Christian Sewing at Deutsche Bank Global Financials Conference, New York

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Transcript

Slide 1 – Summary

- Good morning or good afternoon
- First and foremost: I hope you and your families are all safe and well
- It is my pleasure to welcome you to our 10th annual Global Financial Services Conference
- The format of this year's event is obviously different
- But even as a virtual conference, it's still a truly global event. Attendance this year is roughly 30% higher than in 2019
- We are pleased to welcome 650 attendees from 29 countries
- This includes 128 companies with a combined market value of 2.1 trillion dollars
- These companies will interact with investors who manage over 7.5 trillion dollars of assets
- In these times we clearly see that people want to interact on a global basis and hence conferences like ours are on high demand.
- We are delighted to have you all attending
- It is my pleasure to open this conference and provide you with an update on DB's transformation; in particular against impact of Covid-19.

- First, how do I assess the Covid situation?
- The impact on global economies is unprecedented and despite the ongoing market recovery over the last six weeks we have to expect a continued phase of high volatility as the real economic consequences are still too uncertain
  Yes, markets repriced, but in my view a bit too optimistic. Second and third order effects have not been fully priced in at this stage
- The intervention of central banks and regulators has stabilized the market – they reacted swift and to the point
- We as Deutsche Bank certainly do not underestimate the severity of the challenge facing the global economy or the banking industry. Hence, it is key to run a business with a stable foundation and a market leading position.
- And this was exactly what we aspired to achieve with our transformation in July last year. The strategy aligns us well with the current environment.

- Reaching our targets depends on delivering against our key objectives and in this regard we have outperformed our internal expectations in the first three out of six transformation quarters
- The progress we have made is also allowing the underlying strengths of our businesses to show through – we are regaining market share in our core businesses and starting to grow profits in the Core Bank in the first quarter
- And yes, having Germany as our home market is also a source of advantage
- The swift and decisive actions that the German government has recently taken, together with the already-strong fiscal position of the public and private sectors mean that our home economy is well positioned to address the crisis
- The combination of a strong home market and our conservative balance sheet positions us well to support clients through these difficult times
- Let me briefly discuss these themes starting with our strategic positioning on slide 2

Slide 2 – We are ahead of plan with our strategic transformation

- In July last year we laid out our vision for the transformation of Deutsche Bank – re-positioning our bank around what it has stood for the better part of our 150 year history. A leading German bank with strong European roots and a global network serving in particular our corporate client base.
- Our transformation is built around five key decisions
- First, to exit business activities in areas where we were not among the leaders
- This included the tough decision to exit from institutional Equities trading while we continue to invest in our research and equity capital markets capabilities
- Second, to create four core businesses with market leading positions that are aligned to the needs of our clients – together, these comprise our 'Core Bank'
- Third, to set ourselves even more ambitious cost goals – including a target of reducing costs by 25% from 2018 to 2022
- Fourth, to continue to invest in technology and controls, despite the reductions in our overall cost base
- Technology and digitization is the new currency – it the basis for future revenue generation and cost reductions

And finally, to set up a dedicated 'Capital Release Unit' to wind down assets not included in our Core Bank, and use the capital we free up from this process to fund our transformation with our own resources and bring us back in a position for distributions to shareholders

- In executing on all five of these decisions, we are running in-line with, or in many cases ahead of, our internal expectations
- Let me turn first to the Core Bank

Slide 3 – Our franchise strength is increasingly visible

- The combination of a solid strategy and ongoing delivery against our targets is increasingly visible in our financial performance as shown on slide 3
- Group revenues were flat year-on-year with 7% growth in the Core Bank fully offsetting the exit from Equities Trading in the Capital Release Unit already – only three quarters into the transformation. We are proud to see this development
- Revenue growth in the Core Bank was in particular driven by improved client engagement
- We were able to increase earnings with our 50 top trade finance clients worldwide by 30 percent, while our 100 largest institutional clients registered an increase of more than 40 percent. These are two small examples that our client franchise is fully intact.
- Revenues combined with our relentless focus on costs, drove the growth in profits in the Core Bank in the first quarter
- Core Bank adjusted pre-tax profit increased by 32% year-on-year as lower costs and higher Core Bank revenues more than offset the higher provision for credit losses and the drag from the Capital Release Unit
- The Core Bank generated pre-provision net revenue of 1.8 billion before bank levies in the first quarter
- And next to a good revenue performance we achieved this, as we delivered against our cost targets again in the first quarter as you can see on the next slide

Slide 4 - 9th Consecutive quarter of annual adjusted cost reductions

- We are determined to not let the current environment disrupt the execution of our cost reduction plans
- Excluding transformation charges and bank levies, adjusted costs declined by 7% year-on-year to 4.9 billion euros – our 9th quarter in a row of reductions
- At the end of the first quarter we have put 73% of our transformation-related effects behind us
- We currently have more than 70 core transformation initiatives across 20 themes in flight, overseen and managed by the Chief Transformation Office
- Progress is managed and monitored tightly. We have not missed one cost goal in the last two years
- The progress we have made in the first quarter and the projects underway put us on a good path to achieve or outperform our 19.5 billion euro target for 2020 and then to 17 billion euros by 2022
- And we have to continue. In this regard we decided to lift the restructuring suspension to progress on our cost efforts
- We know that this is an uncertainty in particular for a lot of employees. Overall we reduce 18.000 FTE and we are aware that in times like these it is even more painful
- While we have to resume the restructuring talks we do not stop strategic IT investments due to Covid-19. These are essential to hit our long-term cost goals
- For example we just completed the complex merger of DB's retail operations with DB AG group – a huge IT project
- Also to show responsible and entrepreneurial leadership the Management Board and Global Management Committee have decided to forego one month of fix pay salary This demonstrates the strong culture and ethics of our firm

Slide 5 – Four leading, client-centric divisions

- Our refocused Core Bank operates in four strong and profitable business units all of which offer significant opportunities to improve returns to shareholders over time as you can see on slide 5
- In the current environment, focusing on our core strengths serves us well – we find that in a time of stress, clients are turning to the strong, leading players

- Within the Corporate Bank, we enjoy an excellent market position
- Leveraging our global network in more than 145 counties, we help our corporate clients manage their daily banking needs
- We are the market leader in clearing – the number 1 clearer of euros, and number 1 non-US clearer of dollars
- We are also large player in payments, where we are the incumbent payments provider for many of Silicon Valley's largest technology companies
- And in Germany, all DAX 30 companies are our clients and we are the Hausbank to around 900 thousand small and medium-sized companies
- And the current crisis appears to be helping our leadership position
- Around one third of the recent client enquiries into our Corona help desk have come from non-clients
- Across the investment bank, 80% of our revenues come from business where we have a top five market position. This should reduce volatility in the top line.
- We are a global leader in Fixed Income and maintained our top 5 Global FIC ranking during turbulent markets in 1Q20
- We are leader in the debt financing across leverage finance, investment grade, asset backed securities, and commercial real estate
- We will continue to have one of the top FX businesses in the world – ranked third globally and number 1 in FX derivatives
- And, we will continue to be a trusted advisor to our corporate and financial sponsor clients in origination and advisory.
- Since the beginning of March, our Investment Bank has raised nearly 340 billion in debt capital by processing 200 transactions.
- In the Private Bank, we are the market leader in Germany with 19 million clients across the Deutsche Bank and Postbank brands
- We are also the leading digital bank with 11 million clients on our digital retail platform – and during the recent lockdown period, logins to our Deutsche Bank branded German apps were running at peaks of more than 2 million per day
- In wealth management, we are the market leader in Germany with approximately 200 billion euros of assets under management globally

- And finally, with more than 700 billion euros of assets under management, DWS is the market leader in Germany and one of the leading asset management franchises in Europe

Slide 6 – Executing well on our strategic priorities

- Each of our businesses is delivering against the strategic objectives we laid out at our Investor Deep Dive in December
- A summary of the objectives is shown on slide 6
- In the Corporate Bank, we are focused on growing volumes to offset the pressure from the interest rate environment
- In addition, we have since the end of 2019 started to pass through negative interest rates to around 25 billion euros of deposits as part of our 2022 targets
- In the Investment Bank, our focus is on stabilizing and growing revenues while continuing to reduce costs without sacrificing our front-office capabilities
- Investment Bank revenues increased by 18% in the first quarter with further stabilization and improvements in market share in our target segments
- This includes 30% year-on-year revenue growth from corporate customers, which we identified as a focus area in our strategy, and we recorded the highest market share in our European and German Debt Capital Market franchises since 2017
- In the Investment Bank the positive momentum has continued in April and May, particularly in our fixed income & currencies business
- We reduced adjusted costs in the Investment Bank by 15% as we benefit from headcount reductions in prior periods and lower infrastructure costs
- In the Private Bank, we are focused on offsetting negative interest rates with growth in volumes and fee income while improving efficiency
- Private Bank revenues excluding specific items increased by 3% year-on-year in the first quarter with the strong performance in Wealth Management where strategic hiring in prior periods has started to pay off
- Adjusted costs excluding transformation charges in the Private Bank declined by 2% as we generated 70 million euros of synergy benefits from the merger of our German operations

- Progress in the first quarter puts us on track to achieve the 200 million euros of merger related cost synergy benefits in Germany that we expect this year
- In Asset Management, one of DWS' main priorities is growing assets in its focus areas while improving the cost income ratio – and attracted 25 billion euros of net inflows last year
- Despite the market conditions at the end of the quarter, we saw inflows through the strategic partnerships and into ESG funds
- Reflecting our congoing cost initiatives, the asset management cost income ratio declined by 4 percentage points year-on-year

Slide 7 – We operate where our clients want us to be

- Slide 7 shows how diversified we are from a regional perspective which is especially important and stabilizing in times of crisis
- While we make the majority of our revenues in the EMEA region, our global geographical presence is a vital part of our client offering.
- Of our top 100 European institutional clients, 98 do business with us the US and 94 transact with us in Asia

  In the US, we have refocused on the areas where we have a competitive advantage domestically or where we can support our global clients
- Here we are a market leader in credit trading and FX in the Investment Bank with focused Corporate Banking, Wealth Management and Asset Management product set
- We are focused on growing our operations in Asia, most notably in the Corporate Bank as we continue to benefit from the growth in trade flows
- This focus is increasingly important in a world of dislocated supply chains where clients value our global approach combined with our local knowledge
- We generate approximately one quarter of our revenues from the broader EMEA region ex-Germany with a broad and deep product range especially in Investment and Corporate Banking
- Germany is our home market where we generate 40% of our revenues which we show in more detail on the following slide

Slide 8 - Well positioned in this crisis as Germany's leading bank

- In the Corporate Bank we are the Hausbank to nearly 900 thousand small and medium sized companies in Germany - and here, too, we are well positioned to help clients through this crisis
- We've worked closely with the German government to design support programs, and then played a leading role in rolling them out
- To date we have processed more than 6,500 applications under the German government's KfW program with a volume of around 5 billion euros
- One third of the requests related to the Corona crisis come from companies that were not previously our clients.
- In my experience, clients don't forget the banks who stand by them in the tough times
- In the Investment Bank, we have for the first time since 2017 regained our position as the market leader in German corporate finance
- This proves that our clients view us as a trusted advisor, especially in challenging times
- In the Private Bank and DWS we are helping our clients navigate through turbulent conditions – even during lockdown, we kept around 1,100 DB and Postbank branches open for our customers in Germany
- And, as I mentioned earlier we are the leading retail bank with 19 million customers and the leading retail asset manager
- We also believe that Germany is relatively well positioned to deal with the current crisis
- Thanks to the strong and decisive actions of the Government, the German support programs of around 730 billion euros, amounting to around 25% of total GDP, are the highest of any major country

- Working in partnership with us, there are now a series of well-designed programs which provide support quickly to the broader economy
- And given the strong fiscal position, the German government is well positioned to take additional action if required
- The German consumer and corporate sectors are relatively well positioned to deal with the crisis

- Consumer debt levels are amongst the lowest in the Eurozone and the developed world
- German small and large corporate customers are also operating with the lowest levels of leverage and highest levels of liquidity in the last 30 years
- We feel fortunate to have Germany as a home market in volatile times

Slide 9 – Maintained strong balance sheet

- Slide 9 repeats a chart that we have shown consistently and which is more impactful than ever before
- We have been managing our balance sheet conservatively and intend to keep doing so through this period of turbulence
- With a 12.8% CET1 ratio at quarter end we are at the higher end of peer ratios and sit comfortably above our regulatory requirements
- This sound capital position gives us scope to continue to deploy resources to support clients in these challenging conditions
- We kept our liquidity position strong at 205 billion euros, comfortably above regulatory requirements
- And our funding position has rarely been stronger than today: we continue to fund our balance sheet through stable sources, predominately our low cost deposit base
- Our results also show that we continue to operate with low risk levels
- We continue to manage our market risk exposure tightly
- Our average value-at-risk of 24 million euros remains low versus our global peers
- And we are focused on maintaining strong credit quality, given our conservative loan book which we discuss on slide 10

Slide 10 - Low risk, well diversified loan portfolios

- Deutsche Bank has always been an excellent credit risk manager reflecting the low risk nature of our assets, especially in Germany, and is also testament to our strong underwriting standards
- As I noted earlier: German corporate and consumer debt is among the lowest of all leading nations

- Our loan books are well diversified across our businesses, client segments and regions
- Around half of our total loan portfolio is in the Private Bank, mainly German mortgages with conservative loan to value ratios and low delinquency rates
- In Wealth Management almost all our loans are secured typically by high quality liquid stocks and bonds with conservative loan to values
- 90% of our commitments in the Corporate Bank and Investment Bank are to clients rated investment grade
- Exposure to more effected Covid industries and sectors - such as retail, tourism, travel, oil and gas – are roughly 10% of DB´s loan book and geared to strong global names or well collateralized transactions
- And in Commercial Real Estate, our portfolio is diversified across a broad range of high quality properties, typically in gateway cities
- So from a risk perspective we feel well positioned to navigate the current environment

Slide 11 – Best in class credit risk

- Provision for credit losses did increase in the first quarter to 44 basis points of loans as you can see on slide 11
- Roughly half of the increase related to COVID 19 impacts principally against performing loans
- Looking forward, we do expect provisions to be higher most notably in the second quarter given the macro-economic outlook partly offset by the benefits of the Government support programs
- That said, we expect our provisions to remain at the low end of our peer group – in part because our exposure to unsecured consumer finance, including credit card debt, is significantly lower than most of our international peers
- As we noted with our first quarter results, provisions for credit losses are forecast to be in a range between 35 and 45 basis points of loans in 2020
- Our portfolios have proven to be more resilient than many of our peers, through both observed periods of stress, like the last financial crisis and in regulatory stress tests in both the US and Europe

- We also believe that we are currently well reserved relative to the low risk nature of our loan portfolios
- Our 4.3 billion euros of allowances for loan losses equates to 95 basis points of loans This is a similar level of provisioning relative to our peers when adjusted for our limited exposure to credit cards and other forms of unsecured consumer lending

Slide 12 – Increasing technology investments

- Beyond credit risk, we are continuing to invest in improving our broader control environment
- We have almost tripled the budget and headcount allocated to non-financial risk functions since 2013 to strengthen our risk frameworks and enhance controls
- Our cumulative cash investments in Technology across Risk, Anti Financial Crime and Compliance in the last 3 years have amounted to around 900 million euros
- As examples, these investments allow us to screen all our 28 million clients daily for sanctions issues and we can now complete 15 billion daily trade revaluations
- We believe that our investments have also been recognized by the positive outcomes in recent regulatory stress tests, such as CCAR and the ECB Liquidity Stress Test
- Despite our overall group cost reduction targets, we are committed to maintaining IT investments in our control functions
- So while we know this is an ongoing commitment, we believe that we are making steady and consistent progress

Slide 13 – Our targets

- While the current environment makes the near-term outlook more challenging, we continue to work towards our 2022 targets, principally our goal of an 8% return on tangible equity
- This improvement in returns will be driven by three factors
- First, we are working to stabilize and grow our revenues in our core businesses
- As I outlined earlier, we are happy with the momentum that is building
- Second, we are confident in our ability to reach or outperform our cost reduction targets

- And finally, we will do this without compromising the strength of our balance sheet – and our solid capital, liquidity reserves and well-diversified, high quality loan portfolio all give us confidence that we can achieve that

<u>Slide 14 – Well positioned to address the upcoming challenges</u>

- We believe that our strategy and execution sets us up well for the industry trends that we see emerging – we can emerge relatively stronger in the post-COVID era
- First, a bank's size and market position will become even more important competitive differentiators
- This means that in future it will become even more important for us to focus and build on our strengths
- Wherever we do business, we have to occupy one of the top spots
- We are one of the world’s leading banks, among the leading banks for corporates in Europe, and the leading bank for private clients in Germany. And right now, that’s an advantage
- Second, we expect cost pressures will intensify
- In this phase of upheaval we have to make our bank even more stormproof as the second- and third-round effects of this pandemic become clearer
- This current situation may create lasting opportunities to save costs based on our experience during lockdown, be that with lower real estate costs or travel expenses
- Third, as the world becomes more digital, technology will be a key factor in making us more efficient but also providing a better service to our clients and drive revenues
- The operational resilience we showed during lockdown, and increased client traffic though our online channels in recent weeks, are a solid basis for that
- We remain committed to spending a total of 13 billion euros on IT from 2019 to 2022
- And finally, as I look forward to discussing with Larry Fink in our session tomorrow, we see sustainability as another megatrend
- Sustainability may be overshadowed by the COVID-19 crisis currently, but it will come back into focus with even more intensity
- That is why we continue to work in this area and we are proud of the progress we have made here

We have just announced a target of 200 billion euros in business volume – that is, sustainable financing and investment products – by 2025, and we will continue resolutely toward this objective

- It is in times like these that our Bank can prove its resilience, its experience and its value to society and all our stakeholders
- Thank you very much and I look forward to talking to many of you in the upcoming sessions

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