



Deutsche Bank AG

Deutsche Bank Q2 2019 Analyst Conference Call

Wednesday, 24 July 2019 | 13:00 p.m. CEST

Transcript

Speakers:

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



James Rivett

Thank you Jasmine and good afternoon or good morning and thank you all for joining us today. On our call, as usual, our CEO, Christian Sewing, will speak first, and then James von Moltke, our CFO, will take you through the rest of the earnings presentation, which is available for download on our website, db.com. After the presentation, we'll obviously be happy to take your questions.

But just before we get started, I want to remind you that the presentation may contain forward looking statements which may not develop as we currently expect. I therefore ask you to take notice of the precautionary warning at the end of our materials. With that, let me hand over to Christian.

Slide 2 - Driving execution of our strategic agenda

Christian Sewing

Thank you James, and welcome from me. Today, we will of course present our results for the second quarter, but we will also give you a first glimpse of where we stand with our new strategy. It is obviously early days, but it was crucial for us to start moving on day one. We have begun to deliver and we have begun to reduce our workforce in the exited businesses.

As part of our longer term plans, the new management team and I set three objectives for 2019 in our announcement earlier this month. First, we must stabilise and grow revenues in our core bank. And today, we showed continued signs of progress. In the first half of 2019, operating revenues in our more controllable businesses were broadly stable or slightly higher.

And in these divisions, the outlook is positive, given the loan growth and net inflows we reported this quarter. In our core investment bank, work has begun to stabilise the revenue base and build the foundations to drive returns higher. Second, this is the sixth quarter in a row where we reduced adjusted costs on a year on year basis when excluding the costs related to our strategic transformation and bank levies.

And finally, we continue to manage our balance sheet conservatively. This quarter, our CET1 ratio was at 13.4%, including absorbing 20 basis points of regulatory headwinds, and our liquidity coverage ratio was 147%. these ratios are amongst the highest of all our European and global peers and provide a good base for our transformation.



Slide 3 - Our new bank at a glance

Most of the numbers we show you today will be based on our current business setup but slide three gives a sense of our performance on a pro forma basis in the new reporting structure.

The core bank represents our strategic vision and includes the new Corporate Bank, the refocused Investment Bank, the Private Bank, Asset Management as well as Corporate & Other.

In the first half of this year, the core bank generated revenues of €11.9 billion or approximately 95% of group revenues. This includes some refinements compared to our original assumption that James will detail.

Core bank revenues declined by 3%, driven by the Investment Bank which was down 12%. Of this decline, 3% is due to specific items, mainly DVA. Of the remainder, around 5% was due to the year on year impact of portfolio items in FIC which James will also explain in a bit more detail. These items sit outside of our core FIC products.

And that leaves another 4% which we are confident we can make up with our refocused Investment Bank and given some of the leading indicators, for instance, growth in our lending business.

But we offset the decline in revenues with reductions in adjusted costs which also fell by 4%. On a reported basis, the cost-income ratio in the core bank increased by seven percentage points to 90% but declined excluding the transformation related charges.

The core bank consumed approximately 80% of group risk-weighted assets and leverage exposure. The increase in risk-weighted assets in the core bank mainly reflected loan growth and partly offset the €13 billion decline in the capital release unit.

Slide 4 - Resilient revenues in more controllable areas

Revenues in our more controllable business of PCB, GTB and Asset Management were broadly stable in the first half of 2019, excluding specific items, as shown on slide four.

In PCB, revenues were broadly flat with growth of 2% in Germany. And with loan growth in the past 12 months of over



3% across our core PCB businesses, we feel very comfortable with the growth potential.

In GTB, revenues grew by 3%, and we believe that the business can maintain this pace of growth. In Asset Management, revenues increased by 1% and the new management team at DWS has generated the second quarter of net inflows in a row. So here too, we are confident in the performance.

This means that around 70% of our core bank revenues are stable to growing, and clearly with positive momentum.

But we are well aware that revenues in the rest of the CIB have declined. I could make excuses about how the performance in our core business was in line with our US and European peers, and there was material disruption around our business in the quarter.

But this simply doesn't matter. We must do better and we will do better. That's why we took decisive action to radically overhaul this business. I am confident that a refocused investment bank under a new management team will begin to stabilise revenues and focus on our core strengths.

Specifically, in origination and advisory, we expect to gain share after our strategic hires in select areas the last 12 months. Our pipeline in leveraged debt capital markets has also increased slightly and we expect to continue to grow our revenues in our lending businesses with credit rating reflecting the ongoing loan and asset growth we have generated.

Fixed Income Sales & Trading, as I said before, actually performed a lot better than the headline revenue indicates, given some specific items running against us, and I cannot see that this underlying solid performance is changing in the second half of 2019.

Slide 5 - On track with adjusted cost reductions

Our successful transformation must be based on continued cost discipline. On a constant currency basis, we have already achieved 80% of our previously announced €1 billion cost reduction for 2019. Let me reiterate, 80% after just six months.

To reach our recently lowered target of €21.5 billion for the full year, we must reduce our adjusted costs by a further €500 million in the second half to €10.2 billion. And based on our



detailed bottom up planning, we are confident that we can generate these savings from several areas.

First, from the Private Bank in Germany where we recently reached an agreement with the Workers Council to restructure the head office and operations functions. Second, we will of course benefit from the workforce reduction as part of our transformation announced.

Third, we will continue to focus on reducing our non-compensation expenses, including through real estate and vendor rationalisation. And finally, we will see the full benefits of the sale of our Portuguese retail operations.

Slide 6 - Focused on execution to fundamentally change the bank

I said that we were wasting no time in implementing our strategy. Slide six shows you the progress we have made.

First, we have established the capital release unit with its dedicated management team who are focused on reducing assets as efficiently as possible. Given the high quality, the short duration and the natural run-off of these assets, we are convinced that the wind-down should be rather quick.

We have begun our exit from global equities while retaining a focused equity capital markets platform. We have already exited our cash equities positions and have begun the process of shutting down systems.

We have also made progress in a potential transfer of our prime finance balances, electronic technology and staff to BNP Paribas.

As part of the creation of this unit, we have already notified more than 900 employees that their roles will be eliminated.

And the reaction from clients has been overwhelmingly positive. We have spoken to over 5,000 of our key investors and corporate clients globally and very few have expressed concerns at this stage.

However, to repeat what we said on 8th July, we have been cautious in our assessment of the potential revenue damage from these actions and our targets reflect that caution. I could go on but let me be clear – we have daily reports, daily



monitoring and we feel highly confident to achieve our targets in this regard.

Beyond the transformation, we made additional progress on our strategic agenda. In PCB, we completed, as announced, the disposal of our Portuguese operations on time and in budget.

We are also seeing the benefits of the investments we are making in our controls, most notably with our results in the Federal Reserve's CCAR process. This has been a critical step for us to enter into this transformation we announced two and a half weeks ago.

Slide 7 - Progress towards near-term objectives

For the rest of this year, we have developed a detailed execution plan, designed to ensure that we can execute against our near-term financial objectives. We have a dedicated execution governance with daily monitoring.

In summary, on slide seven, we are fully on track to deliver against our 2019 targets. These near-term goals allow us to focus on what we can control and act as guideposts towards our longer term targets.

In 2019, we are focused on stabilising revenues in the core Investment Bank, growing the Corporate Bank, Private Bank and Asset Management, but in particular, reducing costs and deleveraging in the capital release unit.

As I mentioned earlier, we are well on track to reduce adjusted cost to €21.5 billion, excluding transformation items this year. Reductions in the capital release unit and benefits from the private bank integration should help drive adjusted costs down by a further €2 billion in 2020. For us, it is critical to do the substantial restructuring work, including the relevant charges, this year so that we can get back to profitability in 2020. We will do this while continuing to manage our balance sheet conservatively.

We are committed to using our existing capital resources to keep our CET1 ratio around 13% in 2019 and above 12.5% over time. And let me emphasise, we have shown a solid track record in meeting our capital targets in the past, and this will be the case going forward.



The reductions in leverage exposure in the capital release unit allow us to target a leverage ratio of 4% this year, rising to 4.5% in 2020.

In short, we have wasted no time in executing on our strategic transformation. We announced that we would create a different Deutsche Bank. That is what we will deliver by implementing what we promise. With that, let me hand over to James to discuss the quarter more in detail.

Slide 8 - Q2 2019 Group financial highlights

James von Moltke

Thank you Christian. Turning to a summary of our second quarter results on slide eight, revenues of €6.2 billion were down 6% year on year on a reported basis, and by 5% excluding the specific items detailed on slide 21 of the presentation.

Revenues in the quarter were supported by a positive contribution from valuation and timing differences in corporate and other.

We reported non-interest expenses of €7 billion which included €1.4 billion of transformation charges. These charges are above our initial estimate and reflect continued analysis of our strategic plan. This primarily impacted goodwill in corporate finance and GTB and increased by €500 million the €900 million of impairments we disclosed as part of our ad hoc announcement on July 7th.

Costs also included €164 million of litigation expenses, principally related to the settlement of a specific case, and restructuring and severance of €92 million. Provisions for credit losses were €161 million or the equivalent of 14 basis points of loans.

As a result, we generated a pre-tax loss of €946 million, with a net loss of €3.2 billion, including deferred tax asset valuation adjustments of €2 billion. Tangible book value per share of €24.49 declined by 5% compared to the prior quarter, principally reflecting the DTA item.

In addition, as Christian noted, and as we show on slides 23 and 24, we have made certain refinements in our pro forma disclosures. These changes adjust revenues allocated to the capital release unit back to the core bank while the risk-weighted assets and leverage exposure are in line with our original perimeter.



In aggregate, these refinements amount to approximately €550 million or 2.5% of total core bank revenues, as originally laid out. These represent decisions taken by the newly-established management team around the business perimeter, consistent with our overall strategic transformation.

It's important to note that this does not represent a change to the overall strategy but represents refinements to the overall product capabilities for our core corporate client base. We will finalise the re-segmentation process and share the revised financial results with you in October, ahead of the Q3 results. We then look forward to giving you more details on our strategy on the investor day during Q4.

Slide 9 - Q2 2019 impact of transformation charges

To give you a better sense of our underlying performance this quarter, slide nine shows the impacts of the strategic transformation and revised planning assumptions. On a pre-tax basis, our €946 million of losses included €1.4 billion of goodwill and software impairments, of which €351 million are included in our definition of adjusted costs. So excluding the strategic transformation charges, pre-tax profit would have been €441 million.

Our reported net loss of €3.1 billion also included €2 billion of deferred tax asset valuation adjustments, so net income would've been €231 million. Excluding these items, we would've reported a return on tangible equity of 1.4%.

Slide 10 - Adjusted costs

Excluding the transformation charges and the impact of foreign exchange movements, adjusted costs of €5.3 billion declined by almost €300 million or 5% year on year, as shown on slide ten. FX movements represented a headwind to reported costs in the quarter on a year on year basis, in particular, the US Dollar, which strengthened by more than 5% on average in the quarter against the Euro.

Compensation and benefit costs declined by around €250 million, principally reflecting the workforce reduction of around 4,600 in the past 12 months. IT costs increased by roughly €100 million, reflecting higher software impairments and amortisation, but remained in the recent spending range.



Professional service fees declined by 17%, reflecting our ongoing efforts to eliminate and optimise external vendor spend. Other costs declined by €70 million, principally reflecting lower occupancy costs.

Slide 11 - Capital ratios

Turning to capital, on slide 11, we ended the quarter with a CET1 ratio of 13.4%, down from 13.7% in the prior quarter. 20 basis points of the decline came from the finalisation of two ECB reviews with a further ten basis points from the common equity dividend and AT1 coupon payments in the quarter.

Risk-weighted assets were broadly flat as growth and credit risk RWA and inflation from the regulatory review of internal models was offset by lower operational and market risk RWA as well as by FX translation.

In line with our previous guidance, we expect our CET1 ratio to be around 13% at the end of the year, including approximately €2 billion of impact on CET1 capital from the additional transformation charges and lower risk-weighted assets in the capital release unit.

We'd also expect a further ten basis point impact from additional regulatory feedback in either the third or fourth quarters.

We believe that our capital plans are rigorous and conservative. This robust process gives us confidence that we can manage our transformation within our existing capital resources.

Our fully loaded CRD4 leverage ratio increased by three basis points in the quarter to 3.9%. The improvement was driven by a €31 billion FX neutral reduction in leverage exposure. Cash balances decreased by €26 billion. We also further rebalanced our business mix to more stable sources as loan growth only partly offset the €17 billion reduction in leverage exposure in our sales and trading operations.

Slide 13 - Corporate & Investment Bank

With that, let me now turn to our segment results, based on the reporting structure prior to the strategic plan. Starting with our Corporate & Investment Bank on slide 13, revenues of €2.9



billion declined by 18% year on year. The revenue performance was driven by several factors.

But before I discuss the drivers, let me reiterate what Christian said at the start. This performance is not good enough and isn't reflective of our potential. The actions we announced earlier this month are intended to address this.

In terms of what impacted us, first, our businesses were not immune to industry-wide lower levels of client activity. Second, our business mix is more exposed to Europe and to leveraged debt origination which saw greater volume declines than the broader global industry. Third, our results were impacted by the uncertainty regarding our strategic transformation, principally in our equities division. And finally, our results were negatively impacted by movements in DVA as our spreads tightened.

Despite the challenging backdrop, we continued to grow loans by €15 billion or 12% year over year. The growth was mainly in our credit businesses within our lending portfolios in sales and trading and in GTB and should support revenues in the coming quarters.

Non-interest expenses were €3.8 billion, up €688 million, including €220 million of litigation and restructuring and severance as well as a total of €810 million of goodwill and software impairments related to our strategic transformation. Excluding these impairments, non-interest expenses declined by 4% with a 7% reduction in adjusted costs, reflecting the strategic actions taken in 2018 and continued cost discipline.

Provisions for credit losses of €72 million remained at low levels but did increase from the prior year period. The increase was driven by a slight deterioration in the forward looking indicators as part of IFRS 9 and the absence of specific releases recorded in the prior year period.

As a result, CIB generated a pre-tax loss in the second quarter of €907 million.

Slide 14 - Q2 2019 CIB business unit revenue performance

Slide 14 shows the CIB revenue performance in the second quarter versus the prior year period.

Global transaction banking revenues were essentially flat, excluding a gain on sale in the second quarter of 2018.



Revenues in GTB increased, excluding the revenues that we generated in those businesses we exited last year.

Origination and advisory revenues declined by 30%. In advisory, revenues were significantly lower against the strong prior year quarter. Debt origination revenues declined, reflecting a weaker market environment, specifically in leveraged loans, where volumes decreased by approximately 50% compared to the prior year quarter. Equity origination revenues were impacted by reduced volumes within our core European markets.

In fixed income sales and trading, revenues declined by 4% on a reported basis, or 11%, excluding the sale of a portion and the revaluation of our remaining stake in Tradeweb. This performance was broadly in line with our peers and was negatively impacted by the year on year impact of portfolio items, including the impact of credit spreads on RWA related hedges.

Our core franchises performed relatively well. Most notably, credit revenues increased, driven by both flow trading and a robust performance in our lending businesses, particularly in commercial real estate and asset-backed securities. Our lending businesses within FIC continue to deploy balance sheet, which should support our stable financing revenues in future periods.

FX revenues declined, reflecting the lower market volatility. Excluding the impact of Tradeweb, rates revenues increased with a solid performance in our European and US franchises after the adjustments we made last year.

Equity sales and trading revenues declined 32% versus the prior year, driven by significant reductions in cash equities and prime finance, principally reflecting the uncertainty regarding our strategic decisions.

Slide 15 - Private & Commercial Bank (PCB)

Slide 15 shows the results of our Private and Commercial Bank. PCB continues to execute on its strategic agenda, reaching agreements with the Workers Council to restructure the head office and operations functions in Germany and completing the sale of the retail business in Portugal.

Revenues of €2.5 billion declined by 2% year on year on a reported basis, but grew by 2% in our ongoing businesses, excluding specific items. Non-interest expenses of €2.6 billion



included impairments related to our strategic plan of €557 million. Adjusted costs declined by 4% year over year, reflecting our continued cost discipline and the benefits of our previous reorganisation measures.

Excluding the transformation charges, PCB generated a 7% return on tangible equity in both the second quarter and the first half of 2019. The underlying business drivers remain positive. Since the beginning of the year, in our ongoing businesses, we have grown loans by €3 billion, deposits by €15 billion and assets under management have increased by more than €30 billion.

Provisions for credit losses were €87 million or 15 basis points of loans. This reflects the low-risk nature of our portfolios and the benefit of approximately €35 million of incremental gains on portfolio sales.

Slide 16 - Q2 2019 PCB business unit performance

Turning to revenues by business in PCB on slide 16. Revenues in our ongoing businesses in PCB decreased by 1% on a reported basis but grew by 2% excluding specific items.

In PCB Germany, we grew revenues by 2%, reflecting growth in new loans to clients and assets under management as well as repricing measures to offset the ongoing negative impact from deposit margin compression.

In PCB International, revenues declined by 3%, reflecting the impact of a change in the treatment of loan fees in Italy in the fourth quarter of 2018. Excluding this effect, revenues were flat as higher loan and investment product revenues offset the continued compression of deposit margins.

In Wealth Management, revenues increased by 4%, excluding the impact of workout activities related to legacy positions in the Sal Oppenheim franchise. This growth was in part driven by our select hiring programmes where we have increased our revenue generating staff by 5%. And encouragingly, we have begun to see the benefits of the partnership between Wealth Management and the Investment Bank, to focus on family offices and ultra-high net individuals where we have grown revenues at a double-digit rate.

Regionally, revenues in the emerging markets have also increased by double digits with growth in lending and capital



markets revenues. Overall, the growth indicators in Wealth Management are promising, with a substantial increase in net new money generation at stable margins.

Slide 17 - Asset Management (AM)

Slide 17 shows the results for our asset management segment which includes certain items that are not part of DWS's standalone financials. We grew revenues by 6% year on year, predominantly reflecting higher episodic performance fees.

Non-interest expenses rose by 7%, reflecting a higher carried interest related to these performance fees and higher restructuring and severance, partially offset by management actions to reduce costs and lower litigation.

Non-controlling interests also increased, reflecting a higher standalone profitability at DWS. As a result, profit before tax of €89 million declined from the prior year period.

Assets under management increased by €15 billion, reflecting improved market performance and net inflows of €4 billion. Net inflows in our targeted growth areas of passive and alternatives as well as inflows in cash offset the outflows in lower margin, fixed income, traditional products.

Slide 18 - Corporate & Other (C&O)

Turning to our Corporate & Other segment on slide 18, we reported a profit before tax of €113 million in the quarter compared to a loss of €119 million in the prior year period. Results included €239 million of valuation and timing differences, mainly reflecting the impact of cross-currency basis gains related to our US Dollar funding, as spreads widened during the quarter.

During the second half of this year, we will roll out our new framework for funds transfer pricing, better aligning remuneration and charges with funding provision and usage across our businesses. This should leave us better equipped to optimally steer and allocate resources as we seek to deliver long-term value for our shareholders.

We will retain transitional funding effects in our corporate and other segments. We expect these retained funding costs to result in contra revenues of no more than €200-300 million in



2020, with offsetting improvements in our operating businesses. We expect these retained costs to phase out over time.

Slide 19 - Outlook and near-term goals

Finally, a few words on our near-term financial outlook on slide 19. As Christian has said, the management team is focused on executing against the objectives and targets we set as part of our strategic transformation earlier this month.

First, we must continue to grow revenues in our more controllable businesses and work to stabilise our more market-sensitive areas. As you've seen in the first half of 2019, we grew revenues in PCB, GTB and Asset Management despite the challenging environment, and the leading indicators, including loan growth and net flows, are positive. And we are confident that our refocused Investment Bank is on a good path, given the strength of the franchises and the new strategic clarity.

Second, we must continue to demonstrate ongoing cost discipline as we work towards our €21.5 billion adjusted cost target, excluding the adjusted cost items related to the strategic transformation.

Our full year guidance for provisions for credit losses remains unchanged. We still expect provisions for credit losses to increase slightly from 2018 levels, but to remain low in the mid-teens in basis points of loans.

Finally, we will continue to manage our balance sheet conservatively, with high liquidity, stable funding and low risk levels. And we will manage within our existing capital resources and we expect to maintain our CET1 ratio around 13% this year. This includes reducing assets in the Capital Release Unit as efficiently as possible. With that, let us move to your questions.

Question & Answers

Jon Peace
(Credit Suisse)

Great, thank you, and thank you for the presentation. I had two questions, please, on the Capital Release Unit. Firstly, on the change in the perimeter, could you just give us a bit more colour on why the change was so soon? What's the nature of the business? Because there's a percentage of the CRU revenues that's quite large. And what are the costs in the balance sheet that go with that 600 million of revenues?



And the second question is, given the change and also the comments you made around the timing of the sale of the equities business to BNP, how does it change, if at all, the planned run-off profile of risk-weighted assets and leverage out to 2022? And does it change your estimate that the end point for pre-tax loss to the CRU will be about minus €1 billion in 2022? Thanks.

Christian Sewing

Thank you Jon and let me take your first question. I think you have seen in the past for us, but also for other banks which have established asset wind-down units, that the process of finalising pro forma presentations under the new segmentation, and ultimately executing on a restatement, is a detailed, complex one and there is always a little bit of room for further refinements, in particular, after a first announcement.

We have been working through these items now for several weeks. And in the case of the refinance we are providing today, this represents a final set of perimeter decisions and asset selections now, with the benefit of more detailed input and decision making on the part of the business leadership that is now in place. You know that we had certain changes, and of course, we went again through all the perimeters, and hence these slide adjustments.

As we stated in our prepared remarks, there is no watering down of either our strategy decisions in terms of the equity sales and trading exit, and also, on the focus on corporate clients or of the total deleveraging we are committed to. Instead, we have engaged in optimising of the perimeter to avoid doing any unnecessary franchise damage or harm, and frankly, giving up more in revenues and the coherence of our service offering than is absolutely necessary.

We anchored our CRU on both the strategy, as mentioned, and on the deleveraging commitments that we made. Hence, the perimeter represents materially the same degree of capital relief – and that was the driving factor again from a client point of view – but with less revenue loss.

On the expense side, I defer to James. But we currently show no difference as the net cost impact of the assets and activities going in and out of the CRU perimeter were broadly offsetting.

While this improves the core bank cost-income ratio slightly, it, of course, means we will need to execute effectively on both the de-risking and the expense takeout in the CRU to achieve the results we expect from the transformation overall.



And of course, it goes without saying, we will report in to you with additional detail when we publish our new financial data supplement, likely in early October, and then even in greater detail in the Q3 earnings call, and ultimately, our investor day in Q4 when you will meet the management teams responsible for both the core bank and the CRU.

James von Moltke

Sure, thank you. And I'll take the BNP Paribas question. We are working extremely cooperatively with BNP Paribas, our partner, in the transition of the global prime finance business. Both we and they are doing everything we can to accelerate the execution of that transaction. And so our hope and expectation remains that we would close that before the end of the year.

Nevertheless, as it relates to the deleveraging, and as I alluded to on the 8th July, there would be a potential delay if that closing bridged into 2020. Frankly, from an RWA perspective, it's very, very modest to our planning. We would estimate only about €1 billion of RWA difference between closing this year and next.

From a leverage exposure perspective, it's much more significant, in the high 20s or low 30s. But that again depends on how quickly we can move assets and novate client balances post the legal closing of the transaction. So I wouldn't expect it to be necessarily an all or nothing move, potentially a partial move, again, even if we don't get to full closure before the end of the year.

Financially, the way the transaction is envisaged is that once we are under signature, there'd be a cost offset in our relationship and so the costs associated with preserving that business during the transitional period would be neutral to our shareholders. I hope that helps, Jon.

Daniele Brupbacher
(UBS)

Yes, good afternoon, and thank you. Given what you just said, Christian, regarding the Capital Release Unit, is it fair to assume that you still target a CET1 capital ratio level of around 12.7 next year, or slightly above that? And in that context, I was wondering whether you could give us your view regarding the end year trigger level 2020. Is it possible or is it you hope or do you have reason to believe that [your required capital level] can go already down next year?

And my second question was really on potential rate cuts in Europe and tiering, and really comparing this to the expectation on one of the slides a couple of weeks back when we talked about the new strategy that higher short-term rates should support revenues in two years or so. How should we think about



it? What are sensitivities? Can you tell us how reliant the whole plan is on those higher short-term rates?

Christian Sewing

Sure, let me take your 12.7% question because I'm really passionate about this one. Yes, we will absolutely, as we said two and a half weeks ago. First of all, we believe that the 12.7 number which we have indicated to you for 2020 is a very conservative number. I think we have shown in the past that this bank always met its capital targets.

You know that now for quarters, we always said that we want to be above 13% and we have been comfortably above 13%. With all our early warning tools, with all our measurements and monitoring tools, we have managed this bank in a way that we were always, as I said, comfortably above this. The same goes for the 12.5%, and therefore, the 12.7% ratio is a very conservative one and we will do obviously everything to even not hit the 12.7 but be around the 13%.

Secondly, I think we also said that if you think about just the rundown of the operational risk-weighted assets over the next one and a half years, also there, we have been extremely conservative in the rundown analysis. We think that next to other levers we have, there is potential room for more, and therefore, we feel absolutely comfortable that we can hit the 12.7%. But as I said, we are obviously targeting a higher number. For the other questions, I refer to James.

James von Moltke

So on MDA, obviously we're level this year at the 11.8%, but as we said on the 8th, it certainly is our hope and expectation that over time, our P2R will decline, reflecting the transformed business model that we are moving towards. And so as that happens, again, the gap to MDA would open up again.

In terms of rate cuts, and this was obviously a discussion we began on the 8th, what we wanted to show you is the block about the future revenue path that was reliant on rates, to provide some transparency. As we said at the time, it reflected implied forward rates at the end of May. They have clearly moved since that time.

And so relative to what we showed you, there is downside risk if the rate environment were to persist and forward rates, as they are today, were to be realised. Of that total block, a ballpark of 600 million was the revenue amount that was reflected in that block that is sensitive to interest rate.



Not all of that 600 million, though, relied on the short-term rates crossing zero in 2021, as we'd indicated at the time. Some of it – call it one third of that amount – related to tools that we think are in our control in terms of balance sheet management, hedging and other factors.

I'd say the other two considerations here go to how we're managing the business. Obviously, we're working to offset the impact of interest rates, especially now if we and the industry face a period of lower for longer rates.

That spans a wide variety of actions, whether that's balance sheet management, both on the deposit and the asset side, whether that's repricing of usage of the balance sheet where our funds transfer pricing framework will give us better tools, particularly on the liability side, or whether that's the implementation of fees against accounts that no longer pay for themselves based on the liabilities, or doing so by client segment where there is more opportunity to pass on negative rates to clients. So we are intending to use the tools that are available to us within the competitive environment we operate within to offset what we can of this rate environment.

I guess the last point to note, and this is now very much part of the dialogue as we look forward to potential additional actions on the part of the central banks, tiering would be an important measure that the ECB could use to mitigate the negative impact on the banking sector of extended lower rates, and potentially a reduction in the deposit rate.

We've done a fair amount of analysis of global precedents for tiering structures and we believe there is significant room to implement proposals that would at least offset the negative impact of, let's say, a ten basis point reduction in deposit rate, or potentially be better than neutral to us in terms of the revenue impact, again, if the tiering proposal reflects similar to Japan, Switzerland or other jurisdictions.

So there's a lot embedded in the rate discussion, Daniele, obviously. We're highly cognisant of the headwinds that this can represent. But you need to keep in mind again that there are tools and potential offsets that we haven't yet fully baked into our forward planning.



Andy Stimpson
(Bank of America)

Thanks for taking my questions, both on capital, I'm afraid. So firstly, I'd like to know whether the decision to keep parts of the equities business might actually end up undermining the argument to release the operational risk-weighted assets there.

Because as I understood it, the argument was that if it was a full exit, then you could delete the equities assumption from your op risk-weighted asset calculations. But if you're keeping another €550 million, just interested in your discussions with the regulator, how that might affect those assumptions.

And then secondly, you said about 13% by year end, so with the extra 30 bps of headwinds you're going to see from regulatory inflation and restructuring from here. But the inflation you're talking about – was it slide 29 from the presentation a few weeks ago – on the €25 billion of inflation, if that came in on January 1st, that would take you below the 12.5% level. So could you talk us through the timing? Because I guess the intra-year movements on those potential inflation figures are going to be quite key I think, so help on those would be great, please. Thank you.

James von Moltke

Sure. Thanks Andy. So on the operational risk, it is a negligible impact on op risk RWA because the loss history in equities overall was relatively minor, and particularly the limited activities that are going to stay in the core bank. So really not a meaningful impact on the op risk RWA trajectory from the perimeter adjustments that we've described.

On the timing, you're absolutely right, the timing is important, of when the regulatory inflation comes through. The item that is early in the year is the securitisation framework impact which is a 1/1/2020 impact.

And so as we are for the balance of this year, we're in a process of self-funding both regulatory inflation and, particularly in 2019, the restructuring costs from the deleveraging in the Capital Release Unit. As Christian noted, that's something that we do in immense detail, making sure that we anticipate and plan conservatively. The other regulatory inflation items that you note and that we've called out in 2020, first of all, they're estimates of what we think the impact will be.

There's some uncertainty and we certainly hope that we're conservative in those estimates. Secondly, to your point, they play out over the course of the year and so we have time then



to, through the deleveraging, ensure that the ratio stays basically stable, as we've described. So the 12.7 is really just the starting point on the 1st January 2020, and we delever and continue to manage the capital to preserve a buffer to that 12.5% throughout the year.

Christian Sewing

Andy, potentially one additional information on your first question, in particular with regard to the operational risk-weighted assets, just note that we are already now, with €32 billion of risk-weighted assets for the operational risk in the Capital Release Unit, already there where we target to be at year end. So very, very positive and confident that we can even go below.

Jernej Omahen
(Goldman Sachs)

Good afternoon. The first question is you very helpfully showed us that the core bank made a 1.7% return on tangible in 2018. I was just wondering if you can update that number for the reclassification that was now made. And then secondly, if you could give us the return on tangible for the core bank for the first half of this year as well.

The second question I have is on the leverage exposure and risk-weighted assets in the CRU. Clearly, things have moved very quickly post the end of the second quarter, which is obviously the scope of this presentation. But would it be possible to get an update or at least a steer as to where you are in the CRU leverage exposure and risk-weighted assets as things stand now, if there's been substantial movement post the announcements of the plan?

The third question I have is just on BNP, just a clarification question. It seems to me that you've changed the wording with the transaction involving BNP from something that referred to a transfer of technology and client balances to something that you now refer to as sale. And I was wondering whether you mean the same thing or whether there's something more to this change.

And just finally, on negative rates, if there is no tiering, what is your scope or what's the ability of Deutsche Bank to pass on negative rates to a broader group of clients?

James von Moltke

Sure. Thanks Jernej. So briefly on BNP, no change. My language about sale was simply, the question was phrased as was there consideration, but the transfer, the transition of both technology and clients and people is the nature of the transaction. It's not a legal entity or any other change.



Just working backwards, negative rates, as you'd expect, we are going through the portfolio client base by client base to make sure that we have passed on negative rates wherever we can. That's a dialogue we've had actively internally, just to make sure that we've been as proactive as we can be.

There are client groups where we've essentially been carrying a subsidy for a period of time. That we think is no longer really sustainable and we need to become much more aggressive about taking those actions. We think that'll be in line with industry practice, hence I would expect the competitive market to respond as well.

In terms of leverage exposure and RWA in the CRU, what we're providing now is a pro forma for the midyear. And that should be compared against the December 2018 numbers that we were discussing two and a half weeks ago. I don't want to provide a day to day update on how that's developing. As Christian mentioned though, we are looking at day to day MIS about transaction sales and client balances.

But I think I would point you to the earlier remarks. We have moved very quickly to act on the strategic measures, whether that's exiting the cash equities business within the month of July and moving to a shutdown, the BNP Paribas transaction that we mentioned, and also, preparing to put portfolios on the equity derivatives side to auction, which is now well advanced again in the preparation.

On the ROTE, I don't have those numbers to hand, and frankly, we haven't deepened the disclosure to that level at this point – that's something that we would provide to you as follow-up in October when we give you the full restatement.

Jernej Omahen

If I can just ask a follow-on, so maybe slightly controversially, does there come a point where Deutsche Bank says, okay, rates are now negative 60 or negative 70 – we will charge clients, retail clients for their deposits?

James von Moltke

There are legal restrictions in passing on negative interest rates. So there are some limitations to what you can do on the interest rate side. On the fees side, obviously that's something that, within the boundaries again of competitive practice and also consumer protection, that we need to be mindful of. We will continue to seek to do. As we've talked about before, we have been imposing deposit fees and account fees now for some time, and that's just a process that needs to continue for us and the industry.



Kian Abouhossein
(JP Morgan)

Yes, thanks for taking my questions. The first one is regarding tier one capital, you mentioned that you're comfortable and conservatively estimated the capital ratio path. But let's assume we have a dislocation and let's assume, in the tail risk scenario, you don't meet these requirements or the guidance, is there a regulatory requirement from the regulator that you have agreed on to take plan B, C or D action in such an event? So I'm just wondering what would happen if you are below these numbers by a material amount, and what these potential plans could be.

And then the second question is regarding your revenue guidance and market share gains that you're targeting. Can you just be a bit more detailed, considering you are shrinking your businesses in certain parts, where you actually want to grow, i.e. you're shrinking part of equities, but at the same time, you want to grow market shares in origination and M&A? I'm just wondering how I should square that. What has changed compared to a few weeks back that now, your ability is there to grow despite a much significantly smaller business.

James von Moltke

I'll take the first and Christian will add on the second. So when we talk about the robust capital planning process, what we refer to is that we keep a list of countermeasures up to date at all times. And that's just prudent management of the company, management against our goals.

So taking timely action to offset unexpected pressures is something that you would expect us to do as a matter of prudent management of the company and the balance sheet, far before there's any regulatory suasion to do that. So that's really our focus. Obviously, those countermeasures go from relatively small impact on the franchise to greater and greater impact, depending on the unexpected event.

But the reality is a lot of what exists in planning is frankly expected. And so by and large, we have the opportunity to adjust our plans on a timely basis and that's what we're referring to when we talk about our robust preparations.

Christian Sewing

And Kian, to your second question, first of all, you cannot even believe what corporate clarity actually means to the bank. People finally know where we are in, where we are focusing on and what we are not doing anymore, going forward. That also means that our capital allocation, our resource allocation, also in terms of investments, hiring people, is very much set clear, and people take that and now obviously go out and go for business.



In Origination & Advisory, I just gave you certain examples where, for certain industries in particular, we hired additional bankers. We can see the dialogue we have with our clients, we can see the increasing intensity of this dialogue and we can see the mandates we are getting in.

With regard to other businesses, like GCT [Global Credit Trading], for instance, honestly, year over year, we didn't do badly. Actually, we had a very good second quarter in that business. And all the parameters I can see, with the KPIs coming in, clearly show me that – also with the corporate clarity we have, that we focus on this business – is actually that I am confident that we can grow revenues here.

I don't have to cite other successes which we also had in the first half year when it comes to our FX business. We have clearly one of the leading franchises. We grew our market share. And again, putting the investments into these businesses where we have a leading market position, we think we can accelerate.

Last but not least, if you compare also second half of 2018 now with the second half of 2019, let's be honest that we had a very weak second half of 2018. Now, I'm a conservative person, so I don't want to pre-empt what will happen in the markets in 2019. But we were definitely suffering in the fourth quarter of 2018, also because of the raid we had. We always said that. And given the focus we have now, given that we clearly play to our strengths in the investment bank, I am confident that we can accelerate.

Andrew Lim
(Société Générale)

Thanks for taking my questions. Sorry if this was addressed a few weeks ago but in your glide path showing 12.7% as a trough for your CET1 ratio, what exactly are the reported profits that you are assuming there for each year, for 2019 going onwards? And presumably within that, you're not assuming any litigation charges at all.

And then related to that, I'm still trying to get a bit more specificity on that 12.5%. Is that the hard regulatory minimum or do you have some flex there to go a bit below that, say, by 20, 30 basis points, in some hypothetical situation where large litigation charges might be taken or core profits turn out to be a bit weaker?

James von Moltke

So Andrew, thanks for the question. Look, first of all, I'd say the 12.5% is a hard floor from our perspective, and so, to Kian's question, you would expect management to take compensating measures well before a dip below 12.5% becomes an actuality.



Hence, again, our very strong statements about countermeasures and our ability to manage on a forward looking basis.

In terms of glide path, I don't want to give you specific profit guidance for 2020 and 2021. But as we've noted in our commentary, our expectation is to be profitable in 2020, having put the restructuring charges behind us in 2019. That's what we're working towards.

In terms of litigation, first of all, we have assumed additional litigation charges. We don't have a view what specifically those relate to. It's just a matter of conservative planning practice that we build those into our forward planning. Again, I don't want to give you an estimate of what that is, but our hope and expectation is that what we've built into our forward planning in terms of future litigation provisions is conservative enough.

And just to finally, again, add to Kian's question, litigation is an example of an event that doesn't come out of a clear blue sky. So we disclosed a great deal about our litigation posture, the matters that we're dealing with. Obviously those go through considerable periods of discovery, potentially trial or settlement discussions, and as I say, there is time to offset, notwithstanding the fact that again, we're working to ensure that, with our control environment, we avoid as much as we can litigation charges in the future.

Christian Sewing

Perhaps I can just repeat one thing, because that's important for me, on the 12.5%. Let's be clear – that is our hard measure. It is our target, like the above 13% was our target in the past, and we have shown continuously, quarter for quarter, that we were well above that. This management team will also manage exactly to the same perimeter, the 12.5. It's our measure. It's not a regulatory measure. It has been discussed with our regulators but it's our measure and we will be above that.

Magdalena Stoklosa
(Morgan Stanley)

Just two questions from me please – one on the loans and one too around also the risk weighted assets discussion. So on the lending front, because of course we have seen the loan growth across CIB, we have seen loan growth across PCB, and that's over the last three quarters plus now, could you give us a sense from a product geography perspective, where do you see the loan growth opportunities from here? And that's particularly in CIB. And maybe more importantly, how do you assess the pricing level and the pricing competition in GTB loans and the other CIB products?



And my second question really is still on the risk-weighted assets trajectory from here. And as Christian, I think, discussed earlier on, we are currently in the third quarter of an evolution which is such that your credit risk-weighted assets growth was offset by the operational risk-weighted assets declining from a model perspective. And if we concentrate on the core bank only, do you actually expect, and to what degree, that modelling relief on the operating risk-weighted assets going forward, and to what level?

And really just a brief question on the ten basis points of the 3Q outlook on the regulatory side. What does that really refer to? Because of course, in the second quarter, we have seen the TRIM and the trading AQR impact already taken. So what the ten basis points is. Thank you very much.

James von Moltke

I'll start, and I'm sure Christian will want to add. Briefly, the ten basis points is another instalment of the targeted review of internal models. So that is essentially rolling reviews and rolling feedback. So based on our current view, we've built that into the second half of the year.

On the RWA trajectory, absolutely, there is a degree of recycling, if you like, of operational risk RWA reduction, that, of course, you really don't earn on operational risk RWA, whereas you do on credit risk RWA. So there's a deliberate strategy here to lend money to clients. That's our business and it is the profit generation on the asset side against, as we've talked about, a liability side that has a challenging rate environment when you can't deploy the liquidity.

On loans, the growth has been pretty broad based with a roughly 50-50 split between CIB and PCB in the last several quarters. A lot of that is German lending in retail, and within that, mortgage lending, although we are working to grow our unsecured consumer book as well. I looked at the second quarter margins, and by and large, they've been pretty stable in those businesses.

In CIB, it's largely asset backed and commercial real estate lending in the FIC area, and it's trade finance lending in GTB. We have, I think, a strong competitive franchise advantage in generating those loans. And while pricing, I think, is competitive in today's yield-starved environment, we have found good opportunities to put the balance sheet to work to support our clients.



- Magdalena Stoklosa And James, geographically in CIB, where do you see the best demand?
- James von Moltke It's global. But I'd say if there's a concentration or the opportunity, it's really in the US and in US Dollar products. And particularly, that's where the strength of those ABS and CRE franchises lies.
- Stuart Graham
(Autonomous Research) The first one is on CIB loan growth which is running at 12% per annum. How would you categorise that growth rate in terms of your credit risk tolerance? Is it middle of the road in terms of your credit risk tolerance, conservative, aggressive? Maybe you can give us a colour on that.
- And then the second question is on the recut CRU revenues. So now, I think 2018 IB revenues was 7.4 billion, but when you gave us the slides a couple of weeks ago, it was 6.8. But it looks like you're still targeting 7.5 billion of revenues in 2022. So does that 550 million of revenues melt away, or are you now assuming more revenue attrition to that 7.5 in 2022? Thank you.
- Christian Sewing Stuart, let me take the first one on the CIB loan growth. To your question, I think it's middle of the road to conservative. We have not changed our risk appetite.
- I think Deutsche Bank has shown, over the last ten to 15 years, one particular strength and that is the underwriting process, in particular in that business. We have outperformed our peers in terms of loan loss provisions and losses on the loan portfolio year by year.
- So I can assure you that the growth we are doing here is not at the expense of lower underwriting standards. That is a clear condition by the management board and it is well monitored by the risk management. So, in particular in CIB, as far as I can also tell you from my personal experience, we have well-structured deals, also well priced, and there is nothing that we are watering down in our underwriting standards.
- James von Moltke And on the CIB revenues, it gives us a slightly better starting point to build into the three and a half year forecast that we talked about a few weeks ago. In fairness, given that we've just completed the detailed re-segmentation work, it's probably a little bit early to talk about how that might affect the 2022 level of revenues. For now, I'd probably say a better starting point potentially, therefore slightly lower growth assumptions, but I wouldn't change the 2022 revenue number at this point. We'll obviously come back and refresh as the year goes on.



Stuart Graham Can I just maybe follow up on that? What is this business? If it's €550 million of revenues with no risk-weighted assets, no leveraged assets, no costs, that sounds like a fantastic business. Why was it ever in the CRU?

James von Moltke First of all, it's not that there are no costs and no RWA. The point is there's a net impact. As we've moved certain other assets into the Capital Release Unit that we identify as part of the optimisation, as Christian mentioned, our anchor point was really to focus on the deleveraging and to ensure that if we were making adjustments to the perimeter, we didn't amend the expected deleveraging.

What are the adjustments? It's principally around equity services provided to corporates – so think of share repurchase programmes, selected margin lending – and management's view, that we can continue some of this activity potentially on a white label basis. And so that's the type of refinement that potentially protects additional revenue.

Another change is to the listed derivatives business. So there was support for the FIC business in listed derivatives that had gone into the Capital Release Unit. We think it's more appropriate to keep that in the core bank. It's a platform that is very efficient in cost terms against an activity that is, frankly, already in FIC from a balance sheet perspective.

So perhaps that gives you a little bit of colour to the type of adjustments we're making, and again, why it is our view that they are consistent with strategy, it's some optimisation of this perimeter and, as Christian said, reflects the decision making and input of the now fully in place management team.

Stuart Graham But then, sorry, just to flog this dead horse, so if there's 550 going into the core business and it sounds like that will be an ongoing business – I think previously you said that the CRU would lose about €100 million in 2022, sorry, revenues would be slightly negative – does that mean the revenues now in CRU are more negative in 2022 because this was in there and now isn't in there? Is it just left pocket, right pocket?

James von Moltke Well, CRU revenues basically run off in their entirety, so I'd think of it as a convergence to the out year revenue forecast. I will say we had a long discussion with all of you about the franchise revenue, so how much revenue decline would we expect to see in the core IB businesses going forward.



Of course, some element of this €550 million would probably decline as it's exposed to the change associated with our equity sales and trading platform. But this gives us the opportunity to preserve as much as possible and, as Christian said earlier, preserve a coherent product capability for that core corporate client base going forward.

So in short, some movement. We're focused on now essentially reforecasting through the planning process. And there will naturally be some puts and takes between the CRU and core bank, really on the cost side more at this point than revenues or balance sheet resources.

Stuart Graham

That's very helpful, thank you.

Jeremy Sigee
(Exane BNP Paribas)

Thank you. Two quick questions. One of them, I'm afraid, is flogging the same dead horse. Just on the recut between core and noncore, we've talked a lot about the revenues and the costs, but on the RWA and the leverage exposure, and I appreciate this is June compared to December, but it looks like the CRU is now smaller and the core bank is quite a lot bigger. I just wondered to what extent that reflects the reclassifications, or whether it's simply the bad bits shrinking and the good bits growing in the intervening period. So that's my first question.

James von Moltke

Jeremy, it's the bad bits shrinking and the good bits growing. So it is essentially natural resource allocation that was taking place throughout the first half.

Jeremy Sigee

So none of that is to do with the recut and businesses going back in?

James von Moltke

No, as I say, they were basically offsetting as we moved assets into the CRU to preserve the deleveraging profile that we're seeking from a capital plan perspective.

Jeremy Sigee

But does it then affect the forward trajectory for core bank leverage exposure? Because the starting point is now quite a bit bigger than the starting point that you used for the plan.

James von Moltke

If we look back to December 2018, the starting point is the same. Some of the deleveraging has taken place in the first half of the year. But not around, the strategic management of the CRU much as simply more in the ordinary course where we were allowing businesses to grow in terms of their limits and where we were constraining the businesses. So that's the dynamic that you've seen in the first half.



Going forward with a new management team in place focused on that deleveraging and who is working with a final perimeter of assets and activities, we get to that business of deleveraging in earnest and working to execute on the promises that we've made to investors.

Jeremy Sigeo

Thank you. And then just a quick follow on question. You mentioned the 900 headcount cuts notified so far. Is it fair to assume that that is all of the headcount reductions from business exits?

Because I would imagine, particularly on the IB side, if you get out of a business, you let everyone know pretty rapidly – that would all pretty much be in that 900 number. Is that a fair assumption? And so therefore, the rest is going to be slightly more complex, disentangling people from shared functions, etc.

Christian Sewing

I wouldn't say that this is all. We are certainly going through processes where more is to come. Of course, we took out immediately those from those businesses where we started exiting on day one, but again, there are more reductions to come this quarter, but also next quarter.

And then obviously, this is followed by also cuts in the infrastructure which are linked to those businesses we are exiting. But as always in life, infrastructure follows then business. That is always with a certain time delay. So you will see a further continuous reduction in workforce in Q3, but also in Q4.

Jeremy Sigeo

Okay. Thank you very much.

Andrew Coombs
(Citi)

A couple of questions both on the staff and the client reaction to the strategic announcement. And I guess the first one, just thinking about staff focus, you talked about internal clarity. Now that you have a clear strategy, employee focus can move back to running the business.

So I guess with that in mind, coming back to the previous question, you're down to 90k post the 900 employees that have been notified but there's still obviously quite a lot of headcount that needs to come out to reach your 74 target. You talked about some more reductions coming through Q3, Q4 and then infrastructure in 2020. But is there another presumably raft of headcount reductions coming through in 2021 and 22? If you could just provide a bit more clarity there, that would be useful.



And then secondly, switching gears from the staff reaction to the client reaction, you talked about supportive client reaction. Could you perhaps comment on the media reports about losing a billion of client balances a day, and then also what you've seen in terms of your ECM and M and A pipeline in reaction to the announcement? Thank you.

Christian Sewing

So on the internal reaction, I see overwhelmingly very positive feedback because of corporate clarity. I think that is always in life – if you have clarity, if you have leadership which is clear where a bank is going, then obviously, the people like it because they know exactly what the direction is and what the strategy is. So in this regard, a very positive mood, a very positive atmosphere.

With regard to the 74,000 employees, this is the number which we foresee for the end of 2022. We always said that the reduction would go across the exited businesses, infrastructure functions but also includes the integration of Postbank and the German retail business. And hence, that is obviously something where we start after the agreements with the Workers Council in operations and head office also in 2019.

But the bulk of that reduction coming in 2020 and in 2021. So you'll see the reduction to 74,000 is across the globe, but also with a fair share and a good share here in Germany, given the full integration of Postbank into the Deutsche Bank retail operations. So there is a clear path. We have a clear target for the year end. And in this regard there is more to come.

Obviously, in Q3 and Q4, everybody has detailed targets which we need to deliver on. We are monitoring that. And then we have the longer term targets, but that again also includes the German integration.

The client reaction has also been positive overall, in particular from those clients who are affected by the exiting of certain businesses. Here, we contacted all clients over the last three weeks and, as I said in my pre-remarks, that actually, the feedback we got is far more positive than we initially also calculated in our own internal attrition numbers. So that is good for us. But now, we are obviously monitoring the daily flow from those clients.

Secondly, when you talk about the reduction of balances, that is obviously linked to the prime finance, so something which is, of course, calculated and which was planned, so this is not at all any negative sentiment from a client reaction point of view.



Andrew Coombs

And on the ECM and M and A pipeline?

Christian Sewing

It's actually quite strong. I can also tell you that since the announcement, we won actually mandates and we executed on mandates. We haven't lost mandates. So I cannot even tell you that there was any negative reaction to our announcement.

Amit Goel
(Barclays)

Just one question from me. Just trying to get a sense also in terms of what you're expecting or what you've baked into the plan for core revenues into the second half of this year. Just trying to get a sense of what kind of seasonality you can be expecting and/or impact from some of the cost-cutting. Just so we get a sense, so there's no, I guess, surprises as we go into Q3, Q4. That would be helpful. Thank you.

James von Moltke

So, without giving precise guidance on revenues in the second half, we've offered an outlook in our interim report, which basically says revenues should be essentially flat year on year in those stable businesses, as we've called out, and down in CIB, as it's today segmented, also down in the core IB in the new segmentation, reflecting first half performance, but also, as you point out, typical seasonality in the second half relative to the first half.

The health warning is that seasonality hasn't always been in its historical patterns recently, and of course, as Christian pointed out earlier on in the call, there is a fourth quarter comparison effect. We certainly hope that we don't re-live the fourth quarter conditions that we saw in 2018. So again, not specific guidance, but I think steady in those core businesses and working to stabilise in the core IB, as we've been communicating.



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