strong recovery, admittedly from a relatively weak position in Q3 2019, but also again driven by client re-engagement. We can see it by the underlying trade flow, by the underlying transactions. And clearly also by picking the right management team and the leadership structure.

In Origination & Advisory I think we have now shown the highest market share for six quarters, and there with the recovery across almost all our franchises. And if you see here again the underlying client activities stats which we measure globally I'm actually not surprised by the development which we have seen in Q3. This trend started in Q4 last year, momentum was picking further up in Q1, Q2, and we have the result in Q3.

And if I look at the pipeline, which Mark Fedorcik is showing me, I can see the momentum continuing into Q4. So I think overall the investment banking revenues which we see is very much a sustainable story, clearly driven by a strong focus which we have given ourselves by the leadership which is done by Mark and Ram and so we remain confident that there is good underlying momentum in the IB which continues and which, in our view, will carry on into 2021.

James von Moltke

And, Rohith, it's James. On your questions on impairments, which I take to mean credit loss provisions. We've mentioned in the past that in 2021 we would expect to be still elevated, but below the level of 2020. And of course that's subject to all the usual caveats around the outlook, the macroeconomic world that we'll live in. I would expect the fourth quarter number is in line with the third quarter, that is a net number, in other words of stage three events net of an expected stage one and stage two release. So I'd expect that pattern to also be quite similar to the third quarter.

I would point out a few things. One is there's some disclosure in our earnings report, starting on page 39, which gives you some sense of the variables that feed into the model. Of course we will follow consensus in how we build our provisions as we go through time. But I'd also point out to you the overlay or management adjustment, to the conservatism that we've built in, in Q3. Reflecting uncertainties in the outlook. So with all of that said we're comfortable, very comfortable, with our position as we finish the quarter.

Daniele Brupbacher (UBS)

Good afternoon, thank you. I had a few questions on net interest income, and in general when I look at revenues in the corporate bank and the private bank there's still some pressure there. I guess it's mainly NII. And also the loan book overall for the group is going down now again for two quarters in a row and there is obviously some other headwinds. So if you could just share your thoughts with us when it comes to volume growth, margin developments going forward.

And could you also remind us of the TLTRO benefits and when that will come through? And probably any initiatives you can highlight to us on the fee income side which are intended to compensate at least some of the NII pressure, that would be helpful. Thank you.

Christian Sewing

Yes. Daniele, thanks. Let me start on the Corporate Bank and Private Bank. First of all, both divisions, and the performance of the Corporate Bank as well as the Private Bank, is absolutely in line with our internal plans. Which is in my view quite a good result given the additional headwinds which we have in particular from the interest rate side this year which was obviously not priced in when we have given ourselves the plan at the end of 2019.

Also in the Corporate Bank, revenues were down FX adjusted 2% which again is a satisfactory result compared to the peers in the market . If you go to the details in the Corporate Bank, I think in Germany we have performed very well with revenues even slightly up year over year.

Of course we feel the pressure in the cash management from interest rates, but there we are clearly ahead of the goal which we have given ourselves, passing on the negative interest rates to our clients. And again we also keep here the momentum. And therefore I can see that the strategy which we have given ourselves is actually working and is offsetting the further headwinds.

One comment on the loan book, we see a reduction in the loan book, in particular in the corporate sector, compared to the end of the Q1 where we had a lot of utilisation, a lot of drawdowns. There you can also see actually the issuances in the capital markets which were partially used to repay us.

But the good thing is now also with the capital ratio that we have the powder in order to actually, once the risk appetite is there where we feel we are confident to now bring additional resources in, we have that dry powder both for the corporate bank… For the Private Bank we see an increasing loan book, as well as in parts of the investment bank.

James von Moltke

On the net interest income environment of course it's a challenging environment for banks in terms of the net interest income development, given the rate environment. In our case I would say, and this feeds on what Christian just said, in Corporate Bank and Private Bank, if you look at their margins they've actually been relatively stable. Of course declining a little bit, but on balance stable.

The group net interest margin declined quite a lot in the quarter and there are a couple of unusual items that are going on there. On the one hand there's an asymmetry in the accounting for the US Dollar funding that we earn with swaps, or that we arrange through swaps. And so the recognition of the US Dollar interest revenue, the associated funding costs, is split between the net interest income and the other income lines.

So you see part of the downward pressure is in the Corporate & Other segment and less to do with the businesses. The other thing sequentially was there were some episodic items that fell in the net interest income line in the second quarter, and so it's really not representative of the overall performance or of the economic impact to Deutsche Bank of those lines.

Christian spoke to loan growth, I would reiterate as well there's obviously a degree of loan growth that's episodic in the marketplace and we've had some declines in repayments of committed credit facilities that of course has influenced the balances as well. At the moment we're accruing on the TLTRO funding at the negative 50 basis point rate. So we're not accruing the incentive fee. We don't expect to accrue that in 2020. But it would be an increment to revenues in 2021.

And then on the fee income side, the businesses are working hard as you'd expect in this environment, with bank revenues from the balance sheet and from interest income under pressure. We have to respond by building fee and commission revenue sources focusing on the expense line. In those fee and commission revenue sources we feel well positioned.

We talked about the investment bank performance, but also in private bank and in asset management through investment products, assets under management, we generate I think strong performance in those areas and income sources that helps to shield a little bit the overall revenues from the interest rate environment.

Adam Terelak (Mediobanca)

I had one on capital and then a follow up on the corporate bank. On capital, I just wanted the moving parts of how we should think about capital moving from here. Could you give us the current view on the timing and size of the intangibles release, but also trim opposite that and what the envelope and timing of that could be. As well as your planning assumptions for credit migration over the next year or two.

And then on the corporate bank, I just wanted to think about revenues on a Q on Q basis. Clearly there's a bit of FX in there but NII has stepped down pretty materially and I want to understand the moving parts there. But you also in the report outlook statement you're talking about favourable recurring items in nine months 20 revenues, and what will this look like into next year and whether that will be a drag on the corporate bank's top line in 2021 versus 2020. Thank you.

James von Moltke

First of all on the CET1 outlook, as things stand, and we've tried to give you as much visibility as we have as time goes on, from the 13.3% that we finished the third quarter, we would expect about 30 basis points of pressure from regulatory items net during the quarter.

Everything else at this point we would probably say is plus or minus ten basis points in the ratio, and so we would end the year in and around the 13% level, based on everything we see at the moment. Baked into that is the assumption that we would recover some of the capital that's currently deducted on software intangibles.

There's a bit of an improvement based on the final proposal from the EBA, extending essentially the non-deduction of capital over three years. That's built into the assumptions I just gave.

TRIM timing and impact, the current expectation is that the TRIM decisions will happen this year. They relate to banks and large corporates. We called that out for about 6 billion of RWA inflation. The other TRIM impacts are expected now in 2021, and I'd say our guidance remains more or less in line with the earlier guidance we provided there.

In terms of the corporate bank revenue performance, we've spoken about the episodic revenues. They're not necessarily predictable and they come in a lot of different flavours. But one of them is recoveries on credit insurance and that depends on the underlying events. It tends to be on a range between, 0 and 100 million in revenues per quarter. So, that explains some of the variation that you see in that business including the sequential difference between Q2 and Q3 for the corporate bank.

As I say, it's hard to predict. But by and large, you're looking at a stable revenue base. Perhaps a little bit below where we were in the second quarter and it can be influenced up by these episodic revenues, and that's before some of the drivers of growth that Christian talked about earlier. So, obviously, we're fighting through the headwinds from interest rates in that business. Particularly, by the way, US dollar rates this year, in 2020.

So, we think of that as strong performance given that now we've battled through really two rounds of US dollar rate declines. Really, the US dollar impact is pretty much built into our run rate now in the third quarter. Year on year next year, there's probably a little more to come, given that rate move hadn't taken place in the first quarter. But on a run rate basis in the second and third quarters, it's largely filtered through the US dollar piece.

Magdelena Stoklosa (Morgan Stanley)

Thank you very much. I've got two questions. One is still on capital and another one is on cost. So, on the capital, of course we've run through the moving parts, but could you just remind us what would be your management capital target for 2021? Kind of, what would you consider the right level for you to be operating on the CT1 kind of ratio, as you prepare to pay dividends from earnings from that tier? So, that's the first question.

The second question, I mean, your cost delivery continues delivering very, very well. I'm just wondering, as you think about 2021, how has kind of COVID impacted your ability to execute? I think a couple of months ago, you talked about potential for lower attrition as a reason for potentially kind of higher severance costs next year. Can you just share your most recent thinking there?

Maybe if I could squeeze a last one, it's on the PD, where I thought the kind of revenue trajectory was actually quite good from the perspective of what we're actually facing on the rate side and on the macro side. But I was quite interested from the perspective of your mixed shift, or as much as possible your mixed shift towards a piece in that division particularly on the sale of investment products. Could you kind of give us a sense of what are your initiatives there? Thank you.

James von Moltke

Thanks, Magdelena. On CET1 briefly, you've seen in our outlook statements a reference to the 12.5% level. I think that represents still a good guideline. I think we'd like to run a small buffer above that. This would represent a solid level of capital for this company, especially in light of the business model changes and the risk profile that as you've seen have changed dramatically over the past five or six quarters.

I will say on the capital return front, what's remarkable, thinking back to July of last year, is despite all the movements that have taken place or changes in the environment and assumptions throughout, we have managed to navigate basically in line with the assumptions that we set-out at that time, with some shifts in terms of timing that we've also kept you updated on. If anything, we're running a little bit ahead or better than our capital outlook that we started off with.

As Christian mentioned, we think the businesses are running a little better than our original expectations, notwithstanding some of the challenges that have arisen in the market environment. So, lots of movements in the capital plan, but basically we would be consistent with our initial expectations in July of last year, including positioning the company for distributions ultimately.

On costs, COVID has, I think, net been a small benefit to cost this year. But again, a lot of different moving elements of that. One element that is a headwind has been a decline in attrition of our full-time equivalent employee base. That is understandable in an environment like the one we've gone through, where people face a lot of uncertainty, there's less labour market mobility. But it means that in order to recapture the glide path towards our FTE and ultimately expense glide path, we need to look at other levers that can enable us to recapture that.

As you've seen, our cost discipline has remained. We naturally are formulating initiatives and executing on plans, to make sure that we remain on that trajectory, both on costs as well as FTE. As you mention, that can result in slightly higher than originally expected restructuring and severance costs than we called for back in July of last year. But as I said in the prepared remarks, we have I think an offset now in terms of the total transformation effect, based on lower DTA valuation adjustments.

Christian Sewing

Magdelena, on your Private Bank question. I think in Q3 we have seen a little bit of catch-up from Q2, ie from the lockdowns, which we have seen kind of across Europe and with recovery in Q3.

Number two, we can see a clear trend and you have seen that in our numbers that the demand for investment products is growing higher and higher. We have clearly made a sales and marketing push into that area, to convert deposits into investment products. We can see that also in Germany, which is known to be a place where actually people are not open for security investments, that this picture is turning step and step. They ask for advisory. I think that is exactly under the brand name Deutsche Bank what we can offer.

Here we can see the success and that is one of the key strategies going forward. If you see the plan going forward, we put a lot of expectation on that business and we can see that this is actually developing in line with plan, actually slightly ahead of plan, and we feel that the customer demand in that is quite high.

You can also see that, for instance, in DWS the demand for ESG products, which we can now kind of offer, not only in terms of asset generation but then also on the passive side, ie on the demand from our clients. That again is a clear accelerator for that business.

Jernej Omohen (Goldman Sachs)

Good afternoon from my side as well. I've got three questions please. The first one is on the repricing of deposits. You've said that you've managed to reprice 68 billion, which is broadly a quarter of your corporate deposit base and the run rate is 55 a quarter. So, can you please elaborate just on this point as to what is the scope for repricing the remaining three quarters of this deposit base? What shape is this repricing taking place?

Is it simple to say that analysing 55 million over 68 billion is negative 33 basis points? So, that's now the negative rate charged to your corporate deposit base if it's more complicated than that. That would be question number one.

Question number two would be, James, I guess, more on your, what I interpret to be an upbeat throw on the outlook for credit losses, the outlook for provisions. I mean, it looks like Germany is going into lockdown. What is the argument against saying the credit losses for next year should be at least as high as credit losses for this year? So, I guess that would be the second one. Then the third one.

James von Moltke

So, Jernej, the answer to your first question on repricing is it is more complicated. The number that we disclosed, the 68 billion, refers to balances in client accounts, in respect of which we have charging agreements in place. So, in that 68 will be some balances that are underneath the threshold that we agree with the client. There'll be other factors in it, but that's the main driver. So you can't multiply the balance by a rate. Of course, that goes up and down based on client behaviour within those balances.

To your point about how much can be repriced, I'll refer you back to slide seven of the Investor Deep Dive deck back in December of last year, where we pointed out that first of all the universe that we can reprice will be the equivalent of current accounts. So, excludes time deposit and excludes dollar accounts. Then as we mentioned, we do agree with clients' thresholds that reward them for their relationship with DB and hopefully, you know, is a sign of additional business that they do with the company.

So, if you then say it's only the balances above those thresholds on average that can be charged, you get a smaller universe. I'd say there is still some distance to go. We have repriced the largest accounts from institutional to large corporates and we continue to work through commercial and smaller accounts over time. I'd say the impact of that will diminish. But given that we originally called for 100 million annualised impact, we're now running at over 200 million and we still have a little bit left to go in terms of balances and revenue impact we're really pleased frankly with the progress that we've made in this area.

In terms of the CLP outlook, I wouldn't characterise it as upbeat. I think we've been quite consistent. Going all the way back to April, which was in the period of time of greatest uncertainty, where we laid out what we saw in the portfolio. Stuart Lewis and the risk team have done an outstanding job not just understanding the portfolio on a granular level but also then engaging with clients as we've worked through moratoria, forbearance and other mitigation steps.

We've had a really good handle on the portfolio throughout and I think also the modelling element here of the expected loss has proved quite good as well. As I mentioned, we give you the assumptions in the earnings report that we're using now. It's based on consensus. There is some sensitivity around that built into our modelling and of course if consensus were to deteriorate in the third quarter, naturally that would impact our Expected Credit Loss (ECL) and therefore the credit loss provision.

But I'd also point out that this overlay that gives us a measure of conservatism as we travel into Q4. 2021. Of course, there's still uncertainty about the outlook. But we're not seeing the type of deterioration in the book that you might expect. We don't see cliff events when moratoria come to an end. The payment patterns have been normal. Of course, there are individual defaults and there's restructuring that we engage in, but we're not seeing at this point a broad-brush deterioration.

You're going to point out that it's early to say whether this next wave of COVID will result in a more significant deterioration of the macroeconomic environment than we current expect and that's true. But we're not at this point seeing the type of concerns that you'd have.

I think the last point, Jernej, I would always draw your attention back to the allowance for loan losses. The comparability of the CLP basis points, which for us stands at 47 basis points in the year to date, that reflects simply the mix in our portfolio. We've always talked about conservative underwriting.

Other companies will have a different mix of risks in their books. What we've looked at is a comparison of the allowance for loan losses, relative to the portfolio, and we think we're pretty much in line, adjusted for the exposure of unsecured consumer credit that we have. As you've also seen in the risk deep dive in June, we've tried to provide you with some disclosure to help translate the pillar 3 disclosure into a level of provisioning against the net risks in the book after things like guarantees, collateral and other credit protections. Again, all of that feeds into the CLP numbers that we book and also our assessment of the outlook.

Jeremy Sigee
(Exane BNP Paribas)

Two questions please. So, the first one is you're currently in profit at the nine-month stage, which wasn't expected. I just wondered what the prospects are for making a profit, a positive number, for the full year now and how important that is to you. Either symbolically or whether it has any practical consequences, such that it might be something that you try to actively manage towards, to the extent that you have discretion with 4Q bookings. So, that's my first question.

Then the second question really you mentioned a few areas of cost saving. There are the additional branch reductions and you sort of indicated other areas where you see scope for cost reductions beyond what was originally in your plans. I wonder if you could begin to quantify some of those for us, both in terms of the saving but also the restructuring charges.

Christian Sewing

Jeremy, let me start with the outlook on the full year. Yes, we are targeting a pre-tax profit. I think it would be abnormal if we have outperformed our internal plans for the first nine months, then we go away from our ambition to post a pre-tax profit for year end. We feel confident we can achieve that, but as James also pointed out, Q4 is seasonally a different quarter. We may also have the one or the other additional restructuring costs in order to go for further cost cuts then in 2021 and 2022. But we are confident based on what we are seeing and based on the first nine months that a pre-tax profit is definitely achievable.

Post-tax, difficult to say, because there are variables on DTAs and other items. So, that is far too early. But we said that we have the target of being pre-tax profitable and we hold onto that statement.

James von Moltke

Jeremy, on the restructuring and severance, we're working hard as you've seen this year to put the transformation effects behind us. We did a number of 80% of the around 8 billion of total transformation effects that we estimated around this restructuring that we initiated in July of last year. We are seeking to put as much of that behind us as quickly as possible, and as I indicated there may be higher restructuring and severance. At this point, the restructuring and severance would run in a ballpark perhaps around 200 million in the fourth quarter. As we go through our planning this year we're going to see and then update you how much of that is pulled forward from 2021, how much of that will be ultimately incremental to what we've guided to. But of course, as I mentioned, there is this offset in DTA, which means that the 80% is still a pretty good number.

As to the longer-term question, some of the initiatives that we now formulate and execute will have impacts beyond 2022. So, we've been very focused on the glide path to the 17 billion of expenses in 2022. But obviously, as you find new opportunities, you execute on decisions it should give us some scope to continue driving efficiencies.

I wouldn't want to commit to near-term impacts of these additional initiatives, because we think we've got a lot of wood to chop still, executing on what we set ourselves for the next two years. But I think it's encouraging that the company, as we talked about in Q2, has accelerated a cadence of decision-making, of execution and of working hard to deliver the benefits that we've committed in the financial model.

Jeremy Sigee

Thank you. Sorry, could I just… Your line broke up a bit when you said the number. Did you say 300 million additional restructuring in 4Q?

James von Moltke

I said 200 and that is a ballpark against the 300 million less DTA than we originally were calling for in 2020.

Jon Peace (Credit Suisse)

Yes, thank you. So, I just wanted to ask a couple of questions about revenue. Firstly, on slide three where you give us the split by division and your 2022 targets. How different do you think that split will look in 2022? It doesn't sound, from what you're saying today, like you expect a great deal of change. Because I think private bank and asset management you'd originally targeted relatively little growth and it sounds like you're saying today that investment bank is reasonably sustainable. So, it's corporate bank maybe picking up a little bit of the slack.

Then second question is, you'd called out a handful of episodic items you'd mentioned in corporate. I think also there were some insurance revenues in private bank, fair value of guarantees and asset management. I wondered if you could just help us quantify those and was there anything at all lumpy in the SIC performance? It doesn't sound like it, but just to check. Thanks.

Christian Sewing

Let me start with reminding you of slide three. The first good news is that we show very early in our transformation that the target which we have of around or the overall direction of around 24 to 24.5 billion of revenues is definitely achievable. We are happy with the balance of the bank. That means we won't change our strategy. Of course, there are always, given market volatility, little adjustments and little volatilities.

But overall, I would say that from a directional point of view, in particular in the stable businesses, we keep the course. As we said, a good part of the outperformance this quarter was in the Investment Bank, which we see as sustainable. We're really invested into our core business and where we can see the underlying flow. But I wouldn't say that the composition of the revenues will materially change. Potentially, slightly stronger investment bank like we indicated before. But overall, very much in the balance which we told you in the Investor Deep Dive in 2019.

James von Moltke

Jon, one other thing to add. We don't show on the page, but it's included in the 24.1, is the Corporate & Other revenues which have been a higher drag this year than you would typically expect, based on the valuation and timing differences that we called out in the prepared remarks.

In terms of the lumpiness of certain individual items I would say first of all if it was material we would disclose it as specific revenue items. So these items do not cross our materiality threshold. Nothing that was individually material inside any of the businesses.

I would say it was a favourable quarter in this regard. That usually there are some things that go in your favour and some stuff that goes against you. It was a favourable quarter. But it tended to be in things that are inherent parts of the business. So, transactions that we were successful in, in FIC, but are ordinary course. We spoke to the episodic items in corporate bank.

The Private Bank had a little bit of help, but again inherent in the business around areas like the insurance premiums that you mentioned. So, we wouldn't call it out as a major driver, but, you know, a modest help this quarter.

Andrew Lim (Societe General)

Thanks for taking my questions. So, you've reiterated your adjusted cost guidance for this year and for 2022. I was wondering if you could give a bit more guidance for what you expect for next year.

Then my second question is on taxes. So, for your financial forecast, I think you're assuming a tax rate of 30% to 35% and I was wondering why it has to be that high, and if it should not decline in coming years as you make profits. Especially if you utilise deferred tax assets.

Then my third question is on your economic assumptions and how you provisioned against those. So, if I look to some of your peers, they've got like five different economic forecasts. A baseline and then two worse, then two better. Then the provisions that they've made tend to be towards the low end, the more conservative sort of assumptions. So, I was wondering how you set yourself against that kind of process used by your peers. Thanks.

James von Moltke

So, Andrew, I'll try to cover all three and Christian may want to add. On the adjusted cost guidance for next year, I think it's early. We'll probably go through this in a little bit more detail at the Investor Deep Dive. I would say next year is probably again a little bit of an investment year, as we build to the benefits that we expect to deliver in 2022. So, I wouldn't say that it's going to be linear all the time, but we are working to keep a sequential and a year on year glide path through to our targets in 2022.

On the tax rate, it is high and the simple answer is higher pre-tax profit brings the tax rate down closer to the normalised range, which we've guided in the past to be in the low 30s. You can see that now in the third quarter. We've had many quarters in which we've had very high tax rates and now they're closer to the mid to high 30s. I think it is reflecting where that would ultimately trend to with more normalised earnings.

As relates to the economic assumptions, we build sensitivity into the modelling. Rather than calling out five different scenarios and trying to take some weighted or median of those scenarios. So, we do think our ECL numbers are sensitive to the uncertainty in the environment, whilst we base the model inputs on the consensus that we provide in the earnings report.

Andrew Lim

Thanks. Could I just chase down a bit more on this tax rate? I mean, the German corporate tax rate is 15%. As you make more profits, I mean, to stick at the lower 30s still seems really high and it doesn't quite make sense. Could you give a bit more colour on that?

James von Moltke

You are going to get me into unchartered territory. But it's the federal rate that's 15%. So, there are other taxes payable in Germany that drives up the German rate considerably higher. The blended rate in Germany is already in the 30s. Then the group blended statutory rate, of course then reflects the mix of pre-tax profit we have around the company. So, the United States, Asia including India, which is relatively high, all is part of the group's blended statutory rate.

Anke Reingen (RBC)

Thank you very much for my question. I just have two follow-up questions. Firstly, on the capital return and the dividend. You reiterated that you wouldn't want to resume in 2022 with a competitive pay-out ratio. But when you go into 2021 or year end 2021, what main criteria are you looking at as could you resume the downpayment earlier? Is it a per capita ratio or what other factors would you take into account?

Then secondly, on the corporate centre. Can you please give us some indication about the normalised run rate? Thank you very much.

James von Moltke

Thank you. The criteria are clearly both the starting-point capital and our outlook for the future. Capital distributions needs to be prudent in light of the risks that management foresees in the future and that's something of course that our regulators have a point of view on as well. So, that'll depend on where we stand a year and a half from now. But as I mentioned earlier, from where we stand today, the glide path that we set ourselves on a year and a half ago seems to be very much intact.

The corporate centre items I've been through in the past. There are some levels of this drag on earnings. Some elements that are in fact recurring. I think the most recurring of which is the shareholder expenses, which run in the 90 to 100 million per quarter. Funding and liquidity we have also called out. Based on the adjustment in transfer pricing should run around 200 million per year.

The other items, non-controlling interest is simply an accounting move of the DWS minority interest. Valuation and timing should oscillate around zero as we manage the risks on the balance sheet. As I mentioned, it was unusually high this quarter. The other item is also unusually high this quarter, as it represents higher than expected expenses in the infrastructure areas, as well as the transformation charge that we booked on real estate in the US. So, short version of all that, I would not tell you to run rate the 400 negative Pre-tax impact. It is much less than that, typically around half or less of the Q3 level.

Andrew Coombs (Citi)

Yes, afternoon. One question, one follow-up. Perhaps just to tackle the only division we've not focused on, CRU. You've outperformed your revenue run rate guidance for three consecutive quarters, so why the caution? Why do you think you'll revert to that previous run rate that you guided to?

Then the second one, a follow-up on investment banking revenues, perhaps to ask the first question you had in a slightly different way. If you look at nine month '20 revenues, they're already in line with full year '18, full year '19 revenues in fixed income. I think you said that you felt your market share was the highest you've been for six quarters. So, you're kind of back to 2018 market share levels. So, if the fixed income industry wallet were to fall back to 2018 levels next year, do you think you'd generate higher revenues than you generated in 2018, or lower revenues? Thank you.

Christian Sewing

Let me start, Andrew. I always say what I've said for the last two or three quarters. First of all, after the history which we had over the last three or four years with the transformation, in a certain sense, Andrew, we are running our own race. We have re-established ourselves, we have stabilised, we have in many senses a very complete new leadership team, which set this function up in a different way, focused clearly on those businesses where we can feel that the clients want to trade with us, want to do business with us.

Therefore, even if you take the market wallet on the one hand, just from the momentum we have in the business with the re-engagement of the clients, you have to see if you just take the list of clients coming back to Deutsche Bank, compare that to how many clients post-rating with us after 2016, then this is a massive underlying transaction volume which we actually have.

Therefore, I can comfortably say that I expect that the future revenues in the fixed income business will be higher than the 2018 business. Because we can simply see the day to day and underlying trading volume and the transaction flow. Again, in businesses where we are leading and where we are now focusing on putting either technology investment in or other resources, or we also obviously do certain hiring. So, I'm very positive on that, but I think Deutsche Bank has obviously history from the last three or four years and that should not be forgotten, if you now see not only the stabilising but the improving trend.

James von Moltke

On the CRU revenues the team has done an outstanding job over the last five quarters. Working on the deleveraging, working on costs. Also, working on operational aspects of the CRU. Whether it's closing books, or closing down operational risks. When we think about the revenues they have a pipeline of transactions that they're working on with an expectation of the economic impact of those. As you point out, in recent quarters, we appear to have done better. Executing on the de-risking in terms of its cost than we might have anticipated.

But we like to be conservative and preserve the room to be able to execute on de-risking opportunities as we see those opportunities in the marketplace. Even if they might drive some negative revenues. So, we hope it's conservative, but we want to create the room in terms of your expectations to ensure we remain on track here.

Amit Goel (Barclays)	Hi, thank you. So, I've got just some questions on cost and personnel development with the IB. So, I guess just for the IB, you know, clearly revenues have been much stronger in the first nine months of this year verses last year. Costs have been very well controlled. I just want to understand a bit better, you know, how much of that is driven by some of the restrictions potentially on, you know, compensation that may be in place this year and/or how to think about that going forwards. Then secondly, just in terms of when I'm looking at, you know, the movements in employee numbers, I'm seeing the kind of front office FTEs dropping quite substantially. But the overall total number of employees increasing a reasonably amount. So, I'm just trying to understand that shift and what it may mean in terms of how you manage that business going forwards. Thank you.
Christian Sewing	Amit, let me start on the cost side for the investment bank. I think we said last year already that in particular the restructuring started on the front office. We did a lot in 2019 and that obviously is now coming fully through in 2020. So, all that we said in the IDD, what was done with the front office rightsizing, is now obviously paying off. We are also obviously doing a lot on the technology side and investing on the one hand. On the other hand, we are then decommissioning applications, which is cost-saving and which will be cost-saving going forward. So, in the investment bank, we are actually absolutely in line with our cost target. By the way, that is not affecting the compensation which we accrue for the people who are on the platform. In this regard, we obviously know we need to pay competitively and in a fair way. That will happen if the performance is kept.
James von Moltke	Then on the headcount trajectory. Much of the hiring that is going on underlying has been in areas like the technology organisation, like anti-financial crime and KYC, where we've been making technology and control investments. So, that flow through into the difference that you're referring to.
Amit Goel	Okay, thank you. Should we expect employees to remain broadly stable here for the front office?
Christian Sewing	On the Investment Bank, yes, we've said that the main reductions have been done in 2019. Of course, there is always a little bit of fine-tuning here and there. But overall, yes, you're right. That is not the case for the Private Bank where we are now going through the full merger with Postbank. That will have an impact on the front office and distribution channels. So, it's

different from business to business. But overall, we really started with the cuts on the front office side and also said that the infrastructure functions are following and that’s what we are seeing.

Stuart Graham (Autonomous Research)	Hello. Thank you for taking my questions. First, well done on the FIC revenues. Much better than I thought you'd do in Q3. Given these very strong FIC results of 350 million in the ongoing high level of macro uncertainty, I guess I'm surprised you felt the need to release 135 million of stage one and stage two provisions. As an outsider, I would've thought the prudent thing to do would've been to recycle the much better FIC revenues into stronger provision coverage. So, I guess my first question is, why did you choose not to do that? Then my second question is specifically on commercial real estate. Can you give us some updated figures on asset quality please? How much is in stage three? I think it was 1.7 billion at Q2, and how much is involuntary forbearance? I think it was 5 billion at Q2. Thank you.
James von Moltke	On the CLPs, I'd say two things. First is the ECL for stages one and two, we follow the model. So that gives us insight into what the release should be based on the model. We did as we mentioned execute a management adjustment or an overlay to the conservative to restrain what the model's result would have been. I don't see it as necessarily, you know, corresponding to the revenue environment. You know, if you do that it is not frankly following the accounting standards. We think we've built the appropriate provision. It's prudent with a management overlay and something that reflects the outlook and all of the information that we had at that time. In terms of Commercial Real Estate, we did update the disclosure in the earnings report on the overall portfolio. I think it has evolved as expected. We think the trajectory there is manageable. I don't actually have the immediate stage three numbers for you in that portfolio, which we can follow-up on, but I can say more broadly we're seeing small numbers of default over time as you'd expect. We're working with sponsors to manage through this environment and we're seeing overall favourable behaviour in this environment. The losses have continued to track well within our expectations and stress tolerance. I hope that helps.
James Rivett	Thank you. We will follow up with the other people that are unfortunately in the question queue but we've ran out of time for. You know where the IR team is if you need us. Otherwise, we very much look forward to speaking to you and seeing you all on 9th December at our investor deep dive. Take care and see you soon.

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