

**Deutsche Bank AG**  
Deutsche Bank Q1 2018 Fixed Income Call  
May 2nd, 2018 | 02:00 p.m. CEST

**Transcript**

**Speakers:**

James von Moltke, Chief Financial Officer  
Dixit Joshi, Group Treasurer  
James Rivett, Head of Investor Relations

James Rivett

Thank you, Mia, and good afternoon or good morning everybody. On behalf of Deutsche Bank, welcome to our quarterly fixed income investor call to discuss the first quarter 2018 results. As usual, our CFO James von Moltke and our Group Treasurer, Dixit Joshi, will run through the presentation. Also available for the Q&A session that will follow the prepared remarks is Marco Zimmermann, Head of Issuance, as we let Jonathan Blake go on vacation.

You should have access to the presentation in the creditor information section of the Deutsche Bank investor relations website. Please be reminded of the cautionary statements regarding forward looking statements at the end of this presentation. With that, let me hand over to James.

James von Moltke

Thank you James, and welcome from my side too. Let me begin with a summary of the steps that our CEO, Christian Sewing, announced last week on slide one. These measures are designed to improve the sustainable profitability of the bank which, over time, should help lower our funding costs and improve our credit ratings. There are four key pillars to the priorities Christian outlined.

First, we aim to increase the share of revenues coming from our more stable businesses of the private and commercial bank, asset management and the global transaction bank to roughly 65% by 2021 from roughly 60% today. Second, to achieve our revenue objectives, we will look to accelerate the restructuring plans in our retail unit.

As a core part of the restructuring of our retail operations, the regulatory approval that we received recently for the capital waiver for our combined German retail entity allows us to expand the funding benefits from this business, and we expect the approvals for the legal merger of these two units to occur before the end of the second quarter.

With the IPO of our asset management business now complete, DWS must execute on its clearly defined external growth targets. Third, we have also announced measures to reshape our corporate and investment bank, with a goal of focusing our resources on those areas that allow us to build on our position as the leading wholesale bank in Europe with well defined core product strength and global reach.

In terms of actions, we will refocus our corporate finance business on industries and segments in which we enjoy a leadership position, while reducing our commitment to

sectors in the US and Asia where cross-border activity is limited. We 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.

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

Despite these footprint adjustments, we remain fully committed to our corporate and investment bank and our business with international corporates and investors will remain a core element of the group's strategy going forward.

Finally, we have to manage our cost base more rigorously, and have announced short term and long term measures to help us achieve our objectives: To meet and potentially improve on the expense cap of €23 billion for 2018 and to change the forward trajectory, we have launched a series of actions including a material reduction in our workforce in CIB and supporting infrastructure functions, more scrutiny of external vendor spend and rationalisation of our real estate footprint.

We have also launched a cost catalyst programme which is intended to drive meaningful change in the expense culture of our bank, focusing on the organisational structures and processes that have historically led to poor cost decisions. We will report relevant financial details associated with these intended actions in due course.

Although the headline results in the first quarter were disappointing, we did make considerable progress on our most important strategic milestones, as we show on slide three. Most notably, we completed the IPO of our asset management unit, DWS. We also reached an agreement to sell our retail banking unit in Portugal after announcing the sale of the majority of our Polish retail operations at the end of the last quarter. And, as mentioned earlier, the integration of Postbank with the Deutsche Bank private and commercial bank is progressing well.

We made further progress on a number of large scale regulatory as well as financial reporting changes, including the successful implementation of MiFID II and IFRS9. And, as Dixit will run through shortly, our balance sheet, capitalisation, risk levels and funding profile are all extremely resilient and give us the flexibility to reshape our franchise.

Slide four shows a summary of our first quarter financial results. 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. 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.

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 negatively impacted by foreign exchange translation, primarily as the Euro appreciated against the US Dollar by about 15% on average. On a constant FX basis, group revenues were broadly flat compared to the first quarter of 2017, including a benefit from DVA.

Turning to non-interest expenses on slide five, 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've worked through most of our major litigation issues and have been less burdened by 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 asset sales, FX translation and the wind down of the non core unit. 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.

Before handing over to Dixit, let us look at our adjusted costs in the first quarter of 2018 compared to the prior year period on slide six. On a reported basis, adjusted costs of €6.3 billion were broadly flat, but were up 4% or €247

million adjusting for FX. Over half of the 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 the bank levies, adjusted costs would have been 2% higher, reflecting the increase in IT costs as we continued our group wide initiatives and launched several new platform investment in our retail operations relating to the Postbank integration, Italy and to support our wealth management franchise. But even taking into account the higher bank levers, we are on track to meet the €23 billion adjusted cost objective for 2018. With that, let me hand over to Dixit.

Dixit Joshi

Thank you James, and welcome to you all. Let us look at our common equity tier one capital and risk weighted assets on slide eight. 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 approximately 15 basis points from the proposed payment of the 11 Euro cent common equity dividend and the payment of 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 the impact on our capital ratio remains uncertain, we no longer expect these impacts to occur in the first half of the year.

Our fully loaded leverage ratio on slide nine 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 partly offset by a €20 billion reduction in securities financing, of which €15 billion came from enhanced collateral recognition.

Moving now to our key liquidity metrics on slide ten. Our liquidity coverage ratio, or LCR, increased to 147% and represents an €84 billion surplus above the requirement of 100%. The increase in the quarter stems primarily from projected lower net cash outflows over the 30 day period, largely as a result of the reduction in short term wholesale funding. Liquidity reserves of €279 billion were broadly unchanged versus the prior quarter.

We maintain a large proportion of our reserves in cash, given the lack of attractive alternatives for liquid assets, especially in Europe. Both our LCR and liquidity reserve metrics remain very robust and give us additional flexibility as we adjust our balance sheet and restructure the bank.

Turning now to our funding profile on slide 11. Our funded balance sheet reduced by €12 billion versus the end of 2017 levels and remains a little over €1 trillion. The reduction was driven by a decline in the less stable funding sources, including unsecured wholesale funding. As a result, the proportion of total funding from the most stable funding sources stood at 73%.

Slightly more than half of our total funding comes from retail and transaction banking deposits, 14% from our long term debt and capital markets activities, and a further 6% from equity capital. With this, let us move to our funding plan for the current year on slide 12.

Last quarter we announced a funding plan for 2018 of between €25 billion to €30 billion. Our current liquidity forecasting points to a requirement closer to the lower end of the range, and as a result we have already completed close to 50% of our now anticipated 2018 requirements.

Year to date we have issued €11.4 billion, primarily in senior TLAC eligible format as well as some structured issuance. The average spread was 58 basis points above Euribor, down from 71 basis points in the fourth quarter of 2017 and 55 basis points below the average issuance spreads in the previous year's first quarter.

As you may have seen, we today announced a liability management transaction to exchange various notes issued

out of our Frankfurt and London branches for New York issued debt. This is in line with our recent approach of issuing our liquid US Dollar benchmarks out of our New York branch, to more closely align our US Dollar assets and liabilities. We also expect this transaction to help manage our potential US tax liability under the base erosion anti-abuse tax provisions, also known as BEAT.

Separately, we expect the legislation to allow us to issue benchmark preferred plain vanilla senior debt to be passed in Germany in July this year. We would anticipate issuing in this format with a benefit to our funding cost.

Let us now turn to total loss absorbing capacity or TLAC on slide 13. Our overall TLAC was €124 billion, up by €2 billion versus the prior quarter, driven by our plain vanilla senior debt issuance. Our TLAC equates to 35% of our risk weighted assets and 9% of our leverage exposure, representing a very comfortable €40 billion surplus above our most constraining 2019 requirement. However in the second quarter we expect the surplus to reduce slightly as we have around €6 billion of senior instruments rolling below the 12 month remaining maturity threshold.

We have not yet received the official letter from the single resolution board with our 2018 final MREL requirement, but we do expect this to happen in the second quarter.

On slide 14 you can see a summary of our credit ratings. Currently Fitch and DBRS have a stable outlook. In December 2017 Moody's placed the non-preferred senior ratings of the German banking industry, including our Baa2 rating, on negative outlook. Moody's would most likely remove the one notch of government support from non-preferred senior debt instruments once the bank recovery and resolution directive has been transposed into German law. Recently, Moody's affirmed all of our ratings but changed the outlook on our long term deposit and preferred senior debt ratings, which currently stand at A3, to negative.

S&P has placed our issuer credit rating, which is also the reference for our preferred senior instruments, on credit watch negative. A rating action would not impact our non-preferred senior rating of BBB-. Obviously we are disappointed with these developments, as we do not think our ratings accurately reflect the strength of our balance

sheet and our low risk levels. But we will continue to work with the agencies to allay their concerns.

Before moving on to Q&A, let me summarise a few key points. We have already completed around 50% of our funding requirements for the year, and are in a very comfortable position regarding the remainder of 2018. The announced strategic actions around our CIB franchise are likely to decrease our leverage exposure and should allow us further opportunities to optimise our funding profile. In addition, our strong TLAC provides flexibility regarding the timing of future issuance.

Our risk levels, measured either in terms of credit loss provisions or value at risk, remain at very low levels, and we intend to continue to maintain a solid liquidity profile. Looking forward, the ability to issue benchmark preferred senior debt is most likely to be granted in July of this year, which would further decrease our funding costs. As James stated earlier, we expect the merger of our German retail units to occur in the second quarter, which should improve our AT1 coupon payment capacity, although it is too early to quantify the exact impact at this stage.

And we are increasingly optimistic that over time there may be legislative relief that creates a more level playing field across Europe for calculating available distributable items for the payment of AT1 coupons. With that, let me now hand back over to James Rivett to moderate the Q&A session.

James Rivett

Thank you, Dixit. Mia, let's open the lines up for questions, please.

Operator

Thank you. Ladies and gentlemen at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touchtone telephone. If you wish to remove yourself from the question queue you may press star followed by two. If you are using speaker equipment today, please lift the handset before making your selections. Anyone who has a question may press star followed by one at this time. And the first question is from the line of Lee Street with Citigroup. Please go ahead.

Lee Street

Thank you. Hello, good afternoon. Thanks for taking my questions. Three from me. You just mentioned ADIs and potential changes, and obviously there's a proposal out from the European Parliament to equalise the definition across Europe. If that were to go through, my question is

what changes would need to happen domestically in Germany for you to actually benefit from that and to actually increase your ADIs?

Secondly, on S&P you're on a credit watch negative at the moment. If you were to see your preferred senior to go down from A- to BBB+, is it possible to quantify or give any details on what you might expect the impact to be, vis-à-vis either corporate deposits or derivatives? So what could a potential impact be there?

And finally, obviously there's a lot put out there in your new strategic plan. Are you able to quantify at all how much your leverage exposure might get reduced? For example from the scaling back in US rates and roughly what the timing of that might be? That would be my three questions. Thank you.

Dixit Joshi

Lee, hi, this is Dixit here. Thank you for those questions. So just to address the first two and then James will look at the last one. On ADI, the amendments have been tabled as you've noticed in the European Parliament. These are suggested amendments amongst a whole series of other amendments. The timeline we anticipate at the earliest would be through to the end of this year after further implementation.

Were the changes to go through as tabled this would allow us sufficient flexibility to recognise local country reserves together with what we would traditionally have called ADI. So suffice to say for all intents and purposes this would give us a greater latitude and degree of freedom than we have today.

Lee Street

And to be clear, for that to go through, nothing new would need to happen at the German level? Just going through as a regulation so that would just become law in Germany?

Dixit Joshi

That is my understanding.

Lee Street

Okay, thank you.

Dixit Joshi

The second point, around the senior preferred rating at A-. We have been thinking about that. What we have seen is over the past two years, since the introduction of the German bail in legislation which confirmed the creditor hierarchy, not many clients and counterparties, especially to your point on the derivatives side, have actually embedded that into the credit criteria. So they're still referring to the non-preferred ratings, which are the

observable ratings that we've had. So we don't anticipate it having a significant impact.

Lee Street

Okay.

James von Moltke

And on the third item, it's James, I was asked this question last week on the equity call. The analyst asking the question gave a range and what I said was that we thought it would approach that range. So I didn't want to give precise guidance on it. But as a ballpark I do think something approaching 10% of leverage exposure in CIB is a place to look. It will take time. We'd like to see much of this happen inside 2018 but there may be some spill over as we run off positions and clearly work with clients to manage the transition.

Lee Street

Okay, that's very clear. Thank you very much for your answers.

Operator

Next question is from the line of Alexander Latter with PGIM. Please go ahead.

James Hyde

Hi, it's actually James Hyde from PGIM. First question is on the exchange offer. I understand the BEAT angle for this. Is there any reasoning regarding the explicit bail in ability? Does the exchange offer make these explicit? The bail in-able under an SRB decision or anything like that? That's the first question.

Secondly, as you pull out of a good part of the prime brokerage business, how much of your deposits does that involve? And thirdly, regarding the corporate relationships and the sectors, it's a bit difficult to work out which sectors you will stay in versus ones you'd leave. Is there any colour that you can give on that? Thanks.

Dixit Joshi

Sure, James. I will address the first two, and then James if you can do the last on the corporates. So on the exchange offer you would have seen that we had begun in fact issuance of benchmark Dollar debt out of DB New York branch in the summer of last year, and prior to that in May last year we had announced the exchange offer around the SEC registered 4.25% notes from issuances that were done in 2016, and these all have the same indenture and the same terms.

So we've issued in the region of \$9.4 billion in about ten tranches across six transactions out of DB New York branch since. All of the notes will be pari passu, irrespective of whether they're out of New York branch or Germany or London branch.

On the second point around prime brokerage and leverage reduction in prime brokerage, prime brokerage as you know is typically a business which nets down quite nicely in terms of balance sheet efficiencies due to homogenous collateral and the ability to net down by ISIN. We don't anticipate it having any knock-on impact really on deposits from our perspective.

James von Moltke

And on the industry coverage, I think that was your question, which is the corporate finance footprint and where would we be stepping back from coverage. I don't want to go into too much detail, because we're essentially executing on these steps and we want to manage the employee and client communications carefully. But the principle as we've outlined is we want to be active globally in industries that are core to the European and German economies.

An obvious example of something that's in the core would be the auto industry, and obviously German clients are active across a range of industries. Technology is another example. And the idea is that if there are industries which are largely domestic, let's say in the US, then our unique selling proposition is more limited than if we're talking about a global industry like the automotive industry. So that's perhaps a comparison I can draw to give you a sense of the direction that we're headed in.

James Hyde

Thank you very much.

Operator

Next question is from the line of Daniel Crowe with Autonomous. Please go ahead. Daniel, it's your turn. Can you please check your microphone?

Daniel Crowe

Hi there. Yes, sorry. Thanks for taking the call. Lee actually asked a couple of my questions. I was just wondering, was there a hit to earnings in the widening of the LIBOR OIS in Q1 18? And is this something that you expect to have an effect going forwards?

Dixit Joshi

Daniel hi, this is Dixit here. It's one that clearly has been in the press for good reason for some time now, just given the widening. But what I would point to is firstly we had begun to see LIBOR OIS actually start widening in 2016 as a result of the US money market reform which was the first set of moves. We then saw a tightening in the first part of last year, and then post BEAT, or as a consequence of BEAT, we started seeing a widening once again.

But I would say that the LIBOR OIS moves that have been happening are very different from pre-crisis in that they're

not an accurate reflection nowadays of idiosyncratic or inter-bank credit concerns like they were pre-crisis. And partly because central banks have injected a substantial amount of liquidity into the market that, together with the implementation of the new rule book whether that's LCR, internal stress, NSFR and all of the liquidity requirements which really force banks to fund longer has really meant that LIBOR sensitivity really isn't what it used to be. And for all intents and purposes interbank lending and borrowing is a fraction of what it used to be pre-crisis.

So no doubt the changes in the US have had an effect. You would also have seen it in cross-currency basis which has moved the other way, i.e. pressure on LIBOR OIS due to further native issuance in Dollars has alleviated pressure on currency swap spreads because issuers in currencies outside of the Dollar now don't need to do as much. We don't think that was a material driver for us in the first quarter.

Daniel Crowe

Okay. And can I just follow up. This may have been in your disclosure. But I didn't see it. Did you disclose your NSFR yet? I know you gave the LCR.

Dixit Joshi

No, we don't. It's something though that we do monitor actively as part of our booking model and funding model considerations. We do monitor very closely the implementation here in Europe. As the rules haven't been finalised as yet, and as they haven't been calibrated, we prefer not giving guidance at this stage. That said, we do expect to adhere to the requirement above 100 when it gets implemented.

Daniel Crowe

Okay. Thank you very much.

Operator

The next question is from the line of Robert Smalley with UBS. Please go ahead.

Robert Smalley

Hi, good morning. Thanks for doing the call and thanks for doing it in US hours as well. I had three questions. First is referring back to a slide in the February 7th presentation, so I guess no good deed goes unpunished. You had laid out payment capacity for AT1s. 2017 numbers were unaudited. Have there been any material changes in those? And also in there, there were some available reserve numbers. Are those all carried in whole into 2018? That's my first question.

Second was on page 12 of this presentation. 2018 plan one to two billion in capital instruments. Is that tier two or AT1? And then third, larger question following up on a

couple of others. Prior management had said on a couple of occasions that there had been a lot of capital raised but it hadn't been deployed yet. Can we expect that capital to be deployed with the business plan, and so 12 months from now we can say that all of that capital raised has been put back into the businesses? Or is there a timeline for that? Thank you.

Dixit Joshi

Rob, hi, thank you for those questions. On the first point, on ADIs, we don't think that there have been material changes since the February 7th presentation. Again, the ability post our Postbank integration which happens later this month - that affords us greater flexibility regarding ADI. I think that's quite positive and a change from before. And we discussed the amendments to the CRR which, were those to go through as tabled, that would provide us again with additional flexibility around ADI.

On the second point around the forecast funding plan for this year and capital instruments, you would have seen that we do have a small shortfall in the glide path to the 1.5% bucket and so any capital instrument, i.e. AT1 issuance, during the phase out period would help us with both addressing the 1.5% bucket as well as getting us closer to the 4.5% medium term leverage ratio target that we had put out.

We will remain opportunistic around issuance. We had indicated previously on the last fixed income call that we do have some flexibility this year depending on market conditions to accelerate what we would have done in 19, 20, 21 in 2018 were we to choose to do that.

Robert Smalley

Okay, so just to follow up on that quickly to be clear, you want to be opportunistic but you will look at the AT1 market depending on market conditions and where you think you can come.

Dixit Joshi

As any good businessman would tell you, I wouldn't rule out any options.

Robert Smalley

Good. Sorry, didn't mean to cut you off.

James von Moltke

No worries. It's James. Just on the larger question about capital deployment, I would say that we're managing our capital carefully. Obviously the announcements that we made last week about the CIB footprint, they go to de-leveraging. Leverage exposure is one area but also there will be some degree of RWA that goes with that. We are in general focused on redeploying our resources into the core areas that we have identified, so you would expect not just

costs and people but also balance sheet and capital to follow that alignment of our resources.

The reinvestment though is something that we've essentially paused on, given as we've called out on a couple of occasions remaining uncertainties in terms of the implementation of regulatory technical standards through the EBA and the ECB. Until we've got better visibility we'll remain cautious on aggressively reinvesting capital.

Robert Smalley

Okay, thank you, that's very helpful. And again, thanks for doing the call.

James von Moltke

Absolutely our pleasure, Robert. Thanks for joining.

Operator

Next question is from the line of Natacha Blackman with SG Corporate and Investment. Thank you.

Natacha Blackman

Hello. Hi. Thanks for having this call. I have three questions. The first question is on ADI. So would you be able to just go over what exactly you mean by the flexibility regarding the Postbank integration? And also regarding the parliament's suggested amendments, I know that potentially you could include some capital reserves, which I see as a number of 42 billion in the German gap accounts. Is that the number that you could potentially include in your ADIs if that's adopted?

Secondly on the Dollar tender announced today. Is there any MREL or TLAC compliance angle there? Just to clear that up. And then finally on your capital issuance plans. You've been clear that you're looking to do AT1. Are you thinking about tier two as well? Thank you.

Dixit Joshi

So Natacha hi, thank you. So on the first point around ADI, the amendments at table do allow you much more flexibility in that simply being restricted to the definition of available distributable items you would be able to go beyond that to include general reserves as a part of your calculation. And so when we talked about flexibility I think were those amendments to get passed by year end as they're anticipated, I think that would to all intents and purposes remove much of the angst around ADI.

On Postbank, once the merger is completed Postbank holds general reserves as a subsidiary of DBAG, and through the entity merger with our German retail business we will be able to reassess the need for those general reserves in the retail subsidiary, and so this does give us the ability to upstream should we deem that necessary.

On the second point, on MREL and TLAC, very much the same as the existing debt stacks. So the exchanges out of Frankfurt and London issued TLAC debt into TLAC debt issued out of DB New York branch. So for all intents and purposes exactly the same and pari-passu with a similar place in the creditor hierarchy.

Natacha Blackman

Thank you. And the last question was just on the capital issuance, if you could look to do tier two as well?

Dixit Joshi

Yes, so we do have some flexibility, Natacha, around that. As I said, the specific tier one requirements around the 1.5% and the 4.5% leverage ratio are the two things that we would look at. Again we have the phase in period during which to address those. But again we have some flexibility as to both tier two and AT1, just given where we are funding plan wise.

Also as I mentioned the leverage reductions that we're anticipating as a result of Christian's announcements the week before again will give us more flexibility as we get through this year around capital instrument issuance. I hope that helps.

Natacha Blackman

Yes, thank you very much.

Operator

Thank you. The next question is from Jeffrey Berry with Fidelity. Please go ahead.

Jeffrey Berry

Hi there. Thank you again for the call. Just one question. You attributed part of the recent rise in LIBOR over OIS to the BEAT tax, and I know the exchange announced today on the longer term funding is related to BEAT, but I'm interested to hear a bit more about the short term funding structure side. And presumably if the rise in LIBOR was due to the reactions to BEAT, this implies that the gross amount of funding in the short term inter-bank market was going up.

So I'm interested on the DB side if gross short term funding was increasing, if you were changing legal entities that you were doing US Dollar CP CD issuance from. Or as you kind of suggested if there was a rotation from using the FX swap market into other forms of short term funding. Any comments on that would be appreciated.

Dixit Joshi

Jeff, hi, yes very happy to address that. For us, interestingly, we had looked at our booking model in the summer of last year and commenced issuing Dollar debt out of New York branch which we hadn't done prior to that, and the main reason for that was to better align funding

with where assets and liabilities were actually located. And namely in the US for us, from a US Dollar perspective.

So the \$9.4 billion we've issued year to date, and I think of that roughly 6 billion we've done last year no doubt then helped as BEAT was announced towards the end of last year. It turns out that the measures that we'd taken to align our booking model more closely with our balance sheet actually helped with regard to BEAT as well.

So it's less about CP and CD issuance, especially since we typically long fund our positions, whether that's because of LCR, NSFR or internal stress funding. So it's not really... It hasn't affected us in the main in the short end. There's no doubt that as a result of BEAT this will result in market wide more native Dollar debt issuance taking place, and I think we're seeing some of that effect there.

You mentioned our exchange offer. The exchange offer though doesn't in any way change our demand for Dollar funding, i.e. we continue to fund the bank in the way we have, but it's the booking entity that we're switching here as opposed to raising new Dollar debt and having a commensurate impact on LIBOR OIS. I don't know if that helps.

Jeffrey Berry

Sure. No, I mean I guess I understand the long term funding component very well. I was just curious if your attribution of BEAT to the recent LIBOR moves reflected changes you had seen within the bank on the short term funding side. But it sounds like the message is those changes may have already happened earlier or there were no meaningful changes over the last three months that would have contributed to that.

Dixit Joshi

Yes, I think for us certainly at the short end we haven't had to realign what we do at the short end in any material way so far.

Jeffrey Berry

Thank you.

Operator

If you would like to ask a question it's star followed by one. Next question is from the line of Aditya Bhagat with HSBC. Please go ahead.

Aditya Bhagat

Hi, thanks for taking my questions. Two from me. Just looking at the next 12 months or so, and given all the plans that you have and moving parts with Postbank, is there a floor or a minimal level of core equity tier one ratio that you would like to be operating at? That's the first one. And

two, I know in 2017 you had mentioned rates within 13%. Just checking if that's still valid.

And two, after the Postbank integration, how do you think your liquidity reserves will change? If there is excess liquidity there is it possible for you to deploy that excess liquidity and utilise it as you see fit and also potentially reduce funding needs and improve your margins there? I guess the follow-up question to that is really how will that affect any rating agency's view, particularly S&P on any changes you anticipate there, if you do any.

James von Moltke

Sure. Thanks for your questions, Aditya. James here. On the capital ratio that we're managing to, we haven't changed our guidance which is to be comfortably above 13%. I do think that in time we would like to see a decline in SREP requirements if we're de-leveraging the balance sheet and somewhat de-risking the model. So it is a discussion that we would have in more like the medium term. But for now we are looking to stay above 13% and manage to a goal over time to remain comfortably above 13%.

Aditya Bhagat

Thank you, that's very helpful.

Dixit Joshi

Aditya, this is Dixit here. Just on the second point around the Postbank integration, it very much does give us further opportunities to optimise liquidity and funding. As you can imagine, when you're optimising two individual entities versus being able to optimise them jointly, that does create some opportunities for better funding. So that's something that we're looking at, we have that in our glide path.

And so to your comment on excess liquidity, we've already factored that into this year's funding plan. And partly, and that's not the only reason, but partly that contributes to our guiding down to the lower end of the €25 billion to €30 billion funding for this year. Regarding the ratings agencies, I'm not sure this would be the major factor. As you've seen in the text regarding the negative watch, it's been much more around wanting to see what the glide path from here looks like regarding the strategic actions that we've indicated rather than our capital liquidity or funding robustness or strength of balance sheet or level of risk, whether that's credit or market risk or level three assets.

Aditya Bhagat

Thank you. And just on that, I know this is not what the rating agencies have spoken about, but are there mitigants on the balance sheet side that you can have to appease

rating agencies if they need that? Or do you think that is not in question at all here?

Dixit Joshi

We are in dialogue with them and always looking for ways to continue to reflect risks correctly with the ratings agencies. But when you look at our CET1 at 13.4% and you look at our balance sheet where we have a substantial amount of liquid assets and cash together with VAR at close to historic lows, level three assets a fraction of what they used to be many years ago and credit loss provisions again very low, it's hard to de-risk from here given where we are.

So once again, when you read the text around the negative watch, it doesn't actually refer to the riskiness of the firm or the wherewithal to withstand the stress or the capital or liquidity of funding position. It's much more the strategic measures the firm is undertaking and getting visibility around those.

Aditya Bhagat

That's very helpful. Thank you.

Operator

If you would like to ask a question it's star followed by one. And we have a follow up question from the line of James Hyde with PGIM. Please go ahead.

James Hyde

Yes, hi. Sorry, it's me again. So I just wanted clarification on this whole point of the waiver given regarding the Postbank deposits, and the previous question touched on that and still haven't got the answer. We are talking about not just those deposits being able to be used for PGK, Blue Bank, Bank of Deutschland or whatever you want to call it, but we are talking about those deposits being deployable across the group for wholesale activities at DBAG and elsewhere within the liquidity framework. Is that correct? That's my first question. It's probably more for Dixit.

Then secondly, probably for James, I know the equity analysts have asked a lot about this, but I am trying to make sense of what you're trying to do with just a scaler of 300 million restructuring provision. Now, obviously you are getting more flex on the ADIs, but I do think that at some point for these ratings that bottom line after one-offs etc., is going to be important. So what's different this time that 300 million could suffice for all of this ambitious change? That would be my second question. Thanks.

Dixit Joshi

James, hi. Dixit here. Very happy to address those points on Postbank. So firstly, Postbank metrics already included at the group wide level. If you look at our liquidity reserves,

if you look at LCR we already reflect Postbank liquidity as part of our group wide measures.

So what would happen post the merger is we would have more flexibility to have more fungible liquidity to the extent there is excess liquidity within our PGK Aquila entity but we have a series of both legal entity, regional currency metrics that we would still need to abide by, which again constrains you in many other ways around the organisation, but certainly it would give us additional flexibility that we wouldn't have today.

James Hyde

Thanks.

James von Moltke

I hope that answered the question. It's James. On the larger question, so as I said last week we had built a plan for this year and guided the market earlier this year to assume about 500 million, and so the scaler you referred to is bumping our restructuring charge, in which severance is a part, from that 500 to 800. And part of the answer is that within that 500 we'd already contemplated some of the actions that we announced last week.

We've gone further, given a recognition around the environment for our company and the need to take more dramatic action. But it represents if you like an extension of actions that we had been contemplating previously, so I look at all or most of that 800 to be supporting those actions. They do fall, as I pointed out on last week's call, not perhaps exclusively but certainly mostly outside of Germany where the costs per employee separated are higher.

The other thing is we do want to be disciplined about establishing reserves for what we think is really going to happen. There will be some amount of attrition as we go through this. We have had a history I think of establishing reserves and then partially releasing them, in other words finding that the estimates were higher than the reality and so we want to be... So essentially right-size the expectations we set at this point but certainly achieve our goals within that provision.

James Hyde

So that sort of implies that you do expect some of the franchise people to walk away of their own free will before you have to use these provisions.

James von Moltke

There's always a degree of attrition in the franchise, and so the question really is how much of it is replaced versus not replaced, and that's a lever that I think is an appropriate lever to draw on to get to the outcomes in the friendliest

possible way for shareholders. We're obviously very cognizant of adverse selection that can happen in that environment, that's something that we work to manage as well. So the number that we've cited is the outcome of a balancing of all those considerations.

James Hyde

Thank you very much.

Operator

And we have a follow up question from Daniel Crowe with Autonomous. Please go ahead.

Daniel Crowe

Hi there. Thanks for taking another question. I'm just following on from what was just said there. You talked about managing your ADIs and your capital carefully. How much does the limitation of ADIs impact your restructuring? And I guess that comes back to the question on the changes that might boost ADIs. Is that something that holds you back a little bit? Or are these costs just what you think they should be?

James von Moltke

The latter. When we do the analysis about a forward look, we're obviously cognizant of ADI and living under the constraints we live today. But we aren't holding back on the restructuring based on what we've announced so far, focused on the ADI constraints. We've right-sized essentially for our expectations, measured against ADI, but did not find that ADI would be anything of a constraint. And of course we want to be conservative in how we think about those buffers.

Daniel Crowe

Okay. Thank you.

Operator

There are no further questions at this time. I hand back to James for closing comments.

James Rivett

Thank you, Mia, and thank you everyone. The investor relations team is available to take any of your follow up.

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