



# Deutsche Bank: Adapting to a new world

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*Passion to Perform*

**Deutsche Bank Financial Services Conference  
New York, 4 June 2013**

# Agenda



## 1 A changed environment from a year ago

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## 2 Deutsche Bank's journey

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# Macro/Market trends: Over the past year, decisive intervention has bought us time

## One year ago: Concerns

## Action

## Result

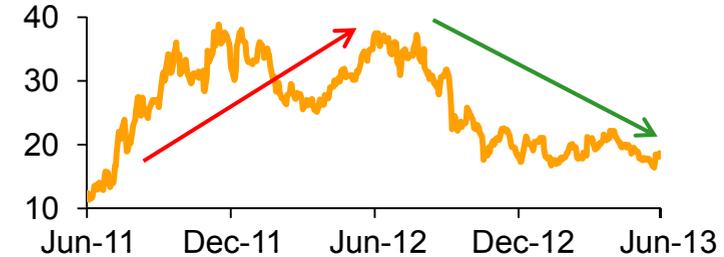


- Break-up of the Eurozone
- Default of large economies

“[...] the ECB is ready to do whatever it takes to preserve the euro [...]”

*Mario Draghi, 26 July 2012*

Italy implied default (40% recovery), in %

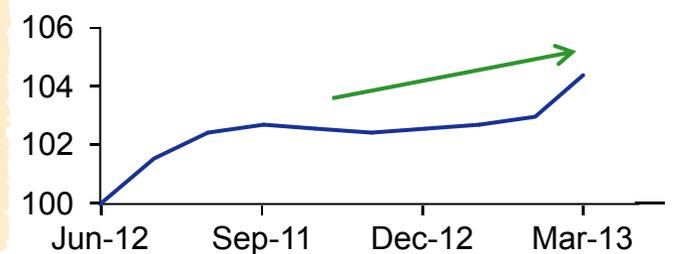


- Pre-election uncertainty
- Fiscal cliff
- Pace of recovery

“To support a stronger economic recovery, [we] agreed to increase policy accommodation by purchasing agency MBS”

*Federal Reserve, 13 Sep 2012*

Case Shiller Index, rebased to 100 at Jun-12

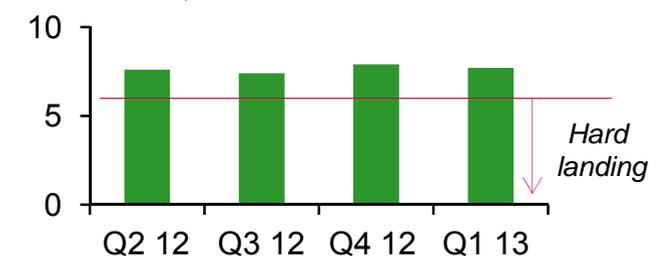


- Hard landing in China
- Potential bubbles

“The People's Bank of China said [...] that it will increase policy flexibility to support the economy”

*Reuters, 9 May 2013*

China GDP, in %



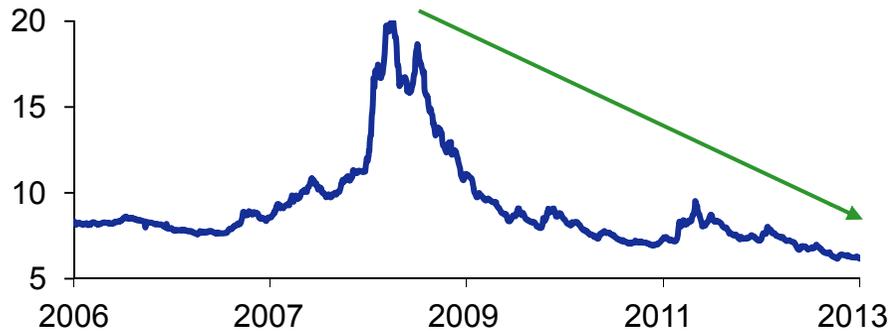
Source: Capital IQ, Federal Reserve Bank of St. Louis, DB Research



# Macro/Market trends: Understandably, markets have responded

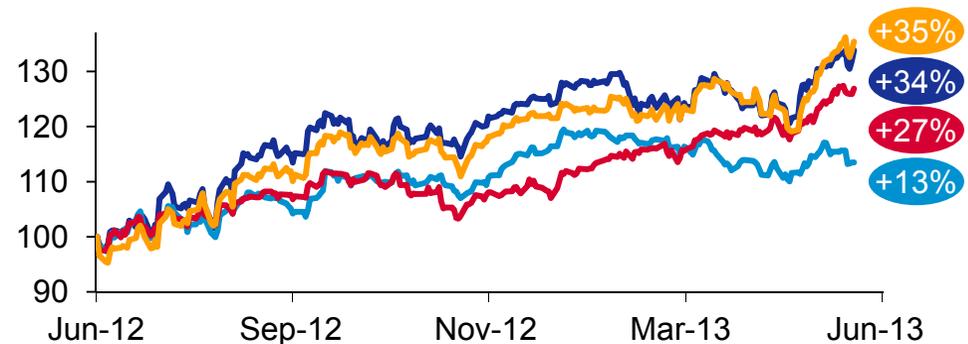
## Lower costs of borrowing

US HY debt yields, in %



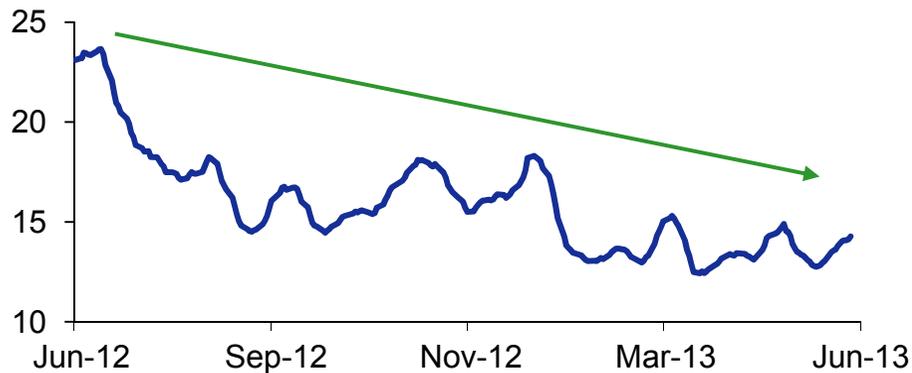
## Rising equity markets

Indexed to 100 on 31 May 2012, in %



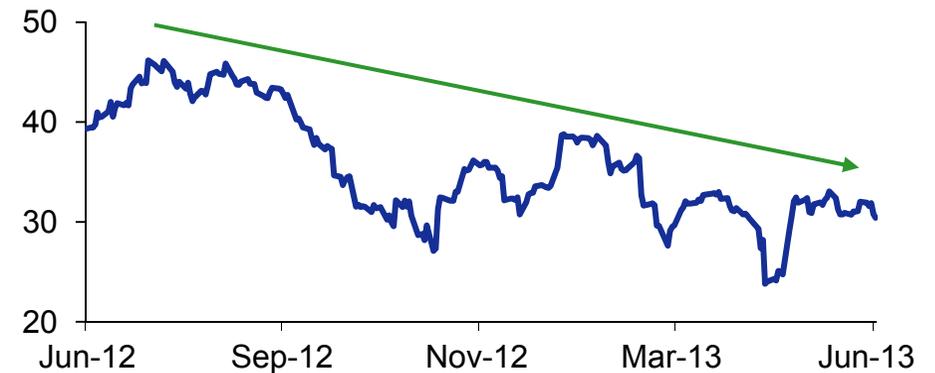
## Decreasing volatility

VIX (S&P 500)<sup>(1)</sup>



## Reduced correlation

Realized S&P 500 intra-index correlation, in %



(1) 10 day moving average  
Source: Bloomberg, DB Research



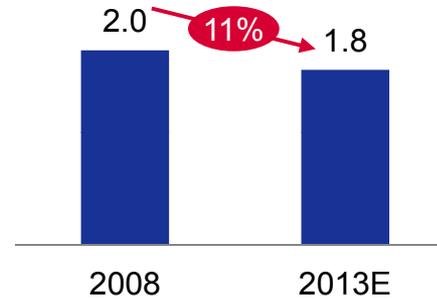
# Macro/Market trends: As ever, intervention creates winners and losers

10 year Treasury note yield, in %



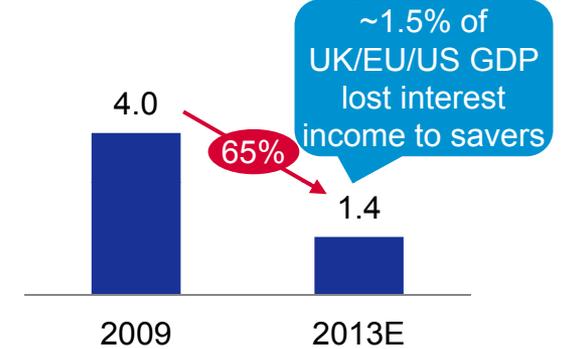
## Banks

NIM, European banks<sup>(1)</sup>, in %



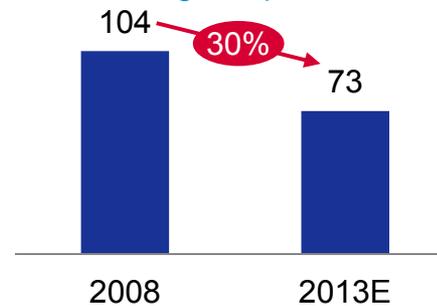
## Savers

Retail deposit rates, in % p.a.



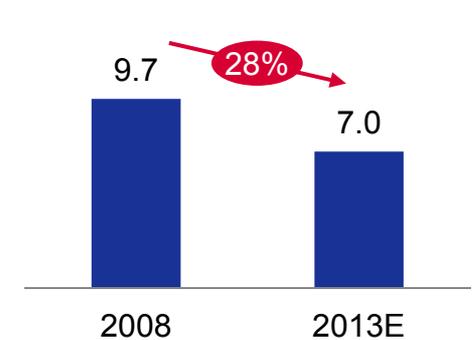
## Wealth managers

Margins, European wealth & private banking, in bps



## Insurers

Running yield<sup>(2)</sup>, in %



(1) Includes 40 European banks covering about half of Europe's banking assets  
Source: Bloomberg, Eurostat, Company data, DB Research,

(2) European non-life insurance margins as % of net written premiums



# Regulation trends: In addition to quantum of regulation, the risk of balkanization has increased

 Change in regulatory intensity

## United States



Proposals likely delayed / relaxed:

- Prudential rules / Basel 3
- Volcker / Swaps push out
- No likelihood of “structural” reforms

2012

2013

US banks call for easing of Basel 3

*Financial Times, 4 January 2013*

## Europe



Additional recent proposals affecting European banks:

- Bank structure reform
- Fed FBO rules
- Financial transaction tax
- CRD 4 incl. comp reform

2012

2013

European banks warned to expect tougher scrutiny

*Financial Times, 16 May 2013*

## Asia



More nuanced regulation by country aiming for open, welcoming but well regulated markets

2012

2013

Japan delays cross-border rules amid US and European uncertainty

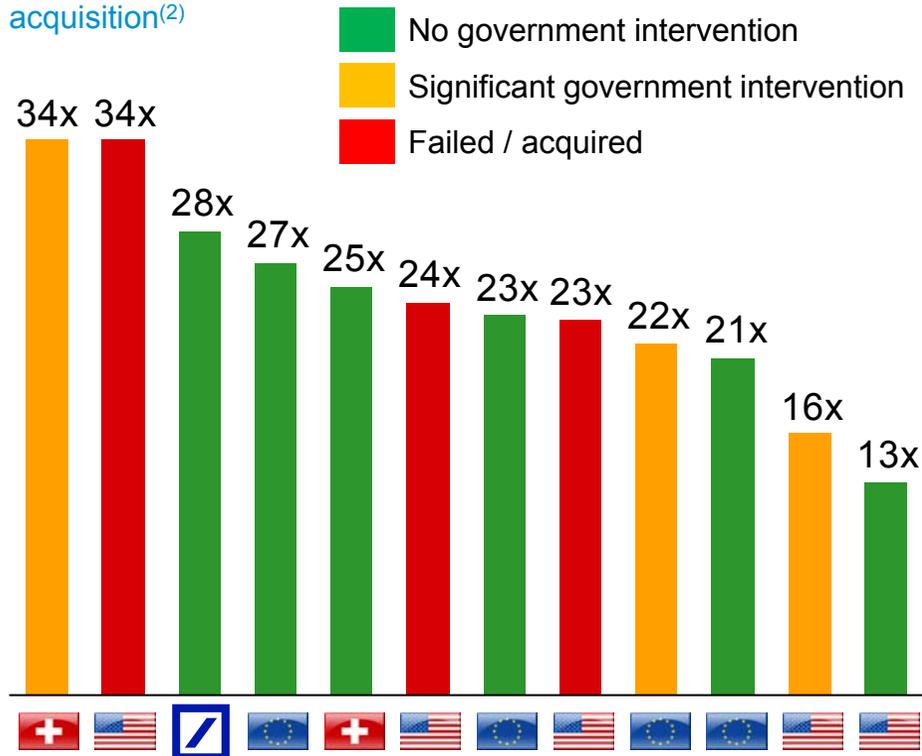
*AsiaRisk, 22 May 2013*



# Regulation trends: A leverage ratio is undoubtedly important, but has significant flaws that could lead to perverse outcomes

Leverage ratios were not a good indicator of bank stability in the past...

Leverage ratios<sup>(1)</sup> at peak of crisis or prior to failure or acquisition<sup>(2)</sup>



...and cannot be used alone

- Does not take into account quality of assets: cash is considered equivalent to toxic mortgages
- Does not take into account liquidity reserves
- Does not take into account funding profile: some banks with low leverage have high dependence on short-term funding
- Encourages banks to sacrifice low return assets (including repos, simple derivatives) – resulting in higher funding and hedging costs for governments and companies

(1) US GAAP or estimated pro-forma US GAAP equivalent for IFRS reporting banks

(2) Deutsche Bank, UBS, Barclays, RBS, Credit Suisse, JPMorgan Chase, Société Générale, BNP Paribas as of 31 Dec 2008, Bear Stearns as of 31 March 2008, Lehman Brothers as of 30 June 2008, Merrill Lynch and Citi as of 30 Sep 2008

Source: Company data

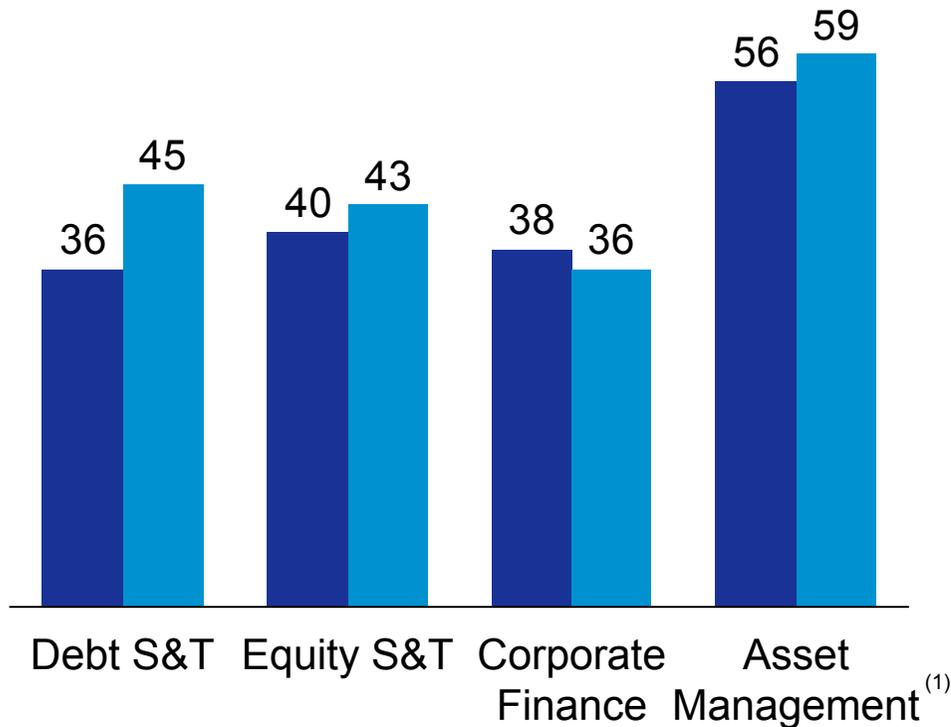


# Competitive trends: As expected, higher regulatory thresholds are leading to consolidation

## Increasing concentration...

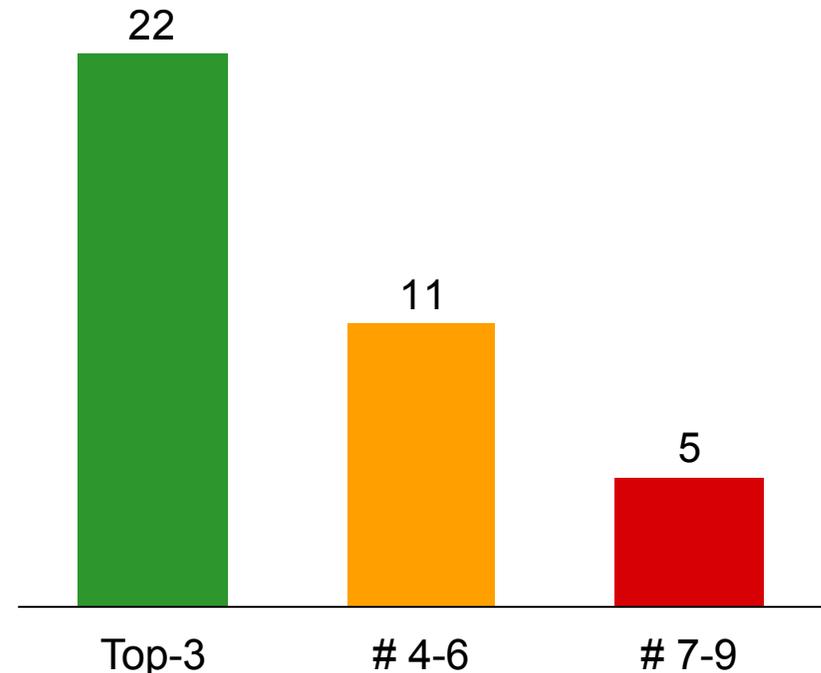
% of business accruing to the top 5 firms

■ FY 2007  
■ FY 2012



## ...and higher returns for industry leaders

IB adjusted pre-tax RoE average 2011 / 2012, grouping based on IB market shares, in percent



(1) Top 5 within top 30 listed asset managers; based on AuM at period end Source: Bloomberg, Company data, DB Research

# Agenda



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**2 Deutsche Bank's journey**

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# Deutsche Bank delivered strong results in 1Q 2013

In EUR bn, unless otherwise stated

		Group		Core Bank <sup>(1)</sup>	
		1Q 2013	1Q 2012	1Q 2013	1Q 2012
<b>Performance highlights</b>	Net revenues	<b>9.4</b>	9.2	<b>9.0</b>	9.0
	Total noninterest expenses	<b>(6.6)</b>	(7.0)	<b>(6.1)</b>	(6.3)
	Income before income taxes	<b>2.4</b>	1.9	<b>2.6</b>	2.4
	Net income	<b>1.7</b>	1.4	<b>1.8</b>	1.8
	Post-tax return on equity <sup>(2)</sup>	<b>12.3%</b>	10.3%	<b>16.8%</b>	17.0%
<b>Capital position</b>	Core Tier 1 capital ratio (B2.5)	<b>12.1%</b>	10.0%	<b>n/a</b>	n/a
	Core Tier 1 capital ratio (B3)	<b>8.8%</b>	<6.0%	<b>n/a</b>	n/a

(1) Core Bank includes CB&S, GTB, AWM, PBC, and C&A; numbers may not add up due to rounding

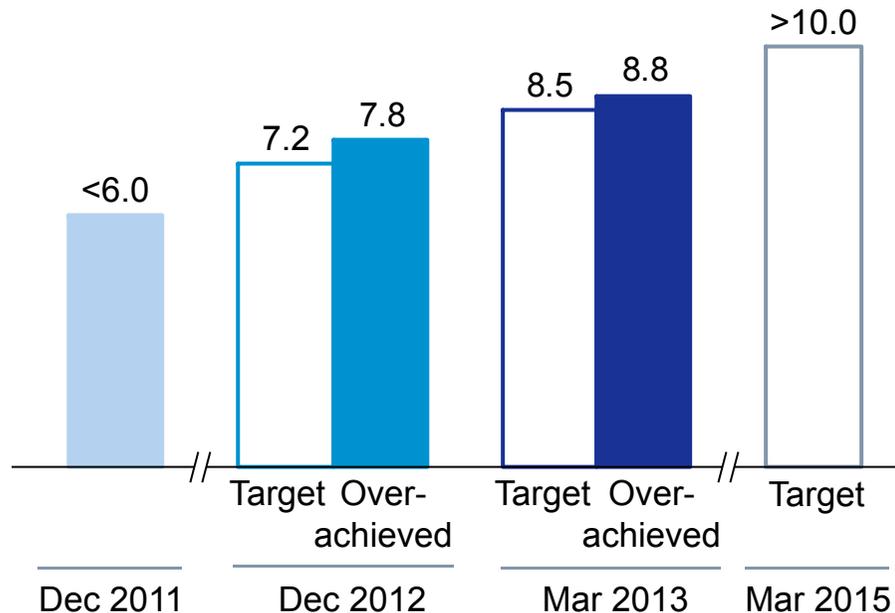
(2) Based on average active equity



# Capital: We outperformed our ambitious organic capital targets thanks to significant asset sales and hedging...

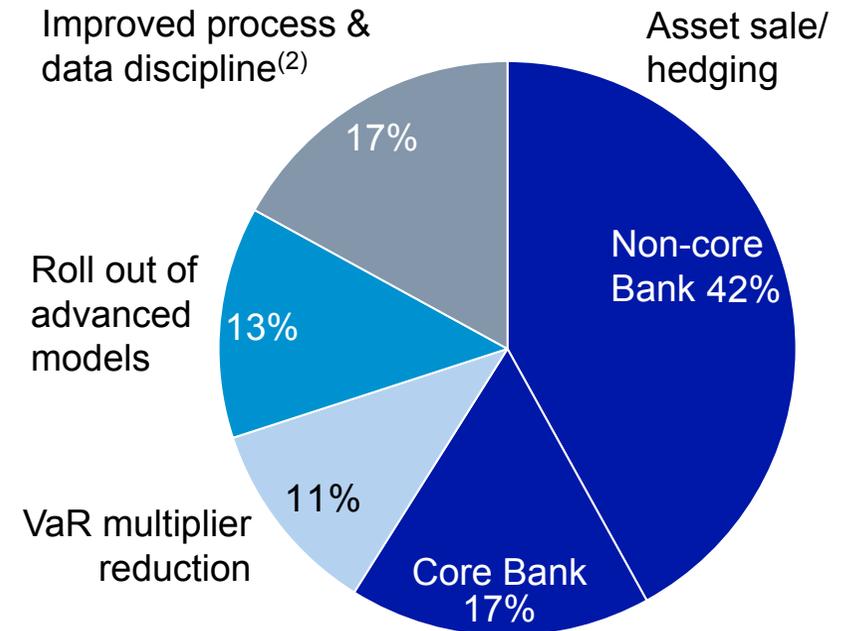
## Two quarters of outperformance

Pro-forma Basel 3 CT 1 ratio (fully loaded), in %, at period end



## Significant RWA reduction

Pro-forma Basel 3 RWA equivalent<sup>(1)</sup> relief, 1 Jul 2012 to 31 Mar 2013, 100% = EUR 103bn



(1) RWA plus equivalent of items currently deducted 50/50 from Tier 1/Tier 2 capital whereby the Tier 1 deduction amount is scaled at 10%

(2) Previously referred to as "Operating model improvement"



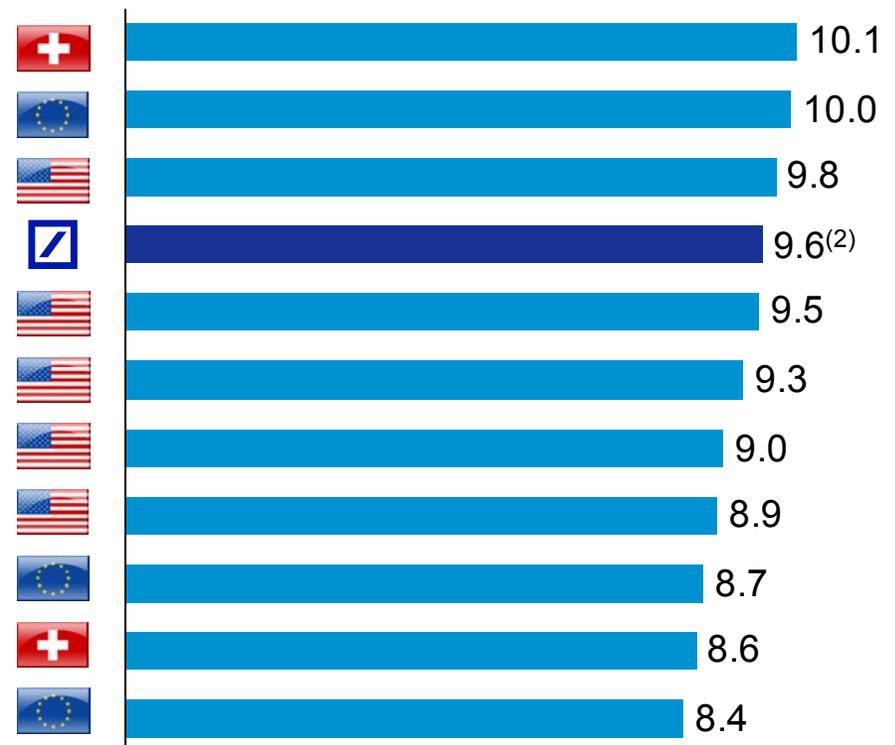
# Capital: ...which created the platform for us to raise equity and become one of the best capitalized banks in the world

## Set of announced capital measures

<b>Ex-rights issue</b>	<ul style="list-style-type: none"> <li>— Issued 90m new shares raising EUR 2.96bn</li> <li>— Strong investor demand and rapid book building</li> <li>— Positive reactions across all stakeholders</li> </ul>
<b>Additional subordinated capital</b>	<ul style="list-style-type: none"> <li>— EUR 2.0bn eligible AT1/LT2 capital</li> <li>— Addressing recovery and resolution planning</li> <li>— &gt;50% already achieved with benchmark callable Tier 2 issue</li> </ul>

## DB now one of the best capitalized banks<sup>(1)</sup>

Pro-forma Basel 3 CT 1 ratio (fully loaded), in %, at period end



(1) Including Morgan Stanley, Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Credit Suisse, UBS, BNP Paribas, Société Générale, Barclays

(2) Pro-forma after consideration of the EUR 2.96bn capital raise Source: Company data



# CB&S: Strengthening our leading franchise despite a challenging environment

## Example challenges

Macroeconomic concerns

Lower industry volumes

Continued regulatory uncertainty

Increased public scrutiny

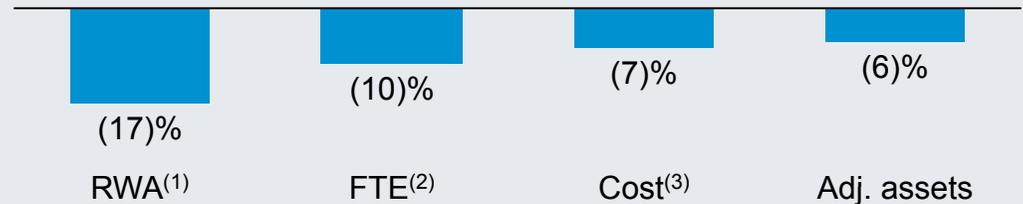
## Business response

Resource reduction

Key strategic measures

Strengthened franchise

### Resource reduction in CB&S since June 2012



- Integration of FIC
- Unique Markets Electronic Trading platform
- Rationalization of Equities complex

### Rankings in 2012



(1) Basel 2.5 (2) Front office only (3) 1H2012 and 1Q2013 run-rate operating costs  
 Source: Greenwich Associates; Euromoney; Dealogic; Global Custodian

# GTB: Performing solidly, but facing headwinds



## Example challenges

Persistent low interest rates

Competitive pressure increasing

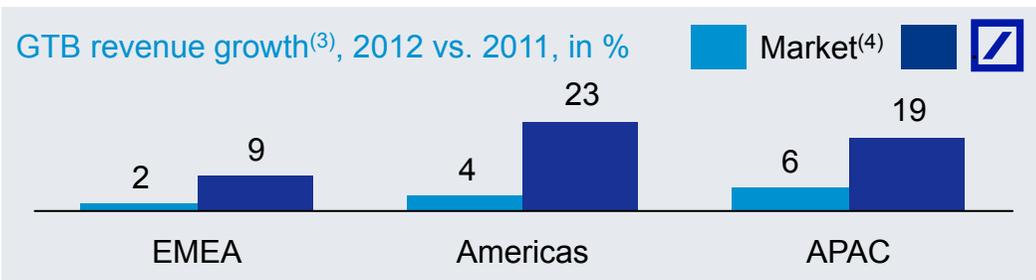
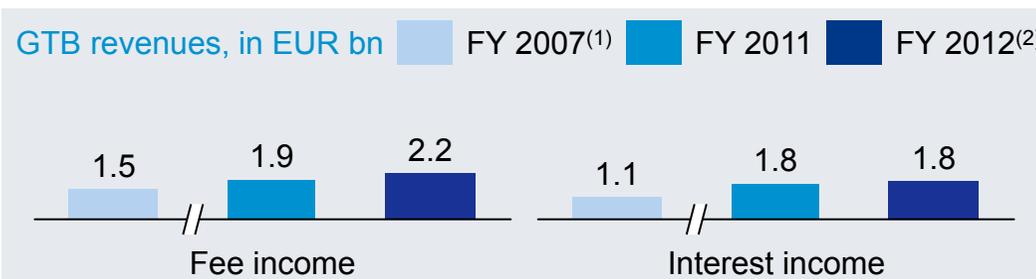
Challenging environment in Netherlands

## Business response

Higher fee and interest income

Above market revenue growth

Decisive action



- Reduction of resources
- Run-down of non-strategic portfolio
- New local leadership team

(1) 2007 excluding commercial banking activities acquired in the Netherlands; based on structure as of 2009

(2) Incl. a positive effect related to the settlement of the credit protection received from the seller at the time of acquisition of the commercial banking activities in the Netherlands

(3) Excl. the commercial banking activities acquired from ABN Amro in the Netherlands in 2010; based on structure as of December 2012

(4) Based on Oliver Wyman industry revenue pools

# AWM: Integration and streamlining progressing well



## Example challenges

Complex business integration

Streamlining of platform duplication

Bifurcation of alpha and beta products and margin pressure

## Business response

Stabilized and growing platform

Resource reduction and streamlining

Refined client offering

1Q13 vs. 1Q12



AWM FTE<sup>(2)</sup>



- Improved product offering and content
- Select hires to strengthen delivery to clients
- Integrated investment platform
- Integrated coverage and advisory

(1) Excludes Abbey Life

(2) Front office only

(3) May 2012, including committed transfers from CB&S and committed hires

# PBC: Growth in core products and successful integration



## Example challenges

Persistently low interest rate environment

Continued risk aversion among retail clients

Complex, large-scale integration

## Business response

Growth in mortgages

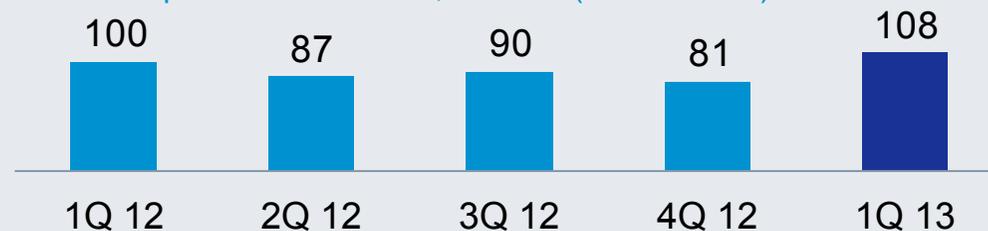
Resilience in investment products

Integration on track with record 1Q 13 adj. IBIT

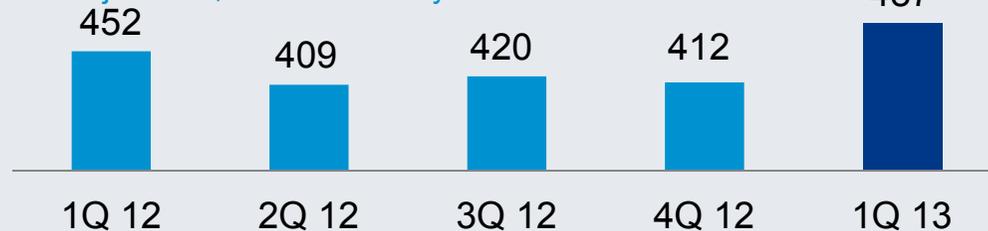
Mortgage volume<sup>(1)</sup> 1Q 2013 vs. 1Q 2012, growth in %



Investment product revenues<sup>(2)</sup>, indexed (1Q 12 = 100)



IBIT adjusted<sup>(3)</sup>, "PBC Germany" in EUR m



(1) AB Germany and AB International only; volume includes housing loans to employees and other individuals excluding home loan savings

(2) Revenues from discretionary portfolio management and advisory/brokerage revenues (excl. Insurance brokerage)

(3) PBC Germany includes AB Germany and CB Germany; IBIT adjusted for cost-to-achieve resulting from Postbank Integration and OpEx, for PPA and for impact resulting from Greek government bonds

# NCOU: A driving force in strengthening our capital position



A series of successful transactions...

Selected de-risking examples



Sale of **Actavis** reduced RWA by >EUR 3bn



~EUR 5bn RWA reduction through sale of **non-core Postbank** assets (e.g. structured credit portfolio)



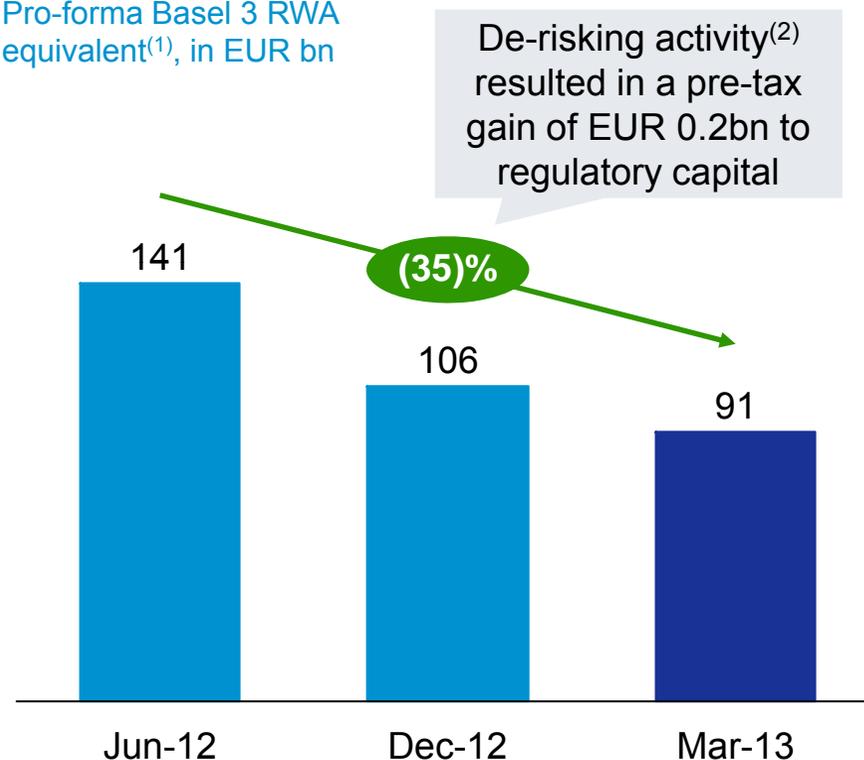
Sale of **EADS stake** realizing a gain of ~EUR 150m

**CIFG Trade**

RWA reduction of ~EUR 5bn through **CDS commutation** and **bond sale**

...enabled significant RWA reduction

Pro-forma Basel 3 RWA equivalent<sup>(1)</sup>, in EUR bn



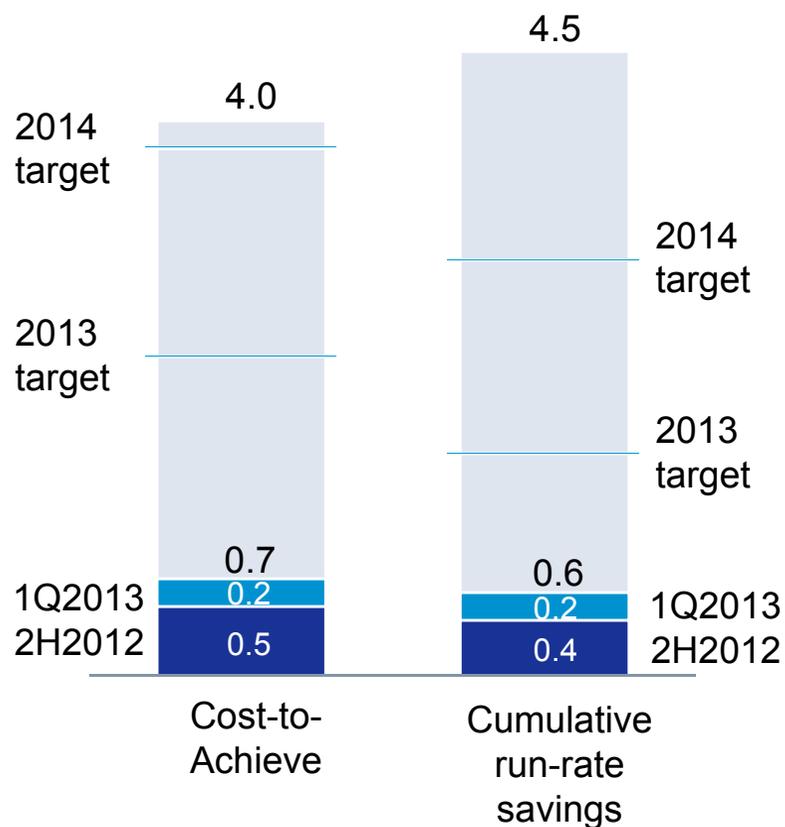
(1) RWAs plus equivalent of items currently deducted 50/50 from Tier1/Tier 2 capital whereby the Tier 1 deduction amount is scaled at 10% (2) De-risking transactions primarily relates to disposals of assets and hedging activities to reduce risk exposures; pre-tax gain defined as sales proceeds in excess of book/carry value  
Source: Company data, SEC 20-F from 15 Apr 2013

# Costs: Operational Excellence program is on track



## On track to deliver 2013 target

In EURbn



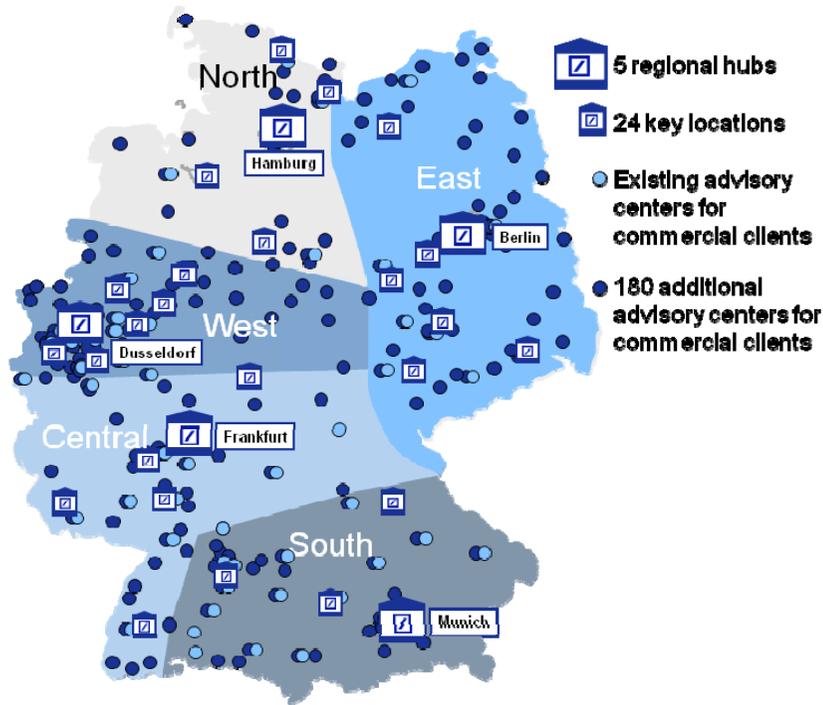
## Examples of success

IT platform renewal	<ul style="list-style-type: none"> <li>~900 applications eliminated</li> <li>&gt;20 million retail clients migrated to new IT platform ("Magellan")</li> </ul>
Organizational streamlining	<ul style="list-style-type: none"> <li>Progress in recalibrating CB&amp;S and integrating AWM: 90% of associated FTE reductions in US, UK and Asia</li> </ul>
Sourcing excellence	<ul style="list-style-type: none"> <li>Number of vendors reduced by &gt;5,000</li> <li>&gt;120 savings initiatives developed in PBC</li> </ul>
Front-to-back productivity	<ul style="list-style-type: none"> <li>Integrated retail middle-office platform with 9,000 FTE established</li> </ul>
Footprint rationalization	<ul style="list-style-type: none"> <li>Transfer of 1,500 FTE from New York, London, Hong Kong and Singapore initiated (overall target: 8,000 FTE)</li> </ul>



# Clients: Client-centricity at work

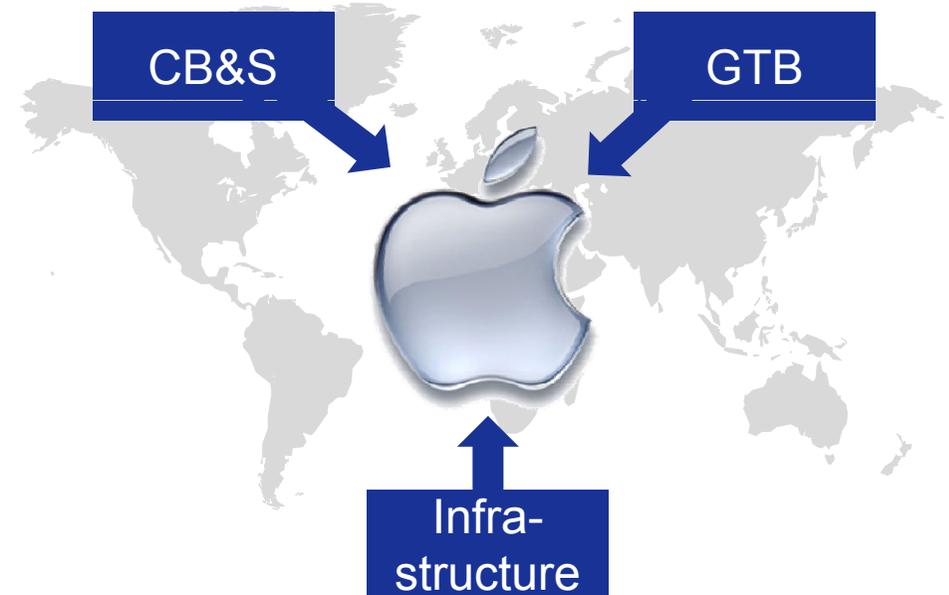
In our home market...



*Integrated commercial banking coverage: ~11,500 small-/mid-sized corporate clients (Mittelstand) transferred from CB&S and GTB to PBC*

...and globally

Example Apple

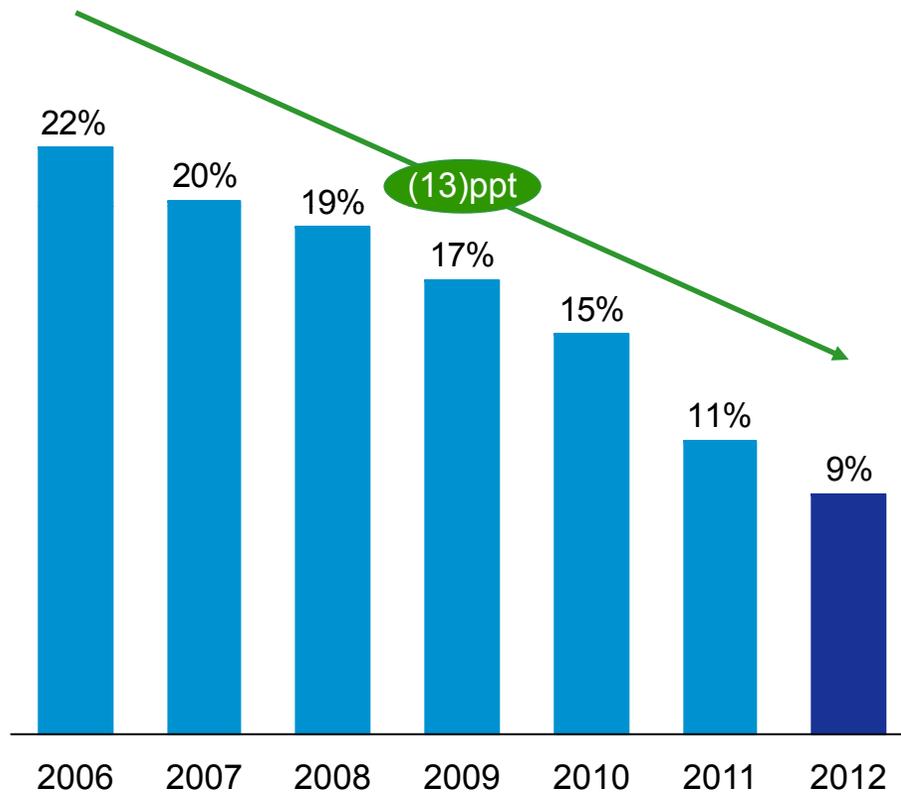




# Culture: Committed to being at the forefront of cultural change

Variable comp has decreased significantly

Variable compensation in % of net revenues<sup>(1)</sup>



Selected examples of cultural change

Implementing recommendations of independent compensation review panel

- Aligning compensation more closely to values and risk management
- Balancing rewards for staff with retaining earnings and dividends for shareholders

Tightened control environment

- Upgraded compliance training
- Rolled out Trade Detection Testing and “Red Flag” systems
- Implemented stricter sanctions

Balancing client and shareholder interests

- Value creation for clients included in performance management in PBC

(1) Variable remuneration awarded including deferrals. No adjustment made for pay mix change in 2010 (EUR 742m)

# Conclusion



Deutsche Bank delivered strong performance in 1Q 2013

Through strong organic capital formation and our equity raise, we are now one of the best capitalized banks in the world

However, uncertainties remain around the timing and size of litigation and further evolution of the regulatory environment

Our progress is a clear validation of Strategy 2015+



# Cautionary statements

This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements 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 15 April 2013 under the heading “Risk Factors.” Copies of this document are readily available upon request or can be downloaded from [www.db.com/ir](http://www.db.com/ir).

This presentation 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 presentation, refer to the 1Q2013 Financial Data Supplement of 29 April 2013 available at [www.db.com/ir](http://www.db.com/ir).