

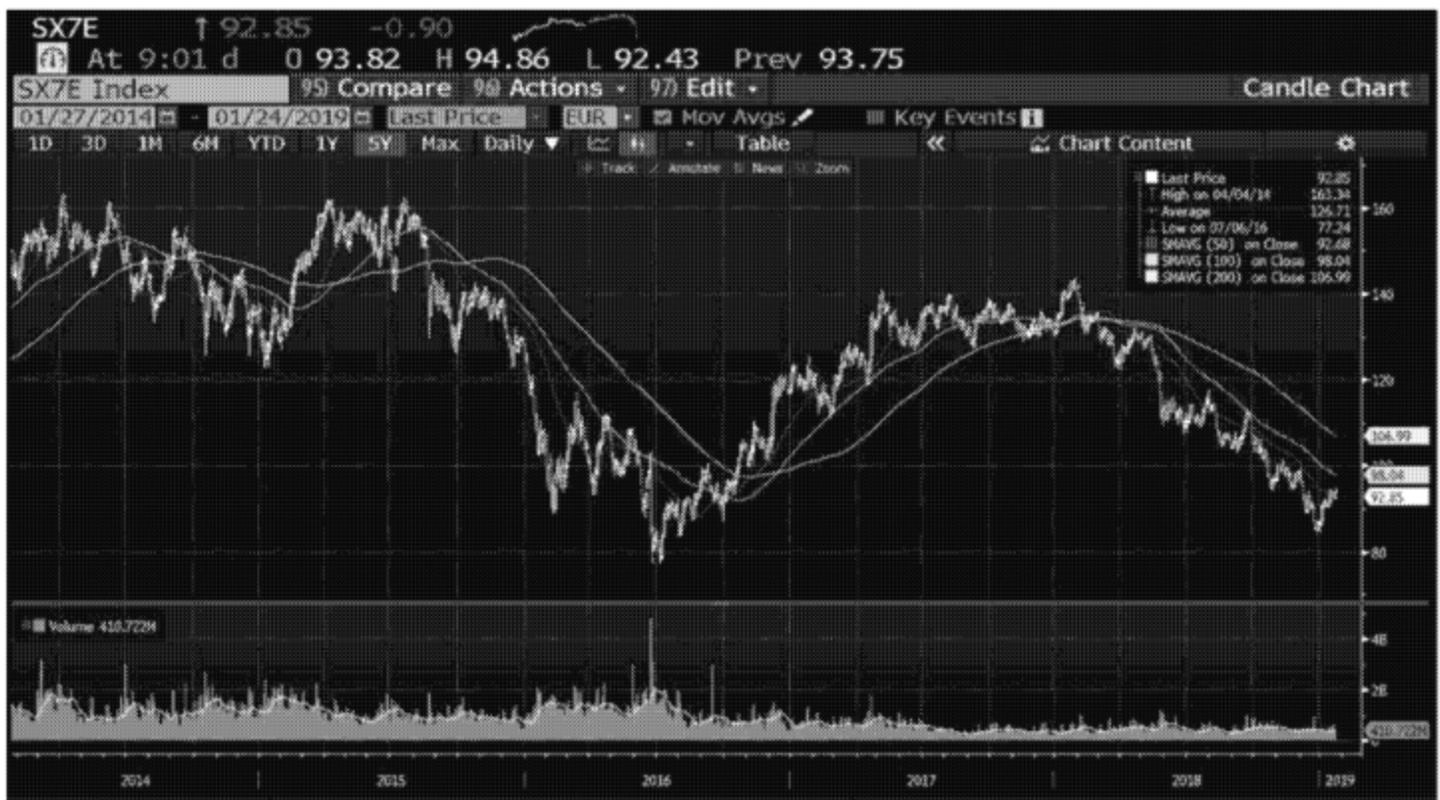
Reserve Exemption (Soniya Sandeesh)

- This is exactly what is done in Switzerland, Japan and Denmark where they also have negative deposit rates.
- It enables you to help banks without a) tightening policy and increasing EURIBOR b) looking like you are giving them free money.
- In hiking deposit rate you are benefiting some banks but harming those using the TLRO. Counter productive. With a reserve exemption, everyone benefits.

SEE this [report](#): Unlike the ECB, other Central Banks (eg SNB) with negative rate regimes have chosen to apply exemptions, thereby limiting the cost to the banking sector.

Impact on Banks (Kinner Lakhani)

- A deposit rate hike to -20bps benefits the sector PBT by 1.6% (with big saving countries like DE 5%)
- A exemption of 20x your reserve requirement benefits the sector PBT by 3% (with big saving countries like DE 10%)
- If the ECB by a combination of measures (TLTRO 3) manages to take the funding fear off the table the implied benefit is PBT 11%



Martin Zeman

Director | Key Client Partners

Deutsche Bank Wealth Management

345 Park Avenue, New York, 10154

office +1(212) 250-0432 mobile +1(808) 280-7881