Deutsche Bank AG
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Transcript

Speakers:
Christian Sewing, Chief Executive Officer
James von Moltke, Chief Financial Officer
James Rivett, Head of Investor Relations
James Rivett  
Thank you, Mia. Good morning and thank you all for joining us today. On our call our CEO, Christian Sewing, will speak first, then James von Moltke, our CFO, will take you through the earnings presentation, which is available for download on our website, db.com. After the presentations we'll be happy to take your questions. Obviously we have lots to cover today so please try to limit it to two questions at a time.

Before we get started I'd like to remind you that the presentation may contain forward-looking statements which may not develop as we currently expect. I'd therefore ask you to take note of the precautionary warning on the forward-looking statements at the end of our materials. With that, let me hand over to Christian.

Christian Sewing  
Thank you, James, and good morning to everybody. By now you have seen the Q1 results posted prior to the call and before I hand over to James to take you through the numbers in more detail I would like to start and provide some introductory remarks. Our first quarter performance underscores the need for immediate action. Our shareholder returns are not satisfactory and in fact not acceptable.

What I will present to you today is the first and immediate set of decisions the management board has taken. Some of the measures are of immediate nature. Others will take longer to implement. It demonstrates to you that we will act decisively and we will change the path of our bank now. There is no time to waste.

Deutsche Bank has all the resources it needs to thrive; great people around the world, deep and long-standing client relationships and financial strength with a solid capital position, high levels of liquidity and a very conservative risk profile. This gives us the flexibility we need to redefine the core of our bank.

We are a bank with close ties to the real economy. Our wide and loyal client base is key for us. We have developed these relationships over almost one-and-a-half centuries through our competence and product excellence inGermany and internationally. This is the core on which we want to build our business, and in some ways the call to action is simple; focus, grow revenues and significantly reduce costs. Doing this will achieve better and more sustainable earnings and returns for our shareholders. We are absolutely committed to do this and as I wrote to our employees two weeks ago, we know where our greatest inefficiencies lie and we are going to tackle them with absolute determination and without undue delay.
To achieve these primary objectives we will rigorously pursue four key strategic imperatives. First, shift the bank to a more stable revenue and earnings profile. Second, grow our Private and Commercial Bank and our Asset Management businesses. Third, right-size our corporate and investment bank towards a model which emphasises our core strength in transaction banking, capital markets, financing and treasury solutions. This model positions us as the leading institution in Europe whilst leveraging our core product strength globally. And fourth, reduce our costs and commit to an uncompromising cost culture.

Now let me come to the details. To our first point, our emphasis will be on more stable earnings. We are doing this by growing the Private and Commercial Bank as well as the Asset Management business and by reshaping our corporate and investment bank. Our strategy continues to be organised around these three pillars.

By 2021 it is envisaged to have a sustainable revenue share of approximately 50% from the Private and Commercial Bank and Asset Management businesses. If we add the revenues of our global transaction bank, the share of our more stable revenues should be around 65%. The more stable business mix should lower our funding costs and support our credit rating.

In essence, we want our business model to ensure that our performance is less volatile but resilient even in very challenging environments or markets.

Let me now come to the Private and Commercial Bank and DWS.

The strategy for our private and commercial bank is clear, it's decided and we are on track with our delivery. But like you, we are impatient to see the business deliver on its return promise. In our German home market we have more than 20 million clients, including more than ten million digital users in our retail and private banking business. We are the market leader in major product areas. The creation of a single legal entity - and we call it the 'Bank for Germany' - in the second quarter will enable us to further improve our market position and efficiency.

We can now preserve and expand the funding benefits from this business as our regulators have now granted us the group-wide waiver for our liquidity and capital management as well as the covered bond licence. We feel confident about achieving the planned €900 million synergies from integrating Postbank by
2022 and we are looking for opportunities to accelerate this process.

Having streamlined our geographic footprint with exits from Poland and Portugal we will now have the opportunity to actively invest into attractive and growing markets like Italy and Spain. We are proceeding with our plan of a digital platform for banking and non-banking solutions, in particular for modern and self-directed clients with little need for advice. The start is planned for the fourth quarter of 2018.

In Germany and internationally we plan to expand our position with wealthy private clients. This market is growing and we target market share gain.

For DWS, we have executed our partial IPO within the previously stated timeline. Now the focus is on the execution of the communicated strategy. Our goals are clearly defined; namely growing assets under management, improving efficiency and profitability and driving strong shareholder return including a robust dividend.

Let me come to the corporate and investment bank. Deutsche Bank’s DNA is in wholesale banking, deeply rooted in Europe. This emanates from our core expertise in providing our clients access to financing and treasury solutions. We are in particular concentrating our services on corporates and institutions which contribute to and invest in the real economy and this expertise is visible in our leading global positions in different areas.

We have a scaled global payments infrastructure and are the leading global clearing of euro-denominated payments. We are one of the top three players in the foreign exchange markets with truly global reach and we are one of the top three players in structured credit with globally recognised strengths in commercial real estate and infrastructure.

And we do have a unique position in cross-border situations when it comes to the intermediation of capital market financing globally and across all asset classes. But our resource commitment - people, cost, balance sheet and capital - has not been sufficiently aligned to these core strengths. Hence we need to optimise capital and resource allocation to be able to invest in these businesses. As a result our strategic focus is on these three items.

We will focus our corporate finance business on industries and segments which either align with our core European client base
or link to financing and underwriting products in which we enjoy a leadership position. We will reduce our commitment to sectors in the US and Asia in which cross-border activity is limited. We will remain committed to offering global industry expertise to corporates, financial institutions and financial sponsors whose activities closely align with the strengths of the German and European economy.

Second, we will scale back our activities in the US rates by shrinking our balance sheet, leverage exposure and repo book in particular. At the same time we remain committed to our European business which, given it scale and relevance, generates more attractive returns.

And thirdly, we will be undertaking a review of our global equities business with the expectation of reducing our platform. This includes our leverage exposure in global prime finance where we will focus on maintaining our deepest client relationships while reprioritising the deployment of our resources.

In order to grow our margins we will need to reduce our front, middle and back-office costs in the corporate and investment bank and also in the related infrastructure functions. To manage the transition towards our target portfolio and to establish clear responsibilities and accountabilities we intend to ensure that the non-strategic assets are wound down in an economically prudent manner.

And finally we are committed to reducing our costs and to an uncompromising cost culture. We have to manage our costs more rigorously. Deutsche Bank's complexity as an organisation leads to a cost base which we are unwilling to sustain. While we have made progress we still have an overall cost position which remains unacceptable against the revenues we generate.

Given our track record, our focus has to be on clear execution and delivery of tangible proof points. Hence we are tackling this with the utmost priority in a three-pronged approach. First, our top management will become significantly leaner. This starts with the management board, which has already been reduced. Previous co-head structures have been abolished. More decision-making will be delegated and business will be held more accountable. This will result in a faster and more agile organisation.
We will focus on delayering management structures across the organisation to reduce cost and increase the speed of our decision-making.

Second, short-term cost measures. To meet and potentially improve on the expense cap of €23 billion for 2018 and to change the forward trajectory already in 2019 and beyond we are in the process of implementing the following actions. We are planning a material workforce reduction through the rest of the year, in particular stemming from the right-sizing of the corporate investment bank, including supporting infrastructure functions.

We will scrutinise our external spend, focusing on areas like vendors, professional services as well as IT. We plan to rationalise Deutsche Bank's real estate footprint and we started this process in Q1. We plan to increase the efficiency of our controls by eliminating redundancies and increasing automation.

We will apply more rigorous standards and discipline to our technology investment, enhance the efficiency in our project delivery and stop certain projects across the bank.

Finally, a strategic cost catalyst programme has recently been initiated by James von Moltke with the full support of the management board. This programme is intended to drive meaningful change in the expense culture of our bank, focusing on the organisational structures and processes that have led to poor cost decisions. Specifically James is co-sponsoring six individual workstreams with other board members with the clear mandate to attack cost drivers over several years, such as removing overlapping support activities between our divisions and infrastructure areas.

The programme is well underway and developing momentum across the organisation. It is clearly mobilising our people. Many of them see opportunities but sometimes feel they lack the mandate to drive change and this will change now.

We will report relevant financial detail associated with these intended actions in due course but these measures give you a clear understanding of the direction in which we are going. Let me re-emphasise our commitments; being disciplined on costs and growing our core businesses is critical for our success but there is another dimension and that is all about our spirit, our people and the way we work.

We will bring back to life the Deutsche Bank virtues on which the company was built nearly 150 years ago. We have to manage
ourselves internally with the same dedication and excellence with which we face and serve our clients. For decades our bank has been known as an institution where decisions were taken and rigorously implemented. Clarity and vision, disciplined execution and pride to work at a bank which takes bold moves elevated us to be one of the leading financial institutions in many areas.

We will revive this tremendous quality again. We will not agonise over decisions and once taken we will enforce the implementation and execution and this mantra needs to be lived throughout the whole organisation. This company has a wealth of top talent and all ingredients to be successful. We have to realign these strengths against our priorities to again become a bank which is sustainable profitable and the go-to partner of our clients.

We do recognise a lot of work has to be done to fully restore faith and confidence of a variety of stakeholders, employees, clients, regulators, investors, politicians and the public. We are determined and fully united as the management team in the desire and conviction to rebuild this great institution.

I would like to now hand over to James von Moltke for the financials.

James von Moltke

Thank you, Christian, and good morning from my side. Building on Christian's comments, let us start with a summary of the considerable progress that we have made in several key areas on slide two. First, we reached several of our most important strategic milestones, including the partial IPO of our Asset Management unit, DWS and the sale of our retail banking unit in Portugal after announcing the sale of the majority of our Polish retail operations at the end of last quarter.

Second, the integration of Postbank with the Deutsche Bank Private and Commercial Bank is progressing well and we still expect the requisite approvals for the legal merger of these two units to occur before the end of the second quarter.

Third, we made progress on a number of large-scale regulatory as well as financial reporting changes, including the successful implementation of MIFID2 and IFRS9 and we made further advances in the implementation of PSD2 and European data protection requirements.
Despite this progress, our first quarter progress was not satisfactory and exposes the need for significant capacity adjustments to generate sustainable profitability and returns.

Christian has outlined a series of strategic and tactical steps which should help rebuild momentum in improving our cost issues without adversely impacting the revenue potential and return potential of our franchise. And as a reminder, our balance sheet is resilient and gives us the flexibility to reshape our franchise. Our fully-loaded CET1 ratio was 13.4% at the end of the first quarter of 2018 with liquidity reserves of €279 billion and a liquidity coverage ratio of 147%.

Let us start with the review of our group financial results on slide three. Revenues of €7 billion declined by 5% on a reported basis compared to the first quarter of 2017. The year on year comparison reflects a relatively strong performance in the prior year period, especially in our corporate and investment bank, and was negative impacted by foreign exchange translation, primarily as the euro appreciated against the dollar by 15% on average. On a constant FX basis group revenues were broadly flat compared to the first quarter of 2017, including a positive swing in DVA.

Reported non-interest expenses of €6.5 billion rose by 2% on a reported basis but rose by 6% excluding the impact of FX translation. Income before income taxes or IBIT of €432 million was supported by continued low credit provisions given the benign operating environment and our strong underwriting standards. Our reported net income of €120 million was negatively impacted by a very high effective tax rate, which reflected tax effects related to share-based payments and non-deductible litigation provisions.

Turning to non-interest expenses on slide four, I wanted to take a step back and show the progress that we have made on a longer-term view. On a rolling last-12-month basis we have reduced our total non-interest expenses by nearly €14 billion since the fourth quarter of 2015. A little over €11 billion of this decline has come from the reduction in non-operating items as we have worked through most of our major legacy litigation issues and have been burdened less by additional pre-tax impairment charges.

Over the same period we have reduced adjusted costs by 10% or €2.5 billion to €23.9 billion, including the impact of FX translation, asset sales and the wind-down of the non-core units.
But we acknowledge that progress in reducing our adjusted costs has slowed in recent quarters and in light of the ongoing revenue weakness we recognise that we need to reinvigorate our efforts on expenses.

Slide five shows our adjusted costs in the first quarter of 2018 compare to the prior year period. On a reported basis adjusted costs of €6.3 billion were broadly flat but were 4% or €247 million higher, adjusting for FX. Approximately €130 million of the annual increase came from higher bank levies, where we further front-loaded our anticipated annual payments into the first quarter of 2018.

We are disappointed and surprised by the increase in bank levies that the bank is required to pay this year. Excluding this impact, adjusted costs would have been 2% higher, reflecting the increase in IT costs. IT costs increased by 118 million or 13% as we continued our group-wide initiatives and launched several new platform investments in our retail operations relating to the Postbank integration, Italy and to support our wealth management franchise.

We have reduced our internal headcount by a little over 1,000 full-time equivalents in the last 12 months, although this figure masks the underlying performance as it includes the internalisation of a further 1,400 external contractors.

Slide 6 shows our CET1 and RWA trends on a fully-loaded basis. Our CET1 ratio was 13.4% at the end of the first quarter. Common equity tier one capital declined by €1 billion to 47.3 billion as several technical adjustments, including the treatment of irrevocable payment commitments to the single resolution fund and deposit protection schemes, the adoption of IFRS9 as well as movements in OCI were partially offset by the capital benefits from the IPO of DWS.

Net income generated in the quarter was not recognised in our CET1 capital given the ECB’s guidance. Risk-weighted assets increased by €10 billion to 354 billion, principally driven by business-related RWA growth in CIB and increases in market risk RWA, reflecting higher market volatility.

For the second quarter our CET1 ratio will be impacted by a total of approximately 15 basis points by the proposed payment of the 11c common equity dividend and the payment of the approximately €300 million of AT1 coupons. These factors will be partially offset by the recognition of a further €300 million
benefit to CET1 capital in relation to the DWS IPO as the final legal entity restructuring was completed in April 2018.

As we discussed last quarter, we are still assessing the impact from some ongoing regulatory developments including the treatment of guaranteed funds. While the timing and impact on our capital ratio remains uncertain we no longer expect these impacts to occur in the first half of the year.

Turning to leverage on slide seven, our fully-loaded leverage ratio was 3.7% at the end of the first quarter. Leverage exposure increased by €14 billion on a reported basis as the €33 billion seasonal increase in pending settlements was partially offset by a €20 billion reduction in securities financing, of which €15 billion came from enhanced collateral recognition.

Let me now review our segment results, starting with the Corporate and Investment Bank, on slide nine. CIB reported IBIT of €205 million, a material improvement from the prior quarter but down on the prior year period, driven mainly by the weak revenue performance.

On a reported basis revenues in the first quarter of 2018 were €3.8 billion, a 13% year on year decline.

Excluding the impact of DVA, the impact of FX translation and changes in funding allocations to CIB, revenues fell by 11% compared to the first quarter of 2017. Overall, while the annual trends appear disappointing, performance this quarter should be compared to a relatively strong corresponding period last year.

Non-interest expenses of €3.6 billion were 2% higher than the prior year period. Adjusted costs were 1% higher as the increase in bank levies and higher regulatory costs were partially offset by the benefits of FX translation.

On credit loss provisions, we released €3 million in the quarter, driven by favourable developments in shipping. RWA of €241 increased 4% quarter over quarter as business growth was partly offset by favourable FX movements.

Slide 10 shows the performance of our global transaction banking and origination and advisory businesses. In GTB, revenues of €918 million declined by 12% versus the prior year.

The drivers of the decline included unfavourable FX movements, perimeter adjustments and higher internal funding allocations.
Consistent with our prior guidance, we continue to believe that GTB revenues should start to improve from the second quarter on a sequential basis, principally driven by the benefit from mandates one in the second half of 2017.

In origination and advisory, revenues declined by 27% to €480 million, broadly in line with the overall corporate finance fee pool in euro terms. Debt origination revenues of €316 million were 19% lower compared to a strong prior year quarter as client demand fell. Despite the declining industry wallet, our investments in this business in prior periods have helped us improve market share from 2017 levels in both investment-grade and leveraged debt capital markets. Equity origination revenues declined by half to €76 million compared to a strong prior year period. Almost half of the annual decline was driven by a loss on a block trade.

Our ECM franchise improved market share versus the full year 2017 and our teams have helped lead several landmark transactions, including the IPO of Healthineers. Advisory revenues were 22% lower versus the prior year at €88 million. Despite the decline in advisory revenues this quarter our pipeline remains robust year on year.

Let me turn to the results of our trading business on slide 11 with the results based on the updated reporting structure which better aligns our disclosure with that of our peers. In the first quarter across our trading businesses volatility in client activity picked up compared to the very challenging market environment we saw in much of 2017. However after the short period of elevated activity in February, March was a slower month, especially at the end of the period.

In FIC sales and trading, which now includes the vast majority of financing revenues, reported revenues of €1.9 billion declined by 16% from the strong performance in the prior year quarter. FIC sales and trading revenues declined by 12%, excluding the impact of FX translation, internal funding allocations and a one-off gain of €84 million related to the valuation of a market infrastructure investment.

Within FIC, compared to the prior year quarter credit revenues were lower driven by the decline in flow credit but we saw continued strong performance in structured and distressed products. Rates revenues were lower compared to a very strong prior year quarter, especially in Europe. Foreign exchange
revenues were essentially flat, adjusting for the change in funding cost allocation methodology.

Emerging markets revenue were lower as a strong performance in CEEMEA was more than offset by a decline in LatAm. Finally, in Asia Pacific, FX and rates revenues were lower due to margin pressure in Asia and lower volumes in Japan.

Having held our FIC revenue market share broadly stable during 2017, we appear to have lost some share in the first quarter. We believe that this reflects the different areas of emphasis in our portfolios when compared to our peers rather than a statement about the strength of our franchise, where we continue to perform well in our core businesses. For example commodities, a business that we decided to exit in 2013, was a source of outperformance for several of our peers.

Turning to equity sales and trading, revenues on a reported basis declined by 21% year on year to €543 million. However, adjusting for the absence of the €80 million gain from the sale of our stake in BATS in the prior year quarter, the impact of FX translation and higher internal funding allocations, equity sales and trading revenues were broadly flat versus the prior year period. On a year over year basis prime finance revenues declined slightly. Although client balances are now back above the 2016 levels and spreads have continued to improve on both a sequential and annual basis revenues were impacted by the higher funding allocations.

Equity derivative revenues declined due to the underperformance in EMEA, partially offset by improved flow activity in the Americas. Cash equities revenues, excluding the gain on sale in the prior year period, rose given strong flows, especially in the US, during the periods of higher volatility.

Slide 12 shows the results of our private and commercial bank. On a reported basis divisional IBIT of €322 million declined by 25% or €108 million, while revenues declined 2% year over year to €2.6 billion. However there were several specific items totally approximately €80 million on a net basis that negatively impacted the annual revenue comparisons. Excluding these items and adjusted for FX effects, revenues were relatively stable year over year despite the continued deposit margin compression.

Provisions for credit losses were €88 million in the quarter. While provisions remained close to historically low levels the year on
year increase reflects a single credit exposure which deteriorated this quarter.

Non-interest expenses increased by 1%, mainly due to the absence of a net release of restructuring provisions recorded in the first quarter of 2017. Adjusted costs were essentially flat year over year as incremental investment spend and costs associated with the execution of country exits were offset by lower compensation expenses.

Let me now turn to the individual businesses within PCB on slide 13 to discuss the year over year revenue developments. Revenues in private and commercial to clients declined by 5% on a reported basis, principally driven by €57 million of contra-revenues related to the announced disposals of our retail operations in Portugal and Poland. Excluding these items revenues were broadly flat as commercial loan revenue growth was offset by the continued margin pressure on deposit revenues and the impact of the implementation of MIFID2 on investment revenues.

Postbank’s revenues grew by 28% on a reported basis but this included a €156 million gain on a property sale. Last year’s first quarter also included negative impacts from BHW, Postbank’s home savings business, while the results this quarter benefited from a change in the accounting treatment of home savings loans, which were measured at fair value in the past, and are now recognised amortised cost after the introduction of IFRS9.

In the year over year, comparison these two BHW effects had an overall positive effect of €55 million. Excluding these items revenues were broadly flat as growth in loan revenues offset the impact of the continued deposit margin compression.

Wealth Management revenues declined by 33% on a reported basis. The results include €175 million of gains on legacy positions in Sal Oppenheim and €18 million of revenues attributable to the sale of the private client services unit in the first quarter of 2017.

Excluding these items and the negative effect from FX translation, revenues were broadly flat year over year. Lower sales in EMEA and Germany, in part impacted by the implementation of MIFID2, were compensated by strong revenues in Asia, reflecting increased capital markets activity and loan growth.
We will leave the DWS management to present more details on its first analyst call as a public company immediately after this event. Slide 14 reviews the results for Deutsche Bank's Asset Management segment, which includes certain items that are not part of the public company. Asset Management reported IBIT of €72 million in the first quarter of 2018 on revenues of €545 million. Revenues declined by 10% versus the prior year period driven by the negative impact of FX translation and a loss on sale of the German private equity business, while results in the first quarter of 2017 included revenues from non-strategic business sold and non-recurring investment gains. For DWS as a stand-alone company revenues declined by 7% year over year.

On a segment basis non-interest expenses rose 12% versus the prior year, driven principally by higher litigation, higher MIFID-related external research costs and additional one-time expenses related to the IPO and a non-recurring VAT benefit in the first quarter of 2017, partially offset by favourable FX effects. For the listed entity non-interest expenses rose 5% year over year.

On slide 15 we have provided a reconciliation of the IBIT between Asset Management segment reported for the group relative to DWS on a stand-alone basis for the first quarters of 2018 and 2017. The main DWS perimeter adjustments for the first quarter of this year are the litigation provisions, the announced sale of the non-strategic private equity business in Germany, funding cost allocations and the IPO-related separation costs.

Turning briefly to our newly-renamed “Corporate & Other” segment on slide 16, C&O reported negative IBIT of €168 million in the first quarter of 2018, including close to €100 million of shareholder expenses and a further €49 million from funding and liquidity. Versus the prior year period IBIT in C&O improved materially, reflecting improvements in our valuation and timing differences, the absence of hedging losses related to the sale of our stake in Hua Xia Bank and lower funding and liquidity as we have allocated more charges to the segments.

We would expect shareholder expenses to run at similar levels going forward while the funding and liquidity charges should trend lower in the coming quarters.

Before I hand over to James to moderate Q&A let me thank John Andrews, who led our investor relations function over the last five years. John has been a trusted advisor to the management
board and helped the bank navigate many challenging and important milestones. Let me also welcome James Rivett in this call. James will be familiar to most of you from his previous role as head of fixed income investor relations. With that, let us move to Q&A.

James Rivett

Thank you, James. Mia, let's open up the lines.

Operator

Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press * followed by 1 on their touch-tone telephone. If you wish to remove yourself from the question queue you may press * followed by 2. If you're using speaker equipment today please lift the handset before making your selections. Anyone who has a question may press * followed by one at this time and the first question is from the line of Jon Peace with Credit Suisse. Please go ahead.

Jon Peace

Yes, thank you. I realise it's probably very early days to give much detail behind your CIB restructuring but the goal to get to 50/50 in terms of CIB and other revenues looks like you'd be cutting maybe about 10 to 15% of the revenues. Does that seem right and do you think that's enough to really transform the group profitability?

And also what sort of costs do you think might be associated with the restructuring and over what period would you book them and are you confident of being able to make the AT1 payments throughout the process? Thank you.

James von Moltke

So thanks for your questions although, in score-keeping, I'll note that there were three of them. The 2021 expectation of revenue shares obviously includes some amount of growth that we anticipate in the PCB and Asset Management segments so you can not focus only on the trajectory of one business as you think about that mix.

Obviously the mix can change both by shrinking what we think of as the less stable revenue sources and growing the most stable revenue sources and clearly that'll inform our investment decisions from here.

In terms of costs, obviously the actions we announced this morning will result in higher severance and other restructuring costs. We expect to take those, where possible, in 2018. Clearly that will result in an increase in the earlier guidance that we gave for this year, which would have been closer to 500 million. We have raised that guidance to €800 million, taken in 2018.
And as it relates to the AT1 payment and the ADI, as we reported last quarter, we have built strong buffers in terms of our payment capacity and we expect these to improve, among other things, given the merger of Postbank and the German retail and commercial bank. Clearly AT1 is something we manage and watch carefully but in general the HGB or statutory accounts will correspond reasonably closely with the IFRS accounts.

And the other thing I'd point out is we are, I think, becoming more optimistic that over time there may be legislative relief associated with the statutory gates on AT1 payments.

Jon Peace  Thank you.
Operator  And the next question is from the line of Kian Abouhossein with JP Morgan. Please go ahead.
Kian Abouhossein  Yes, thanks for taking my questions. The first question is related to again restructuring charges because I guess right now the key is what credit rating agencies think about this restructuring rather than what we analysts or shareholders think. And I just want to see first of all, have you talked to credit agencies already and in that context how should we think about the additional 300 million that you just mentioned in restructuring charges, is there more to come in 2019, 2020, 2021? And in that context how should we think about the legacy book that you're probably going to be creating if you're reducing rates assets? Is there going to be charges related to that or can that be run off potentially without any charges?

If I may, just a second question; can you talk a little bit about the exposures that you're talking about that you're reviewing? I'm not asking how much you're actually reducing but what you're reviewing; capital that is being looked at which doesn't make adequate return leverage exposure and balance sheet and staffing; if you can give us both parts that would be very useful; thank you.

James von Moltke  Sure. Good morning, Kian. I'll try to give you as much as I can. As you and Jon earlier noted it's early days in implementing these actions. I'd say first of all as it relates to the restructuring charges, again, we do seek to take these in 2018. As you will have, I think, surmised based on Christian's earlier comments, those charges will fall largely outside of Germany and so they can be implemented more readily.

As it relates to the rating agencies, a point to note; obviously we engage with our rating agencies frequently. We are always
careful about commenting externally about those discussions but if you read the recent reports of the rating agencies about us and several of our European peers, they're looking for the restructuring of activities to happen quickly and decisively and so our hope and expectation is that in general it's a positive. The rating agencies tend to look out over long periods of time and while we acknowledge the restructuring charges are of course a burden on our financials the goal clearly is to grow our margins and improve the sustainable profitability, which we think overall is a positive from a credit perspective.

To go to your question about the legacy book we are in a very, very different place from a few years ago so the comparison that you might draw to the type of assets that were in our NCOU really is not apt in this case. What we're seeking to do is really reduce principally leverage exposure where we've seen leverage exposure and to some extent the GAAP balance sheet committed to just less profitable, less high-return areas.

And obviously as you run off those types of positions they are generally highly liquid, secured positions and for those that are unsecured we're very comfortable that they're appropriately marked and can either be monetised or run off in line with or better than what the current balance sheet would show.

So much of the delivering we envisage at this point relates to assets which naturally run off, as I say, or can be done with no or extremely low cost.

Kian Abouhossein If I may just very briefly, the 300 million; is that the full restructuring charge? It's just it looks very low for the potential restructuring that we are talking about. I just want to get that clarified, if I may.

James von Moltke Sure. Remember, it's 800 million for the full year so it's a larger number when you consider all the actions. The 300 million is the increase relative to our earlier points or our earlier expectations.

Kian Abouhossein But we shouldn't expect any restructuring charges going forward after 2018.

James von Moltke I don't want to rule out... in a typical year there will always be some amount of restructuring but certainly related to the actions we announced this morning, we're aiming to execute them within 2018. Obviously we have to make sure we establish those reserves in accordance with IFRS accounting standards and clearly that's a reasonably high bar in terms of the definition of
the specific actions but we will be working as quickly as possible to both execute and establish those reserves.

Kian Abouhossein  
Apologies for the follow-up.

James von Moltke  
No worries. Thanks, Kian.

Operator  
And the next question is form the line of Andy Stimpson with Bank of America Merrill Lynch. Please go ahead.

Andy Stimpson  
Morning, everyone. Could we talk about just how much leverage you think you can actually cut from the rates and repo business? I'm wondering whether actually you're cutting more leverage and exposure from that business rather than costs, which is why the restructuring charge seems a bit lower than maybe we were all expecting.

And then secondly with the COO replaced I'm just wondering what the future is for the IT strategy, which was pretty vital, I think we all thought, to taking down the fixed cost base. Maybe you could talk around what you see as the future for that project, please.

James von Moltke  
Sure, and you point to something that has clearly attracted a lot of our attention and work over the last several weeks and months as we've looked at actions like the ones we announced this morning and we've worked on the analysis. We are acutely aware that some of these actions will essentially remove revenues from the company but where those revenues were associated with leverage exposure that was very low-ROA we clearly think that that's the right decision from the shareholders' perspective.

But clearly we need to ensure that the associated cost - and not just front, as we said, but middle and back and infrastructure cost - can be removed along with that. That takes real focus and determination and it's something that we as a management board are committed to doing.

The challenge of course is that very often revenues come out more quickly than cost and hence the need to move quickly this year to address that. If I think about COO, clearly there is - it is important to drive the efficiency there as well. As you followed over several years, we have made significant investments and over time those investments themselves should drive efficiencies in our operations.

The other thing to note in COO is that reductions in infrastructure and staffing can often happen without significant restructuring
charges because they often relate to external and contractor workforce and those are reductions that can be made again without incurring restructuring charges.

Christian Sewing
Potentially I add one more point to the COO. So completely agree with James on his outline. I think though that we have a significant chance and opportunity to again look - and that is the clear task of the COO - to again look throughout the organisation for duplication, for redundancies which we have across the business lines, including shadow functions in the support and infrastructure functions and with also the new COO knowing this bank for the last 25 or 30 years I think there will be good opportunities to cut that back and that is clearly a focus which starts in Q2 and will be a focus for 2018.

Andy Stimpson
Okay, and so just to clarify, will you be keeping a lot of the metrics around cutting reconciliations and things, will you be keeping those or updating us on those? Because those - I think we all found those quite helpful for tracking how you guys are tracking the core fixed cost problem.

James von Moltke
Absolutely. You know, we've been managing COO to KPIs and those are KPIs that we track sort of weekly, monthly and that's a critical discipline that we will continue.

Andy Stimpson
Okay, good, thank you.

Operator
Next question is from the line of Magdalena Stoklosa with Morgan Stanley. Please go ahead.

Magdalena Stoklosa
Thank you very much. Good morning. I've got two questions. The first one is about - you're really giving us a context of your overall thinking of your US CIB franchise because all of the three first points on the business review point to rethinking of the US because effectively you've got the corporate finance, of course US rates, a part of global equities as well. So I'm just curious how within the pivot to Europe/Asia you are thinking about your remaining US business; question one.

And question two really; could you give us a sense of the kind of current cost of running two separate entities from the regulatory perspective when you look at Postbank and Bluebank and particularly in the context of the ECB waiver yesterday what kind of level of those regulatory costs would the waiver eliminate almost immediately versus the impact of the, of your ability of managing the group liquidity, group capital on the, from the entire group perspective? Thank you.
James von Moltke

Sure. Thank you, Magdalena; good morning to you. So I'll take a stab at both questions and Christian may want to add on both. I think the announcement as it relates to the US - and obviously it is not only a US story but the announcements today really reflect a focus of our resources, including in the US, on activities, clients, products where we have strengths and where those activities can be tied more closely with our European core.

And so there are things that naturally fall out of that perimeter and these actions that are of course then targeted to creating a more profitable, higher-margin US business. We're not withdrawing in total from US CIB; that's an important thing to underscore. We're focusing our US CIB resources, broadly defined, in those areas that are the most closely tied to our position as a leading corporate-led European investment bank.

So that's how we think about the US elements of this restructuring and we think that it ties with a clearly defensible core perimeter for our businesses, which will enable us to continue to participate in what is naturally still - the US - the biggest global revenue pool.

If I go quickly then to the waiver, the waiver is principally about capital and liquidity flexibility within the legal entity structure of the organisation so it doesn't specifically drive costs although it clearly leads to some efficiencies in terms of funding in the organisation as a whole.

And to your point then about the organisational structure of the two entities, clearly going from two to one legal entity allows us to eliminate some overlap and it's that overlap that was built into the synergy targets that we've announced previously and frankly that overlap reflects, if you like, the synergies that we're able to extract the most quickly because the legal entity headquarter efficiencies are the most quick to implement. IT and other things come over time.

Christian Sewing

James, there is nothing to add. I mean, when I talked about the strengths and the core strengths of the corporate and investment bank, those items which are listed are also stand-out for the US so clearly this is not an exit from the US business but what we want to ensure is that we further strengthen this core business. There we have to invest and that means that we will remain absolutely also in the US in those businesses.

And to the waiver, everything has been said. It is a precursor of now taking out the synergies of building this one legal entity with
one management board and then we are able to integrate processes, IT and do this, what we promised; take out 900 million of synergies where the majority are cost synergies.

Magdalena Stoklosa
Thank you.

Operator
Next question is from the line of Andrew Coombs with Citi. Please go ahead.

Andrew Coombs
Morning. Two questions, one on equities and then one actually on the PCB business. On equities you specifically stated that you're looking to shrink your global finance business. Could you just talk a bit about what you think the knock-on consequences of that could be for both your cash and derivatives offering as well and to what extent your review of that business takes into account those areas as well?

And then secondly on PCB, I was slightly surprised about the plans to expand in both Italy and Spain. That does look like a little bit of a U-turn there. What gives you confidence that you can grow there and compete with the local banks? Thank you.

James von Moltke
Sure, thanks, Andy. On equities, we wanted to call out prime finance, really again focusing on the leverage exposure in the business. We have leading capabilities and a strong platform in prime finance and so the decision today is really to focus. There is a tail of clients to whom we commit a certain amount of balance sheet and it's about sort of eliminating that tail and focusing our business and the extension of balance sheet on the largest, most profitable clients, with which we have the deepest relationships so it's about focus.

It's always hard to estimate the precise interactions between prime finance and cash and derivatives but on the whole we expect them to be relatively modest. Clearly prime finance offers some degree of flow and support in terms of the infrastructure but we see them to be, you know, more separated, if you like, than integrated in terms of impact.

If I turn to your questions about PCB, Italy is not at all a U-turn, that's been very much part of our core PCB offering and frankly is a strong franchise, has a strong market position and capabilities concentrated in northern Italy. Spain is differentiated. We agree with your observation that in Spain you're competing with a small number of very strong local competitors. Our franchise has been reasonably targeted, both geographically and in terms of products. We tend to be skewed towards
investment products and we think that is an area where we can be competitive.

In many ways some of our international areas have been laboratories where we can experiment with technologies and products that have been quite successful and so we do see the opportunity to invest profitably in those two markets.

Andrew Coombs

Thank you.

Operator

Next question is from the line of Jernej Omahen of Goldman Sachs. Please go ahead.

Jernej Omahen

Yes, good morning from my side as well. I've got two questions really. So firstly on the targets, Thank you for reiterating the cost targets and it's good to see that that's back on the agenda. But I noted that the return on equity or return on tangible equity reiteration, the 10% that we had for a while now, was missing when you went through the other targets.

Can I just ask a bigger-picture question? So the bank is now shrinking towards non-investment-banking activities. Retail banking made a 7.5% return on equity this quarter. How do you think about the achievable returns for the Deutsche Bank when you reach your new desired constellation of activities? So that would be the first question.

The second question would be this; I think it's good that you see, that Deutsche Bank sees growth opportunities in Germany, Spain and Italy. I was just wondering, how do you think about scale in each of these markets that you have? I guess consolidation of the German banking market is one of the constants in the Deutsche Bank debate. If there's opportunities for consolidation, if there's opportunities for gaining scale in these three markets how would you think about those? Thank you.

James von Moltke

Sure. Good morning, Jernej, and thanks for the questions. No, absolutely and if you look at our interim report- we reiterate the ROTE target of 10%. Clearly the management team, needs to focus on managing a company to earn more than at least its cost of capital or more. If you break down the business, clearly Asset Management is in a position to earn, you know, above 10%, significantly above 10%, we would expect.

We think it's in our control to drive returns to and above that level in PCB, in part driven by the efficiencies from the domestic market integration and the impact of interest rates over time.
course you have to remember that as interest rates normalise the PCB business should get a significant uplift from that and so that can get you to the cost of capital before you start to think about additional growth or additional consolidation opportunities.

We feel as though, at least in our home market, we do have the scale to compete and thrive. In some ways I think our focus is on making sure that we built the right business in Germany from the platform that we have before we would think about acquiring new customers and potentially consolidation or participating in consolidation.

And if you think about scale then in the other markets like Italy, Spain and Belgium, clearly one recognises there that we aren't going to compete at the same scale as our peers. I think it's about building unique intellectual property and selling propositions, whether that - as I mentioned a moment ago - is in investment product offerings or positioning the business more towards affluent clients. We do think those are markets in which we can create unique selling propositions that help us compete without the scale of the domestic players.

Jernej Omahen Thank you very much.

Operator Next question is from the line of Stuart Graham with Autonomous Research. Please go ahead.

Stuart Graham Morning, guys, thanks for taking my questions. Two questions, please. The first is, plenty of commentators have estimated the costs of shutting down the whole investment bank. Spreadsheet-land says that's a good idea, whereas I think your idea is - I think your view is it's a dumb idea so when you look at those estimates what do you think outsiders are missing? Is it higher restructuring costs, higher cost to shift legacy assets, revenue leakage in other businesses, etc? That's my first question.

The second question is on the extra 300 million of restructuring costs. On the usual rule of thumb that restructuring costs are 100 to 150% of cost saves, that implies two to 300 million of cost saves from your CIB reshaping. I think that's something just like 3% of your non-European CIB costs so frankly that looks like tinkering to me so my second question is, how's this different - what you've announced today - from what John Cryan was talking about on the previous call, namely the dynamic management of running the businesses? Thank you.

James von Moltke On the first question I'm very cautious about debating the merits of that particular course of action sort of on a public call. I think,
suffice it to say - and I'd say this with emphasis - it's the belief of the management board, the supervisory board, that the greater value path is in shaping the CIB to deliver its returns on equity rather than undertaking a course of action that creates much more significant restructuring costs without the potential to drive better returns on the other side. So that is a strong view of the management and the supervisory board's, notwithstanding the recognition of the challenge that we have in ensuring that we can manage that business to deliver on those returns.

In terms of the restructuring cost, again I would remind you that we're speaking about 800 million, not just the incremental 300 and so I think you can guess from that that the actions we're announcing this morning clearly build on expectations about actions that were planned before the leadership transition.

So in the first quarter our severance costs and restructuring amounted to only 40 million so there's a lot of work still to do within the year to execute on restructuring and if you think about just the ratios that we can drive, again with, we think, a disproportionate set of these costs being recognised in markets where - or jurisdictions where the cost of sort of workforce reduction is towards the lower end, we think we can drive the efficiencies that we're targeting within this level.

Stuart Graham

Sorry, James; if I can, just two quick follow-ups. I take what you say on the first question but can you just reassure me there is some maths behind your analysis, it's not just blind faith or is that just the maths of, this is what it costs us to shut the investment bank down, this is what it costs us to keep it going, this is, you know, therefore the ROE looks better, it's not just some blind belief?

And secondly, just to confirm, I mean the 300 million is the incremental from the measures you've announced today. The 500 million was already in analyst estimates, it was already what you'd been talking about so the 300 million is the measures you've talked today about rates in the US, the equity business, etc.

James von Moltke

Yes, and so I can certainly reassure you that we've evaluated a number of alternatives for the company and we've been doing that work over several months. I've referenced in the past a view that the management team currently has and previously had that we needed to reallocate resources to areas around our core and as Christian said the DNA of the bank, the purpose that we serve, especially in CIB, is to serve clients with a product set in
which we believe we are more than competitive, in many areas world-leading, and do so on the basis of the deep client relationships that we have, particularly in Germany and in Europe.

Christian Sewing

It's important to reiterate that point, Stuart. To your first question, I think we really have to recognise - and that's what I meant in the messages - that we are various products within the investment bank, the corporate investment bank, market-leading in Europe but even globally. There's no reason to reduce that or take that out. What we have to do is to further invest in those and therefore shrink in other business where we are not competitive and in the future not competitive and hence we need to invest into this business but I think where we have a market-leading position already then we should sustain and we will invest into that.

Number two, with regard to also what has changed, I'm deeply convinced that the delivery and execution of measures we discussed will change rigorously from a timing point of view and you will see the delivery of those actions which we announced today very, very quickly. It's not only about announcement, it's in particular about execution and that's what we are there for and that's what the management board will do.

Stuart Graham

Thank you.

Operator

Next question is from the line of Daniele Brupbacher with UBS. Please go ahead.

Daniele Brupbacher

Good morning, thank you. During the prepared remarks you mentioned the potential change of treatment of guaranteed funds and I think you were referring to this already with Q4 results. Back then you quantified the estimated impact as something like 40 basis points potentially. If you could just update us on that number.

And then secondly, more generically, I mean, it's a bit along the lines of Stuart's question in terms of this decision-making process and really in qualitative terms if you think about the stakeholders, be it shareholders, regulators, employees, rating agencies or even politicians, what was probably the biggest constraint in this process and what probably limited in terms of your ability to change certain things if at all?

And in this context, I mean, Deutsche clearly had a central funding model in the past. This seems to be changing given changes on the legal entity front, be it tax and what have you. Is
this what we are seeing today, partially the result of these changes that the central funding model is put at risk at least? Thank you.

James von Moltke

So I'll start just with the guaranteed funds question and I'm sure Christian will want to comment on the sort of thought about a constraint. So on guaranteed funds you're right and we were - we've been working with our peers and the regulators to define the changes. I will say at this point in time the - without wanting to get in front of a final decision on the part of the EBA and the ECB, we think that the alternatives considered are far more benign than our concerns of three and six months ago and so at this point we think the impact would be considerably lower than what we were thinking a few months ago.

Daniele Brupbacher

Thank you.

Christian Sewing

I think on your qualitative question, I refer a bit back to the comments I made earlier but I think we have to criticise ourselves and the management board that we have took too long and retraled decisions which were taken and which were not executed and I think I've quite a good view on Deutsche Bank's strengths over the last ten, 20 and 30 years and we have to get back to an environment once decisions are taken that we implemented and executed because that is also important, to have a clear vision for 100,000 people who work in this institution and who want to have clarity.

And I think in particular on the execution part we took too long and we retraled and that is something which we will not do any longer. Once decisions are taken we will execute. It has nothing to do with other stakeholders. It's within the discipline of the management board and the leadership team and this will go down into the organisation.

Daniele Brupbacher

Okay, thank you.

Operator

Next question is from the line of Al Alevisakos with HSBC. Thank you.

Al Alevisakos

Hi, thank you for taking my two questions. One question is basically on the leverage ratio. I'm just wondering, looking forward and I know it's still early days, as everybody has suggested, but I was wondering like under the new Deutsche Bank do your ambition changes for the 4.5%, especially given that if you reduce the business, as you've said, maybe your GSIB buffer could come potentially down.
And then, James, you just mentioned that you always look at the ROTE as a function of the cost of capital. Now the new Deutsche Bank will be 65% of revenues from stable sources so do you think that the implied cost of capital goes down and how could this affect the ROTE target going forward? Thank you.

James von Moltke

So thanks for your questions. I'll quickly go through them. No change to our leverage ratio targets. We've reiterated the 4.5% target. That's over time but I would say that relative to our earlier planning the actions that we announced today may accelerate our path a little bit.

As it relates to the GSIB surcharge, it's early to think that we might start to go down in those rankings. Certainly you'd expect lower-leveraged balance sheet and also cross-jurisdictional liabilities to help in that regard but that takes time. It's a relative measure to the industry and also we'd end up with the floor as a DSIB, as opposed to a GSIB so we're not - at least in the near term - focused on benefits there.

In terms of the cost of capital, it's always in some ways a theoretical exercise to think about cost of capital but you're correct that the more stable, less volatile our business becomes, one would expect that the beta changes and cost of capital goes down, not something we've really factored into our thinking at this point.

And at the end of the day I also have a personal belief that cost of capital is as much about investor expectations as it is about the capital asset pricing model or other theoretical constructs that get you to a cost of capital.

Al Alevisakos

Great, thank you.

Operator

Next question is from the line of Jeremy Sigee with Exane. Please go ahead.

Jeremy Sigee

Thank you, good morning. Two questions, both on capital, please, slides six and seven. First of all on the risk-weighted metrics, I just wonder if there’s - if I'm thinking about the adverse impact you've had here both on OCI and the CIB, RWA inflation, is there any scope for those to reverse back as we go into the remainder of the year?

And second question, perhaps more importantly given it's your binding constraint, just following up on the previous discussion about the leverage ratio, so the target is unchanged. I just wondered what we could expect on leveraged exposure
because I think there's been the hope for a while that you could reduce leverage exposure either through your liquidity portfolio coming down or through better netting but again here in fact it's going the other way, it's going up.

So I just wondered perhaps with the new rescoping that you're talking about for the CIB business, where could we imagine leverage exposure coming out on a kind of two to three-year view from what's been fairly steady 1.4 trillion level. How much lower should we think about that going in the medium term?

James von Moltke

So great questions, Jeremy, thank you. So yes is the short answer to your first question. There were some items in the CET1 numerator changes in the quarter that may well be temporary. There were some increases in capital deductions from - on the tax line in DTA that can certainly change course during the year. OCI is another area where we had a sort of an unusual drift and I'd also note that for DWS, the split in the recognition of the minority interest benefit was something that in the final analysis was simply a timing difference with the change, with the completion of the legal entity reorganisation taking place in April.

So we do see some benefits potentially coming back that are timing-related and of course the deleveraging that we will engage in would affect not just the leverage exposure but also to some extent risk-weighted assets.

If I think about your second question just on leverage exposure more broadly, we do expect a relatively meaningful reduction in the underlying business activity. What you saw this quarter was really just seasonal changes in terms of market activities from December to March. You would generally see pending settlements go up now that pending settlements is included in the leverage exposure calculation - recall that that was a change that took place last year and introduces, at least until it goes away, some more volatility in the leverage exposure.

And lastly I would observe that some of the improvements in leverage exposure came exactly from where you're pointing to, which is improvements in essentially netting and collateral efficiency in the structure so some of the offset to the pending settlements in fact came from those areas.

Jeremy Sigee

And looking forward, I mean, could we imagine something on a scale of kind of one or 200 billion reduction in that? I mean, that's - I mean, to fully close the gap to your 4.5% target you'd need to
reduce by 250 billion, I think, roughly if that was the only thing that changed. Is that scale of leverage exposure reduction feasible, is that - can we imagine that?

James von Moltke  
I think in scale terms - I wouldn't want to commit to a number but in scale terms it should be an impact that at least approaches those levels and so obviously it's a numerator and the denominator. The denominator will help and it's, as I'll just reiterate, it's a path forward towards the 4.5%. You have heard us say a number of times - obviously all capital ratios are important to manage and focus on but we've given ourselves more time towards the leverage ratio target deliberately because we felt that the focus was on the CET1.

Jeremy Sigee  
Thank you very much.

Operator  
Next question is from the line of Andrew Lim with SG Corporate and Investment Banking. Please go ahead.

Andrew Lim  
Hi. Just some follow-up questions. Obviously, there's a bit of focus on the CET1 leverage ratio and leverage ratio; we've had some impact there. I was wondering if you could clarify what the impact would be on the CET1 capital or the CET1 ratio and maybe also the leverage ratio from the AT1 coupon impact and also maybe update us on the impact of the guaranteed funds.

James von Moltke  
Sure, so as I mentioned in our prepared remarks, the capital distributions in the second quarter together would represent 15 basis points. In terms of the impact of the restructuring we are - as I think we've noted before - not accruing interim profits into capital during the year and so as a consequence the restructuring charges would be - would not have an impact inside the year.

Just to reiterate on the guaranteed products, at the moment the dialogue would suggest that the ultimate impact would come in well below our initial estimates based on some proposals that have been circulated between the industry and the supervisors.

Andrew Lim  
Thanks. And, I mean, I guess on a follow-up, a lot of analysts, I guess, are looking for a lot more detail on what profitability is of all of these businesses you're looking to deliver, what RWAs are, the leverage exposure and so forth. Is there going to be some kind of like investor day where you talk about this in more detail?

James von Moltke  
So I don't want to commit to an investor day on the fly but we recognise that we need to be able to give our investors more
detail about the long-term impact of these actions and so that's something that we aim to do as soon as we can.

I will say, I think the priorities, as Christian has outlined them; it's to make sure we implement these actions quickly and drive really stability in the franchise, our people, our clients and thereby protect and eventually grow revenues so that is a clear target, goal of ours as we implement these changes.

So that's our near-term perspective. In the medium term we'll be able to give you more detail, more clarity as to how these actions will drive improved margins, profitability down the road and also more efficient use of our capital resources.

Andrew Lim Okay, thank you.

Operator Next question is from the line of Anke Reingen with RBC. Please go ahead.

Anke Reingen Yes, thank you very much. The first question is on your comment on the revenue split about 50% from PCB and DWS and I just wondered if you're willing to give us a sort of indication of your expected split in risk-weighted assets and leveraged exposure by 2021.

And then secondly just on the expected benefit to your funding cost from your ability to use the Postbank deposits across the group; if you can please quantify this. Thank you very much.

James von Moltke Sure. On the second question it is basically an extension of what we already do. So the important thing was to preserve the existing waiver, which of course we've achieved and are very pleased to have achieved based on really detailed, close interactions with the ECB.

It offers a degree of additional flexibility but in the end and this may go to the earlier question about our funding structure. Funding structures in companies like ours are evolving over time as we react to regulatory changes. The waiver again extends our flexibility somewhat but shouldn't be over sort of loaded in terms of its importance. We clearly need to manage liquidity across our legal entity structure appropriately.

In terms of the mix of RWA, you can see in our disclosure there's an appendix slide which provides the RWA ex operational risk RWA and certainly you'll see that evolve. RWA in the PCB business grows relatively slowly. It's an accrual business so as you put on loans and credit risk exposures it grows with that,
more or less in sympathy and is not as exposed to changes in regulation.

What you'd expect to see over time is some amount of reduction in RWA in CIB as we focus that franchise which, among other things, can help to offset some of the regulatory inflation that's out there but overall should result in a reduction of capital applied to it.

We'll also note that we see movements in risk-weighted assets but in general, as you simplify and remove complexity from the company that should help us also manage the operational risk and the associated ROA over time.

Anke Reingen: Okay, so - but you're not able at this point to give us any more in terms of percentage split for risk-weighted assets and leveraged exposure between the different parts of your business.

James von Moltke: Again, not in detail but I think you'd see sort of modest adjustments in PCB and some - I'd say relatively modest in the near term - adjustments in the CIB franchise; double digits I'd say from here but I don't think a significant shift in the very near term.

Anke Reingen: Okay, thank you.

Operator: In the interests of time we have to stop the Q&A session and I'll hand back to James Rivett.

James Rivett: Thank you very much, everyone, for your time today. The investor relations team is around to take your many follow-on questions, I'm sure. Speak to you soon.

Operator: Ladies and gentlemen, the conferences is now concluded and you may disconnect your telephone. Thank you for joining and have a pleasant day. Goodbye.

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