Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Christian Sewing

CHRISTIAN SEWING SLIDES

Slide 0 -- Title

- Welcome once more to our second Investor Deep Dive and many thanks for joining.
- I am looking forward to the next couple of hours in which we will discuss the progress made and our view on the path forward.
- And of course we will also discuss the impact of the virus which prevents us from meeting in person.
- While not seeing each other is unfortunate, we felt it is important to update you on the progress we made since last year's Investor Deep Dive. It is time to document that we kept our promises and to describe in more detail how our transformation will continue over the course of the coming two years.
- And similar to last year, my fellow Management Board members and I, plus our business heads look forward to answering any questions you have. We will try to make this afternoon as interactive as possible, even though it's all virtual.

Slide 1 -- Our mindset: Tackling key issues head on

- So where are we on our transformation journey?
- We actually started back in 2018. In the first phase we stabilised our bank and laid the foundations we could then build on.
- In July 2019 we launched phase two – the most fundamental transformation of Deutsche Bank in two decades.
- This includes a new setup for our bank coupled with ambitious financial targets up to 2022. And our management team continues to be fully focused on executing with a relentless delivery mindset.
- This includes the actual restructuring work, which, as we always said, would mainly happen in the first six quarters following our strategy announcement.
- With this period almost behind us, we are now gradually moving into phase 3 of our transformation: A phase which will mainly see us focused on ensuring sustainable profitability by growing our businesses while remaining disciplined on costs and capital.
- And today, for the first time, we would like to provide you with a more detailed outline of what phase 3 will look like.
- But before we get there, let's take a moment to check our delivery track-record over the past 18 months.

- When we met last year, you were wondering whether our newly established Core Bank was actually competitive.
  If we would be able to cut costs and exit businesses as fast as planned and to what extent revenues would suffer as a result.
  And last but not least, you questioned our ability to fund this transformation with existing resources.
- Today we can say: we tackled all of these issues head on – and we have delivered.

Slide 2 -- We have delivered against each of these concerns

- Our Core Bank has proven its competitiveness: More than 70% of our revenues are generated by businesses where we have a leading market position.
- In the first 9 months of this year we achieved year on year revenue growth of 8%. This positive momentum has continued into the 4th quarter.
- On the way we have won market share in important business areas, and we believe that a large part of these gains will be sustainable.
- At the same time we continued to be relentless on costs, with year on year reductions in 11 consecutive quarters excluding transformation charges and bank levies – and we are about to complete the 12th consecutive quarter. With the expected achievement of our cost target at the end of this year, we would have cut costs by 3.3 billion euros in the last two years.
- Growing revenues and continued discipline on costs led to an operating leverage of 11% after three quarters.
- On this basis, we were able to achieve a pre-tax profit of more than 800 million euros in the first 9 months of this year.
- But that's only part of the story. In our Core Bank, pre-provision net revenues were 5.2 billion euros – this demonstrates the strength of our operating businesses. It demonstrates the potential we can build on when loan loss provisions normalize again.
- It is thanks to this performance, but also to our progress in the Capital Release Unit that our balance sheet is even more solid than it was a year ago. We reduced risk-weighted assets in the Capital Release Unit by 45% compared to 2018 levels.
- As we expect to have 85% of the anticipated transformation-related effects behind us by year-end, there should no longer be any doubt that we can fund our strategy with existing resources.
- In other words: we think this progress shows that the capital issue is off the table.

Slide 3 -- Demonstrated our relevance in challenging times

- We should not forget: we achieved all of this in an extraordinary environment. We operated in the midst of a pandemic causing more than 1.5 million casualties worldwide and resulting in the most severe economic slump in post war history.
- This was possible because we *were* and *are* part of the solution, being at our clients' side when they need us most.
- This included first and foremost serving their financing needs. In the first nine months of the year we helped clients raise debt worth about 1.5 trillion euros. This means an almost 60% increase year on year.
- In addition, we have been the most active bank in the German programme for government-sponsored loans.
- At the same time, we have proven our ability to adapt our business model to this new environment where necessary.
- We have offset the better part of the interest rate headwinds. With charging agreements in place for about 75 billion euros of deposits, our Corporate Bank and our Wealth Management business both are running ahead of plan.
- At the same time, we are helping clients to find suitable solutions to preserve wealth in a negative interest rate environment. This is reflected in almost 30 billion euros of net inflows in our Private Bank and in our Asset Management business.
- We have also accelerated the adjustments in our Private Bank to changed customer behaviour. Including recently announced branch closures, we will have reduced our Deutsche Bank branch network by more than 40% since 2016 and our Postbank network by more than 30%.
- So all in all, in this extraordinary year, we have even increased our relevance for our clients. And we have demonstrated how flexible we are in tackling new challenges head-on – while making the best of opportunities.

Slide 4 -- We continue to invest in technology and controls

- We have achieved all of this while continuously investing in our technology and controls.
- While we reduce our branch network as mentioned, we constantly strengthen our digital offerings. In the first nine months of 2020 usage of our mobile app for Deutsche Bank customers has increased by almost 40% year on year.
- Across our Investment Bank and Corporate Bank, we have more than 90,000 clients actively using our fast growing Autobahn platform.
- By having continuously invested in our technology, we are now going to fast-track our development: our partnership with Google Cloud will elevate our IT

infrastructure into a more efficient, cloud-based environment. That will enable us to focus more on innovation and client applications.

- Bernd Leukert will explain our technology strategy in more detail today.
- Equally important, we have spent about 2 billion euros in two years on our controls.
- Today our compliance function daily monitors 3 million transactions and 1 million communication events. In market risk management we analyse up to 30 billion valuation calculations per day.
- But we won't stop here and will continue to invest in our controls, especially to improve our transaction monitoring further.

Slide 5 - Our employees are responding positively

- At the same time we are seeing progress regarding the most important foundation of our success – our people.
- It is no secret that the internal mood and morale at Deutsche Bank had suffered for some time.
- This has changed fundamentally:
- According to our annual people survey, 87% of our staff embrace our strategy, 10 percentage points more than a year ago.
- They also feel more valued and have more trust in our leadership team.
- The clarity of our strategy, the business successes and the positive relative share price performance have been important drivers of this development.
- Since 2012, our employees have never been as committed to Deutsche Bank as they are today, and they have never felt so well enabled to do their job.
- So our people are truly motivated to give their best for our bank. This provides a huge upside potential.

Slide 6 - Encouraging improvement, but still work to do

- Of course we are glad to see that our progress is also acknowledged externally.
- We have seen the first positive rating action in 13 years.
- Our CDS spreads have moved closer to peer average.
- And since we met for last year's IDD, Deutsche Bank shares have outperformed our European and American peers and reduced the discount on our price / tangible book value ratio.

- Obviously, our valuation came from a low level. And even after the progress we made, we are not yet where we want to be.
- So let's have a look at the next steps on our journey.

Slide 7 – What's next? Continued delivery with full focus and discipline

- Given our progress, given the strong foundation we now have in terms of capital, costs and business model, as well as operating momentum, we are entering the next phase of our transformation.
- The ultimate goal is – and has to be – to ensure sustainable profitability.
- This requires us to raise our game to the next level.
- It will be paramount to remain fully disciplined on costs and balance sheet management. But that's not enough.
- We will also have to shift gears to ensure sustainable growth.
- How do we bring this together? This will be the main theme for today.
- And that's also reflected in the questions some of you asked in advance.
- Can we continue on our planned trajectory in cost reductions?
- Can we keep the very competitive level of credit loss provisions?
- Is our revenue development sustainable?
- And finally, will we be able to return capital to shareholders as announced in July 2019?
- So let's go through these questions one by one, starting with costs.

Slide 8 – We have tightened our adjusted cost target

- When we look at the almost 6 billion euros of cost reductions we announced in July 2019, we are already more than half way through.
- Given our recent track record, we remain confident that we will be able to continue on this path.
- To meet our 2022 target, we have to take out another 2.8 billion euros in adjusted costs.
- You may say this is the tougher part.
- Of course, reducing costs by that amount will require another significant effort.
- But why am I so confident anyway?

- Because we are well equipped due to the work we have done so far. Because what we have to do is to *continue* on our trajectory.
- Starting into the new year, we can expect a run-rate for annual costs of 18.4 billion euros excluding bank levies. This will even leave us with some room for targeted investments when there are opportunities to create additional value.
- We expect further savings coming from central and divisional measures which we have detailed and validated plans for.
- In addition, we will focus on tackling the so-called stranded costs in our Capital Release Unit. Reducing those more rapidly will be the main focus area for Louise Kitchen and Frank Kuhnke going forward.
- But the story doesn't stop here. Learning from this extraordinary year, we see potential for further cost reductions. To give just two examples, we have started to examine our real estate setup and will certainly not return to the same level of travel costs we had prior to COVID.
- On this basis we expect to bring our adjusted costs even *below* our original 17 billion euros target by 2022 and to reach 16.7 billion euros ex transformation charges instead.
  James von Moltke will discuss our plan in further detail later on.
- And we will ensure relentless execution of these plans as we did over the past two and a half years. This is supported by the agenda of our Chief Transformation Office, which further strengthens the discipline in our processes, as Fabrizio Campelli will explain later today.

Slide 9 – Committed to maintaining best-in-class credit quality

- Let's move on to our balance sheet quality.
- We have been very successful in managing credit risk and its impact on credit loss provisions during the coronavirus period.
- We provided an outlook early on, and we were pleased that credit loss provisions developed in line with our expectations so far.
- Although the pandemic isn't over yet, we are optimistic that the peak in CLPs is behind us. So we expect a slight reduction in 2021 and a further normalization to a range of 25 to 30 basis points of loans in 2022.
- We continue to benefit from our limited exposure to sectors most affected by the pandemic.
- We know that we can build on a diversified loan book with about 50% exposure in Germany, one of the most stable economies in the world.
- We have very stringent underwriting standards and a tight risk management framework – as we have demonstrated over the cycle. Actually, our provisions

have been consistently at the lower end of the industry for more than a decade. This is a remarkable track record for Stuart Lewis and his team. He will provide you with further details later.

- But let me highlight already now: the composition of our loan book and the quality of our risk management are a particular asset during such a crisis.
- All of this provides us with room to support our clients in the best possible manner and to selectively grow our business in this environment.

Slide 10 - Four client-centric businesses, positioned to grow

- Speaking of growth, let's turn to the area where you have articulated the biggest question marks: are we able to grow revenues sustainably in this environment?
- We fully acknowledge additional headwinds compared to the original assumptions at the time of our strategy announcement – namely the even "lower for longer" interest rate environment. Of course, this poses a certain risk to our revenue assumptions down the line. At the same time there have also been tailwinds which we are making the best use of.
- Some of our businesses are more affected by the headwinds while others benefit from the tailwinds. Therefore, despite not changing our strategic approach, we expect a slightly different revenue composition, compared to the plan we presented last year.
- Overall, we see ourselves capable to reach about 24.4 billion euros in revenues by 2022.
- How does this look in detail?
- Thanks to our refocused strategy, we have four leading businesses – all of which are well positioned to grow.
    - Our Corporate Bank is the 'global Hausbank' combining a strong home market with a network across 151 countries, something only a handful of banks worldwide can offer.
    - To compensate for negative interest rates, we had charging agreements in place for almost 70 billion euros of deposits at the end of September – and we won't stop here.
    - In the last three quarters we have seen an 18% increase in payment revenues.
    - We also have a strong position in growth regions, especially Asia Pacific where we have seen revenues increase by 6% year on year in the first nine months of this year.
    - Stefan Hoops will lead you through our initiatives later on.

- Our refocused Investment Bank is a top global player in fixed income and financing where we have demonstrated our strengths this year.
- In addition we have a focused Origination & Advisory business including a leading position in Debt Capital Markets.

  Mark Fedorcik and Ram Nayak will explain why we consider a large part of this year's revenue performance as sustainable. But let me highlight already now: we are very pleased that recent revenue growth does not only reflect a favourable environment. It was mainly the result of our refocused business model and clients reengaging with us – which led to gains in market share. We outperformed the Fixed Income market in the third quarter, and in Origination & Advisory we reached our highest market share in six quarters. This makes us confident that our Investment Bank can outperform our original plans.
- Our Private Bank is the leader in our home market, and we have strong positions in major European countries and a global Wealth Management franchise which has grown significantly over the past few years.
  We have demonstrated our potential in the first three quarters of 2020 with growth in loans and 11 billion euros of net new assets. In addition, we have taken crucial steps to realise synergies going forward, both in Germany and in the International Private Bank. Karl von Rohr and Claudio de Sanctis will discuss how we plan to continue on this path.
- Another leading business in our home market is our asset manager, DWS, which can also count on its global footprint. Here, too, we have seen net inflows in the first nine months of the year, notably in ESG products. At the same time, Asoka Woehrmann and his team significantly cut costs: for the first nine months of the year, DWS's adjusted cost-income ratio was already down to 64%, reaching the target level for 2021.

- In this turbulent year it has been an advantage for us to rely on revenues from businesses where we are one of the major players. And that's also why we are well positioned for further growth – something we will explain in detail in our business presentations.
- We feel encouraged by our revenue and market share momentum this year.
- And we are seeing a couple of tectonic shifts in the economy which do play to our strengths.
- Let's dig deeper into this.

<u>Side 11 – Well positioned for key structural trends</u>

- It has become common to say that our economy post COVID won't look the same as before.

- But there is more to it.
- In fact, next to COVID, there are a number of fundamental changes in the world we operate in.
- Overall we see five global trends that will shape the economy:
    - o The low interest rate environment – we expect interest rates to remain close to or below zero for the next years.
    - o Wealth protection is becoming more important as societies are aging across the developed world.
    - o We see a huge sustainability transformation throughout every aspect of the global economy.
    - o We expect a more fragmented sort of globalisation – now often called "glocalization".
    - o And of course, digitalisation will continue to reshape global business.
- For all of these trends Deutsche Bank is well positioned.
- This will translate to four important growth engines for the years till 2022 and beyond.
    - o Economists expect an increase in global financing demand.
    - o In an aging society, wealth preservation will become more pressing
    - o Our deep local presence worldwide is more of an asset in a world of 'glocalization'.
    - o Climate change and social tensions will lead to a growing demand for sustainable finance products.
- In other words: While the external environment feels challenging, there are pockets of opportunities within that – opportunities we did not see to that extent 18 months ago, opportunities we are determined to take advantage of.
- Let me go through these four growth engines, starting with the increase in financing demand globally.

<u>Slide 12 – Global financing demand: Uniquely positioned to support the upcoming transformation</u>

- Within the first months of this year, global debt increased by as much as 15 trillion dollars, the fastest growth on record.
- On the one hand, we are seeing a new supercycle in government debt due to the enormous programmes to support economies.

- On the other hand we see increasing financing demand in the private sector. This is partly driven by the pandemic, but mainly by the necessary investments in digitalisation and environmentally-friendly business models.

- Against this backdrop, there is considerable revenue potential, both on the lending side and in our Debt Capital Markets and Fixed Income trading businesses.

- And we are positioned at the very heart of this opportunity – both with our Investment Bank and our Corporate Bank.

- We are a global financing powerhouse. When if not now is the time to bring our strengths in DCM, LDCM and FIC into play?
    - We have a strong position in handling government bonds – which is a prerequisite for our strength in the corporate debt market as well.
    - And we have the necessary technology platforms to serve market participants efficiently.

- All of this will drive revenues, and while we think that 2020 has been an exceptional year we are convinced that this year's growth will be to a large part sustainable.

<u>Slide 13 – Wealth preservation: Well positioned to grow with increasing client demand</u>

- Turning to the second growth engine we see.

- Aging societies will increase the need for people to make savings or invest in a pension plan.

- But growing wealth has become more challenging in a negative interest rate environment.

- Savers need to become investors, they need thorough advice and reliable risk management solutions.

- Especially banks and asset managers will have a key role to play here.

- Deutsche Bank is the number 1 advisory bank in Germany and with a strong position in major Eurozone markets and a global wealth management business.

- And with our asset manager DWS, we can offer highly competitive investment products, including active, passive and alternative funds and a leading ESG offering.

<u>Slide 14 – Deep local presence: Leveraging our strong local network.</u>

- Another trend from which we will benefit is glocalisation.

- Global trade volumes have peaked. But that doesn't mean that globalisation will disappear. It will just get more complex.
- We are seeing a shift in global supply chains and an increasing need for global companies to adapt to national or regional aspects.
- This plays to our traditional strengths as the 'Global Hausbank'. We are on the ground in almost 60 countries. We can combine a deep regional footprint with our global network – a combination not many banks can offer.
- Our global presence includes a strong position in the Americas. On the one hand, our US business is a core part of our Investment Bank. On the other hand, being strong in the US is also crucial for other divisions, in particular for our ability to serve corporate clients worldwide. Christiana Riley will describe what we are doing to open the depth of the US market to European clients.
- Another region where we can demonstrate the value of our deep local presence is Asia-Pacific.
- There are several highly dynamic economies within the region, with an expected growth rate of around 5% on average.
- Increase in trade, the demand in financing and hedging will be even higher than in the rest of the world.
- Deutsche Bank is on the ground in 14 countries in a strong position to benefit from these developments in the region – in all of our businesses.
- Alexander von zur Mühlen will discuss our APAC business in further detail later today.

<u>Slide 15 – Sustainability: A key growth driver across all businesses</u>

- Another undisputed global trend that will drive growth is sustainability.
- It is not only about climate change, it is about the environment overall, social inclusion and good governance.
- This will require the business world, but also the public sector to invest heavily.
- The European Union alone plans to mobilize one trillion euros of sustainable investments until 2030.
- This is a tremendous opportunity as ESG compliance is becoming more relevant for more and more market participants worldwide.
- As Deutsche Bank we are now giving annual milestones for our 200 billion euro target till 2025, and senior management's compensation will depend on achieving them.
- Being a European bank is an advantage in this context as Europe is setting the standards

- But our most relevant advantage is that we as a universal bank cover the whole value chain. We can generate the assets for investment products which are in high demand now – with our lending and origination activities in the Corporate Bank and the Investment Bank.

Slide 16 - Committed to returning capital to shareholders

- All this means: you are going to see us selectively shift gears into growth mode.
- We are determined to benefit from the growth opportunities highlighted today. And we are confident that we will be able to capture our fair share.
- That requires sufficient room in a bank's balance sheet – and we have it.
- Our CET1 ratio stood at 13.3% at the end of the third quarter.
- This is well ahead of regulatory requirements and our own target of a CET1 ratio of above 12.5%.
- Our capital strength provides us with enough financing power to support clients and fund additional business – while always remaining cautious of making best use of our resources.
  Our CFO James von Moltke will discuss our capital planning in more detail in his presentation.
- Coupled with our continued, even tightened cost discipline and the revenue opportunities we see, we are confident that we can deliver sustainable profitability.
- And we remain committed to return 5 billion euros of capital to our shareholders starting in 2022. That represents a significant portion of our current market value.

Slide 17 – Our path to a new bank continues

- At the same time, we continue to change the way we work – as we promised last year.
- In this regard there are five priorities on our management agenda.
- We have already become better in putting our clients at the center of everything we do. Improved cross-selling rates are testament to this. But we are not on the same level yet as some of our peers. So there is further potential if we intensify our client coverage and further improve cross-divisional collaboration.
- We have invested in the development of our people and our leadership team and will continue to do so. We are putting the right people in the right places

and giving them more room to act like entrepreneurs. And we are working on a new mindset to become a more agile and client-centric organisation.

- We will also continue to develop our technology. At first it was about ensuring stability – and this extraordinary year has demonstrated how resilient our systems are. Currently we are working on making our IT also more efficient. And in the next phase we will also deploy technology to drive growth.
- As I mentioned, we have accelerated our sustainability agenda, integrating it into our processes across the bank.
- And we are building on our traditionally strong risk management culture - we are not only managing our own balance sheet, but also our clients' risks. This has to become a core element of our product suite.
- Transforming a bank's culture is not done within a year or two. But when I look at the progress we have made, when I feel the momentum and strong boost to morale across our bank, I feel very encouraged by what we have achieved over the past one and a half years.

<u>Slide 18 - Summary: We will continue to deliver</u>

- Let me conclude

- Our transformation is on track. Having successfully re-focused our business model, we are gradually entering a new phase in our journey.
- We will continue to manage costs, risk and balance sheet with the same rigour you have seen from us since 2018.
- We appreciate the positive feedback from clients, employees and other stakeholders and are determined to build on this momentum.
- And on the revenue side, we are shifting gears now. It is not about stabilising our business anymore, it is about bringing it to the next level.
- It is about benefitting from five global trends – all of which play to our strengths.
- And in capturing these opportunities we will demonstrate the same attitude as before: we will act fast, in a highly disciplined manner – and with a focus on executing what we have announced.
- So as we embark on the next stage of our journey, we have a clear path to ensure consistent profitability and capital returns. And we are confident that we will reach the financial targets for 2022.

Slide 19 – … and remain committed to our 2022 plans and targets

- We see ourselves fully capable to achieve …
    - Group revenues of approximately 24.4 billion euros by 2022…
    - An adjusted cost base of 16.7 billion euros ex transformation charges…
    - And a CET 1 ratio of above 12.5% at all times.
- All of this will enable us to deliver a post-tax return on tangible equity of 8% in 2022 despite a more challenging operating environment
- As planned, we aim to return 5 billion euros of excess capital to our shareholders starting in 2022.
- Since 2018 we have consistently achieved our targets and delivered or over-delivered against our plans. That remains our continued ambition. That's what you can expect from us – now and in future.
- With that let me hand over to James who will lead you through our financials.
- Thank you.

announcements under Article 17 of Regulation (EU) No. 596/2014 and filings with the U.S. Securities Exchange Commission (SEC) under Form 6-K.

Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

James von Moltke

Slide 1 – Summary

- Hello and welcome also from me. I'm James von Moltke, Group CFO. I've been with the Bank since July 2017
- Christian has outlined our strategic vision and priorities
- I'll now take you through the details of our financial ambitions, where we stand today, and the path we see to 2022
- In summary:
- The work we've done on transformation has positioned us well to achieve our goals
- For 2020, we're on track with, or slightly ahead of, our plans
- Looking forward, the macro-economic challenges have intensified
- But the underlying performance of our franchise, and the additional actions we have taken, position us to continue our progress toward our 2022 ROTE target
- We remain focused on delivering all aspects of our plan
- This positions the company to distribute around 5 billion euros of capital to shareholders, starting in 2022
- Let's now go through the different aspects of the plan, starting on slide 2

Slide 2 – Significant improvement in profitability

- A core objective of our transformation is to improve sustainable profitability
- That means generating positive operating leverage by growing revenues and, at the same time, reducing costs
- And we've done that in each quarter of this year, in the Core Bank and at a Group level
- This has driven significant improvements in profitability
- Improved Core Bank profitability has offset the negative impact of the Capital Release Unit wind-down, and higher provisions for credit losses given COVID-19
- More of the Core Bank's profitability will flow to the Group's bottom line, as the impact of the Capital Release Unit wind-down diminishes, provisions for credit losses normalize, and as we put transformation costs behind us

Slide 3 – On track to achieve financial milestones

- As Christian said, we remain on track to reach our 2020 milestones, set out on slide 3
- We reaffirm our 19.5 billion euro target for adjusted costs excluding transformation charges and expenses eligible for reimbursement related to Prime Finance
- We remain confident in our guidance for provision for credit losses, which Stuart will discuss
- Our leverage ratio stands at 4.4%, tracking to our 2020 milestone of 4.5%
- Our Common Equity Tier 1 ratio, at 13.3%, is comfortably above our minimum threshold of 12.5% over the period to the end of 2022
- De-leveraging in the Capital Release Unit is also on track
- Delivering on our 2020 milestones provides a solid step-off for driving toward our 2022 targets
- Principally, the path to our 8% return on tangible equity objective

Slide 4 – Our path to higher returns

- Slide 4 shows the key elements of that path
- We're conscious that any plan is impacted by the operating environment
- The headwinds we face have intensified since our strategy announcement in July last year
- However, we have demonstrated that this management team is capable of finding a path to its objectives, despite these changes
- Today, my colleagues and I will provide you with an outline of our current plan, in which we continue to see a path to our 8% RoTE goal for 2022
- We recognise that this is an ambitious plan in a challenging environment
- … but, based on where we stand today, it's achievable
- Let me now take you through the different elements, starting with revenues, on slide 5

Slide 5 – Working to offset additional headwinds

- At our Investor Deep Dive last year, we described our revenue plan of 24.5 billion euros in 2022

- Since then, we have performed ahead of plan in several areas
- First, as Christian highlighted, our businesses have outpeformed our prior assumptions
- We now expect our core businesses to generate around 800 million euros of additional revenues compared to our expectations one year ago - I will come back to this shortly
- Second, we said we'd lower funding costs
- Since then, our credit spreads have tightened, as the market has started to recognise our progress
- Simply by maintaining spreads on our unsecured instruments atcurrent levels and continuing our focused management of balance sheet resources, our funding costs will be approximately 200 million euros lower than our prior estimate
- Third, we are ahead of plan in passing through negative interest rates
- We have pricing agreements in place on accounts with 75 billion euros of deposits
- Relative to our assumption last year, we are currently generating around 100 million euros more revenue from this action, than we expected a year ago
- Regrettably, headwinds have intensified, most notably the interest rate outlook
- Compared to last December, the movement in forward interest rate curves has reduced our revenue forecast for 2022 by a further 1.2 billion euros
- Our assumptions on interest rate headwinds may prove conservative
- For example, we do not include any benefits from additional tiering or other measures by central banks
- The net result is that our current revenue plan of 24.4 billion euros in 2022, is broadly in-line with our planning assumption of a year ago
- We see this as achievable, even against a challenging backdrop

Slide 6 – Businesses delivering on growth initiatives

- Slide 6 outlines the revenue growth areas that our business heads will discuss later
- Karl and Claudio will outline the Private Bank's revenue progression based on loan and AuM growth as well as repricing actions
- Stefan will explain the growth opportunities for the Corporate Bank, principally in Asia,and our strategic initiatives in payments and SME banking

- Mark and Ram will explain why a sizeable portion of the revenue improvement the Investment Bank has achieved in 2020 should be sustainable
- They will describe how the benefits of client re-engagement combined with our targeted investments, position us well - even as the industry wallet normalises
- Finally, Asoka will outline why expanded partnerships and new product launches, including in ESG, should support the Asset Management top line
- In addition, we've been working intensively on cross-business collaboration. We're already seeing results, as Fabrizio will explain
- Building on these initiatives, let's now turn to our revenue assumptions by segment, on slide 7

Slide 7– Updated revenue growth assumptions

- For the Core Bank overall, we still expect revenues to grow by around 1% per year in the period from 2018 to 2022
- Some of the specifics have changed, but we are performing in-line with, or better than, our original plans - especially in the Investment Bank
- With almost half of this period now behind us, we've generated 2% growth in the Core Bank, comparing the last 12 months to the year 2018
- In the remaining 9 quarters through 2022, we now expect Core Bank revenues to be broadly flat
- This development is driven principally by two factors:
- First, we expect modest revenue growth in the Corporate Bank and Private Bank
- The expected growth rates in these businesses are consistent with the underlying growth we see today
- This underlying growth should feed through to the top line as the interest rate headwinds roll off, consistent with the current forward curve
- Second, in the Investment Bank, we do expect that we'll give back some of the outperformance we've seen in 2020 as conditions normalise, but we expect toremain well ahead of our 2019 revenue level
- Now let's turn to costs, on slide 8

Slide 8 – Reducing our adjusted cost targets

- We see a clear path to our new 2022 cost target of 16.7 billion euros, below our prior target of 17 billion euros

- The improvement is driven both by the momentum we've created on cost management so far, and by additional measures we've identified
- Some of these formed part of our response to COVID-19
- For 2021, we aim to reduce adjusted costs to around 18.5 billion euros, of which almost 80% is already in our run-rate
- Consistent with our prior plans and guidance, we do not expect a linear path of cost reductions to 2022 due to the investment burden we expect in 2021
- We plan incremental investments of 300 million euros next year, principally in our German IT integration, as Bernd and Karl will outline
- These investments position us to generate the savings required to reach our revised 2022 target and put us on a path to additional efficiencies in future years
- All our busineses will contribute to these cost reductions as you can see on slide 9

Slide 9 – all businesses contributing to cost reductions

- From 2018 to the end of 2020, we will have reduced adjusted costs by 3.3 billion euros – more than half way toward our new 2022 target
- In the business session today, my colleagues will go through our assumptions in their respective businesses on our path to delivering a further 2.8 billon euros in savings by 2022
- The first stage of our strategy focused on front-office reductions – these are now largely behind us
- Our targeted front-office hiring plans in both the Investment Bank and Wealth Management, which Mark and Claudio will outline, are fully factored in to our plan
- Reductions are increasingly focused on our infrastructure functions and the Private Bank, principally in Germany
- On slide 10, we describe how this path breaks down by cost item

Slide 10 - Targeting additional reductions in adjusted costs

- We expect around 1.4 billion euros of annual savings in compensation and benefits, as we reduce our workforce
- IT costs should decline by almost 900 million euros, reflecting efficiency gains and more focused investments, as Bernd will describe

- We also anticipate savings of around 200 million euros in professional services – building on the savings we've already achieved in this area
- Part of the reductions across both IT and professional services comes from the internalisation of currently outsourced activities
- We expect additional savings of around 100 million euros in occupancy costs
- That compares to our assumption of flat costs in this area a year ago
- These additional savings represent new initiatives we have identified over the past year, including in response to COVID-19
- Beyond 2022, we expect occupancy costs to decline further, as we complete the migration to more efficient campuses in both London and New York
- Finally, our plans include assumptions on bank levies which are shown on slide 11

Slide 11 – Bank levies should follow balance sheet reductions and simplification

- Bank levies have cost us around 2 billion euros over the last three years. That's equivalent to 30% of the entire German banking sector's contribution
- Going forward, we assume that the Single Resolution Board maintains its original target for an overall fund size of 55 billion euros
- On this basis, our contributions should decline to between 300 and 400 million euros in 2021 and 2022 respectively
- The SRB is currently contemplating raising the total fund size to above 70 billion euros
- Under that scenario, our bank levy assumptions would increase by around 300 million euros in each of the next two years
- Let me now turn from adjusted costs to transformation-related effects

Slide 12 – Transformation-related effects

- Slide 12 compares the assumptions we made last year to our current plans
- Total spend through 2022 is broadly unchanged from our original plan, but we've made refinements in specific line items
- We expect Deferred Tax Asset valuation adjustments to be lower, reflecting our improved profitability and outlook
- This will be offset by higher costs in two areas
- First,restructuring & severance

- This is driven partly by the higher involuntary redundancies we'll need to make, to offset the lower voluntary attrition we have seen since COVID-19
- We are also working on measures to reduce the workforce in a cost efficient, but socially responsible manner
- This includes agreements with third parties, for example the sale of Postbank Systems and the Prime Finance transfer
- These two agreements will result in almost 3,000 employees leaving the company with their jobs preserved
- Second, we see about 100 million euros of incremental transformation expenses for real estate
- By the end of this year, we will have put 85% of the total transformation-related effects we anticipate between 2019 and 2022 behind us
- Now let me turn to the Capital Release Unit on slide 13

<u>Slide 13 - Capital Release Unit: Consistent, measured execution</u>

- The CRU has focused on three aims:
    - reducing RWAs
    - cutting leverage exposure
    - and lowering costs
- So far, the pace of execution against all three has been strong
- Specifically:
- We reduced RWAs by 33 billion euros, or nearly half, since the end of 2018
- In CET1 terms, this implies the release of over 4 billion euros of capital, helping to offset the transformation impacts I just refered to
- We have cut leverage exposure by 191 billion euros, or nearly 70%, supporting our leverage ratio and improving our overall balance sheet efficiency
- Adjusted costs have come down by nearly half since the second quarter of 2019 – representing a reduction of 1.5 billion euros since 2018
- We have driven down the direct costs of the businesses moved into the CRU, particularly Equities
- We have also targeted – at source – the drivers of allocated costs, including trading books, systems and legal entities
- Reducing costs is one lever to reduce the P&L 'drag' of the CRU
- The other, is limiting the negative revenues on our wind-down efforts

- The negative revenues from de-risking have proved to be more modest than we originally assumed, as we show on slide 14

Slide 14 – De-leveraging impacts materially better than planned

- At last year's deep dive, we estimated that CRU would generate negative revenues in the range of 100 to 250 million euros per quarter, principally driven by de-leveraging
- So far, we have outperformed that guidance
- From CRU's inception to the end of September we have recorded 400 million euros of derisking costs associated with approximately 420 discrete de-leveraging events
- 98% of these events have been P&L neutral or occurred broadly in-line with our existing marks
- De-leveraging has generated material negative P&L relating to only 8 events
- For these, we have seen or expect the positive lifetime capital impact to outweigh the upfront negative P&L cost
- For 2021, we expect a similar, or slightly lower, revenue burden from de-leveraging, despite a slower pace of RWA reductions, as we detail on slide 15

Slide 15 - Continued focus on economically rational deleveraging

- The glide path of asset reductions in the CRU will slow over the next 2 years
- By the end of 2022, we expect RWAs to be down to 32 billion euros
- This is in-line with our original target
- The remaining 9 billion euros of credit and market risk RWA is structurally challenging to exit but will carry limited market and valuation risk
- As we analyse the expected remaining portfolio, it maybe more economically rational to hedge this portfolio from thereon
- We believe that this decision reflects a better outcome for shareholders although it means leverage exposure will be higher than we originally estimated
- From 2022 onwards, the residual assets in the CRU are likely to incur only modest hedging and funding costs
- These costs should decline as assets roll off over their remaining life
- The weighted average life of this portfolio today is 6 to 7 years
- Now let's turn to the CRU's third objective: reducing costs, on slide 16

Slide 16 - On track to reduce cost by 2.5 billion euros by 2022

- So far, we have reduced adjusted costs in the CRU by nearly half, to 1.8 billion
- In the next two years, we aim to reduce costs by an additional 1 billion euros
- We expect to achieve this through the completion of the Prime Finance transfer, lower bank levies, and reductions in costs allocated to the Unit
- Our original plan was for residual costs of around 1 billion euros in 2022
- We've identified an incremental 200 million euros of savings, thanks to the implementation of our Driver Based Cost Management program
- This program has reduced the expected residual costs to around 800 million euros
- We're confident that we have the tools and management focus to reduce residual costs further over time
- To sum up: the CRU has made excellent progress in reducing RWA, leverage exposure and costs
- with revenue impacts which have been significantly better than our expectations of last year
- Reducing the capital allocation to the Capital Release Unit is a central element of our resource allocation plans, which we outline on slide 17

Slide 17 – Disciplined resource allocation

- Disciplined resource allocation is a core element of our strategic planning
- The underlying trends are broadly consistent with our prior disclosures
- Capital allocated to the core businesses should increase, as we wind down the CRU
- The Private Bank and Corporate Bank should see higher capital allocations reflecting our growth ambitions in these areas
- In the Investment Bank, we are reallocating existing resources into higher return areas – maintaining our discipline despite the improved revenue outlook
- Consequently, capital allocated to the Investment Bank should be broadly stable to today, at a little over 40% of the Group total
- Equity allocated to Sales & Trading activities, across the Investment Bank and the CRU, should continue to decline from around 40% of the Group total at the end of 2018, to around 30% by 2022

Slide 18 – Improving returns over time

- On slide 18 we set out our goals for returns in our core businesses that support the path to our 2022 targets
- We remain committed to our overall return target
- But the returns in individual businesses differ from our original assumptions, as we'll discuss in the business sessions shortly
- On slide 19, we set out how the different businesses contribute to the overall Core Bank return target in 2022

Slide 19 – Our path to improved Core Bank returns

- In the first nine months of 2020, Core Bank post tax RoTE improved to 6% on an adjusted basis, up from 3% in the same period of 2019
- While the relative contribution between the core businesses has changed, we continue to see a path to a Core Bank return of least 9% in 2022
- This level of return in the Core Bank is consistent with our Group return target which we set out on slide 20

Slide 20– Our path to improved Group profitability

- As you can see, the majority of the improvement in Group RoTE should come from factors in our control: cost reductions and the wind-down of the CRU
- Delivery on these elements alone will improve our RoTE by 6 percentage points compared to the 9 month 2020 level
- Additionally, we expect provision for credit losses to return to more normalised levels by 2022, as Stuart will explain
- We assume a modest decline in Group revenues, consistent with the normalization in investment banking we have mentioned in 2022 compared with the first nine months of 2020 annualized

Slide 21 – Prudently deploying resources to offset headwinds

- As I described earlier, we have measures in place to offset the additional interest rate headwinds
- Capturing these revenue opportunities will require some balance sheet growth relative to our prior expectations
- We now expect our balance sheet to be more or less unchanged from the Q3 2020 level

- We expect to redeploy some of our excess liquidity into loan growth in the Corporate Bank and Private Bank
- As a result, we foresee improvements in the leverage ratio, but at a slower pace
- Our 2022 ratio assumes that the temporary exclusion of cash deposited with central banks lapses, which negatively impacts our ratio by [40] basis points
- Taking these factors into account, our new target is 4.5%, still comfortably above our 3.75% regulatory requirement from 2023

<u>Slide 22 – Well positioned to offset regulatory headwinds</u>

- These return targets that I outlined earlier take full account of future regulatory inflation, which we outline on slide 22
- We take a conservative approach to planning for this
- To date, our assumptions for the total impact of regulatory inflation have been broadly accurate
- However, the timing has been somewhat slower than we anticipated
- By year end 2020, we will have absorbed 10 billion euros of additional inflation
- This includes 6 billion in the first nine months with around 4 billion euros to come in the fourth quarter
- Our 2021 outlook is unchanged at 15 billion euros
- Compared to our prior forecasts, we now expect the 5 billion euros of inflation related to the definition of default to shift into 2022
- Looking further out, our assumptions on the impact of the Basel 3 final rules remain unchanged
- Overall, we expect organic capital generation to keep us in line with requirements, without any further positive benefits from rule changes
- Greater clarity on regulatory headwinds gives even greater confidence relating to the capital outlook through the remainder of our transformation
- This gives us a clear line of sight to our updated capital path, on slide 23

<u>Slide 23 – Managing our capital position</u>

- Our current CET1 ratio of 13.3%, provides sufficient headroom to absorb anticipated regulatory inflation and to support growth in our core businesses
- In the near-term we are committed to keeping our CET1 ratio above 12.5%

- As organic capital generation by the Core Bank improves, more falls to the bottom line for distribution to shareholders
- We are commited to using capital in a disciplined manner
- Our plan assumptions, and the likely path of regulatory inflation, are consistent with returning 5 billion euros of capital to shareholders starting in 2022
- Subject to regulatory approval, we would look to begin dividends and share buybacks in 2022

Slide 24 – Financial targets

- On slide 24, we summarise our updated financial targets for 2022
- Some of the constituent parts have changed, for the reasons we've discussed
- However, our overall commitment to our post-tax return on tangible equity targets, both for the Group and the Core Bank, remains unchanged
- With that: let me conclude

Slide 25 – Conclusion

- We have made significant progress
- We're on track to meet or exceed our 2020 objectives
- We recognise that going forward, execution risks have risen, notably due to the macro-economic uncertainty around the impact of COVID-19
- However, the improved outlook in our businesses, and other measures, are currently sufficient to offset the increased headwinds
- We are committed to making further progress toward our goals
- As we will demonstrate, our path may change, but our destination remains the same
- This management team is committed to our 2022 targets
- This includes an 8% post-tax ROTE in 2022
- We are confident along our journey to higher returns on capital as well as return of capital
- Thank you

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By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 20 March 2020 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from www.db.com/ir.

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Stuart Lewis

STUART LEWIS

Slide 1 – Summary

- Welcome from my side - I'm Stuart Lewis. I joined Deutsche Bank in 1996 and I've been Chief Risk Officer since 2012
- As we discussed with you in our Risk Deep Dive in June, we entered 2020 with a disciplined risk management framework.
- This gave us a firm foundation to manage through extraordinary stress
- Our high quality loan portfolio, and conservative underwriting standards, positioned us well in respect of credit risk
- We managed both market risk and liquidity risk tightly, through extreme volatility
- Our success in navigating this period was partly due to our investments in systems and processes in recent years.
- We continue to invest, especially in Anti-Financial Crime
- That investment is fully accounted for in the Group's overall cost reduction targetsWe expect 2021 to remain demanding
- However: we believe we're well-positioned to face these challenges

Slide 2 – Low risk and conservatively managed balance sheet

- On slide 2 you see some of the benefits of this conservative approach:
- Our CET1 ratio is considerably above our regulatory requirements. It has held relatively stable through the year
- Provisions for credit losses remain low compared to peer average
- Our average VaR has risen, reflecting higher market volatility
- However, it remains very modest by historical or comparative standards
- On both liquidity and funding, our key metrics are as strong as they've been at any time since the financial crisis of 2008
- Underlying these strong metrics is our disciplined risk management framework, supported by structures, systems and processes
- We outline this on slide 3

Slide 3 – Disciplined risk management framework

- We went into the COVID crisis in a position of strength
- That's because our framework provided multiple layers of protection
- Our risk appetite is calibrated to capital adequacy and earnings stability
- The threshold for key metrics of the bank are cascaded down to individual businesses
- We employ more than four hundred thousand risk limits, set by country, industry, asset class and individual client
- We manage credit and market risk limits dynamically, and monitor liquidity daily along multiple dimensions
- We make extensive use of credit enhancement via high-quality collateral and structural protection, for example through 'first lien' positions
- Additionally, our loan portfolio benefits from 44 billion euros in CLO and CDS hedges
- Four out of our five largest provisions in 2020 are hedged
- Our dynamic market risk hedging strategy proved highly effective in the extreme volatility in March and April
- Our rigorous stress testing approach takes into account a range of severities
- It's built around a number of historical and hypothetical scenarios
- This enabled us to identify and address potential vulnerabilities in our portfolios
- Likewise for Liquidity Risk, our conservative positioning is supported by stress testing and active monitoring
- That equipped us well to accommodate drawdowns and provide new lending for clients in the first half of the year
- We benefited from well-established crisis management procedures, robust non-financial risk management frameworks, and clear governance around our risk culture and conduct
- Our Anti-Financial Crime and Compliance teams monitor three million transactions and around a million communications, in twelve languages, per day
- A second key factor was: agile and proactive management during the crisis
- We summarise this on slide 4

Slide 4 – Proactive crisis management through COVID-19

- In late 2019 we were already monitoring the onset of COVID in China
- We identified industries vulnerable to the pandemic. That enabled us to conduct impact assessments
- We launched our regional crisis management response in January and our global response in February
- That positioned us well to deal with the market dislocations of March and April
- We continued to run additional stress tests against mid- and long-term scenarios
- We further tightened our risk appetite, principally in market risk but also in credit risk
- We took advantage of periods of strong markets to successfully de-risk our LDCM underwriting pipeline.
- This gave us capacity to keep supporting clients
- Economic uncertainties persist – so we continue to manage and monitor these risks closely
- All of this was underpinned by investments in data, technology and controls over recent years
- Let's take a look at some of these, on slide 5

Slide 5 – Investments have further strengthened our foundations

- In the past four years we've invested around 1.2 billion euros in data, technology and controls
- These investments have strengthened the quality and granularity of our data across all risk disciplines
- We'll continue to invest significantly in technology in 2021, particularly in Anti-Financial Crime or 'AFC'
- We aim to be an industry leader in Sustainability – so we're continuing to develop our framework for climate risk
- Now let's focus on our main risk areas – starting with credit risk

Slide 6 – Conservative loan portfolio

- Slide 6 shows our 433 billion euro loan book by business, geography and focus portfolios
- More than half of our portfolio is in the Private Bank – primarily low-risk German retail mortgages with loan-to-values of around 70%
- More than half is in Germany – which has historically been a lower-risk market thanks to low debt levels and decisive government action
- As a result, our home market was less impacted by COVID than other leading economies
- A relatively small proportion of our loan book – around 15% –consists of portfolios in areas most impacted by the crisis
- We're confident our risk in these areas is well contained
- Let's look at these in more detail! I'll start with Commercial Real Estate, on slide 7

Slide 7 – CRE: high quality portfolio, challenging condition

- Our 29 billion euro CRE portfolio makes up around 7% of our loan book
- We typically benefit from a senior position in the capital structure
- That means we're well protected by high quality collateral.
- The portfolio is well diversified. Average exposure is less than 60 million euros
- Around three-quarters, or 22 billion euros, is in lower risk assets, such as office, residential or mixed use
- We went into the crisis with conservative loan-to-value ratios - around 60% on a weighted average basis.
- Corporate Bank exposures are 6 billion euros. They're predominantly German – a former Postbank portfolio
- These have caused no Stage 3 provisons year-to-date
- The remaining 7 billion euros is in higher risk areas. This includes hotels, condominiums and retail
- Quality is high, as is the commitment from sponsors
- Going into the crisis, weighted average loan-to-values were between 50% and 60%

- That's a significant 'cushion' against falls in value
- A smaller subset of this is in what we describe as 'focus' portfolios.
- This exposure is 1.6 billion euros – that's less than 40 basis points of our total loan book
- This small portfolio is diversified across 24 assets, principally US hotels
- For these, indicative loan to value has risen to 80% on a weighted average basis, so we still have a cushion
- Now: a few words on other focus portfolios, on slide 8:

<u>Slide 8 – Other focus portfolios: continue to perform resiliently</u>

- The aviation sector is less than 1% of our loan book
- Exposures are largely secured by new, single-aisle aircraft at major carriers
- We've reduced commitments by nearly 20% this year, and 83% of loans are performing
- In Leveraged Debt Capital Markets, we've reduced exposures by around 50% to 5 billion euros this year
- Our exposure is well diversified and almost exclusively secured by senior, first-lien positions
- Our Consumer Finance portfolio is 24 billion euros, around 6% of our loan book - one of the lowest proportions among major international banks
- It's predominantly current account-linked credits and instalment loans. Less than 10% is credit card lending
- Delinquency ratios are broadly stable. Over 90% of clients who took advantage of moratoria have now resumed payments
- To sum up: we believe our exposures across these 'focus' areas are manageable
- In aggregate, we expect provisioning for 'focus' portfolios to remain elevated, but contained, in 2021
- Now let's turn to the overall picture on provisions on slide 9:

Slide 9 – Provision for credit losses in line with expectations

- With our first-quarter results, at the height of the pandemic, we gave guidance for provisions to be 35 to 45 basis points of loans in 2020
- Today, that guidance still holds true.
- In 2021 we expect provisions to remain above pre-COVID levels, but slightly lower than this year
- If you compare provisions with actual charge-offs over the last six years, you see that we've been conservative in our provisioning
- Charge-offs have never been above 100% of provisions over this period. They've been around 90% on average
- Second, the ratio is lower in 2020 year-to-date, as provisions in 2020 have increased driven by the Covid-19 pandemic
- Charge-offs are a lagging indicator, so over time, we expect this ratio to rise
- We expect a return to the long term average in following years, as the economy recovers and provision levels normalize, as Christian outlined
- With that, let's turn to market and liquidity risk on slide 10

Slide 10 – Market and liquidity risk actively managed in the crisis

- In a fast-changing environment, agility is key to managing market risk
- Our hard work and investments in risk frameworks, systems and processes have paid off!
- As volatility spiked, we reviewed risk appetite dynamically
- We reviewed around 16,000 limits and adjusted over 1,500 of these
- We've rolled out Full Revaluation Historical Simulation VaR
- That enables us to calculate around 30 billion re-pricings every day
- We can analyse and manage risk at a deeper, more granular level
- Preparation, hedging and stress testing helped us manage risk tightly
- That helped our trading business to perform well, as Ram will explain
- We went into the crisis with strong liquidity

- At the end of 2019, reserves were 222 billion euros and our liquidity coverage ratio was 141%
- That gave us the flexibility to support clients suffering liquidity stress
- Liquidity rebounded quickly. By the end of the second quarter, liquidity had risen to 232 billion euros, already above pre-COVID levels
- Liquidity further strengthened to 253 billion euros by the end of the third quarter
- Now let's turn to non-financial risk on slide 11

Slide 11 – Non-financial risk

- These are some results of our work to strengthen our risk culture
- Our non-financial risk costs are now modest by historical and peer standards.
- We continue to make progress in AFC
- For example, we've exited arouind 60% of our correspondent banking relationships in recent years due to risk concerns, and we've reinforced our 'know-your-client' processes
- We're confident we are on the right track in AFC - but we acknowledge that there is still a significant book of work ahead
- We've established strategic remediation programmes which will address open issues in a front-to-back manner
- These are partnerships between our Risk function and our businesses, in collaboration with our Technology and Strategic Analytics teams
- We're also working on as part of our partnership agreement with Google Cloud
- Now before I sum up, I'll say a few words on the outlook

Slide 12 – Risk outlook: challenging but we are well prepared

- We expect 2021 to be another demanding year for risk management, though not as tough as 2020
- We believe we're well positioned to meet the challenges
- We see credit defaults remaining elevated as governments scale back support schemes

- Our forecasts may prove conservative if a vaccine is widely available early in the new year
- Interest rates will be lower for longer. We expect investors and savers to continue to search for yield
- This is good for some of our businesses, but 'risk off' days will create volatility
- Finally, COVID will continue to impact the way we work. We're not going back to the 'status quo ante'
- The trend of remote working will likely continue
- This will bring new operational risk challenges, and we believe we are well prepared
- With that, let me conclude

Slide 13 – Conclusion

- We successfully navigated exceptional stresses this year
- That was thanks to a strong risk management framework and agile management through the crisis
- We've shown strength across all major impacted risk types
- We've made significant enhancements to our control framework, but the work and investment must continue, in particular within AFC
- And with solid capital and liquidity reserves, we're well prepared to face future uncertainties
- Thank you!

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Fabrizio Campelli

FABRIZIO CAMPELLI

- Hello everyone
- I'm Fabrizio Campelli, and I'm the Chief Transformation Officer of Deutsche Bank
- I joined the bank nearly 17 years ago, and over the years I have gained a fair amount of insight into the organisation by working in and leading several businesses and infrastructure functions
- This department was created a year ago but did not feature heavily in last year's Investor Deep Dive, so I wanted to spend the next 10 minutes or so explaining the purpose and mandate of the Chief Transformation Office, and how we're ensuring that our bank delivers on its strategy

<u>Slide 1 – Summary</u>

- The Chief Transformation Office was created to oversee the disciplined delivery of the bank's transformation agenda as outlined in July 2019
- We've created a well-defined portfolio of initiatives and key deliverables and around that we've built strong governance and systems to track against our targets
- The Chief Transformation Office however does not just drive the transformation agenda
- It also directly contributes to new cost and revenue measures to address challenges in our environment, and it supports a significant part of the management agenda that Christian talked about earlier – I will come back to this in a few minutes
- So you can see that the Transformation Office's overarching purpose is to be both an enabler of our strategic agenda as well as an enforcer of discipline in its delivery

Slide 2 – Well defined portfolio

- As you may remember from last years' Investor Deep Dive, we have structured the programme around 20 Core Transformation Initiatives which are aligned with our strategy of refocusing our business model around our four core businesses;
- Restructuring our infrastructure to reduce costs and become more efficient;
- Reinvigorating our workforce around a more entrepreneurial mindset and a stronger control culture;
- And optimising our returns through disciplined use of capital and balance sheet

Slide 3 – Execution closely monitored

- More specifically, these 20 Core Transformation Initiatives rely on the disciplined execution of around 70 Key Deliverables, which in turn require us to achieve around 800 milestones and manage a number of risks and dependencies through a new governance framework
- These Key Deliverables are expected to contribute the largest portion of our plan's financial benefits: on expenses alone they represent almost three quarters of the cost reductions we are targeting by 2022
- There are also non-financial benefits - such as an improved control environment and enhanced data quality - which we monitor closely across the bank
- We aim to focus on leading indicators so that we have an early warning system to alert us if anything deviates from our plans or expectations
- This way we can escalate any problems rapidly to the relevant decision-making bodies of the bank
- Furthermore, this enables us to identify possible future delays to key programs which could have material consequences to our goals and identify – well ahead of time – measures to mitigate the risks to the overall plan
- Another important benefit of this new approach is better resource prioritisation: we are able to focus the whole organisation more rigorously than ever around top priorities

- This systematic approach is keeping execution on track, and delivering results – as you will see on the next slide

Slide 4 – Delivering tangible results

- Despite the challenges of the Corona virus pandemic, our transformation has remained firmly on track
- Over the course of 2020 we have taken many decisions, and have concluded a number of very tangible actions across all business and technology areas
- The milestones highlighted on the left of this slide point to an important aspect of this transformation: this management team is very committed to getting things done
- The results of this approach are quite visible
- Overall, during the first 9 months of the year, we have achieved 90% of the milestones and 130% of the cost savings we had identified and planned for within our key deliverables portfolio
- This helped to keep us on course on costs – as well as on non-financial benefit goals - despite the turbulence of 2020
- So being on track or ahead of our objectives so far gives us confidence that we will achieve our 2022 goals

Slide 5 – Driving own ideas

- Managing the disciplined execution of the transformation agenda is a key part of the Transformation Office, but not the only one
- We are also tasked with acting as a catalyst for new ideas to help mitigate risks that can arise in the turbulent environment we are operating in
- As a team, we continue to look at ways to originate, validate, and then implement new initiatives that improve our bank’s outlook on costs, revenues or non-financial goals
- For example, we have launched an end-to-end process re-engineering programme, deploying Artificial Intelligence to find more effective ways of working

- We're using data tracing tools to do the heavy lifting for us
- So in just 6 to 8 weeks we can identify tangible measures to improve processes, client experience and efficiency – something that would have taken us six months previously
- We are doing this in partnership with the leading German financial technology company Celonis
- By 2022, we expect process re-engineering to deliver over 60m euros in cost efficiencies just from 40 processes we will re-engineer first – as you heard already from my colleague Morgane Meillon
- To pick another example, we are also learning from our experiences during the Covid pandemic to think about how we and our employees would like to work differently in the future
- It's clear that more employees would favor more flexible work models and that it is possible to work efficiently remotely
- So we're operating in close partnership with Frank Kuhnke and the Chief Operating Office team to develop a long-term remote working model which will help us improve our employees' experience, drive more efficient usage of our office space without compromising our productivity or supervisory requirements
- This is a good example of the work that we do to not only focus on improving our current financial position but also to contribute to a long-term transformation of our organization

Slide 6 – Supporting management agenda

- Supporting the execution of the management agenda that Christian presented earlier is another way in which the Chief Transformation Office is working on making our strategy viable for the future
- I would like to touch upon two of these themes – client centricity and leadership, while my colleague Bernd will be talking about our approach to technology separately

- You will also hear a lot more about our stance on sustainability from the leaders of our business areas while you have already heard from Stuart Lewis about our risk management framework

Slide 7 – Enabling Client Centricity

- We know that historically Deutsche Bank has under-leveraged its client base as we've been rather product-oriented in our approach to clients
- We said a year ago that we want to be more client centric, which is easier said than done
- As you will also hear from our business leaders in later presentations, over the past year, our intention has been to apply the same discipline to the execution of our client centricity strategy as to other transformation initiatives
- We've done a lot of work to improve our client centricity culture across the entire organization – both in the client facing areas as well as in the infrastructure
- To support the evolution of this mindset, we have continued to develop a number of measures we can use to enable and make tangible improvements to our client centricity
- First, we're enhancing our approach to client coverage – as example, by moving to a common Client Relationship Management platform, Salesforce, that gives us a three-hundred and sixty degree view of our clients relationships across the entire bank
- Second, we're fostering better cross-divisional collaboration so that we meet more of our clients' needs from within the Group
- As we mentioned at last year's Investor Day, this is a very important lever for Deutsche Bank because even small steps in the right direction can deliver substantial returns – I'll come back to this in a moment
- And finally, we're also improving our client analytics platform and gathering client feedback much more systematically so that we can learn from our clients' experiences

Slide 8 – Growing cross-divisional revenues

- Coming back to cross divisional revenues - you may remember the left hand side of this chart from last year's Investor Deep Dive
- By driving new partnership ideas across our bank and focusing on a set of specific high-potential collaboration corridors between our businesses, we have a clear plan on how to add up to 500 million euros of cross-divisional revenues by 2022
- This also includes assigning new cross-divisional revenue targets across our businesses
- So we are confident that by taking a consistent and structured approach to client centricity across the entire bank, we can leverage our client relationships much more effectively and achieve our 2022 revenue goals for the group

Slide 9 – Re-invigorating leadership

- Turning to leadership: our transformation is not just about the hard numbers captured by cost and revenue targets
- Nothing can be achieved without taking our people along with us
- We are investing systematically in leadership capabilities and the development of our staff
- As I mentioned earlier – we're also developing new ways of working, including new workspace models and agile work practices
- Furthermore, it is our firm belief that diverse teams generate better ideas and reach more balanced decisions
- We are therefore fostering a culture of diversity and inclusivity and have action plans to improve representation of women and people from ethnic minority backgrounds in our recruitment and talent development processes

Slide 10 – Change is already well perceived

- Our people are responding well to our transformation and how we are managing it right now
- Results of this year's People Survey are the best we've achieved in nearly a decade

- As you have heard in earlier presentations, morale is markedly higher and our employees feel empowered and respected
- We're exceeding the peer benchmarks and are even starting to reach or beat the mark set by high performing companies on several of these measures
- So despite the challenges, we have a supportive and motivated workforce behind our transformation agenda

Slide 11 – Conclusion

- I hope you now have a better idea of how the Chief Transformation Office is fostering discipline and oversight around the delivery of our transformation agenda, and also supporting the management agenda for the future
- Relentless focus on execution will remain our top priority over the next years
- Our transformation roadmap is delivering tangible results and will keep us on track towards our 2022 goals, and beyond
- Thank you very much

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

<u>Speaker:</u>

Bernd Leukert

BERND LEUKERT

- Hello,
- I joined Deutsche Bank in 2019 to transform its technology capabilities
- Previously, I was lead engineer for SAP, responsible for product development and innovation
- Over the next 10 minutes I will tell you about our exciting technology journey and how we are supporting our transformation and the management agenda
- Christian has alluded to earlier

Slide 1 – Summary

- The Technology, Data and Innovation story is about how we can:
    - First, operate stable and secure systems,
    - Second, reduce costs and
    - Third, invest in modernizing our technology
- These sound like conflicting objectives but we have key principles in place to help: such as creating one Technology, Data and Innovation unit
- We are more focused on where we invest
- And we have been bold in our strategic partnership with Google
- We change the understanding of tech from a cost line item to a business enabler!

Slide 2 – Technology, Data and Innovation (TDI) at a glance

- Let me explain why one Technology, Data and Innovation unit makes sense – and why it centers around "the concept of one"
- The concept of one is about taking a unified approach to Technology, Data and Innovation and applying it in every division of Deutsche Bank
- Previously, these areas sat in various divisions
- Resulting in duplication and complexity in the IT landscape

- Simplifying our technology environment reduces costs, reduces complexity and makes us more effective in serving clients
- Our TDI principles are already helping deliver our transformation agenda as you can see on the next slide

Slide 3: Achievements in 2020

- We migrated to a new Core Bank platform in Italy
- We prepared our equities applications for the Prime Finance transfer to BNP Paribas
- We announced the sale of Postbank Systems
- And we signed a multi-year partnership with Google Cloud
- A new era for Deutsche Bank in technology has started

Slide 4 – A clear management agenda

- TDI's principles are also clearly aligned to the management agenda:
    1. As our systems and technology infrastructure underpin our entire business, they must remain resilient, stable and secure
    2. We will become more efficient by applying the concept of one to streamline our technology estate
    3. And TDI must partner with our businesses to deliver the technology solutions that will help us to support clients and grow our revenues
- Ultimately Technology, Data and Innovation is key to the transformation of Deutsche Bank

Slide 5 – Resilient – tested through Covid-19 environment

- Our systems have proven to be stable – while handling an impressive amount of data and more than 25m payment transactions each day
- Our systems have proven to be secure – with our technology protecting us against many thousands of cyber-attacks each day

- Despite the challenges that the pandemic presented to our system stability, itremained close to 100%
- Our systems continued to function well through periods of huge additional volumes being the enabler for a robust business year-to-date
- And we rapidly enabled the workforce to work from home, with 70,000 employees concurrently accessing the system – the basis for the great performance year-to-date

Slide 6 – Greater efficiency through simplification and focus

- As well as keeping the bank up and running, TDI plays a major role in reaching the bank's cost reduction targets as you can see on slide 6
- We have demonstrated this already in 2020
- Technology, Data and Innovation has committed to deliver 1.0 billion euros in cost reductions by the end of 2022
- A question we hear a lot is how can you invest while reducing costs?
- The answer is by simplifying our existing infrastructure
- Especially by consolidating our German retail IT platforms
- And further reducing complexity within our Investment Bank platform while focusing our investments on very specific areas that will add the most value to the bank
- We also continue to improve our control environment, this includes solutions such as the transition to Historical Simulation from Monte Carlo which supports our conservative risk management as Stuart described earlier
- I will go through three important levers on the next slides

Slide 7 – Simplification of data and application landscape

- Starting with the simplification of our data and application landscape
- We are rigorously decommissioning applications
- In 2020 we have increased our efforts to retire duplicated or outdated applications

- In total, the applications planned to be decommissioned by end of 2022 should deliver over 150 million euros of annual cost savings going forward;
- 25 million annualized already achieved this year
- This includes close to 20% of all applications in the Investment Bank as Ram will highlight later
- It does not include benefits from the German retail banking IT integration, which I will outline shortly
- In addition, we will increasingly develop standardized applications that can be used across the bank, not just in one business
- A bank relies on its data and we are working to harmonize our data into a 'single source of truth' across the whole bank
- And we will take advantage of cloud technology to standardize, to streamline, and trace the flow of data across the bank
- This will improve data quality, reduce manual checks and allow us to further automate processes

<u>Slide 8 – Consolidation of German Retail Banking IT platform</u>

- We are focused on creating one end-to-end platform in Germany as you can see on slide 8
- The Postbank platform and its 12 million clients are being migrated onto the Deutsche Bank infrastructure
- We are leveraging the experience from other successful migrations, most recently in Italy
- And in addition we build on the opportunities created by the Google partnership for the customer front-end simplifying end user and customer interaction
- We are now making good progress
- In 2020, we have completed:
    - all product and process gap analyses,
    - defined the joint target platform

- and started the implementation work required on the Deutsche Bank platform

- In 2021, we will complete the systems upgrades and feature improvements in the single Deutsche Bank platform
- At the same time, we will conduct the rigorous testing that complex migrations require to ensure a safe and seamless transition for customers
- We will then execute the migration in 2022 in waves, completing the process before the end of that year
- Our renewed integration approach will require around 200m euros additional investments in 2022, which is incorporated into our updated financial plans and targets
- Finally, decommissioning of the legacy infrastructure will be moved by six month into 2023 because of two reasons:
- Firstly, we want to be conservative and ensure absolute system resilience in such a significant IT migration
- Second, we believe this approach - combined with the sale of Postbank Systems to TCS - minimises the risks of having remaining stranded costs burdening our expense base from 2023 onwards
- And the partnership with Google will help us build a modernized front-end with integrated innovative offerings for our clients
- Karl will provide further details in his presentation

Slide 9 – Creating an engineering-led organization

- To enable our transformation we must grow our engineering capabilities as outlined on slide 9
- We want over half of our Technology, Data and Innovation workforce to be engineers by 2022
- By bringing technological expertise in-house we are reducing our reliance on outsourcing

- Top quality engineers are in high demand, so I'm pleased to have seen a halo effect in the quality of applicants since we announced our Google partnership - which I will talk about on the next slide

Slide 10 – Google Cloud partnership as a transformation enabler

- I think most people understand the benefits of cloud for any bank, improving elasticity, service levels and time to market; while paying compute, storage, network as a service
- But let me stress,
- This is a true partnership, not an outsourcing relationship. This type of technology partnership is rare and a first of its kind in financial services
- We are Google's primary strategic partner in the financial sector
- The partnership means we can take ideas from concept to market much faster and respond more quickly to the most pressing client needs and trends
- And we will have access to genuinely best-in-class technology, such as artificial intelligence and advanced data analytics
- Our incentives are aligned to make this partnership a success
- Let me give you some examples
- We will jointly recruit engineers to co-develop new products for our clients, publish financial service applications on their marketplace and we intend to selectively co-innovate with startups and fintechs that will enhance our client offering
- I'm delighted to introduce Rob Enslin, President of Google Cloud, who has the following to say about our partnership
- [Video from Rob Enslin]

Slide 12 – Technology is unlocking business growth

- There are many great opportunities ahead with Google
- But I want to show you some of the ways in which we are already using technology to build a more client-centric business on slide 12
- This ranges from fast solutions

- for example, we launched a new online application form for KfW loan support in Germany in just 10 days during the first wave of COVID
- To more complex solutions
  - for example, our integrated currency exchange solutions FX4Cash provided by our Autobahn platform to treasurers
- Moreover, we are developing new digital ecosystems, which connect our clients to a broader range of products from third-party suppliers
- With our future offering we strive to become part of the business models of our clients by providing services that seamlessly integrate into their systems

Slide 13 – Conclusion

- In summary, the one TDI approach is driving a simplified, integrated, modern technology infrastructure across Deutsche Bank
- In 2020 we have sharpened our strategic priorities against which we are executing and we have launched three meaningful initiatives
  - Firstly, simplyfying IT landscape footprint with consolidating IT Retail platforms and reduction in Equities and Fixed Income
  - Secondly, cosuming Cloud infrastructure and modern state of the art technology like Artificial Intelligence or Machine Learning and reducing our own technology footprint
  - Thirdly, co-innovation in tech partnership with Google to re-invent Deutsche Bank's core-business – providing banking solutions to corporate and private clients
- We will further invest in technology, to gain efficiencies and to unlock future growth

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Deutsche Bank AG

Investor Deep Dive

9th December 2020 | 12:00pm

Transcript

<u>Speakers:</u>

Christian Sewing

James von Moltke

James Rivett

James Rivett

The first question is from Jernej and it's coming through Zoom. Go ahead, Jernej. Welcome.

Jernej Omahen (Goldman Sachs)

Thank you very much. Now I can be sure that this is not pre-recorded, given that you have stated my name as well. James, I'm going to be, for a change, I'm going to be really brief. I have two questions. The first one is in the CFO presentation, and I think you very helpfully provided on page eight how you expect the costs to evolve for next year and the year after, and the year after that. I was just wondering if you could help us understand the dynamics of the revenue changes as well, so on page five. And I understand you can't provide us with an annual target, but what is the timing of the phasing of these different moving parts that you show us here?

And then the second question is, on page ten of the CEO presentation, and I think you make multiple allusions to regaining market share, and I was just wondering where do you think or who, rather, do you think you are regaining market share from? Thank you very much.

James von Moltke

Jernej, it's James. Thank you for your questions, and maybe we'll have you hold up a newspaper so that you can prove to the world that this part is not recorded. The revenue walk, I would call it flat for a period of time in corporate and private bank, and then sloping upwards. And the driver there is the lapsing of the interest rate headwinds that we talked about. We have a little over half of that 1.2 billion in 2021 still to get through. But that starts to lift then in 2022.

In the investment bank, as we've talked about, of course next year will be a step down from the extremely favourable conditions in 2020. I see it, at the group level, as a step back and then a steady climb to the levels that we outlined in our presentations.

Christian Sewing

Hi, Jernej. Hope you are well. On the market share, I would say this focused approach which we have given ourselves especially in the investment bank is now paying off. For instance, in O&A we have now seen the highest market share over the last six quarters. And it's building up quarter by quarter, where we see that the focus which we have given ourselves, being in certain industry sectors but also what we are doing in debt capital markets, in LDCM, this focused approach is now building up.

And this gives us also the right foundation for our belief that a good part, and Ram and Mark will go in detail in that later on, in their presentations, but a good part of that is sustainable revenues in 2021 and 2022. In the trading business, in particular in the European rates business, we are gaining market share. The third quarter was a testament that also they have the focus on rates, the focus on the FX business. The management changes we have also done in emerging markets last year in September and October are all now coming out and playing to our strengths.

I have said from the start thought that I'm not that much looking on market share. We are running our own race. And that was really in regaining the franchise, regaining clients' engagement. And that is exactly happening. And now we can even see that this starts to be in also winning market shares, and hence it's overall a very promising development which we have seen. And again, with the high sustainability of underlying revenues.

James Rivett

Thank you, Jernej. Now we're going to take one of the questions from the chat which has come in from lots of you. It has also been a focus of the analyst reports that we've seen. This one, Christian, is to you. What are you doing to ensure that the Corporate Bank and the Private Bank remain on track, and you're not just relying on the investment bank for your returns?

Christian Sewing

Thank you very much. I completely understand that question, but to be very honest, the Corporate Bank and the Private Bank are on track. We have to look at the underlying growth in both businesses. And we always talk about the strength and the good performance in the Investment Bank. And we are proud of that, what we have achieved there.

But it makes me equally proud what we achieved in the Corporate Bank and in the Private Bank. They had more headwinds because of the interest rates, and we are taking with mitigating actions, especially in the Corporate Bank to offset these headwinds. I remember sitting here last year talking about passing on the negative interest rates to our corporate clients.

Now we have done it to 70 billion of deposits. That actually compensated a lot for the interest rate headwinds. We have also grown in payments, and in the Private Bank we have grown loans. Both units are hitting their internal plans which we established pre-COVID. And if we continue that development, this underlying development, then we will be there with our revenue target in 2022.

And last but not least, and James can talk more about that, actually the headwinds from the interest rate is starting to soften from 2021 and 2022 and then in the following years, so that makes us confident.

James Rivett

Great. Next question is via Zoom, and it's from Adam. Adam, go ahead.

Adam Terelak (Mediobanca)

Hi, yes. I have two questions on cost. I was wondering what the FX rate function is in your new lowered cost target in 2022. As far as I could see, 17 down to 16.7, you can get largely on dollar weakness. I was just trying to understand the moving parts there and whether there is an offset to some of the savings you're highlighting, or the additional savings you're highlighting?
And then secondly, kind of a follow-on on 2021 expenses. You've got an FX tailwind, the roll-off of your single resolution fund expenses… You're saying the 80% of the run-rate is already there. Why are we not being more aggressive than the 18.5 billion? Thank you.

James von Moltke

Thank you, Adam for those questions. I'll take them in reverse order. As both Christian and I mentioned in our prepared remarks, as we see ourselves tracking to the run rate for next year and we saw some of the investment demand or investment burden, as I referred to it, for next year, we looked at 2021 really as an investment year to then take the bigger step down in 2022.

We thought that that was the prudent decision, especially given the progress that we've made up until the beginning of our planning cycle, which kicked off in August.

And that begins to answer your second question. FX, we typically essentially snap a view of FX rates as we kick off our planning process, relative to the last plan, which of course underlies the numbers we showed you a year ago. We have had some help from the dollar exchange rate. A little bit of headwind from sterling. Together, that's a modest help that we've had. It's actually represented about 100 million also this year.

But helpfully, that's allowed us to offset some of the expense pressure, particularly compensation pressure which you'd expect us to be showing especially in the Investment Bank, given the improvement performance. So yes, it's a modest support for us, but we think that that is then reinvested in the support for our revenues.

James Rivett

Thank you, James. We'll stay on the Zoom questions, and we'll go to Jeremy, looking very sharp there. Jeremy, I believe your first question's for Christian. Do you want to go ahead?

Jeremy Sigee (Exane)

Yes, please. I've got two questions, if I could. One is really continuing the discussion about the investment bank revenue targets, which I think obviously, as has been discussed, is above what the market is expecting either for Deutsche Bank or for the industry pool. I just wondered if you could talk a bit more about the assumptions you're making in terms of, are you more optimistic about the industry revenue environment, versus how much you're expecting to deliver market share gains to underpin that number? That's the first question.

My second question was more specifically, and it's more for James, actually, it's more of a nitty gritty question just on the CIU leverage run-off, which is… You made a comment about deciding to allow leverage to run off more slowly in shareholder interests. I wondered if you could talk in a bit more detail about what the trade-off is and what sort of assets that's involving.

Christian Sewing	Thank you, Jeremy. I'll take the revenue question on the Investment Bank. First of all, I do have to admit, that we underestimated the potential of the revenues in the Investment Bank when we announced the strategy in July 2019. And one of the key reasons for that is actually the negative halo impact which we expected from exiting equities, with the halo impact in particular on the FIC business but also on the other businesses in the Investment Bank. We had a client attrition ratio in mind in our FIC business. And to be very honest, already after the first three or four months, and I think I said it in our quarterly announcements, that didn't come true at all. It's just the reverse, that people actually like the focus which we have given ourselves, that they like the fact that we are investing in those businesses where we have relevance for our clients and a good market share. And a leading market position. And that actually went through the last 18 months. The level of client re-engagement is very, very positive. And it's continuing quarter by quarter. And obviously, rating actions like Moody's or Fitch from October and November, it's helping clearly. What we are seeing is that the focus which we have given ourselves on the FIC business but also the focused approach, and our skillset of being strong in the financing business, is paying off. And again, Mark and Ram will detail that out later. But that a very good part, a substantial part of the outperformance which we have seen in 2020 is deemed sustainable. Last but not least, you can also clearly see, we have a revenue forecast which we have shown in my presentation of above 9 billion for the investment bank this year. I think we are conservative by actually then saying in two years' time, despite this success, despite seeing how many clients are re-engaging with Deutsche Bank, we are saying that we believe it's around 8.5 billion in 2022. And all that in those areas where we banked on in last year. I think it is actually a clear testament for our strategy.
James von Moltke	Jeremy, if I take the second part of that question, the CRU asset run-off. We've lived with this portfolio now

for a year longer, looking at the transactions on a very granular basis. And of course, with the experience of the de-risking transactions that we've done this year. As we look at that, we did give some thought to, would we invest some de-risking Euros into accelerating that leverage exposure glide path? And we decided it just wasn't economic to do so.

First of all, principally we were after the CET1 deleveraging benefit, and as you've seen, we achieved that. But secondly, it's just not economically rational if you're looking at a four and a half percent ratio, as helping to define your break-even point.
To give you an example of an asset that might look like that to us, a structured repo transaction, for example, where the terms on which you could exit that trade are unfavourable to our side of the transaction. You could unwind it. But if you did that, you'd crystallise a loss that would otherwise never exist. And if it just runs off to its original maturity date, there's no loss ever incurred. It's a granular look at transactions like that that has fed this change of view.

James Rivett

We'll now take a couple of questions from the chat. The first one for Fabrizio. Fabrizio, a question that we've got several times now is can you give us some examples of what's changed in your approach to collaboration across the bank, and where are you most excited by that?

Fabrizio Campelli

Thank you. Actually, a fair amount has changed, because we try to embed collaboration much more at the actual working level and across staff not just at the top of the house but actually inside the organisation.

On revenue collaboration, I made reference earlier to up to half a billion of revenue upsell you can capture through it. We've actually embedded it through targets that we've assigned to our divisions, through referral systems that we intend to roll out across the entire bank. Providing people with better information on how they can collaborate better, all the way down to a single platform salesforce that allows for a sharp view of the same clients. But also, at the very simple level, offering people incentives for when they successfully collaborate.

At the cost level as well, a lot of work had already been started by James and the Cost Catalyst program a few years ago. This helped create a spirit of providing new ideas that we can then lean on to generate cost reductions.

And that too has been built upon, and we now are attaching a lot of new smaller ideas that can lead to this improvement to our cost target in 2022, and to the new target we've provided, by actually embedding a lot of these initiatives directly into the people who need to execute them. Not centrally driven, but actually distributing them across the organisation.

What I'm most excited about, there's some new ideas that we did not have before that are coming out as a result of these processes, but also the changed circumstances. We made various references to the face that Coronavirus has opened up the opportunity for us to explore new working models. This will lead to cost reduction, not just improved work experiences, but actually better use of space. And the possibility of locating workforce in ways that can still be productive but possibly less expensive to the bank.

I believe that these new forms of technology-enabled collaboration will also be very important for us, not just to 2022 but beyond as well.

James Rivett

Thank you, Fabrizio. And now to Bernd. Bernd, one question that we get a lot and we've got today is, previously your technology has been described as lousy. What's your view, coming into the bank as a relative newcomer?

Bernd Leukert

First of all, I think I want to share that we have proven that the technology was the enabler for the tremendous success of the transformation so far. When I look back at the last couple of months, it was not just that we have been instrumental in driving the transformation itself.

We have now changed our way of working. We enabled the organisation completely to work from home, which in peak times was 70,000 concurrent accesses to our systems, including all businesses in the Private Bank, in the Investment Bank, including the traders, including Asset Management, as well as the Corporate Bank. We changed the way we interacted with customers in a digital way, and could strengthen our customer obsession philosophy. As well, again, to stress underlying and fed with technology.

Looking at that, I would say we have laid out the foundation now. We have focused on stabilising the business. And as Christian outlined before, we are up now in our partnership with Google to help driving future business growth.

James von Moltke	If I could just add something, James, on that, to us as sponsors of technology, Bernd is our partner in delivering the technology. Stuart and myself and the businesses are consumers. It does feel like we're building now on a foundation of the investments we've made in years gone by. And whether that's the core infrastructure, whether that's data, our data estate, other tools and applications the pace of innovation is going quicker. We are more focused on a fewer number but larger processes. We're seeing an acceleration in innovation, but also the reliability that Bernd spoke to.
James Rivett	That's great. Now, let's go back to Zoom. Magdalena, are you there? Hey, there you are. How are you?
Magdalena Stoklosa (Morgan Stanley)	Absolutely. Thanks very much. I've got two questions. One is about dividends, and another one more strategic. When you think about the excess capital you talked about, the five million to date, how do you think about the competitive dividends pay-out ratio for yourselves from 2022? And also, if I may, how do you think about the mix between dividends are share buybacks? That's the first question. And the second question I just wanted to pick up where Christian left off when talking about your next phase. You talked about the cross-sell and how you see improvements there, and also technology as a growth driver rather than the enabler we've just talked about. Could you give us a better handle on how you benchmark cross-sell, which I assume is within the Corporate Bank and IB mostly, and where shall we see further improvements? And also on the technology, but just going forward, where's the opportunity you see?

James von Moltke

Thank you, Magdalena. I'll take the question on dividend or pay-out, the distribution, and then perhaps Christian will pick up on the follow-up question. It's of course early at this point to make any firm predictions, but as you'd expect, we've given it some thought. And I will start by saying any of those distributions will need to have regulatory approvals.

As we think about it, you've heard us say in the past, competitive pay-out ratio. And I think that's certainly where we want to get to in terms of a percentage of earnings. But I think it's also a dividend yield, as you point out, that one wants to be competitive again with competing investments. To our mind, that should in a steady state be somewhere between two and three percent of a dividend yield, at a pay-out ratio that is sustainable.

And I think once we've achieved that, for us the corporate finance analysis at least when we're valued somewhere in the ballpark of where we are today would be to look at the balance as being share repurchases. Again, those are decisions for well into the future, but perhaps frames for you how we're thinking about it.

Christian Sewing

Magdalena, I would like to answer your second question and potentially Fabrizio will join also, or Berndt, from a technology point of view. But let me answer it slightly different. Number one, we have found our foundation, and that is the most important, before you start to grow the business, that you know where you actually have a relevance in the market. And that's what we are seeing in all four businesses, and therefore the foundation for each of the four businesses is really good. And from there on, we are not starting for further growth. That's number one.

As I tried to lay out in my presentation, that we have global trends which actually are uniquely covered by Deutsche Bank's setup. And in particular, when we talk about the IB or the Corporate Bank, I'm looking at the financing demand, not only because of the pandemic but also, in particular, because of the change in Europe to become a green economy. That is huge investments, and if you look at our pipeline, there is a lot of ask and demand actually for Deutsche Bank to advise and also offer our help.

Same if you think about wealth preservation. Again something where we are uniquely positioned. We have global trends like sustainability, like the globalisation that we can offer our unique network where we think on top of the sound foundation which we have now delivered on over the last 15 months, we really have growth pockets. And we will work on that.

And thirdly, and that's also something which we already laid out on July 8th 2019, that actually you may call it other enablers, and one of those is technology. We believe that with the right technology, with the right usage of data, and Google will in this regard be a great partner to us, we can offer different products to our clients.

One example in the Corporate Bank where Stefan Hoops will talk about asset as a service. The way we can help our clients to optimise their working capital management, so to say pay per use for corporates. We are developing that. We can only develop that with Google with their knowledge on data handling, with their artificial intelligence knowledge.

And these are the pockets where then from these enablers, like technology, but also client centricity, as Fabrizio was talking about, we see another level actually to grow. And that all makes us confident that we can raise our game.

Fabrizio Campelli

Perhaps I can add, Magdalena, on the point of specific areas we're focusing here, I made reference in my presentation just a little while ago to corridors that we have identified between businesses. You're right, a lot of it is between the Corporate and Investment Bank, but that's not actually all we're doing.

The corridors we have identified and on which we want to really energise cross-divisional collaborations are areas like providing foreign exchange services to corporate clients, but also between the International Private Bank and our FIC franchise on structure notes, for example. Or the appetite that a lot of our international private bank clients have in EMEA and in Germany for foreign exchange, that we are now much better able to target.

And then if you think about the family office of institutional clients, at times there's this great volatility and uncertainty. For them to be able to access the capabilities of the investment bank is something that we're investing on to really provide to them a much better rounded service. That's another corridor of opportunity between businesses.

We're also launching or have launched a merchant banking joint venture between the corporate bank and investment bank that really leverages the capability in the global credit trading and trade finance, to deliver a solid service to clients that actually would otherwise have to deal with both parts of the bank separately.

There are very specific areas that we have identified and around which we are building, not just enablers but also a cultural, a mindset of working together to deliver to clients. Becoming more centric to the clients' needs.

Bernd Leukert

Magdalena, to add maybe just a thought which is different, why are we talking about an inflection point in technology? So far, we have operating the entire technology stack either our own or in collaboration with outsourcing partners. What we doing now with Google is we consume the entire infrastructure, which is compute, storage, network, but as well future services like machine learning and AI. We consume this as a service and we pay it as a service. No need to keep buffer for stress times. Peak advantage on the bottom line.

And then on the top line, we change the paradigm from having complete banking system by provisioning financial services. And Christian mentioned asset as a service. We could add payment as a service, a payment gateway where we as a bank are part of the business model of our customers. A different situation in terms of scalability. And once we are there, I would say a low touch, no touch opportunity in terms of revenue growth.

James Rivett

Thanks a lot. We'll now go to a chat question. And this one is for Stuart Lewis in London. This one comes from Samuel from Vanguard. And the question is, what about your stress test resilience? Is that a priority for Deutsche Bank? What progress and improvements have you made over the last few years? And really, what do we still need to do there?

Stuart Lewis	Thank you, James, and thank you, Sam, for that question. Yes, is it a continued focus for us as a firm. In fact, we have increased the frequency of the stress test that we perform at the group level and also at the business division level. In fact, stress testing informs the risk appetite in the group, so it's very much a feature of ascertaining our strategic direction for many of our businesses.
	The second point I think I'd make here is that we think about stress tests in how the impact of asset variability will affect capital, and also affect RWA. CLPs and market risk exposures will clearly impact P&L. Where we have rating migration on the loan book, which will impact RWA.
	There's a fair amount of detail, bottom-up planning, that goes into assessing the impact on those stress tests. Including, we share that output with the regulators as part of our recurring resolution planning too that we have to do on an annual basis.
	And I think as you've seen during 2020, we are pretty resilient, both in terms of capital and also in terms of liquidity in the bank. And I think those stress tests that we perform regularly throughout the year really help us inform as to what counter-measures if any we need to take in order to keep both liquidity and capital strong.
James Rivett	Thanks, Stuart. That's great. Next question, we'll go back to Zoom. Andrew Lim from SocGen. Good to see you. I think your question is for Christian, right?
Andrew Lim (Societe Generale)	Yes. I would love to revisit dividends again. It's great to see your commitment to capital returns. I'm just wondering when you're going to start accruing for dividends for 2021 dividends. It that going to be early next year, or are you going to backend that discussion towards the end of next year? And then looking towards 2022, what kind of assumptions have you made for the accrual of dividends when you give us guidance that the tangible equity should be about €50 billion there.

And then just looking to your loan loss guidance there, I think you've given EUR 1.2 billion. If my maths is correct, the loan loss rate is about 30 basis points, maybe slightly below that. Still tracking higher than your normalised expectation of 20 to 25 basis points.

I'm just wondering what's your thinking there, behind 2022 still being an elevated level on the quarterly run rate? It does seem to be quite a bit higher than what we should expect for 4Q this year, if things are ticking up again. And that's despite the positive vaccine news, of course. Perhaps a bit more colour there. Thank you.

James von Moltke

Thank you, Andrew. It's James. I'll take the dividend discussion. Absolutely right. We would, in the capital forecast for the end of next year, we will have needed to accrue for the expected dividend in the subsequent year. As I mentioned earlier, we haven't yet made that decision, but of course a distribution is built into our planning, based on the statements we've made today. We would be minded to increment that with share repurchases, and so the path to the tangible book value or the tangible equity that we see also foresees some repurchases, which is a little bit more flexible in terms of both the accrual in the capital accounts and the timing.

Of course, as I said earlier, all of that is subject to regulatory approval. And of course, we need to perform and potentially out-perform our expectations for next year, depending on the market environment. And those decisions at that time or that performance and the outlook at that time would underline our distribution decisions late next year.

Stuart Lewis

Andrew, thank you for that. In 2022 I think we would still expect to see some elevated loan losses coming through from the consumer sector. Our models tend to identify a lag between an economic recovery, which we see occurring clearly in 2021, and the unemployment levels. Right now we're seeing that slight elevation in the consumer finance.

In 2021 we still see some challenges around three principal sectors. That would be consumer finance, which is going to be elevated, the CRE portfolio I think will still be elevated, and the aviation portfolio

	will still be elevated. But that accounts for that slight hiccup, if you want to describe it as that, in 2022 before we normalise in 2023.
James Rivett	Thank you, Stuart. Let's stay on the Zoom and let's go to Amit from Barclays. And I believe, Amit, you have a question for James, right?
Amit Goel (Barclays)	Yes, thank you. Hopefully you can see and hear me okay. I've got two questions. One just following up on the capital return point that you've made. I'm just curious how you anticipate the regulatory approval process working, both for restarting dividends and or to do buy-backs, and what kind of discussions have you had with the regulators on that? And then secondly, just coming back, actually, to slide 17 of your presentation, I think we've spoken about the CIU and the slightly higher equity allocation there. For the ID, obviously they're a slightly lower allocation, whilst we see [?] the revenue expectation's a lot stronger. Clearly this year we've had heightened volatility, but in a world where perhaps we see some normalisation, just curious how you're thinking about achieving the higher revenues on that slightly smaller equity base. Thank you.
James von Moltke	Thank you, Amit. If I think of your two questions, we are engaged with the regulators all the time. Our capital planning and the visibility into that is essentially a monthly process. As we get closer to a distribution decision, naturally they will be increasingly engaged, as will our own governance processes, including with the supervisory board, will govern that set of decisions. Of course, we're in an environment now where we also all need to await the macro decision that the regulator will take about distributions out of the banking sector. Our hope and expectation is that by that distribution decision, which is over a year from now, we'll be back in a normalised environment where we as an institution but also the sector will be looking to the future with more confidence about the outlook, and distribution decisions at that time will be considered to be prudent. On the second question about RWA productivity, it's something we spend a lot of time looking at, together with Ram, his team and Mark. And it's, I think, a

discussion also to bring up this afternoon in that context. We have learned a lot over the past several years as we optimise the balance sheet, at the velocity of the balance sheet, how to optimise the usage. In respect of all resources, by the way. Not just RWA but also leverage exposure and liquidity.

And as we become more sophisticated, it's helping us to improve the RWA productivity. We're also working hard around refining our capabilities here. FVA is a good example that we introduced now a couple of years ago in a more comprehensive and I think sophisticated way, in addition to our ongoing capital calculators.

These are tools that are helping us use the balance sheet more and more efficiently, and that's certainly again a topic that we should come back to again later on today.

Christian Sewing

Perhaps I can add one point to the regulatory question, because Amit, I clearly think we have shown over the last 18 months that we are becoming now a normal bank, if I can say that. And that also means that we have built up the trust level and also the confidence of hitting our milestones, not only with the market but also with the regulators.

James is completely right that obviously we are in close contact, but all that we have achieved last year was based on our July 2019 plan. We are hitting each and every milestone, and that obviously makes us then also comfortable that we can have the right and the adequate discussions with the regulators when it comes to these discussions, like capital distribution. But we are confident, and the track record is building that.

James Rivett

A question now from the chat, and this one comes from the team at Cerberus. Thanks for joining us. And James, this one's for you. Assuming that the performance in the investment bank isn't sustainable, what additional levers do you have on the cost side to be able to offset that?

James von Moltke

I guess I'd answer it in a couple ways. First of all, we are looking at every cost lever that we have, every Euro that we can work towards. And as Fabrizio mentioned, we have been working together on a variety of tools and capabilities in this area, and will continue to work those.

In terms of in the event of a revenue shortfall relative to our expectations, of course the starting point would be compensation. As I mentioned a little bit earlier, we have I think built appropriate compensation levels into our forward planning, reflecting higher revenue.

I think the third thing I'd say is we have been, and I talked about this a couple years ago, working to try to variable-ise more of our expense base. And I'd like to say we're further along in that journey than we are, because frankly, we're still in what I call a transformation environment. I think this variable-isation is easier to do and can be more effectively used to manage to a cost income ratio outcome when you're through a transformation period.

Short version, we work very intensively on it. Over time, I think more and more will become variable. And the obvious starting point to your answer will be compensation if we were to fall short of our revenue expectations in 22.

James Rivett

Thanks, James. We'll go back to Zoom again. Kian, I think you should be up with a question. Shame we can't see your face, but we'll take your voice anyway.

Kian Abouhossein (JP Morgan)

Yes. I have two questions. The first one is more a detailed one. In the CRU, you take about 55 million negative revenue hits per quarter in 2020, and I was wondering how we should think about that developing in 2021, as well as your overall CRU losses built in your targets for 2022, please.

And the second question is, if I look at the ROTE target or guidance versus clearly what consensus has, you could argue clearly after today there could be potentially an improvement especially with better cost guidance. But clearly, the revenue side is still very different from what you're expecting and I'm just wondering, how should we think? How can you give us confidence that the revenue assumptions are inside? Where's the difference where you think we're missing something, basically?

James von Moltke

So, Kian, thank you for your question. I'll start with the first. Look, the CRU has obviously outperformed our expectations this year with negative revenues of only about 159 for the nine months to September. There's four or five things in that revenue base. The reimbursment of prime finance, earnings on those portfolios that throw off interest earnings, and then that's offset by hedging and risk management costs, funding costs, and then the de-risking.

Now, of those four or five units, the first three are actually quite predictable. The next one is relatively predictable, and of course de-risking costs will depend on the specific transactions over time. We think we're in a good place, in terms of the ongoing progress here and while visibility isn't perfect, and I expect to see a little bit of deterioration from what we have seen this year, I wouldn't expect it to be in as wide a range as we provided a year ago.

But still, I think our focus there with Frank, Louise, the management team in CRU, is getting to the mission even if we consume some of that de-risking budget. And so you may see some variability in that revenue line, depending on progress

Christian Sewing

To your revenue question, I would answer that two-fold. Number one, I think we need to show delivery.

One and a half years ago, there were a lot of concerns whether we can manage this transformation within the existing resources i.e. capital. Whether we can hit the cost target. And I think more and more people are aligned to our view that we are able to do this and that these topics are off the table.

Now revenue, we have started to really show the strength of the franchise quarter by quarter and that means for us that we need ongoing delivery. But, in order to close the gap, let me again try to explain that in particular in the stable business, in the Corporate Bank and in the Private Bank, which faces most of the headwinds of the interest rates, the underlying growth i.e. if you take the headwinds of interest rates away, the underlying growth is in line with our plan, which we gave to the market last year, i.e. staying on that level of increase in loans for instance in the Private Bank.

Staying on that level in attracting new investments in the Private Bank. Growing actually the trade finance business in the corporate bank. All that, if we stay on that level, we will achieve actually the growth levels which we need in order to come in those two stable businesses to the target level which we have in 2022 set ourselves.

The headwinds from interest rates are starting to soften, which obviously is also a slight backing for our plan. On the investment bank, you will get further details from Mark and Ram later on. We have clearly differentiated between that what we see sustainable and that is approximately 50% of the outperformance which we have seen in 2020 is for our sustainable revenues.

Also based on the trends I outlined before, and then outperformance which is market and use. Therefore, you can see that the 2022 target revenue number in the investment bank is below that what we will achieve for the year 2020. So, in essence, actually we see the underlying potential and we already feel it in the bank. And therefore, I'm quite confident and delete the quiet, I'm confident that we achieve our revenue target and costs are in our hand and therefore, I'm a firm believer in our ROTE target.

James Rivett

Thanks, Christian. We'll take another question from the chat now and this one comes from Hudson Executive and it's for you, James. Can you elaborate on why the CRU use so many of the de-risking dots on the charts are pretty close to the line. Is that just because you update the fair market dynamics, the fair market values dynamically? Or does it reflect the prices that you're actually getting in the markets?

James von Moltke

So, it's a great question. What we've been pointing out for quite some is it is overwhelmingly a fair value portfolio, which means that we mark to market the entire portfolio for practical purposes every day. And those marks incorporate then any new information that we get from the marketplace, whether those are third-party transactions, or importantly, our own.

And when we transact in a certain type of trade, we read it across to the rest of the portfolio of similar transaction. It means that our fair value marks, basically at any given time, represent our estimate of an executable market. Most transactions then, for example, an unwind of a derivative is going to happen in and around our mark. I mentioned actually in response to Kian's question, one of the revenue components that in the CRU is hedging in risk management.

And it's in that risk management component that we would see some of those marks. We actually have a number of days where we have positive revenues in the CRU from that mark to market activity. But the basic point is that more and more we see an ability to execute unwinds or third-party transactions at our mark. And then, as I also mentioned, the prepared remarks from time to time there are more complex derivative transactions or unwinds which will take place at a larger negative de-risking cost, but we think that those transactions that we do enter into are sensible capital transactions for shareholders. Thank you for the question.

James Rivett	Thanks, James. We'll take the last question from this section and it's via Zoom again and it's Andy Coombs from Citi. Hey, Andy. How are you?
Andy Coombs (Citi)	Hi there. Thanks for taking my questions. Along cost, if I may please. Firstly, on the German retail bank migration, you talked about in James' presentation 300 million of investment in 2021 primarily on that platform. Bernd then talked about 200 million of investment in 2022. Then a phased migration during that year and legacy decommissioning in 2023 after that's been delayed by six months. So, my question around all of that is, when you look at the private bank cost saves, the 800 million that's been identified, the biggest single amount from any division, how much of that is reliant on the IT migration and what are the execution risks around this? Both in terms of the risks around incremental investment needs and also the cost saves that have derived from it. Thank you.
James von Moltke	Thanks, Andy. Perhaps I'll start and then invite Bernd to add to my commentary. And, Karl will go into this in more detail this afternoon. We talked a year ago about the cost saves at the time, EUR 1.4 billion in the

Private Bank, coming from technology conversion and also distribution costs and then some smaller amount of support costs. That's still the case and the technology is a big part of that journey for them.

Distribution is also an important part of the saves that we have coming ahead. And you've seen us announce steps in that regard, and again, Karl will go into it around agreements we have with the workers council. So, there's more underway than just that. And I'd invite Bernd then to speak to the high level on the technology conversion.

Bernd Leukert

To add to what James said, I was talking about EUR 200 million incremental investments based on the existing plans and that leads as well to incremental benefits. We will have benefits as we go, but ultimately, we will have more than EUR 350 million annualized benefits once we have done the entire decommissioning of the Postbank landscape. And we incorporated as well the opportunity not to maintain two landscape for two brands. So, think of all the regulatory requirements. Think of all the bank budgets, all of that is incorporated in that more than EUR 350 million annual life savings. So, this is the bottom line benefits you can expect from that very big and complex IT migration in the German private bank.

James Rivett

Thanks, Bernd. That's great. So, that concludes the first section. Our transformation at a group level. We're now going to take a 15 minute break and we'll be back to run through our business presentations.

and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 20 March 2020 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from www.db.com/ir.

This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to the Q3 2020 Financial Data Supplement, which is available at www.db.com/ir.

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Karl von Rohr

Claudio de Sanctis

KARL VON ROHR

Slide 1 – Summary

- Today, my colleague Claudio de Sanctis and I will talk you through the commitments we gave you last year
- How we are successfully implementing cost reduction measures and becoming more efficient
- How we are capitalizing on the strengths of our advisory capabilities, to grow fee and commission income
- And how the execution of our cost and revenue objectives will result in a RoTE of 8 to 9% putting us on a path to higher returns in the future

Slide 2 – Private Bank at a glance

- Slide 2 gives a summary of the Private Bank which is made up of our two businesses, the Private Bank Germany and the International Private Bank
- We account for a third of the Group's revenues, around half of its staff, and we serve about 22 million clients in over 60 countries globally
- We have nearly half a trillion euros of Assets under Management and nearly a quarter of a trillion of euros in loans
- We are the number 1 bank for private clients in Germany, operating through the Deutsche Bank and Postbank brands
- These businesses account for almost two thirds of total Private Bank revenues
- The International Private Bank, which we created in the summer by combining our "Wealth Management" and "Private and Commercial Business International" units, accounts for just over a third of our revenues
- Since we met last year, we've made substantial progress in our strategic agenda, as you can see on slide 3

Slide 3 – Material progress made

- We met all the objectives we promised last year, despite the unexpected operational challenges we've faced from Covid, and we've made substantial progress beyond them
- We've accelerated the integration of Deutsche Bank and Postbank in Germany and have consolidated some of our central and head office functions
- We've also agreed balances of interest with our employee representatives which will allow us to further rationalize our head office and operations in Germany
- We are also making progress to offset the interest rate headwinds:
- By increasing account fees and other re-pricing intiatives we've achieved a 100 million euro uplift this year
- We've also successfully grown client volumes with 20 billion of net new loans and flows to assets under management in the first nine months of the year
- Converting deposits to investment products is helping us grow the share of revenues we earn from fee and commission income
- We have also made progress in our international transformation, creating the IPB and delivering a full system migration in Italy, in the midst of the first wave of Covid
- The related restructuring is in the final stage of negotiations with the employee representatives and we are confident we will reach an agreement by year end
- These operational achievements have translated into our financial performance in the first 9 months of 2020 as you can see on slide 4

Slide 4 – 9M 2020 performance

- The combination of volume growth and higher fee income allowed us to broadly offset more than 400 million euros of headwinds that we faced from interest rates and reduced business activity in the peak months of COVID-19
- Commission and fee income grew by 6%
- We reduced costs by 5% and are on track to deliver around 400m of cost reduction this year thus creating operating leverage

Slide 5 – Adjustments to 2022 plan

- On slide 5 you can see the adjustments we've made to our revenue and cost targets
- This is the result of two factors:
- First, as James von Moltke alluded to, lower for longer flattened yield curves have forced us to reduce our 2019 to 2022 revenue growth ambitions to 1%
- We are working hard to make up for the shortfall, but it simply won't be possible to fully offset these headwinds by 2022
- Second, as Bernd Leukert explained, the decommissioning of legacy Postbank systems will be moved by six months into 2023
- To ensure system resilience we plan with around 200m euros additional investments in 2022 to successfully complete our IT migration to a single platform in Germany by Year-End 2022
- The realisation of the full benefits will now only come through after 2022
- I will talk about this in more detail later

Slide 6 – Drivers to improve profitability

- Slide 6 shows you the drivers that will improve our profitability
- First, we will continue to execute on our cost reduction plans, that - other than the impact from the IT migration - remain unchanged
- Across the Private Bank we expect to lower adjusted costs by 800 million euros from 2020 to 2022 in addition to the 400 million delivered in 2020
- Of these 800 million, 400 million will come from Germany
- As my colleagues Bernd Leukert and Fabrizio Campelli laid out, we are working closely together on our German platform integration, leveraging the experience of TDI and the Chief Transformation Office
- Around 300 million cost reductions will come from the IPB which Claudio will speak about shortly
- And we will implement 100 million of structural measures
- Second, we will grow our revenues

- Our business model is well suited to helping clients preserve wealth – a core driver of the strategy that Christian outlined earlier – so we will leverage our advisory capability to grow assets and loans under management by more than 30 bn next year
- We will also capitalize on the growing demand for sustainable investments by partnering with DWS to develop ESG solutions
- And we are embedding ESG targets into our performance management
- Overall, we expect these actions to enable revenue growth of 2% CAGR between now and 2022

Slide 7 – Our path to improved profitability

- Let me revisit the slide we showed you last year, showing the path to improved profitability
- It will continue to be affected by Covid and the challenging economic outlook, we didn't expect last year
- I have already elaborated on how we are responding to pressure on revenues to offset low rates by not only growing our loan book but primarily by focusing on higher fee and commission income
- The cost drivers I outlined will deliver most of the improvement to our profitability
- We continue to manage our lending standards very conservatively
- As a result we expect our RoTE to be at around 8-9% in 2022, on a path to higher returns beyond that
- I will now hand over to Claudio, who will talk about the progress in the International Private Bank

CLAUDIO DE SANCTIS – INTERNATIONAL PRIVATE BANK

Slide 9 – International Private Bank

- Thank you Karl it is a pleasure to be here
- I am excited today to introduce you our new International Private Bank
- Our vision is to be the house of choice for family entrepreneurs globally
- We are uniquely positioned to provide these family entrepreneurs with a one stop solution for all their private and company needs, both on the asset and on the liability side
- It will also be my pleasure today to show you the progress we made since we last met and explain you how we will produce sustainable profitable growth over the next two years
- Let's then have a closer look at our International Private Bank:
- Our scalable core business is in continental Europe but we also have a profitable fast growing franchise in Asia and the Middle East, which accounts for over a quarter of our revenues and we also operate one of the leading UHNW franchises in the United States
- In Personal Banking, we have around three million clients, primarily in Italy and Spain, acting as a feeder to Private Banking & Wealth Management
- On top of being a global Wealth Management franchise, we benefit from competitive scale: we have almost half a trillion euros of client business volume, which in 2019 generated over three billion euros in revenues, with over two thirds generated in our Private Banking and Wealth Management business

Slide 10 – Levers to drive profitability

- So let me explain you why we created the International Private Bank?
- We were driven by several strategic opportunities, the most prominent and immediate was the merger of the Wealth Management and Private Banking activities
- Bringing these businesses together gave us some quick wins on cost, by combining platforms, products, operations and management

- For example we reduced the number of product functions from 7 to 3, we reduced 50% of the senior executive positions and we merged our central, product and infrastructure teams
- From a revenue perspective , this merger allows us to leverage WM products for Private Banking clients, for example deploying WM lending services to the whole franchise in Belgium
- The next step will be to unlock further potential by more closely aligning our WM and SME business banking offerings, starting in Italy and Spain
- The personal wealth and the business interests of these families are often very closely interdependent and our approach to holistically cover entrepreneurs private and commercial needs, is a competitive differentiator
- Finally our retail banking franchise has an appealing brand for affluent client segment and we are located in the key affluent regions within our markets
- Let me focus now, on how we differentiate ourselves in our segment strategy

Slide 11 – A unique client proposition

- Firstly with the creation of the IPB, we are best positioned to fulfill the needs of family entrepreneurs, certainly as the house of choice in Europe, but also globally when there are European connectivities
- By delivering our combined Wealth Management and Business Banking services, from an early stage, we can accompany these family entrepreneurs as they move from small to medium caps

Slide 12 – Bank for family entrepreneurs: client example

- Then we can accompany them further as they grow from medium to large cap, by providing access to all of the services of our Corporate Bank and Investment Bank and this is not just a theoretical strategy, we are already doing this with many of our clients, to give you an example, we accompanied this Italian SME relationship into Wealth Management and now more broadly across the bank and by doing so, we have been able to triple the revenues over just a few years

- In fact when I took over IPB, I was surprised by the set of capabilities DB has to serve SME family entrepreneurs, particularly in Southern Europe– it is the first time in my 20 years' of industry experience that I have such a complete offering for this segment
- Secondly, we aim to globally be a preferred investment partner for sophisticated UHNW and HNW families
- To these counterparties we offer industry leading products such as Strategic Asset Allocation, we provide solutions to their most complex lending needs and provide full access to our Investment banking solutions in Fixed Income and FX - which are the primary needs for most UHNW families
- And lastly, we have an appealing premium brand in Europe for affluent clients and aim to capture a larger share of their financial needs, as well as maintaining this important pipeline for Private Banking

<u>Slide 13 – 9M 2020: achievement to date</u>

- Now let me show you the progress we made since we met last year
- In Wealth Management we delivered positive jaws year on year, with revenues up 3% and adjusted costs down 7%, both better than peer group average
- The revenue outperformance was driven by investing in more relationship managers, which contributed to a near three-fold increase in net flows in investment products
- As promised, we also launched our Strategic Asset Allocation solution, with over 2,400 mandates signed in WM since May
- On the cost front, our focus on entrepreneurial families, simplified our product offering and reduced complexity in the support functions, resulting in a 12% reduction in non-revenue generating staff
- In PCBI, despite headwinds from COVID and the interest rate environment, revenues remained more resilient than many of our peers
- Adjusted costs were flat compared to last year, as we have been finalizing stringent cost measures since the creation of IPB, some of which were delayed by COVID, but which are now in implementation

- As I already said, our Asia and US franchises continue on their path of sustainable growth, but the most pronounced momentum was in WM Europe (including Germany), where we grew ahead of our peers after the turnaround efforts of the last few years
- Now we aim to replicate the same results by putting the scale to work in the broader European IPB franchise, whilst continuing to invest in Asia and the US

Slide 14 – Revenue growth drivers

- Now let's turn our attention to our plans for 2021/22
- Our ambition is to keep delivering positive jaws, increasing our revenues on average by 5% per year, whilst reducing costs by a further 300m euro by 2022
- Our 5% revenue target is net of weaker interest rate environment, market headwinds and FX movements, so excluding these factors, the underlying growth rate would be 8%
- As already outlined, this revenue growth will be driven by our focus on entrepreneurial families but also through our continued conversion of deposits and non-invested assets into investment solutions
- I outlined last year how we believe the simplicity, low cost and performance of our new Strategic Asset Allocation mandates, are redefining the wealth management industry: we will now roll-out SAA to the whole domestic clients' base in Italy, Spain and Belgium and we will also launch an ESG version of SAA early next year
- In fact in terms of ESG, in fact we plan to integrate ESG criteria into all our investment process, in line with the values of Deutsche Bank

Slide 15 – Cost efficiency measures

- Turning now to our costs, if you look at the next two years we intend to achieve all of this whilst reducing costs by at least 300m euro and this is net of strategic investments, which are key to supporting our growth
- We will continue to focus the combined businesses towards our target client segments

- For example, we will re-position the branch network to focus on our wealth, entrepreneurial families and affluent clients and aim to close a further 60 branches by 2022
- We are also continuing to invest into platform digitalization as well as rolling out the agile way of working to further reduce IT costs
- To conclude, I hope I have been able to show you at least a glimpse of the potential of the International Private Bank
- We are well on the way to becoming the house of choice for family entrepreneurs, we have demonstrated that we deliver against our objectives and we have a clear focused plan in our control to drive sustainable profitable growth
- Thank you very much and back to you Karl

KARL VON ROHR – PRIVATE BANK, GERMANY

Slide 16 – Private Bank Germany at a glance

- Thank you Claudio
- Let us now turn to the Private Bank Germany
- To recap: We are the leading retail bank in Germany with two very complementary brands: Deutsche Bank and Postbank
- We have a genuinely nationwide presence, with currently 1,300 branches, a broad self-service network as well as a comprehensive digital offering
- Our two brands serve around 19 million clients and almost half of them also bank with us online
- Our revenues are well diversified
- Given the interest rate headwinds, we are capitalizing on our investment advisory capabilities to shift our revenues more rapidly towards commission income
- We can see on the next slide, that this strategy has been working in the first 9 months of this year

Slide 17 – PB GY: Strategy is paying off

- The Private Bank Germany generated operating leverage of 4%, better than our major European retail banking peers
- We achieved this result by delivering against both our revenue and our cost priorities
- We held revenues broadly stable with good growth in assets under management and lending
- Converting deposits into investments and repricing continued to good growth in fee and commission income of 7%.
- Adjusted costs declined by 5%
- Following the completion of the legal merger of our Deutsche and Postbank brands, we've consolidated our head offices, central functions and operations
- This includes reducing our operations headcount by 10%, with further consolidation to take place in the next two years
- Our cost reduction measures will be supported by the recently announced sale of Postbank Systems AG to Tata Consultancy Services, with around 1,500 employees becoming part of TCS
- Looking ahead, we are very much aligning our strategy closely to market trends

Slide 18 – PB GY: Benefiting from key trends

- The German market, despite heavy competition, does present opportunities
- Germany has a strong and stable economy, a strong savings culture, good loan growth and low loan loss rates
- We have a well-established financial services sector, but rapidly changing customer behavior is driving fundamental changes to our distribution model, gradually away from branches and towards digital solutions
- So the future will favour those with advisory capability to help clients protect their wealth, with product innovation to address the opportunities from sustainable investment needs, and those with scale and with the determination to adapt to this new landscape

- These trends play to our strengths and our strategy
- We are well placed to capitalize on the wealth preservation trend and grow our advisory business
- We have an established brand, a network of over 4,000 highly qualified and motivated advisers and a broad product and service range that increasingly covers the ESG spectrum
- We have strong partnerships with DWS, and with the insurers, Zurich and Talanx with whom we've recently extended our relationship
- We are well placed to grow our lending portfolio – of course prudently – through our over 3,000 specialist mortgage advisors
- On the cost side, we are realizing synergies from our German integration, by consolidating our central functions, reducing overhead and personnel
- The integration of our systems onto a single platform is in train and we are continuing to re-balance from branches and self-service infrastructure, towards digital delivery
- Let's now look in more detail at the revenue and cost numbers

<u>Slide 19 – PB GY: Key revenue growth drivers</u>

- Over the next two years, we expect to keep revenues broadly flat as our growth will offset the interest rate headwinds
- We are targeting loan growth of around 6% per annum
- To grow the advisory business, we are targeting the further conversion of some 7 bn euro of deposits into investment products
- We will convert 3 billion this year so this is an achievable target, and will get us to the 10bn we promised last year and it will be one aspect of increasing the share of our revenues from commissions
- To support this, we will upskill up to 200 of our people to become financial advisors
- With ESG becoming much more relevant in our clients' investments decisions we'll work with our product partners to expand our ESG offering ranging from an ESG portfolio screening to offering sustainable products mirroring classical products

- We'll also increase fee income by re-pricing certain accounts and services
- For example, we recently introduced account management fees for all new clients with deposits of over 100 thousand euros and will extend this to existing clients over 100 thousand euros starting January 1, 2021
- In our digital offering, we'll include our full range of products, and these will be fully purchasable online, thanks to our automated e2e processes
- As Christian said in his presentation, our best in class mobile banking app will play an increasingly crucial role
- We record steadily increasing visits and reached an average level of more than 20 logins per user and month
- The app will become our main access channel with improved functionality
- As an example, we plan to bundle our digital investment offering - like our online broker "Maxblue", or our Robo Advisor "Robin" and our deposit platform "Zinsmarkt" - to create a convenient and integrated service to people wanting to invest money
- So we know, headwinds are there, but we have a path and most importantly we have a highly motivated and highly qualified sales organization that wants to compete and wants to grow further

Slide 20 – German IT platform consolidation

- Let us now look in more detail at our German retail platform integration
- This is a major project which we are managing together with our Technology, Data and Innovation department, as Bernd outlined in his presentation
- We are migrating the Postbank platform and its 12 million clients onto the Deutsche Bank infrastructure – also to build on the opportunities created by our Google partnership
- The timing of the decommissioning of applications is now six months later than we originally anticipated
- Even on the revised timetable, the benefits of this project are significant, on both costs and revenues

- On revenues, the partnership with Google will help us build a modernized front-end with integrated innovative offerings
- On costs we will benefit from running 1 platform instead of 2
- Also, we will simplify processes, further downsize operations, and achieve a higher flexibility through a modular architecture and lower costs through cloud transformation
- From 2023 onwards, as the investments end, we will begin to generate significant net cost savings, reaching the full run rate of 300 million by 2024
- The sale of Postbank Systems to TCS - will also minimise the risk of having remaining stranded costs burdening our expense base
- The cost savings and the slightly higher investments are incorporated into our updated cost targets which I will detail on the following slide

Slide 21 – Key efficiency drivers

- Turning to our other cost reduction measures, if you exclude the higher cost of the IT integration, we are well underway to achieving the envisaged cost savings with 400 million delivered in 2020
- We continue to focus on the strategic priorities we presented last year – that is operations, our distribution network and central functions – and we are in full implementation mode
- We are consolidating and harmonizing our Operations, automating back office and customer processes
- We expect to process more than 90% of our "paperwork" digitally by 2022
- The second area where we are continuing to tackle costs is our distribution network
- In Germany, branches across the banking sector reduced by on average 17% between 2016-2019
- For Deutsche Bank and Postbank, branches reduced by almost 30%
- So we have addressed this already for quite a while, and we won't stop

- As more clients moved online during Covid, we announced that we would close a further 200 branches, evenly split between our two brands
- We're also consolidating our self-service infrastructure, and will reduce our self-service footprint by about 10%
- These changes to our distribution network will deliver 100 million euros in savings by 2022
- Our final focus is on further reducing the cost of our central areas, where we have been operating two head offices and many other duplicated functions
- We have agreed balances of interests with the workers councils for our Head Office and Operations units that will allow us to reduce our population by around 40% and 30% respectively
- Savings in our real estate costs will further enhance these reductions, as a much higher degree of flexibility becomes the norm following the pandemic
- On the cost side, like on the revenue side, you see us determined to do what needs to be done, with important progress with our employee representatives and in full execution mode

Slide 22 – Conclusion

- Now, let me conclude Claudio's and my session for the Private Bank: despite some of the headwinds we are facing and building on and encouraged by the progress we're making in our transformation:
- We firmly believe the Private Bank will achieve a 2022 RoTE of 8-9%
- We'll do that by continuing to rigorously execute our cost efficiency programme with discipline
- And by capitalizing on the growth opportunities we've outlined in Germany, and in the International Private Bank
- We have taken very fundamental decisions, we are supported by a strong and determined management team, and we have highly qualified and motivated staff that wants this organization to succeed
- Thank you very much

Disclaimer

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

<u>**Speaker:**</u>

Stefan Hoops

STEFAN HOOPS

- Welcome to the Corporate Bank Investor Deep Dive.
- My name is Stefan Hoops, and I have led the Corporate Bank since 2019.
- I joined Deutsche Bank as a graduate and have previously held a number of roles in Markets, Corporate Finance and Global Transaction Banking.

Slide 1 - Summary

- 2020 has been a challenging year for all of us, but despite COVID 19, we have mitigated the headwinds in the Corporate Bank by executing on our strategic initiatives.
- As a result we were able to keep revenues stable year on year which is an outperformance versus the market.
- In particular we have worked hard to manage the interest rate environment, and our credit loss provisions remain low relative to peers.
- This reflects a well-diversified loan portfolio with strict lending standards, strong risk management and robust controls.
- Traditional Corporate Banking is at the very heart of our business and our core franchise has shown resilience in 2020, especially in Germany.
- But to maintain our strength in traditional Corporate Banking we also have to play a role in shaping the future of financial services,
- So we are making targeted investments in specific growth areas where we have a clear competitive advantage.
- You will hear more today about the opportunities we see to do this.
- So let me start with a brief overview of the business

Slide 2 - Corporate Bank at a glance

- The Corporate Bank comprises both Global Transaction Banking and Commercial Banking.

- But from 2021 we will be reporting on the basis of three client focussed segments reflecting our client centric approach – to be clear, this does not require any reorganization.
- I'll talk about these client segments in order of size:
- First, Corporate Treasury Services which is about 60% of the business.
- Our capabilities in cash management and foreign exchange place us at the centre of our corporate clients' business.
- Trade Finance and Lending is the business that Deutsche Bank was originally set up for, which is why we have a longstanding global network across 151 countries.
- Revenues in this segment grew 1% in the first nine months, as we largely offset interest rate headwinds by deposit re-pricing, balance sheet management and ECB Tiering.
- The Corporate and Investment bank have a joint treasury coverage team that sits in the Corporate Bank.
- If you combine growth of 1% in the Corporate Bank with Foreign Exchange and Debt Capital Market revenues reported in the Investment Bank it is clear that Deutsche Bank has a very strong corporate franchise.
- Second is Institutional Client Services which represents about a quarter of our revenue base. This includes:
- Institutional cash management where we are number one in Euro clearing and one of very few banks strong in both Euro and Dollar clearing - we think we can do far more here;
- Trust and Agency Services - which is a niche business growing in mid-single digits providing specialised services to Financial Institutions;
- and Securities Services where we are one of just two pure play sub custodians, which makes us an ideal partner especially in Asia.
- Revenues in this segment are down 7% year on year mostly as a result of declining interest rates in the U.S. and Asia-Pacific, where our ability to offset this is more limited.
- Third comes Business Banking in Germany which is about 15% of our revenues

- Here we serve 800,000 clients - including small businesses, tradesmen, lawyers, doctors and the self-employed - across three brands, Deutsche Bank, Postbank and our digital bank FYRST, which was launched last year.
- These are clients who have historically been underserved but with the advance of digital technology we see this as a strategic growth opportunity which I'll talk about later.
- Revenues in Business Banking were up 1% in the first nine months supported by both volume and fee growth.
- You may remember that last year I told you we are less sensitive to the interest rate environment than you might think.
- Overall, about 40% of 2020 revenues are fee based - we earn fees in Institutional Cash Management, Trust and Agency services, Securities Services and Trade Finance.
- The remaining revenues are Net Interest Income.
- This includes negative interest rates passed on to clients.
- The majority of our Net Interest Income relates to the spreads we earn on lending rather than the underlying interest rate, and just about 15% of the total is generated from deposits.
- As a result, we are less dependent on the level of interest rates than our peers.
- This is one of the reasons we have outperformed the market in a declining interest rate environment.
- As I said earlier, we also have lower credit loss provisions than our peers due to a well-diversified loan book and strong risk management.
- During the year we have been disciplined in executing on the objectives we set out last December so let me update you on the progress we have made.

Slide 3 - Progress against our 2019 objectives

- We told you last year that we had identified 25 billion euros of deposits we would re-price in 2020 in order to pass on negative interest rates.
- In fact we have rolled out new charging agreements on more than 40 billion Euros of deposits, well above our target.

- This brings the total over this year and last to about 70 billion.
- Based on our third quarter run rate, we expect this to generate additional revenues of more than 200 million on an annualised basis.
- Our second growth driver was payments where we said we would double the fees we generate from Fintechs and E-commerce to 200 million euros over the next 3 years.
- We are on track to meet our target, having grown payment revenues 18% in the first 9 months.
- Our investment here was well timed as we are benefitting from a significant increase in online payments as a result of COVID 19.
- Third, we set out our ambition to be the bank of choice for Corporate Treasurers.
- In particular, we aimed to increase Rates and Foreign Exchange revenues with our corporate clients by 5 to 7% per annum,
- and to deliver three "Pay per use" or "Asset as a service" projects in the first half of 2020.
- Foreign Exchange and rates revenues were up 16% in the first nine months with strong growth in the US and Asia Pacific.
- We have also completed several pay per use pilots and roll out is ongoing. I'll talk more about this later.
- Finally, we said we planned to grow our revenues in Asia Pacific by 6% per annum - and I can confirm that we have grown revenues 6% year-on-year despite declining interest rates in the region.
- We have continued to invest in people and technology, and we are benefiting from our combined FIC and corporate banking business in Asia Pacific,
- as well as our integrated markets and transaction banking platform which offers Treasurers solutions to manage payments, liquidity and foreign exchange risk.
- Yet despite our disciplined execution and all our efforts our Return on Tangible Equity is not where we would like it to be….

Slide 4 - Our path to improved profitability

- There are three main factors that explain our return of 4% for the first nine months of 2020.
- First, we have experienced interest rate headwinds amounting to 400 million euros or 8% of our annual revenue - so whilst we have been able to maintain stable revenues as a result of deposit re-pricing, we did not grow them.
- Second, as James has mentioned in his quarterly updates, the bank has changed its cost allocation methodology which has resulted in higher allocations for the Corporate Bank. This is in line with what we announced last year and these costs will reduce over the next couple of years.
- Third, our credit loss provisions in 2020 are higher than expected as a result of the pandemic.
- So why am I still comfortable with our return target of 11 to 12%?
- With the exception of lending, our business lines do not consume a lot of capital, so even slight increases in revenue or cost reductions will have a significant impact on returns.
- As James outlined, there has been a necessary recalibration of our targets, given the change in macro-economic outlook.
- We now plan to grow revenues at a lower rate, resulting in a two percentage point uplift and to reduce costs at a higher rate, increasing returns by four percentage points.
- In addition, we expect credit loss provisions to normalise in the coming years as the economy recovers, which will add another percentage point.
- So let me give you more detail on the revenue and cost drivers that will help us achieve our return target.

Slide 5 - Revenue Opportunities

- Our plan is to grow revenue at a rate of 4% per annum to 5.5 billion by 2022.
- We have broken our key revenue drivers into three categories:

- The first category covers measures which are within our control. They simply rely on disciplined execution.

- This includes continued re-pricing of deposits in order to offset the impact of interest rates, ongoing implementation of account fees in Germany, and increasing fees in Securities Services.
- The second category covers ongoing implementation of initiatives where we have already made real progress - we consider these to be highly deliverable.
- I told you last year we want to be the bank of choice for Corporate Treasurers and to build on our strength in Germany.
- Within this, we see an opportunity to better serve small German businesses in our Business Banking segment as I mentioned earlier.
- This category also includes our continued focus on growth in Asia-Pacific, and our commitment to double payment fees from e-commerce, platforms and fintechs.
- The third category covers targeted investment in growth areas.
- These initiatives are not as well established as Category B but all of them address a market opportunity where we have a competitive advantage.
- This includes asset as a service, a new merchant payments offering, and dvising our clients on their ESG transformation.
- The total impact of all these measures amounts to €500 million over the next two years but this will be partially offset by interest rate headwinds which explains our target of 5.5 billion.
- I want to talk about these drivers in more depth, starting with our ambition to be the bank of choice for the Corporate Treasurer.

Slide 6 - Bank of choice for the Corporate Treasurer

- Put yourself in the shoes of the Corporate Treasurer and imagine what their year has been like.
- For many, it has been career defining given the challenges they face.
- Being by their side and helping them to meet these challenges has further deepened our relationships.
- So this is how we are helping them.
- Their first challenge is managing liquidity;
- For those who need more liquidity we provide lending or help with issuing bonds.
- For those with too much liquidity who want to keep cash, we pass on market rates in multiple currencies, or we offer the option to move surplus liquidity into money market funds in DWS.
- This activity falls within Category A and relies on disciplined execution.
- Treasurers also have to secure their supply chains and distribution channels around the world.
- Our global network across 151 countries, and local presence in 42,
  combined with our strength in supply chain financing,
  make us an ideal partner to help clients navigate these challenges.
- Then they have to manage risk in relation to interest rates and foreign exchange.
- It's been a busy year as corporates have had to adjust their cash flow hedges or provide their subsidiaries with funding.
- Cash flow forecasting is likely to remain difficult until there is greater certainty about when vaccines will make further lockdowns unnecessary.
- And as different parts of the world are recovering at different speeds it's likely that exchange rate volatility will continue at elevated levels.
- These last two areas fall within the category of Business Strategy Implementation which is very much a continuation of what we already do.
- Lastly, we are helping clients manage an accelerating trend where they offer their customers Assets as a Service, rather than selling them products.

Before the pandemic this was typically used as a means for manufacturers to get closer to their end customer.

- Take the example of printer manufacturers – they also want to sell ink and paper to have an ongoing relationship with the businesses that buy their printers.
- During the pandemic, however, providing a service has become more attractive than selling goods for another reason - it helps end customers to reduce their capital expenditure and preserve liquidity.
- So a manufacturer moves from selling printers to selling printing as a service so their customers can turn capex into opex.
- The challenge for the Manufacturer is that the printers cannot just sit on their own balance sheet.
- So the company needs support through a combination of structuring, payment processing and risk management solutions.
- Since we spoke last year “asset as a service” or “pay per use” has become a new business line within the Corporate Bank to take advantage of this opportunity.
- This is an area where we are clearly benefitting from our partnership with Google Cloud.
- As you heard from our Chief Technology Officer, Bernd Leukert, this partnership enables us to combine Google’s expertise in data science, artificial intelligence and machine learning with our expertise in financial products.
- So let me now turn to the backbone of our business, the Corporate Bank in Germany

Slide 7 - Corporate Bank in Germany

- We serve more than 900,000 clients in 120 locations across Germany delivering almost half the Corporate Bank’s total revenues.
- This makes us the leading Corporate Bank in Germany and we have cemented this position over the last 12 months
- We have done everything we can this year to support our clients from small entrepreneurs to large corporates.

- Together with other banks, we also played a significant role advising the government on lending support schemes and we were one of the leading providers of these loans.
- At the same time, our role as the trusted Global Hausbank – the go-to bank – for German companies has never been more important.
- We are one of the only German banks with a truly global reach and we will continue to invest to help German corporates manage their subsidiaries globally. More than 50% of revenues from our mid to large corporate clients are earned outside Germany.
- And as you heard from Claudio de Sanctis, who leads our International Private Bank, we have also intensified our partnership with the Private Bank to help business owners and entrepreneurs manage their wealth.

Slide 8 - Business Banking

- Within our Corporate Bank in Germany we see an opportunity to better serve our 800,000 small business clients as I mentioned earlier.
- These clients have historically fallen between mid-caps on the one hand and retail banking on the other.
- We now want to give much greater focus to this customer segment as part of our client centric approach.
- So this year we created Deutsche Bank Business Banking by bringing together our Deutsche Bank, Postbank and FYRST brands under one management team.
- We have invested in senior talent by recruiting a Chief Growth Officer, Product Officer and Technology Officer.
- We have also invested in digital capabilities to create an omni-channel offering - for example, by adding business banking products on our mobile app.
- Given our scale in business banking we are an ideal partner for businesses that offer non-banking services such as billing and accountancy. And by partnering with these providers we both understand our clients better and generate additional fee income.

- We serve about a third of the smaller business banking market in Germany and Germany represents around 20% of European business banking - so we are the biggest player in the biggest market.
- We plan to build on this strength in Germany and expand our business bank offering to additional European countries in the near future.
- This is a successful business that is already growing well and we expect it to deliver more than 800m of revenues by 2022.

- Let me move on to Asia Pacific….

<u>Slide 9 - Corporate Bank in Asia- Pacific</u>

- We talked last year about making senior hires in Asia Pacific. Our leadership team is now complete and this year we have been able to capitalise on having the foundations in place.
- As I said earlier, we have grown revenues by 6% year-on-year despite the economic headwinds.
- We have also won recognition for our support of clients.
- This includes Best Treasury and Cash Management bank in South Asia,
- and best "Crisis Response of the Year" where Asia Risk Awards recognised Deutsche Bank as one of the few banks able to provide 24-hour liquidity throughout the pandemic.
- Deutsche Bank's international network means we are very well aligned with trade corridors into Asia Pacific as well as trade corridors within the region.
- We have been using our network to connect Asia Pacific with the rest of the world since 1872 and we have licenses and a local presence in 14 countries.
- Global clients need a global corporate bank that understands local markets and has local banking licences, and in the current geopolitical environment many clients also want a bank that is headquartered in Europe.
- Our strength in the region is all the more important this year when the East is recovering more quickly than the West.

- Our CEO in Asia-Pacific, Alex von zur Muehlen, will talk more about the regional opportunities in his presentation.
- So let’s now turn to our targeted growth investments starting with Merchant Payments…

Slide 10 - Payments – Merchant payments

- Here we want to complete our activity across all four parts of the payments value chain which you can see on the left hand side:
- The chain begins with consumers, managing their finances from a personal account.
- They buy something with their credit card in a business-to-consumer transaction; that payment has to be processed to ensure the merchant gets paid;
  the merchant also needs treasury services such as cash management and foreign exchange; and finally the payment is cleared through clearing and settlement services.
- Deutsche Bank has a strong offering in three of these four areas and we want to get back into Merchant Payments which is currently dominated by fintechs and specialist payment companies.
- In other words we want to complete the entire value chain as we believe the whole is greater than the sum of the parts.
- We have five key competitive advantages in relation to merchant payments.
- First we are the largest issuer of credit cards in Germany so we already have one side of the B2C transaction.
- Second, we are the cash management provider for many corporates in Germany and abroad. If we do both the B2C payment processing and the cash management for merchants then we can offer them integrated reconciliation, which is a great benefit for our clients.
- Third, we have a leading foreign exchange franchise and can manage currency conversions in-house unlike payments companies.

- Fourth, because we are a lender with a strong balance sheet, we own a factoring business and we understand consumer risk, we are able to make a very competitive offer on payments in instalments.
- Of course the fact that we are a bank that is tightly regulated is also an advantage, with greater regulation for fin techs on the horizon under a same service, same rule regime.
- Over the last twelve months we have made a number of senior hires from Fintechs in the payments space, including our new Head of Strategy, Chief Product Officer and Head of Merchant Solutions for the Corporate Bank.
- In Merchant Solutions, we have assembled a strong team and with that team in place, we aim to have a product ready for Europe by the third quarter of 2021, and to have processed our first billion of payments by the end of 2021.

- So let me now turn to ESG….

<u>Slide 11 - ESG client solutions</u>

- As you heard from Christian, sustainability is an important component of our strategy at Deutsche Bank.
- Our focus in the Corporate Bank is very much on supporting our clients' ESG transformation.
- We do that with a range of services across our product suite whether it is green deposits, green credit facilities, guarantees or social project finance.
- Of course the question is whether this will generate additional revenues or simply replace existing revenues.
- My view is that they are likely to be replacement revenues across the industry as a whole.
- However as clients shift from non ESG to ESG compliant products there will be disruption. Those banks doing a better job of helping their clients on that journey will benefit from a redistribution of market share.

- We want to be a thought leader in the development of this market and our confidence rests on the fact that we have really good knowledge of the needs of corporate treasurers;
- we have very strong product offerings across all our business divisions;
- Europe is currently the most advanced region with regard to sustainability; and as a bank we have a deep understanding of EU sustainable finance regulation and standards.
- Our global network means we can also help multinational clients become ESG compliant in most markets around the world, including Emerging Markets.
- Sustainable finance outside of green bonds is a relatively new product and we expect our volumes to increase rapidly over the next years.
- So that covers revenue growth – I now want to turn to cost reduction.

Slide 12 - Cost reduction programme on track

- As I mentioned earlier, we are balancing lower revenue targets with higher cost reductions.
- So we now plan to reduce costs at a rate of 7% per annum to 3.4 billion in 2022.
- We said last year that the majority of savings would come from support and back office functions rather than the front office and that the full impact of these reductions will feed through towards the end of our three year plan.
- The total reduction in the front office will be more than 100 million euros as a result of streamlining our coverage and controlling discretionary spend.
- We expect to reduce front office costs by 6% this year, excluding transformation charges.
- Some of this reduction is the result of lower travel and entertainment costs during the pandemic,

  but we have also completed the integration of commercial and corporate banking in Germany ahead of plan.
- In addition, we plan to make over 400 million euros of savings in our infrastructure functions by removing duplication, looking at the location of our people, bringing technology providers in-house and through higher levels of automation

- To give you just one example, we are rationalising our systems and have migrated more than half the applications we use from legacy systems which will both improve our technology platform and reduce cost.
- We have now made the necessary investment to deliver these infrastructure savings and the reductions will come over the next couple of years.

Slide 13 - Key takeaways

- So in conclusion, over the last twelve months we have delivered a resilient performance in a challenging environment.
- We have taken action during the year on the things that we can
- control and have managed to largely mitigate interest rate headwinds.
- This has enabled us to keep revenues stable and outperform the market.
- Our relatively low credit loss provisions reflect a well-diversified loan portfolio with strong risk management and robust controls.
- While we are passionate about our tradition as the Global Hausbank, we are also excited about helping to shape the future of financial services, so we are making targeted investment in areas where we have a clear competitive advantage.
- Finally, we remain completely focused on disciplined execution and we are working hard to deliver both our revenue and cost targets in order to reach a Return on Tangible Equity of 11 to 12% by 2022.

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Mark Fedorcik

Ram Nayak

MARK FEDORCIK

Slide 1 – Summary and introduction

- My name is Mark Fedorcik and I'm the Head of the Investment Bank. I would like to introduce Ram Nayak, our Head of Fixed Income who will be presenting alongside me today.

- Over the next 30 minutes, we will take you through an overview of our business. We will look at the progress we have made towards the goals we set out in 2019, our ongoing strategy and how this will deliver improvements in our return on tangible equity.

- Our objectives are entirely consistent with those we set out when we presented our plan for the strategic transformation of the business a year ago:

    1. Deliver **sustainable revenue growth** in a **well-controlled manner;**
    2. Focus on tangible franchise improvements through deepening **client intensity;**
    3. Grow with **consistent resources;**
    4. **Reduce costs.**

Let's start with an overview of the business on slide 2

Slide 2 – Investment bank at a glance

- In 2020 we have delivered 7.4 billion euros of revenues in the first three quarters of the year. This translates into a profit before tax of 2.6 billion euros.

- The Investment Bank is split into two divisions that cover a competitive and well-established portfolio of businesses.

- Origination and Advisory has seven focused industry coverage groups. We have a strong Debt origination business across both Investment-grade debt capital markets and Leveraged finance. Our advisory business is positioned to grow and our equity capital markets business remains competitive.

- In Fixed Income and Currencies, we are the bank of choice for our priority clients. Our product offering is targeted, with a strong global franchise. In particular, our Financing and Foreign Exchange businesses are market leading.
- Across the Investment Bank, we generate the majority of our revenues in our home European market. And as Christiana and Alex will outline, we have a strong footprint in the US and leading businesses in Asia Pacific.
- Our journey towards transformation started in 2019.

- On slide 3, I'll now walk you through the progress we have made towards our objectives since then.

Slide 3 – Material progress made

- Firstly let me talk about **revenues.** We have delivered four consecutive quarters of year-on-year growth. We believe that more than half the revenue growth delivered in 2020 is sustainable and not purely linked to the strong market conditions.
- Second, **costs:** we have delivered this revenue growth whilst materially reducing our cost-base. On a year-on-year basis, we have seen four quarters of cost reductions. As a result, our adjusted cost-base has reduced by 400 million euros in the first three quarters of the year. In addition to this, our funding costs have also decreased by 225 million euros year on year.
- Third, **clients:** we cover our client-base with increased intensity, and in a more targeted way. This has led to increases in revenues of 25% across our Platinum clients and 42% with our top 100 institutional clients.
- Finally, this has all been delivered with an **efficient utilisation of our financial resources**. We've kept Risk Weighted Asset consumption broadly flat, excluding

regulatory inflation, as we've efficiently re-allocated capital across the Investment Bank.

- Let's look at each of these in more detail. Starting by drilling down into our revenue story on slide 4

Slide 4 – Revenue growth is anchored around client engagement

- In 2020 the Investment Bank is forecast to generate close to 9.1 billion euros.
- We believe that this will reduce slightly in 2021 as markets normalise, reaching a revenue base of around 8.5 billion euros in 2022.
- So the question is, how are we going to do it?
- In **Origination and Advisory**, the 400 million euros of revenue growth from 2019 is driven by both a focused client group, and the consistent intensity with which we have covered clients.
- Our strong **Debt Capital Markets** and **Leverage Finance** franchises will remain integral, particularly with regard to ESG.
- We will also continue to expand further into sectors such as Healthcare, Industrials, Consumer and Technology Media and Telecom, where we see strategic opportunities for our advisory business and cross border activity.
- In **Fixed Income**, we will grow revenues by 1.2 billion euros. There are two key drivers: continued transformation of various businesses and the front-to- back re-engineering of our platform. This is supported by the increasing confidence our clients have in Deutsche Bank's credit profile and our capacity to deliver.
- In **FIC Financing**, we're not targeting an overall increase in revenues. Instead we will focus on maintaining disciplined risk management across our diversified portfolio and deployment in targeted sectors, such as asset-backed securities.

- I'll now take you through our Origination and Advisory business performance on slide 5

Slide 5 – O&A outperformance and market share gains

- We have continually outperformed the industry fee pool in the first three quarters of this year. This momentum has continued into the fourth quarter.
- In the third quarter of 2020, we delivered market share growth of 20 basis points year on year, reaching our highest level in six quarters.
- In **Debt Capital Markets** we grew share by over 110 basis points. In particular, we have seen strength with **Sovereigns**, **Supranational** and **Agencies**. We are continuing to focus on our cross-border expertise, playing to our strengths. **ESG** remains an ongoing priority for the business, with a number 3 ranking for Green Bond issuance volumes in the third quarter. **Debt Capital Markets** is a cornerstone of the bank's overall ESG strategy
- In **Leveraged Debt Capital Markets**, we ranked number 2 globally for the third quarter and our growth is underpinned by targeting areas of strength, such as **Leveraged Buyout** financing.
- We have proven our **Equity Capital Markets** and Equities business model works, with our market share in the third quarter increasing by 90 basis points. Clients are increasingly comfortable with our ability to deliver for IPOs, Follow-ons and SPACs; a key strength. We will continue to focus on **Equity Capital Markets** for our clients and are committed to providing quality research.
- **Advisory** remains a growth priority. The market share decline you see versus third quarter last year hides the fact that our quarter on quarter market share has increased for three consecutive quarters in 2020.

- Let's look at how our client intensity will continue to drive growth on slide 6

Slide 6 – Client intensity: Driver of O&A revenue growth

- The revenue growth we target and have delivered is only possible thanks to the client intensity we have demonstrated.
- We remain focused on serving our clients. We have a highly motivated coverage force and client interactions have increased by 55% this year – even through the height of the pandemic.
- Throughout 2020 we have refined the client perimeter, reducing the number of clients designated as Platinum by 10%. This enables us to further focus on and deepen relationships with clients of the bank as a whole. Importantly, **this is not just across the Investment Bank, but also the Corporate Bank**. A large number of our clients utilise services such as Cash Management, Trade Finance and Escrow services. This cross-divisional coverage is critical to our ongoing success.
- The increased intensity helped improve our market share with these Platinum clients by over 20% versus Full Year 2019. And we will build on this momentum into 2022.
- I'll now pass you over to Ram to walk through the changes we are making to the Fixed Income business, and the results this will deliver, starting on slide 7.

RAM NAYAK

Slide 7 – Transformation is the driver behind FIC revenue growth

- Thank you, Mark
- Last year I highlighted a number of businesses that were either underperforming because of specific internal factors, or were simply under-invested in. We also outlined our plans to stabilise the Fixed Income franchise.
- I'm glad to report that we have made **material** progress since then, with revenues up **31%** over the last 12 months. However, we've all seen the outsized revenues within FIC across the industry as a result of the large market dislocations earlier

this year, and now that the normalization of these markets is well under way, I suspect that the question on everyone's mind is whether these revenues are sustainable.

- This chart shows our year on year change in monthly revenues. As you can see, even <u>**prior**</u> to the huge market dislocation created by the pandemic, our **FIC revenues grew by 47% year on year from October to February**. Following the market normalization that started to occur after the first Covid-19 wave, our FIC year on year revenue growth <u>**continued**</u> at 39%.
- **In other words, our entire revenue outperformance in 2020 took place on either side of the most volatile 3 months of the year**. I think that clearly demonstrates that the revenue growth we delivered in 2020 was driven primarily by the actions we took to sustainably transform our business, and was not <u>**that**</u> dependent on the unprecedented volatility that occurred.

- Let's look at this transformation in more detail on slide 8

<u>Slide 8 – In FIC, we are stabilising and growing businesses</u>

- On this page I just have one simple message.
- [**SLOW**] We believe that over half the revenue growth delivered in 2020 is sustainable and combined with new initiatives will result in 2022 revenues in excess of 6.7 billion Euros in FIC.
- This sustainability of revenue is driven by the transformation we have undertaken in a number of our businesses.
- As you can see on the chart, 2019 was a low point for FIC revenues at 5.5 billion euros.
- The light green columns represent revenue growth generated in 2020 that is sustainable, while the dotted rectangles represent those 2020 revenues that we do not expect to recur once the market fully normalises. **These sustainable revenues**

would have generated 6.4 billion in 2020, even without the impact of the market dislocation. The light blue bar then shows the remaining revenue growth that will come from future initiatives. **The result is a 2022 FIC business with sustainable revenues of 6.7bn.**

- Let me explain why I believe these revenues are sustainable.
- Let's start with the second column which represents the growth in revenues due to the elimination of inefficiencies in our funding cost. This is now largely complete, and has enabled the Bank to reduce it's liquidity buffer by **15 billion euros**. Along with some other items, this will result in an annual saving in our funding cost of **220 million euros** in 2020. Not only will this saving continue into 2021 and 22, but we expect **incremental** reductions of about 100 million euros as we continue to optimize our funding requirements.
- Let's move to the next two columns, which represent our Rates and Credit franchises. We highlighted last year that we were unsatisfied with the way some of these businesses performed in 2018 and 2019. And we took a series of steps to transform some of the underperforming areas.
  - We put the right people in place
  - We developed a clear and focused client strategy
  - We materially strengthened our risk discipline
  - And we invested in technology in order to improve our controls, enhance our pricing and improve the client experience

- You can see the impact of this in our European Rates business, with sustainable revenues growing considerably in 2020 as a result of the improvements in many areas, such as our European Government Bonds business. **Our improved market share in European Rates would have delivered incremental revenues of 200 million euros using a pre-pandemic 2019 Rates wallet.**
- A similar story applies to our Flow Credit businesses. While we have always had a top 3 Credit franchise, our secondary flow business has lagged. So we decided to focus on rebuilding that franchise in Europe and the US. The rebuild of our

European flow credit platform is largely complete, with a focus on Algos, ETFs, indices and portfolio trading, and is driven by investments in technology – in particular e-trading – and in people. The results are clear, with sustainable incremental revenues of over a 100 million euros, **again**, using a pre-pandemic wallet as a reference point.

- And as you can see on the chart, we have similar experiences in both **Foreign Exchange** and **Emerging Markets**.
- In summary, the revenues represented by the light green bars are due to tangible improvements that have already been implemented to transform the business. And we expect them to endure even if the industry wallet in those businesses reverts to 2019 levels. In aggregate, this amounts to around 900 million euros, a quarter of which is funding, and the remainder is from business transformation.
- And finally, we have additional initiatives, represented in the light blue bar for 2021 that we estimate will generate an additional 250 million euros even in a normalized market. A third of this is from the further reduction in funding costs we just discussed, and the balance from a rebuild of our US Flow credit franchise and further deepening our cross-sell into corporate banking relationships in the Emerging Markets and in Western European.
- **Together this makes up the 1.2 billion euros that takes us from 5.5 billion euros in 2019 to 6.7 billion euros in 2022**

- Now let's look at how our client strategy has helped drive this transformation on slide 9

Slide 9 – Client strategy is integral to FIC growth

- Our client strategy is focused on the four areas that you can see across the top of this slide.
- I won't walk you through all of the detail here, but a few examples will help illustrate the success of this approach.

- We have been focused on those products that are most relevant to our clients, and have been gaining share here. Our market share in **European government bonds** and in Euro **SSA issuance** is the highest it's been in the past 5 years.
- We have syndicated high profile deals for **Italy** and for the first time in 10 years, **France.** In **Germany** we led the first Bund syndications since 2015, along with the inaugural green bond and the EU SURE issuance, highlighting the importance of ESG to our business.
- Let's move on to our Client Engagement. There is no escaping the fact that since 2016, we have seen a number of clients reduce the level of activity that they have undertaken with Deutsche Bank. However, the improvement in our credit outlook means that we are seeing clients reengage. For example, we can see a clear trend of regaining market share in Foreign Exchange with global asset managers. Much of this activity is in bilateral OTC products, which emphasises the increasing comfort that clients have in facing Deutsche Bank.
- Next, we are focussed **on our most important clients**. We have grown revenues by over 40% across our top 100 institutional clients in the first nine months of the year. And with our home market clients, this increases to a gain of 45%.
- Finally, a meaningful part of our increased client volumes are driven by technology. Our performance in electronic markets has been extremely strong this year. G3 bond and Swap volumes are significantly up year to date, with our market share increasing by over a 100 basis points, clearly illustrating the successful delivery of our electronic platforms.

- Lets move to slide 10 and look at how we intend to continue to deliver our business transformation whilst we materially reduce costs.

Slide 10 – IB transformation to further improve profitability

- We have already made significant progress in reducing costs across the Investment Bank. From 2019 to 2022 we will have removed 1 billion euros, or 18%, of the cost base from a platform that will have increased revenues by 22% during the same period..
- About half of this cost reduction has already been delivered.
- As we explained a year ago, the focus of cost reduction is across three categories: the Front Office, Technology, and Infrastructure.
- In the front office, the initial focus was on **right-sizing our headcount**: this is now down over 10% from the second quarter of 2019 just before we started restructuring the business. This is broadly complete.
- We are also focussing on creating tools to improve productivity in the front office, whether that be via automated pricing tools, or workflow tools that enable more efficient processing of client activity. 80% of our bond pricing is now automated and we saw during the COVID-19 period that our platforms could absorb daily trading volume spikes of more than 100%. This work will continue and is combined with disciplined expense management across the franchise.
- We continue to make excellent progress with our **Technology change**. As Bernd mentioned, the **migration to single platforms** is well underway. We have decommissioned 19% of the total number of applications we have identified, and the required work on the remainder is well progressed.
- Finally, as we said last year, we continue to move to a simplified set of straight through processes and standardized platforms, and as we complete the migration of our businesses to these platforms, we will continue to automate Risk, Finance and Treasury functions, resulting in a material reduction in manual processes.
- Across Technology and Infrastructure we will save over 450 million euros of additional costs annually by 2022.
- The front-to-back nature of the transformation is best exemplified by our FIC Re-engineering programme on slide 11

Slide 11 – FIC reengineering driving efficiency & growth

- FIC Re-Engineering is a complete redesign of our business processes and platforms, from the moment a client engages with us to the point the P&L is booked in our ledgers.
- Very simply, we are targeting three benefits here:
- Firstly, **we are focused on improving our understanding of our clients.** Timely insight of client activities and behaviours drives the way we cover them, whether it's providing them with cheap liquidity or with customised solutions. In short, it helps us align our services with our client's needs.
- Secondly, **we are ensuring we can monetise the value of pre and post-trade activities.**
- For example, the provision of automated prices to traders ensures tighter bid-offers and more consistent pricing. The automation of pre-trade controls such as credit checks strengthens our controls framework. And the decommissioning of multiple systems for documentation and cash settlement reduces the cost and improves quality of execution. **So we end up with better pricing, lower costs and better controls**.
- Finally, from an infrastructure perspective, FIC Re-Engineering eliminates duplicative platforms and applications and uses front office systems to directly source the Risk and P&L data required by the Finance and Risk functions, delivering cost savings as well as enhanced controls.
- **To recap, the whole transformation process drives revenues and at the same time reduces complexity, manual processes and costs. It materially improves the client experience, and allows us to do all of this in an enhanced control environment**.

- I'll now hand back to Mark to discuss our disciplined approach to RWA deployment on slide 12.

MARK FEDORCIK

Slide 12 – Revenue growth without business-led RWA increase

- Thank you Ram.
- We really want to stress that our business growth plan is driven by the transformation and client intensity we've outlined. It will not be driven by a dramatic increase in the capital base of the Investment Bank.
- From 2019 to 2022, we expect our RWA will increase from 117 billion to 133 billion euros. Of this**, the net business-driven growth will effectively be flat.** The inflation you see in the chart comes from non-controllable items, primarily regulatory inflation.
- Two key factors are helping us achieve this. We assess the Investment Bank as a portfolio of businesses and reallocate resources from one business to another as required to target the most efficient return. And, we've invested heavily in developing efficient hedging mechanisms.
- Our growth is controlled and **will not fuel incremental capital allocation to the Investment Bank.**

- Now, on slide 13, let's look at our loan portfolio.

Slide 13 – Continued disciplined approach to lending

- We strive to maintain a high quality, well-diversified loan portfolio across geographies and various industry sectors. At the end of September 2020, the investment bank loans portfolio stood at 73 billion euros. **This is effectively flat versus the same point last year.**
- Secondly, the portfolio is extremely well diversified across multiple sectors, including Asset backed securities, Leverage Finance, Commercial Real Estate and other sectors, such as direct lending and Transportation, infrastructure and energy.

- Third. The portfolio is extremely well structured and within our Credit businesses the average loan duration is only two to three years.
- Fourth, and as Stuart touched upon, within Commercial Real Estate we are primarily focused on concentration risk and Loan to value. For example, in US Commercial real estate only 28% of the exposure is to New York assets. Our Loan to Values remain at levels we are comfortable with.
- Lastly, Leverage Finance. **We syndicated 99% of our capital commitments in the first 3 quarters of this year.** We focus on high-quality distribution and hedging unfunded commitments.
- We have benefited from active risk management hedges in the first and second quarters of this year, resulting in no net losses to the portfolio
- **In summary, we do not have any concerns with the quality and structure of our loan book.**

- Let's talk about how we turn this transformation into improved profitability on slide 14

Slide 14 – Our path to sustainable profitability

- The detail we have walked you through today demonstrates why we are confident the investment bank is on a firm path to improving profitability.
- Our 2022 target is based upon three key factors that you can see here:
- Conservative revenue assumptions.
- An expected improvement in credit loss provisions as we see the markets normalise.
- And the continued cost reductions that we are driving, building upon the progress and discipline we have already achieved.
- Our target is that the return on tangible equity of the Investment Bank will be around 10% in 2022.

- I'll now conclude with slide 15

Slide 15 – Conclusion

- We remain fully committed to our four key objectives.w
- We are confident that our **revenue performance is sustainable.**
- We are **seeing increasing client engagement** as a result of our targeted focus and our clients' comfort in working with Deutsche Bank.
- We have **delivered material cost reductions and have the roadmap in place** to meet our 2022 targets.
- The growth we have delivered and will continue to deliver will **not result in a significant increase in resource utilisation.**
- To reiterate we are committed to deliver a Return on Tangible Equity of around 10% in 2022.
- On behalf of Ram and me, thank you.

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Deutsche Bank AG

Investor Deep Dive

9th December 2020 | 12:00pm

Transcript

Speakers:

Christian Sewing

James von Moltke

James Rivett

James Rivett	And now let's turn to your questions for our business leaders. As usual, we've got a lot of questions to get through, so let's limit it to two questions each. And we'll do a combination of Zoom plus chat. We'll start first with Zoom. Andrew Lim
Andrew Lim (Soc Gen)	Yes. I've got a question for the Investment Bank and also Asset Management. For the Investment Bank, I just want to get your view on how you feel about the perimeter of the business now that you've exited equities trading. In particular, are you comfortable with how ECM is performing? And then going ahead, obviously, you've given some good views on why you think revenues are more sustainable going forward than maybe the market thinks? And that's down to better client engagement, better application of technology. So, I'm wondering if there are other reasons that come to your mind, perhaps improvement in your own credit rating. Does that help in your engagement with clients? And maybe the excess deposits that we're seeing in the banking system right now, does that play into your thinking as to whether that could be a source of investment by clients in trading assets going forward. So, that's my investment banking question. On Asset Management, DWS IPO'd some time ago, and one of the main reasons was to gain currency for M&A. And since then, there hasn't been a lot of M&A activity. But we're yet to see a deal with DWS. So, I'm just wondering what your thinking is as to its participating on the M&A scene. What kind of deal would you be looking for? And with that, how important is it for Deutsche Bank to retain some kind of controlling stake in any merger entity? Your thoughts there would be appreciated.
Mark Fedorcik	Why don't I start and then I'll hand it back to Ram in London. Andrew, first, thank you for the question, there's a lot in there. Let me try to get through all those pieces. First and foremost, speaking for both Ram and myself, the perimeter of the Investment Bank that we have that we've outlined is exactly the right perimeter. It is not changing. That is across origination and advisory, across our financing

businesses, and across the fixed income businesses.

It's important to have consistency of a strategy and a perimeter with clients. We're now roughly 15, 16 months into it and I think that's starting to take route. As it pertains to your question around equities, it's a really important one and I'm glad you asked it. Let me be clear, having an Equity Capital Markets product offering is absolutely critical to our clients and to the business. Offering our clients the ability for us to help them in IPOs, in follow-ons, and in the fastest growing market within the equity market called SPACs, where we have a top four ranking currently for the year, our clients want to see us there and we can be very competitive and it's working.

We're also committed to providing research as part of that. So, the perimeter is intact, it's important to have consistency, and absolutely, we're remaining committed to our equity capital market's offering and we've seen the success that our clients wanted. Ram, maybe you want to address the fixed income client perimeter as well.

Ram Nayak

Sure. Thanks, Mark. The only thing I'd add is that clients really want to know what we're in. It's not really so much they want you to be in all the products. What they're really thinking is just tell us what you're really good at, tell us what you want to be in, and we will be happy to be with you there. As Christian said earlier, there has been very little, or almost no, fallout from the fact that we don't trade equities.

By the same token, we don't trade most commodities and we exited RMBS (residential mortgage backed securities) about five years ago. And our customers, our clients, don't really mind, as long as we've been really clear with them about what we're focused on, what we're good at, and where we can really add value to them. So, I think the perimeter is something they now understand. It's been constant for the last 18 months and will be exactly the same going forward.

Asoka Wöhrmann

Thank you. Andrew, thank you for the question. I normally say always M&A, I'm not going to comment, but I'm happy to put a little bit of frame around the M&A question. I do think that DWS has really focused, in the first phase, to grow organically. I do think we have done a good step, as you know, and I do think that now, also with all the industry challenges that we have seen in the market, I do think the consolidation wave will kick into the asset management industry. We are looking, really, at two kinds of deals, bolt-on, as well as transformational ones.

But I do think it is super important, also from the shareholder perspective, that all these deals have to bring a really positive perspective for the shareholders and also, our clients, and I do think there are three aspects I would like to bring into the discussion. One is these M&A deals must enrich other capability sets. That means that at best, complementing other really rich capabilities.

But the second, also, I think should bring a new client set to DWS at either geographical client segments or in the industry where we have to strengthen ourselves, that should really bring in more client bases. But also, the third one is really important, in my opinion. It must also really fit to the culture in which we're living. And I think that most of the deals that happened in the last five years, as you know, Andrew, have not succeeded because the cultural fit was missing.

We are looking at really different various perspectives, but I want to put that also regarding the Deutsche Bank comment. I think Christian was very clear, 2019, the annual shareholder meeting, as you know he said a clear statement regarding DWS, he said that we want to make DWS the top ten asset managers in the world. I do think DWS is also now well prepared and we are looking around.

Stuart Graham (Autonomous)

Thanks for the extra granularity on FICC. It's really useful that you're addressing, head on, the big issue. I have two questions for Ram, please, on that new information. Firstly, we've heard a lot about how you're gaining share as clients re-engage. But as I look at coalition, it's saying that FICC revenue pools were up 48% nine months 2020, and you say revenues are up 42% with the top 100 and 25% with platinum clients, so that sounds like you're losing share, not gaining market share. What am I missing there?

And then the second question is last year, you said that FICC was 50% NII, and therefore, your revenue should be less volatile. If I look at chart seven, I see a lot of volatility, so why is that NII skew not leading to less volatile revenues? And specifically, what happened in June and August where you've got those big bump-up months? Thank you.

Ram Nayak

They're both really good questions and let me try to take them one at a time. The first one, in terms of the market share, you're absolutely right, we did lose market share in that three month COVID window, the one we showed on our chart, which you referred to, which was the March, April, May. We actually lost market share in there for two or three different reasons. The biggest one is, as you know, we had been talking about gaining sustainable revenues, and I think that meant that we were a bit on the back foot when it came to the huge dislocations about takin a lot more risk there.

As you probably noticed, our RWA and our VaR didn't move much at all in that window. It moved far, far less than our competition. And the balance sheet, which was probably really important in terms of providing clients with huge amounts of repo before the central banks came in with all that liquidity, we actually didn't deploy material balance sheets at that point in time, whereas many of our competitors in the industry were deploying, in fact, literally, not just the tens of billions, but I would say, cumulatively, it was in the hundreds of billions, and the spreads were enormous at that point in time.

So, primarily, as a result of us keeping our risk appetite relatively constrained, keeping our RWA down, our VaR down, and probably being far too conservative in that period meant that we did not participate in the upside. But the flip side of that, we lost market share there, definitely. The second reason we would have lost market share, we have a really strong distressed credit franchise and some distressed assets dislocated a little more than we had expected. And there are a couple of other smaller things that we can spend time on later, but the real argument, from my perspective, is we actually dialled the risk down, and therefore, we didn't catch most of the beneficial volatility the way our competitors did.

So, the way I look at it is that we did lose market share there, but if you go to period either before or after those three months, you will find that the competition, on average, and you can't get this exactly because people don't give you monthly revenues, but we think, excluding those three months, that our peer group was up about 35%, and we don't know exactly what it is, obviously, and we think we were up closer to 50%. So, we think we've gained market share excluding the volatility and the revenues that came from those three months.

So, that's the first point to answer your question, in terms of why do we think we're gaining market share. Not through the whole year, absolutely. Outside of those three months, if you look at the full year, we think we have. So, that tries to address your first question. The second one is yes, we do have meaningful accrual revenues, but as I said, some of this was offset by the losses that we took in some of those stuck positions, which we then moved out of.

We didn't have, as I said, the trading revenues, because of the low risk appetite we maintained in those months. We didn't actually offset them with real large trading revenues. So, that's really the story. Both your questions lead us to the same place, which is we didn't do well in those three months. We kept our risk appetite relatively low. We didn't deploy any material incremental RWA, VaR, or balance sheet, and you can see the result of that.

But that's exactly why next year, we expect this, effectively, to work in our favour, because everyone else is going to be on the same page as us, except we don't have those dislocated revenues that we have to recover from. I hope that helps.

Stuart Graham (Autonomous): The big bounces in June and August, then, on that chart, what were they?

Ram Nayak: Interestingly, I don't even want to take too much credit for that. When we came into the third quarter of 2019, as you may recall, I mentioned at the investor day last year that we had a pretty broken Q3 and we underperformed most of our peers in Q3 of 2019. And we highlighted that there was a whole bunch of businesses in Europe that we needed to fix.

We've fixed those businesses and the huge jump you see in absolute terms is really driven largely by the low revenues that you saw in Q3 19. So, this was really what I would call normalisation of a weak Q3 19, and we really outperformed because we have actually, as I said, fixed those five or six businesses that we talked about a year ago at the investor day.

James Rivett

Thanks, Stuart. We'll now take a question from the chat and this one is for Stefan Hoops. We've had this a couple of times. Stefan, your operating leverage, your revenue growth, less your cost growth, looks high versus some other business models that people look at. What assumptions in your plans are you most worried about?

Stefan Hoops

Thank you, James, that's a nice, little warm-up question. How can we grow revenues while reducing costs and address interest rate headwinds? And what I'm going to do is address the items individually, and then explain how we think, how we are convinced, how we are confident to be able to do all of it at the same time. As we look at headwinds, we really have it from two sources. One is overnight and one is the longer term interest rate, so seven, ten years, which is relevant for our maturity transformation.

When you look at overnight, the first quarter next year is going to be tough for the industry, because you still had waves in the US, India, and Singapore in Q1 2020, and you will not in Q1 2021. So, that's overnight. Afterwards, that's, essentially, out of the system. When you look at the longer term interest rates, we essentially have an issue every single year. Because we hedge with seven and ten year, and as the oldest swaps roll off and we have to hedge at the newer rates, of course, we lose every year, but that's not as bad as this year where we had 400 million of interest rate headwinds to address, so, 8% of revenues.

We believe it's about half of that for the next couple of years, as it's just the maturity transformation and no longer the overnight. What I tried to do in the presentation is categorise into three different categories.

In the first one, which is really just on our discipline, we have EUR 260 billion of deposits, of which, about half, so EUR 130, are euro overnight. Last year and this year, we implemented charging agreements on about EUR 70 billion. EUR 10 billion are not addressable, so that leaves EUR 50 billion of in scope deposits. And what we've also done is we've converted about EUR 10 billion into dollars and we increased term dollar deposits by about EUR 20 billion. So, it's not that we're just saying we pass on negative rates, we also work with clients who are transforming things, which are okay for the client and less costly for us.

The second category is implementation continuation of our business strategy, where, we try to outgrow competitors, but that will depend on GDP. When you look at we were able to grow in Asia by 6% this year, despite declining interest rates. We've been growing in Business Banking by 3-4% for the last couple of years. Why would that change? We have even greater focus – Alex will talk about Asia Pacific – so we're completely confident that the items that we have committed to that are well in flight. They will continue on the same path.

I haven't even touched on Trust and Agencies with plenty of things, the EUR 200 million that I outlined in the presentation as just implementation and continuation of business strategy. Now, in growth, imagine that you never looked at Deutsche Bank and you look at our 2022 revenues and you saw the corporate bank 4%, 5%, 6% of the revenues in payments. I don't think you would be surprised. I think you would be surprised that we're not in payments as a standalone business proposition.

So, the fact that we want to go back into merchant acquiring and we've made the hires, and the resources, and we've invested in technology, that's something where I have complete confidence, but I let the analysts judge. In the growth category, we also have assets as a service that Christian and Bernd spoke about earlier. We have ESG. I haven't even touched on Google and the collaboration with Google Cloud. So, that's why in that category on growth, again, I'm completely confident with the EUR 200 million. It could be more, it could be less.

But again, all of these items are very few in just areas in which we feel we have a true competitive edge. And when you look at cost, I'll break it down into infrastructure and front office. In infrastructure, we've had James and others talk about it, what we plan is in line with the Group plan. So, if you trust Christian, James, us, to continue to deliver, then you should trust that number in my plan.

When you look at front office, despite everything we've done this year, we've reduced workforce by 3%, we've reduced external workforce by 30%, and we've moved people to cheaper locations. So, we're completely committed to the front office cost reductions. The question is, how can we do all of that at the same time? And I would give you two answers. The first one being, they're actually not interlinked, so why shouldn't I be able to grow in Asia, whilst combining service centres in Germany?

Why shouldn't I be able to grow in payments, whilst streamlining my trade finance booking centres that are scattered across Europe? So, when you look at the various ingredients, the various components, they're actually not interlinked. It's just really tough management. That's the second part, when you look at our management team, we changed two thirds, probably three quarters, of my management team. And the people that we have in the seats, they are willing to diligently plan, to quickly decide, and to swiftly execute in a disciplined fashion.

I'm repeating my presentation from earlier, but we're going to be working as hard as we can to deliver both cost reductions, and revenue increases, and we're completely committed and confident to get to our return tangible equity target of 11% to 12%.

James Rivett	Thank you, Stefan. Let's go back to Zoom. Magdalena, welcome back who has a question for the Private Bank.
Magdalena Stoklosa (Morgan Stanley)	I've got two questions for the Private Bank. One is about loans and the other one is about scale. Could you give us a little bit more detail on the sources of loan growth that you see, but not only in Germany, but also in the international business. You gave us a target of new business, but that includes loans and also includes net new money flows. And between those two sources of growth, where is the bigger

focus at the moment?

And question number two is are you happy with your scale? Your AuM is about EUR 265 billion, is it enough to grow the platform that you really want to have? And if not, how would you frame your potential inorganic growth? Thank you.

Karl von Rohr

Thank you very much, Magdalena. I think that's a very good and interesting question. I will focus on the total Private Bank, we are breaking down our loan business in mortgage business and consumer finance business, and then, generally speaking, in the lending business on the wealth management side. The large focus that we have at the moment, clearly, is on the mortgage business, purely volume wise. That's the majority of our business.

And we think we actually have very good prospects to grow that mortgage business, because especially in Germany, the real estate market is very liquid. People have excess cash and they want to invest, and that's why we've seen, actually, very convincing growth rates over the last one to two years, and we expect that to continue. So, we do think that we will see steady growth over the next two years. Consumer finance is a smaller share and it's more or less, I would say a one to six or one to seven relation.

Also, consumer finance, we've actually had above market growth, especially, again, here, in Germany over the last two years. And that's something we intend to continue because also, there, with an adjusted risk appetite that we have chosen to decide on in the course of this year, we think we can grow prudently. I said that in my presentation earlier that we think growth needs to happen and can happen there, but we will be very careful and we have slightly adjusted our risk appetite.

On the wealth front, and maybe Claudio can say a few words on that, because there, again, that's one of the strengths, certainly. I will actually hand over briefly to Claudio for that piece, and then we'll come back to you scale question. Claudio.

Claudio de Sanctis

Thank you, Karl, and thank you, Magdalena, for the question. I think, as you heard in the presentation, we have a very focused strategy, and that, to a certain extent, answers both of your questions, at least for the international part, on where do we want to grow our lending appetite and our scale. Meaning that when you have the benefit of such a focused strategy and you have a target clientele, which, in our case, as I described, is primarily the family entrepreneurs, for which, you have such a holistic and comprehensive service, you want to focus on those.

Meaning, we want to lend to these entrepreneurs, both privately and in the business banking spectrum. Where is the growth coming from? It's coming from those family entrepreneurs, which we can serve internationally and with a lot of scale in Europe. And again, to the scale topic, and I'll let Karl elaborate more strategically, but as far as I'm concerned, for sure, scale is a factor, also, of focus. If you want to do too many things, the type of scale you need is extremely large. If I think of places like Germany, of course, but also, southern Europe.

In southern Europe, when you're looking at the service we have and the platform we have for that focused segment, we have probably the largest scale today available. I hope that answers. Karl?

Karl von Rohr

Thank you, Claudio. Coming back to your scale question, in addition to what Claudio said, I think it's absolutely right to say scale is one thing, but you also have to pay attention that you don't lose focus. If you look at the scale on our ability to grow, I think we've proven, with the, more or less, EUR 20 billion growth on the net new assets in this year and we have plans to increase that up to EUR 30 billion in the coming years.

And if you look on the cost and efficiency side, we have substantial scale, especially in Germany, where we have two big platforms to merge. And we think that's our primary objective, at this point in time, to get that right. And then once we have completed that, so let me refer back to what Christian has said over the last few months, there will come a point where I think consolidation in Europe will come, and then we intend to be ready. And that's why we're so focused on getting our integration right and getting our integration right fast.

James Rivett: Thank you Karl and Claudio. Jernej, welcome back. I think you've got a question next.

Jernej Omahen (Goldman Sachs): I have two very short questions on your FICC operation and this whole discussion around the market share. I think we all understand that there's a certain element of normalization involved in the regaining market share, but I was just wondering, to what extent do you think that's done at this point? And to what extent do you think it continues?
And I'm going to ask the question that I asked before, I'm going to try asking it again. You've provided a lot of detail about the market share gain by product, by geography, by client, etc. But in your mind, who are you taking market share from? Are these European institutions, tier one, tier two, the US banks? Who do you think you're winning against at this point, or you have won against, rather? Thank you.

Ram Nayak: Thank you. The way I would think about it is the following. In terms of overall market share, we think that, roughly, the wallet next year will become almost the same as, say, 2019, maybe slighter higher, call it EUR 70 billion versus the EUR 66 - 67 billion it was last year. As we highlighted, we think we have about EUR 6.4 billion of sustainable revenues that we've generated this year that should carry forward into next year in normal market conditions, like 2019 or what we expect in 2021.

And we have a few initiatives in the pipeline. So, if I add those few initiatives, it would be EUR 6.4 billion plus a little bit more, and that would probably take place on roughly a EUR 70 billion wallet. Now, that wallet might be higher or lower, we don't really focus on the wallet, we're just trying to see what we can do. So, if you use that approach, you will end up with something like, roughly, a 9.5% market share.

But that being said, I should make it clear, and this comes to your other question about who are we taking it from, our business mix, both from a product and a geography perspective, is relatively different from many of our large competitors. So, we are clearly stronger in Europe and we're stronger in Asia, and then in a product sense, we exited commodities and residential mortgages, both of which are very important to many of our peers.

So, you might see, us appear to lose market share, if there's a strong boom in the commodity market or if there's a strong boom in the residential mortgage market, which happened in the fourth quarter of last year and in the middle of the crisis this year, again, you will see us appear to lose market share, because we're not in those businesses, so by definition, we can't really gain.

So, the way I would look at it is just looking at the core revenues, it's a way of understanding how we're doing, but it's not really that relevant to us, because it really depends which part of the market is doing extremely well. If Europe booms and Asia booms, we'll probably outperform. If commodities booms and residential mortgages boom, we'll definitely underperform. But, in reality, our core business hasn't actually changed. It's just the numerator and the denominator are looking at slightly different things.

So, when you say, who are we taking market share from? It's actually, in some cases, we're not even taking market share. It's just normalisation of the fact that maybe commodities is making less money, or the US market, where we have less of a strong presence, is making less money. So, it really varies in that sense, driven by the geography and the product mix. But if you strip all that out, and, by the way, that is a big contributor to what we're talking about, if you strip all that out, I think it's fair to say in the businesses where we are focused, as we said in our earlier slides, the businesses where we're focused, the clients that we're focused on, I think we're actually gaining both client wallet and market share across the board in those businesses.

Across the board in all of those products with all of those clients, and against most of our competitors. I really think that's happening. And, as I said, the reason you don't see it immediately is partly because of the product and the geographic mix that messes it up a bit. I hope that answers it.

James Rivett

Thanks, Ram. Thanks, Jernej. We'll now go to the chat again and this is another question for Stefan Hoops, it comes from Hudson Executive Capital. The growth that you're expecting in payments looks encouraging, but where does the EUR 200 million

	come from? Can you specify a by geography, product, client, etc.?
Stefan Hoops	Yes. Thank you, Doug and team Hudson. There are really two components. The one that we spoke about last year, when we first spoke about having payments as a standalone business proposition, and then what we're tracking that the EUR 200 million refers to is one where, essentially, for FinTechs and platforms, we are their gateway into global settlement systems.

So, we don't see the underlying business, but we're just the ones that facilitate their payments and do the clearing, for lack of a better term. In that case, and that's the EUR 200 million, the client base is probably 50% of US clients, big tech platforms, you can guess who that is, but mostly for services in Europe and Asia. It's business for US clients, but then, essentially, for services, for processing, for facilitation in Asia and Europe.

Now, the second piece, the merchant acquiring, which we didn't have before and which we didn't talk about last year, that's something that just opened up because of a well-known event earlier in the year when a big German payment company faced difficulties and they just opened up probably three items. Firstly, many clients were no longer served. Second, it freed up talent. And third, it also created a lot more regulatory focus on this merchant acquiring business on the payments business overall.

And that comes back to the same service, same rule assumption that we have. So, therefore, the second piece is our decision to go back into offering a merchant acquiring proposition. Now, in that case, our client base is probably going to be more European centric. Just think about our 800,000 business banking clients, many of them are just starting to have a point of sale, bakeries, for example.

But also, just think about the way that dentists, or lawyers, or plumbers get paid. They deliver a service, they send their bill, it gets paid. That's going to be digitised at some point. So, we see tremendous upside in providing merchant acquiring services to our business banking clients. Now, secondly, many of the MNCs, the big global corporates, they're also just embarking on their own e-commerce strategy.

So, that second piece, because we can offer reconciliation, because we can offer FX conversion, so the second piece is global MNCs. But to be clear, it's two different items, which both, we believe, are great opportunities. The one where we're just a gateway into the global clearing, that's the EUR 200 million, and the second one, the new one, which we put into the growth category, is to rebuild, to re-enter the merchant acquiring business.

James Rivett

Thanks, Stefan. Let's now go to back to Zoom and I can see Jeremy again. Go ahead.

Jeremy Sigee (Exane)

Two questions I was going to ask. One is for the Private Bank and one for the Investment Bank. So, firstly starting with the Private Bank, you talked about cutting 200 branches at the moment, and I just wondered how much of that is part of the original plan, or how much of that is additional cuts that you've thought of during this year. And really, the context of that is that other banks seem to be thinking about cutting more of their branch network, or realigning more of their branch network, as the business digitises, and particularly as client behaviour has changed during this pandemic. So, if you could talk about that on the Private Bank that would be brilliant.

And then my second question was on the Investment Bank. You mentioned ESG quite a lot during the presentation, and I just really wondered if you could talk a bit more about that and what it involves. So, firstly, is it mainly about selling more green bonds or are there other growth opportunities, and also is there an exclusion or reduction element to it as well as you look at the emissions of clients in various industry sectors that you arrange financing for, as well as on the lending side?

Karl von Rohr

Jeremy, thank you very much. We'll start with the Private Bank question, and I will take the first half of it because we have two different angles of that, so one in the Private Bank in Germany, and then I'll pass on to Claudio for the International Private Bank.

So, the 200 branches that we announced that we would close in Germany are part of our commitment from the Investor Day last year. At that time we weren't very specific yet. We have in the meanwhile identified the branches. We have looked at whether we would go to more rural or to more urban areas, and we decided that going to more urban areas would make sense because that's where we can still consolidate better than in rural areas where we have already cut back.

You may remember that in my presentation I was talking about our reductions over the last year. Since 2016 we have done almost 30% of reduction in our branch network already, and with this cut now we're approaching the 40% respectively depending on which of the two brands you look at.

So, we've taken the time this year and actually COVID was helpful there because it confirmed the trend that we actually saw coming, where we felt that advisory remained hugely important, and actually we've seen a lot of that specifically through COVID. But the branch isn't the only location anymore where to give advisory.

We've seen that video format that we have started rolling out even pre-COVID works, our regional advisory centres work, the model to make branches that will continue to exist in the future smaller and just to have a little hub and spoke concept with advisory centres.

So, all of that we've worked out. Also the question to how far can we actually use branches of the respective other brand, which once we have the IT integration done, is going to be something that will be extremely helpful for us because for daily banking services we will have the ability for our customers to use the respective other brand branches. And we have tested self-service formats in the respective other branches which actually worked very well.

So, we've used the time now to detail that out. We're in the middle of negotiations with the Works Councils that we expect to close in the first quarter, and then we'll roll the closures out in the course of 2021.

And then for the International Private Bank, I will hand over to Claudio.

Claudio de Sanctis	Thanks, Karl, and thanks, Jeremy. So, as you see in my presentation, we've announced an additional 60 branches. That means between now and end of 2022 we will close 60 branches. Out of the 60, the vast majority are additional, incremental to the plans that we announced last Investor Day. And I think it goes back to Magdalena's question. It's in line with our focus and our strategy. Particularly in Southern Europe the ideas is to build on the scale of Wealth Management private banking and business banking, and in order to do that we want to actually concentrate the branches we have on doing that rather than the more traditional retail business, which we see moving faster and faster into a digital channel. So, I think that's the starting point and we'll keep you updated along the way.
Mark Fedorcik	There are really just two areas within the Investment Bank, and Ram can articulate if you like within FICC, but the two areas where we have I think a competitive advantage for ESG. One is the natural capital markets where every client at the Treasurer level and at the CFO level wants to have a discussion around how do I access the liquid capital markets, through DCM predominantly as well as high yield now, of issuing into that market? So, that is one area that we have been active in, we have excelled in it and we'll continue to deliver for our clients. The other area is on the financing where we are actually lending money or arranging financings, not through the liquid debt capital markets, traditional investment grade or high yield, doing that through our direct lending business, doing that through our transportation, energy, infrastructure business, but to helping fund projects for ESG. Those are the two main areas.
James Rivett	Thank you, Mark. Our last question and that comes from the line of Nicholas. Hello, how are you Nicholas? Go ahead.
Nicholas Hermann (Citi)	Thank you very much. Two questions, please, one on Private Bank Germany and one on Asset Management. On Private Bank Germany, I'm interested if you could comment on the competitive environment in Wealth Management for retail

affluent and premium affluent clients in Germany.
In that context, I know that you want to take share within investment products, but I'm also interested if you can comment on that in the context of growing competition, and I'm thinking of the likes of Vanguard but also digital players, online brokers that have seen strong growth in Germany. And I also know that in other European countries banks have lost share to these players.

My second question on Asset Management, in Christian and James' presentations they showed Asset Management 2022 revenues of 2.3 billion and 2022 costs flat to 2020. Now, I know that there are perimeter differences between Deutsche Asset Management and DWS, but my question is this would appear to suggest additional cost savings beyond 21, and broadly a 60% cost to income ratio in 2022 which will be a fairly large step down from the less than 65% that you are targeting in 2021.

So, I'd be interested to hear your thoughts on that and the 2022 view on cost and incremental cost take-out. Thank you very much.

Karl von Rohr

Nicholas, we'll take the first question, and again Claudio and I will share that. If you look at the competitive environment in Germany, first of all I said in my earlier presentation that it's true that Germany is a heavily banked market. It's an interesting market also for our competitors, also for non-German competitors. But I think we have proven in the last 18 to 24 months that we're actually very well positioned.

With some of the problems we've had historically in our legacy behind us, the positioning in the German market has become so much easier than it was two, three, four years ago. We see that through constant inflows. We have very good AuM flows. We're very satisfied with that. And we also see that then coming through in our fee and commission income growth.

So, that's something where I think we're well-positioned, and by constantly growing, by hiring people and by actually up-skilling up to 200 or our people to become investment advisors from the branches that we intend to close, we'll even have an enlarged sales force that will help us address the market opportunities.

On the online brokerage side, it's true that there again we have a lot of competition. On the other hand we're seeing, albeit from a smaller basis, but we're seeing an enormous growth, three digit percentage growth in our own online brokerage offering. And I mentioned in the presentation something that is very dear to my heart and something that we believe has a lot of potential.

We have actually a very good investment offering but it's not yet well-plugged together. So, we have a superb mobile banking app, something that has been often mentioned in industry publications, and we intend to use that much more intensively by connecting into it the offering from our robo-advisor, Robin, from our online broker, Maxblue, and Zinsmarkt. I think that's going to help us extend our market share or fight back against the online brokers that are active in Germany.

So far we are confident that we can continue the growth that we have now seen on the various fronts, but maybe we should also let Claudio have a comment on the Wealth Management side.

Claudio de Sanctis

Thank you. I would be very frustrated if not because it's a particularly performing, beautiful business, the Wealth Management business we have in Germany. And this year it comes even more natural to say so. So we're a market leader and we have the scale in Germany, and it would be easy to rest on those laurels. But we've grown in Germany this year. It was the most successful region in IPB, pretty much in line with the European growth. And that growth was actually definitely best in class in the industry.

The reason why we have actually succeeded rests not only on the quality of the team, which as I said is a fantastic team, but it's also the collaboration we have with the other parts of the bank, where in Germany it comes together naturally. Stefan, Asoka, our friends in Investment Banking and in Markets, we basically work, particularly on the entrepreneur segment, as one team. And one time we bring in one, another time we bring in another one, but the collaboration in Germany is the best in class.

So, I think yes, competitive it is but it's one of the best economies in the world and we have definitely the best positioning to make it our number one success.

Asoka Wöhrmann

Nicholas, thank you for the question. You are giving me the chance to a little bit again rephrase what I said in my presentation. The segment and the listed asset management company, DWS, differ in their function, metrics and in the numbers, I think in revenues as well as on the costs.

Yes, I think, as you know, DWS is really going to achieve and we are expected to achieve 2021 targets, what we set for the IPO one year earlier, that is our most probable assumption, this year. And I do think in the next three years, the second phase, we will focus on transformation and on growth. And we will invest into the business and also transformation. That will bring us costs but also embedded revenues on the top line.

But again, as you know, the Asset Management industry is also experiencing a tough environment like margin erosion and also preservation of the active businesses. We have all discounted into the numbers, and again the segment number of Deutsche Bank is sometimes distorted by Treasury costs and many other segment costs.

And therefore I do think if you look into the DWS legal entity numbers, you will see our cost achievements will come in 2023 and following years because of the transformation, and also I do think our market assumptions are quite sensitive for the next two years. And therefore I want to say we don't want to lose the 65% cost income ratio target. Even though we have achieved one year earlier, we are not compromising on that, but we want to invest and transform the DWS to lead in sub-segments to make a strong asset management business.

Christian Sewing

Thanks a lot for attending our second Investor Deep Dive. We very much appreciate that you took the time to join us in what was a detailed review of Deutsche Bank, our business and our strategy. We hope you benefited from the comprehensive overview we gave. We didn't know how a fully virtual Investor Deep Dive would work out. Many thanks to all of you who contributed to a really interactive day and lively debates. My fellow presenters and I, yes, we really enjoyed it.

We appreciated your keen interest in our revenue and cost plans, but also in the potential we see in areas like technology, client-centricity or cross-division collaboration. We were very happy to discuss how the capital distribution we are planning for would look like in detail. For us, today's event meant both, and end and a beginning. We are concluding a phase of six quarters in which we knew the bulk of our transformation work would happen, a phase that launched in July 2019 by making five promises to you.

We promised you a resilient bank and we delivered. Our core tier one ratio and leverage ratios are comfortably ahead of regulatory requirements. We have funded our transformation within existing resources. Our asset quality is very robust, and hence during this unprecedented pandemic we have kept our credit risk far below peer average.

We promised you an efficient bank and we are delivering. We are about to complete our twelfth consecutive quarter of year-on-year cost reductions, and today we have not only confirmed our cost target for 2022 but tightened it. We promised you a growing bank and we are delivering. You have seen our core bank revenues increasing over the past 12 months and we are confident that there is more to come as we consider large parts of this year's performance as sustainable. And momentum in Q4 is encouraging.

We promised you a profitable bank and we started to deliver this year, but of course this can only be the beginning. We are fully committed to delivering a post-tax return on tangible equity of 8% in 2022. We are fully committed to improving our profitability and debt in a sustainable way. That's what the next phase of our transformation is all about, and that's why today is also a beginning.

We will continue not to compromise on cost or risk management. Cost is the largest contributor on our way to an 8% return on equity target, a contributor which is in our full control. And we will shift gears on the revenue side to drive our businesses. We are convinced that we can achieve the revenue performance we are planning because we have a strong, highly focused market position in all our core businesses and our franchise is very strong, and because we see global economic trends clearly playing to our strengths and because we see enormous potential when we continue to change the way we work, driven by closer collaboration and our people who are more motivated than they have been for many years.

This management team will retain its relentless focus on execution and delivery. There was a fifth promise one and a half years ago. We promised you a shareholder-oriented bank. And as you could hear today, we stand firmly by our commitment to return €5 billion of capital to our shareholders starting in 2022. That is the overarching goal for the coming years. That is what we are working towards and we, my colleagues and I, won't rest until we get there.

We are confident but we remain humble. We are satisfied with our progress but we know we still have work to do and this work starts now. With that, thanks again for joining today. I wish you all a peaceful and safe holiday season and I'm looking forward to seeing you again next year, a year when Deutsche Bank will shift from defence to offence. Thank you very much and goodbye.

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Christiana Riley

CHRISTIANA RILEY

- Good to be with you virtually today, I'm Christiana Riley, CEO of Deutsche Bank in the Americas.
- Deutsche Bank in the Americas has been on a long journey.
- It is an evolution that I watched at a distance from Frankfurt for most of my career.
- In my tenure as CFO of our global Investment Bank up until 2019, I had close personal involvement in its transformation. In that position I drove the changes to the model we undertook last year that have decisively impacted and greatly improved the economics of our business model in the Americas.
- And now, as regional CEO, I am leading the ongoing transformation each day.

Slide 1 - Summary

- As a consequence of the decisions we have taken, Deutsche Bank in the Americas is necessarily different.
- We are not the bank that we were.
- Since the global crisis, there have been many questions around Deutsche Bank in the Americas:
- **"What is the Americas business and its competitive platform, how accretive is it to the group's results, and what level of risk is being taken for that return?"**
- I will answer these today.
- I will explain what our business in the Americas is, how it fits into the group, and unpack the de-risking of our platform which has led to higher returns.
- And I will share with you where we are heading.
- The size, power and attractiveness of the domestic market for financial services in the Americas is well understood.
- But it is also extremely attractive to our European and Asian clients.
- Our ability to provide access to the US market is an essential part of Deutsche Bank's global offering.
- As evidence thereof, 70 percent of our revenue from corporate clients in the region is derived from clients headquartered outside the US, and 30 percent from American companies.

- Of the 70 percent of corporate revenue coming from outside the US, two thirds comes from clients in our broader European "home" market, and one third from clients in Asia. Alex will share more on the attractiveness of our business in the US for our Asian clients shortly.

Slide 2 – We are now smaller, simpler, and stronger

- Turning to slide number two, since the global financial crisis, we have become smaller and simpler, and as a result, we are stronger, as this slide clearly shows.
- We have exited unprofitable businesses, reduced our client perimeter to be focused on client relationships rather than league tables, and no longer take outsized risk.
- This has resulted in exactly what we intended – increased stability and predictability of returns.
- Reflecting in the first instance on the **size and scale of our operations** – I draw your attention to the top row of the chart.
- The bank is a fundamentally changed institution relative to our position in 2007, 62 percent smaller in terms of our total assets.
- Since our strategic announcements in July 2019, the picture for the core bank has been largely stable – our strategy has been one of optimization, as you will see in subsequent slides.
- Moving down to the next row of the chart to reflect on our **returns in the region**:
- The material reductions in underproductive assets have driven a 41 basis point improvement since the crisis. A full quarter of that improvement – 11 basis points – resulted from improvements implemented since July 2019.
- Lastly, reflecting on the bottom two lines of the chart, and the improvements our refocused business model have enabled in terms of **workforce and cost efficiency**:
- We have made considerable progress, with adjusted costs and workforce down by more than one third since 2007 and by 13 percent since the second quarter of 2019.

- Consistent with the path of reductions that Mark and Ram outlined at the Investor Deep Dive last year, the majority of the reductions to date have come from the front office.
- Going forward, we are increasingly focused on infrastructure costs while maintaining our investments in technology and controls.

Slide 3 – DB Americas at a glance

- But our story is not about shrinking.
- On the contrary, our businesses in the region, now properly focused, have a clear growth trajectory.
- As slide 3 shows, the region's revenues for the first 9 months of 2020 are at 3.8 billion euros, or 21 percent of the group.
- Our costs are 19 percent of the group, and our use of the group's balance sheet is highly consistent, with 21 percent of risk weighted assets utilized by the region.
- The Investment Bank makes up about 60 percent of regional revenue, with the remaining 40 percent comprising the Corporate Bank, Private Bank and Asset Management.
- Our decision to focus the Investment Bank on its strengths has clearly been the right one, as demonstrated by four consecutive quarters of revenue growth since the end of 2019.
- Our regional **Origination & Advisory** footprint is now on a stronger foundation, as we target our approach to sectors where we have particular expertise.
- The strengthening of Origination & Advisory is evident in our outperformance of the global fee pool in each of the last three quarters, to which the Americas business was a key contributor.
- In **FIC Financing**, we have particular regional strengths in Commercial Real Estate, Asset-Backed and Leverage Finance. These businesses win domestically as well as add their expertise to the group and strengthens the firm as a global leader in these businesses.

- And as you heard from Stuart, the credit risk in our financing businesses are not outsized compared with the group, and the group isn't outsized relative to the street.
- Our **FIC Trading** business in the region is centered on our Foreign Exchange, Rates, Credit Trading, and Emerging Markets businesses.
- The evolution in the Investment Banking platform over the past 18 months has been remarkable.
- It has given us a strong platform in the Americas and, as you have heard earlier from Mark and Ram, we are seeing a resurgence of client engagement as a result.
- An example of the power of our franchise delivering for our global clients is T-Mobile's inaugural investment grade bond issuance to finance its merger with Sprint earlier this year.
- We coordinated all aspects of the transaction, attracting an order book peaking at over 75 billion dollars.
- The strength and quality of the order book allowed our client to upsize the transaction from 10 billion to 19 billion dollars.
- The transaction occurred in April of this year in the depth of the lockdown, during a period of market volatility and was the thirteenth largest bond offering on record.
- Deutsche Bank also acted as strategic M&A advisor to T-Mobile on the merger with Sprint as they embarked on building a nationwide 5G network in America.
- Despite the challenges of COVID-19, 2020 has been a year of stabilization for our franchise and of increasing business with our target clients, giving us a strong platform going into 2021 and 2022.

<u>Slide 4 – Strategic changes driving higher US IB returns</u>

- Turning now to the Investment Bank's returns in the region, which given the significance of that business and its regional capital consumption, is the key driver of improved performance.
- When I was operating as CFO of the global Investment Bank in 2018, it was abundantly clear that the US Investment Bank could not provide an adequate

return to shareholders with the resource drag that our equities franchise put upon the firm.

- Looking at the left of this slide, you can see from the gray bar the capital consumed by equities was significant.
- The Investment Bank's regional return on tangible equity was only two percent, due to the significant drag of the underperforming leverage-intensive Equities platform.
- Our new strategy has released substantial capital and has, contributed to the increased returns in the Investment Bank, which are around nine percent for this year.
- 2020 was a particularly good year. The conditions were historically unprecedented with Debt Capital Market volumes being fueled by rate cuts has, albeit offset somewhat by returns on our lending book. We also saw record Sales & Trading volumes.
- The Investment Bank in the Americas is exceeding the Group return on tangible equity target two years ahead of schedule.
- Looking ahead to what are probably more times, we nonetheless expect the 2022 return to increase to approximately 11 percent, with the improvement coming from lower infrastructure costs and increased client activity.

<u>Slide 5 – The work continues</u>

- So where do we as a region go from here?
- We fully expect the positive momentum of increased shareholder returns to continue. As you can see on slide five, three factors that are driving this.
- **First,** we see continued opportunities for recovery of market share to **drive revenues** in the region.
- Our model in the Americas stands to benefit from the multiple structural trends that Christian said before as growth drivers:
- We expect to see increased **global financing demand post-COVID**, as corporates reestablish themselves and renew their investment programs.

- The increasing demand for **financing driven by digital and green transformations** will also be a growth-driver for us.
- And also, the rise in demand for **sustainable finance** presents many opportunities as we play our role in both aiding, and accelerating, this transformation. Leveraging our EU experience, I expect this to be particularly strong in the US given how the next US administration is expected to focus upon this.
- We also expect revenue growth from our controlled **expansion in credit** to new clients in focused sectors, in particular Health Care, Industrials, Consumer and TMT.
- In the FIC **Sales & Trading**, we expect additional revenue as we build upon the market share gains that have occurred this year.
- With the growing confidence in the market that Sales & Trading has stabilized, and with improvements in our credit outlook, we are seeing the normalization of our wallet share with core client relationships.
- All of these factors explain why we see the Investment Bank's revenue continuing to strengthen across the region.
- **Secondly, reduced costs and improved controls** are also driving our improved return outlook.
- We continue to invest in greater automation and strengthened controls, which in turn drive more efficient and effective infrastructure.
- My team is working on securing an additional half a billion of savings through automation which will significantly improve the region's utilization of resources.
- **Lastly**, and never to be underestimated, **improving our culture** in the Americas is vitally important, and is a key element of our improved returns.
- We have seen a meaningful increase in confidence and pride internally in the region – contributing to lower attrition and a greatly improved ability to attract new talent to the platform.
- I'm focused on our people in the Americas as we drive forward a more dynamic culture.
- And we are making excellent progress on what it means to be a successful, diverse employer in this market.

- Progress against these three drivers supports a regional return on tangible equity of over 10 percent by 2022.

Conclude

- To conclude:
- The Americas region is essential to our global client base, and our business here is once again strengthening.
- We are taking increasing advantage that we are here, at the cross-roads of global finance and in the world's largest economy.
- We are firmly grounded in our identity as a European bank in the Americas, opening up the depth of the American marketplace to European clients, and in return providing our US-based clients access to the global marketplace.
- Deutsche Bank in the Americas is transformed. We are smaller, simpler and stronger. We take less risk and are more profitable.
- Our revenue outlook is increasing, and our costs declining.
- Our culture has improved and continues to strengthen.
- And pride is rapidly returning to the firm with all the benefits that brings to retention, recruitment and performance.
- Our contribution to the group's return on tangible equity has improved materially, is increasing each year, and based on the strength of our core businesses is contributing well to the Group's 2022 target.
- All strong progress, and the journey continues.
- Thank you

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Deutsche Bank AG

Investor Deep Dive

9 December 2020

Transcript

Speaker:

Alexander von zur Mühlen

ALEXANDER VON ZUR MÜHLEN

- Thank you for joining us today.
- My name is Alex von zur Mühlen – earlier this year, I was appointed CEO of Deutsche Bank Asia Pacific.
- I was most recently Head of Group Strategy, developing the transformation that we presented to you in 2019.
- At this event a year ago, the management team told you Asia would play a central role in our strategy.
- Today, I would like to elaborate on the region's growth story, the opportunities it now offers to us, and more importantly, why we are well positioned to capitalize on them.

Slide 1 - Summary

- Asia is at the epicentre of global trade growth, now - and for the foreseeable future - as supply chains evolve.
- We're a leading, truly global bank in the region, with strong linkages to our
- Deutsche Bank has deep roots in Asia, going back to 1872 when we opened our first branches in Shanghai and Yokohama.
- We are now present in 14 markets. Our commitment has been strong and consistent.
- That's especially true as we were one of the few global banks who did not leave this region in the Asian financial crisis.
- We are profitable in the region and we are investing into our footprint.
- Building on our successful franchise, we have the ambition to deliver a return on tangible equity of 15% by 2022.
- I would now like to expand on some of the key macro trends that illustrate why Asia Pacific offers such a remarkable potential.
- With and after Covid-19, Asian economies are expected to lead the global return to growth.

Slide 2 - Asia Pacific at the centre of global growth

- With the latest GDP estimates of more than five per cent per year, this region is predicted to grow significantly faster than the rest of the world.
- Banking fee pools are also expected to rise accordingly.
- So what are the key macro trends?
- Firstly, the general trend of economic growth in the region, accelerated by a shift of supply chains to – and within – Asia.
- This will particularly benefit the ASEAN corridors.
- Our local presence and cross-border capabilities are highly complementary in this regard.
- This is the 'glocalisation' that Christian referred to earlier.
- Secondly, the rising scale of Asian globalisation – with more Asian multinational corporations in need of a genuine global partner.
- Just as Deutsche Bank has helped European multinational clients to expand throughout our history, we are now leveraging our experience to help Asian clients with their global expansion.
- Thirdly, the continued development and liberalization of Asian financial markets.
- The internationalization of the Renminbi and the Indian Rupee, together with the opening of China's bond markets are some examples.
- As you can see, they play to the strength of a leading global capital markets platform.
- Finally, the creation of significant wealth within the region, which opens up attractive opportunities in the fields of wealth and asset management.
- The next slide explains why we are well positioned to capture these growth opportunities.

Slide 3 - Deutsche Bank Asia Pacific at a glance

- With over 30 branches in the region, we benefit from a strong local footprint alongside our worldwide reach.

- For example, we were the first bank approved by regulators to trade onshore Renminbi all over the world, across our branch network.
- We also led the recent US Dollars and Euro bond issuances for the People's Republic of China, leveraging our global network.
- We benefit from extremely strong brand recognition both locally and globally, making us an easy choice for businesses from outside Asia Pacific looking for a partner in the region, and for local clients looking for a partner for intra-Asian or global activities.
- As an example, we are advising SK Hynix in its current acquisition of Intel's memory and storage business for 9bn US Dollars.
- We offer clients an extensive suite of banking products both onshore and offshore.
- For instance, we're one of only two foreign banks permitted to underwrite bonds issued by local and foreign corporations in China – thanks to the Type A underwriting license we have been granted there
- We have strong local market regulatory understanding and connectivity.
- We offer extensive local expertise and services for clients based in- and outside Asia Pacific – and are a strong liquidity provider in all major Asian locations.
- As I will show you later on, this enables us to serve the evolving trade corridors within Asia and from Asia into the rest of the world.
- Throughout the Covid-19 crisis, we continuously provided clients with much-needed FX liquidity.
- We did this seamlessly as was recognized when we were awarded both Asia Market Maker of the Year, and Crisis Response of the Year by AsiaRisk Awards.
- We are the only known bank amongst our peers with a dedicated platform-wide regional ESG team.
- Our specialist knowledge of the region tells us that its relevance will grow significantly.
- This year, we transacted the first ever ESG linked hedge in the Asia Pacific region.

- Let's look into the expanding role the region is playing in terms of revenues for Deutsche Bank

Slide 4 - A network with strong global client connectivity

- In 2019, we generated 2 billion euros in revenue from Asia Pacific clients doing business with us within the region.
- We also generated 900 million euros of inbound revenues from clients headquartered in EMEA and the Americas doing business with us in Asia Pacific.
- Increasingly, we're supporting outbound operations for clients headquartered within Asia as they expand around the world.
- This group of Asian clients generated a further roughly 500 million euros in revenues booked in EMEA and the Americas.
- With the continued rise of Asia Pacific multinationals, the evolution of trade corridors and the increasing quantum of capital seeking foreign investment opportunities we are confident these numbers will grow.
- Let us now take a look at some key financials.

Slide 5: Broad and profitable footprint geared towards growth

- In the first nine months of 2020 Deutsche Bank Asia Pacific generated total revenues of 2.6 billion euros with adjusted costs of 1.7 billion euros.
- Our relative contribution to overall group revenues and costs is strong.
- It is important to note that our revenues are well diversified across our businesses.
- The Investment Bank provides a full product suite with market-leading positions in Financing and fixed income and currencies.
- We rank number three in FIC across the region.
- We have resized our Corporate Finance platform globally and in Asia Pacific as part of our transformation strategy and we now have a focussed, efficient and effective setup.

- Our Corporate Bank offering includes trade finance, cash management and securities services in selected markets.
- The platform was ranked number 5 in the region in 2019. As Stefan told you earlier, this platform is set for growth.
- Our Asset management business is focused on institutional clients and strategic partnerships.
- We run a successful joint venture in China in the form of Harvest Fund Management, with around 140 billion US Dollar assets under management.
- Thanks to this, we are amongst the top 3 foreign JVs in China.
- And growing.
- The International Private Bank is focused on High Net Worth Individuals for offshore China and South-East Asia and Non-resident Indians globally.
- We also operate a growing personal and business banking platform in India.
- We are investing in our Wealth Management business.
- And, thanks to the market-leading lending and capital markets platform that Claudio mentioned, we are ideally positioned to serve the sophisticated needs of this region's entrepreneurs
- Christian talked about 'client centricity' earlier.
- In Asia Pacific we are positioning ourselves even more strongly to support our clients by increasing connectivity between different parts of the bank.
- So you are looking at a well-established, profitable, and market-leading platform with an outstanding franchise.
- One that stands to be the single largest contributor to the Group in terms of RoTE.
- A bank which offers a fu Thank you for joining us today.

<u>Slide 6 - Our path to growing profitability and returns</u>

- Here you can see our aspirations for growth. We anticipate that our 2020 RoTE will outstrip 2019's, and already exceeds our 2022 group target level.
- Moving forward to 2022, we plan to bring this to 15%.
- How will we get there?

- In this region, we have accelerated and broadly concluded our reduction measures.
- With our foundation on a solid footing and building blocks already in place, we have significant operating leverage that will enable us to achieve greater financial success. Our focus is on growth.
- We will concentrate on the following key strategic drivers:
- Firstly, continuing to build on our strengths: our comprehensive range of products and services across divisions, deep knowledge of the region, our remarkable pool of talent and –above all – the cross-border capabilities that make us a unique and trusted platform for clients.
- Secondly, client centricity is key. We will carry on delivering solutions for clients from all parts of the bank.
- We very recently remodeled our coverage structure towards an aligned partnership between Corporate Finance and Wealth Management.
- Deutsche Bank is ideally placed to be a leading bank that an entrepreneur in the region chooses for both his and her business and personal needs.
- Risk management products on the back of evolving corporate treasury needs have been a key differentiator for Deutsche Bank with our clients.
- We are aligning the Corporate Bank and fixed income and currencies businesses more closely through combined tech investments and talent pooling to deliver even more advanced and innovative solutions for our clients.
- We will do so in the strong control environment that Stuart has told you about, with a clear focus on credit, market and non-financial risk.
- Thirdly, our markets are dynamic.
- We need to continuously evolve with our client needs.
- That will mean leveraging our local market expertise and marrying our platform strength to support our clients' shifting supply chains.
- We will support the growing outbound activity from Asian multinationals with our global network. This will all result in stronger bonds with our clients.
- And as we increase client connectivity, we will further increase our opportunities.
- At the same time – and as mentioned before – we will make even greater efforts to distinguish the Deutsche Bank brand through leadership in ESG solutions, an area

of increasingly critical importance to our clients – underlining our commitment to sustainability.

- Lastly, we will focus on our fourth strategic driver, and invest more in our platform within the Asia Pacific region.
- We aim to hire to strengthen client coverage and further enhance our relationships.
- We will consider increasing our capital allocation where we see potential for greater scale in the market – for example India – where the opportunities are promising.
- We will also complement our local offerings, such as our recent establishment of a cash branch in Australia.
- We will continue to invest in infrastructure and technology to support business growth.
- As Bernd discussed, we will leverage our global tech investments.
- But we will also allow for regional customization where appropriate.
- For example: we just launched GEM connect – our brand-new technology solution automating Treasury processes across collections, payments, funding and FX – across the region and into other emerging market locations.

Slide 7 - Conclusions

- To conclude:
- At Deutsche Bank Asia Pacific, our transformation is broadly complete.
- We have cut back our costs, reduced our headcount and maintained our capital at par.
- We are now focused on profitable, well-controlled growth.
- We are strong and poised to achieve a solid RoTE, and to contribute even more to Group performance going forward.
- With our deeply rooted presence and excellent capabilities across the region, we are well positioned to capitalize strongly on the exciting opportunities in this dynamic and fast-growing part of the world.
- Thank you.

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Deutsche Bank AG

Investor Deep Dive

9th December 2020 | 12:00pm

Transcript

Speakers:

Christian Sewing

James von Moltke

James Rivett

Christian Sewing

Thanks a lot for attending our second Investor Deep Dive. We very much appreciate that you took the time to join us in what was a detailed review of Deutsche Bank, our business and our strategy. We hope you benefited from the comprehensive overview we gave. We didn't know how a fully virtual Investor Deep Dive would work out. Many thanks to all of you who contributed to a really interactive day and lively debates. My fellow presenters and I, yes, we really enjoyed it.

We appreciated your keen interest in our revenue and cost plans, but also in the potential we see in areas like technology, client-centricity or cross-division collaboration. We were very happy to discuss how the capital distribution we are planning for would look like in detail. For us, today's event meant both, and end and a beginning. We are concluding a phase of six quarters in which we knew the bulk of our transformation work would happen, a phase that launched in July 2019 by making five promises to you.

We promised you a resilient bank and we delivered. Our core tier one ratio and leverage ratios are comfortably ahead of regulatory requirements. We have funded our transformation within existing resources. Our asset quality is very robust, and hence during this unprecedented pandemic we have kept our credit risk far below peer average.

We promised you an efficient bank and we are delivering. We are about to complete our twelfth consecutive quarter of year-on-year cost reductions, and today we have not only confirmed our cost target for 2022 but tightened it. We promised you a growing bank and we are delivering. You have seen our core bank revenues increasing over the past 12 months and we are confident that there is more to come as we consider large parts of this year's performance as sustainable. And momentum in Q4 is encouraging.

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therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 20 March 2020 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from www.db.com/ir.

This transcript also contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS, to the extent such reconciliation is not provided in this transcript, refer to the Q3 2020 Financial Data Supplement, which is available at www.db.com/ir.

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