



# Corporate Banking & Securities

Colin Fan & Robert Rankin,  
Co-Heads of CB&S

*Passion to Perform*

Investor Day, Frankfurt, 12 September 2012

# CB&S overview



## Where we are today

- Challenging market conditions – outlook remains uncertain
- CB&S is a leading investment banking franchise
- DB well placed to consolidate success in new environment

## The journey to 2015

- Reaffirming client centricity
- Fully committed to cultural change
- Focus, scale and efficiency driving sustainable, attractive returns

## The business in 2015

- Top 3 global investment bank
- EUR 1.9 bn cost savings by 2015; cost/income ratio of <65%
- Post-tax RoE of ~15%, Basel 3 fully loaded<sup>(1)</sup>

(1) Excludes non-core operations and reflects reassignment of management responsibilities for asset-gathering business and changes to the allocation of coverage costs between CB&S and GTB



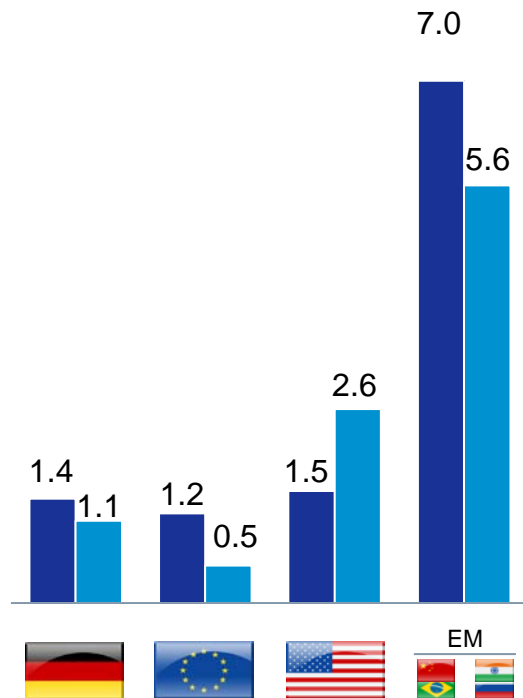
# Challenging and uncertain macro environment

## Lower global growth

GDP growth, in %

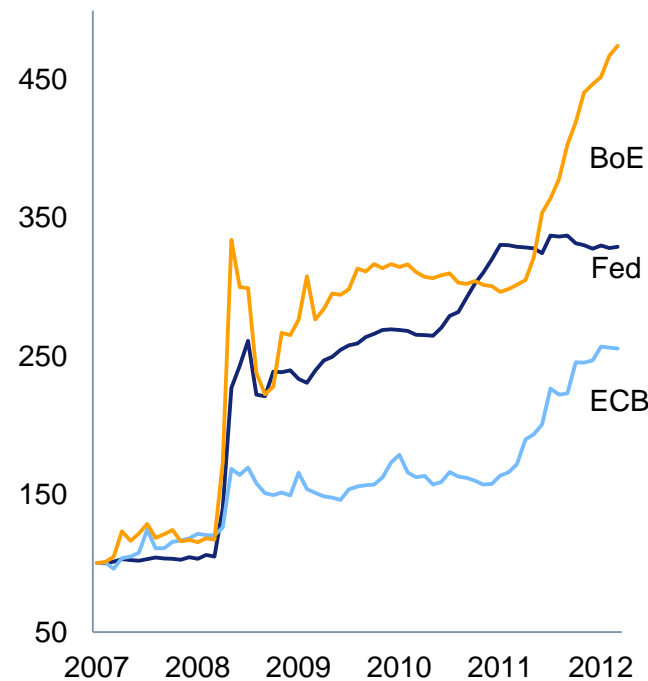
■ Ø 2004-11

■ Ø 2012-15e



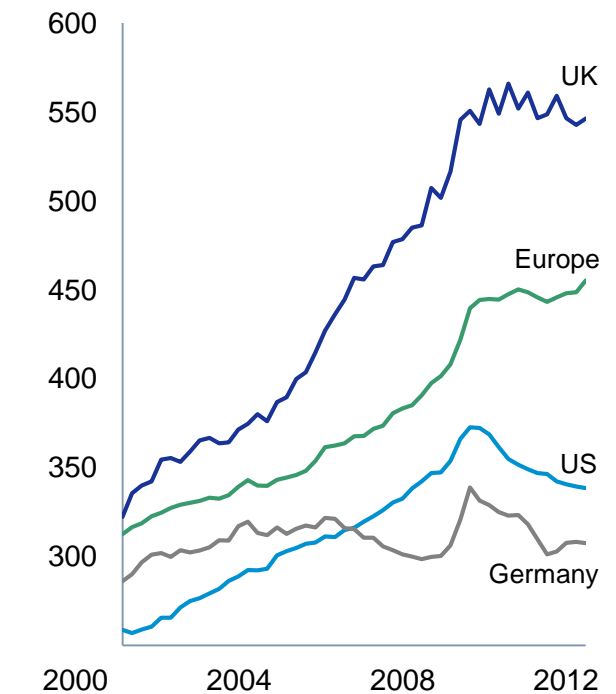
## Unprecedented policy stimulus

Central bank assets, June 2007 normalised to 100



## Need for deleveraging

Domestic debt outstanding, % of GDP

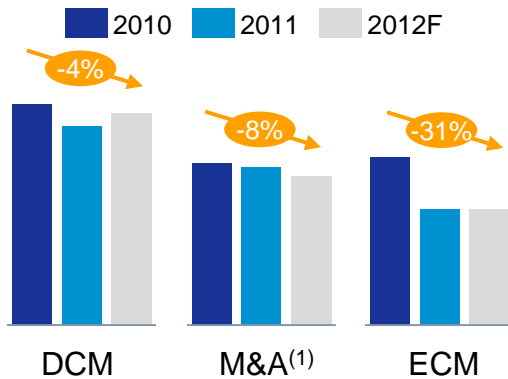


Source: GDP growth: IMF World Economic Outlook (2004-2011), DB Research (2012-2015e), Bloomberg, ECB, DB Research, Haver Analytics



# Revenue pools to remain subdued with modest medium-term upside

## Primary volumes

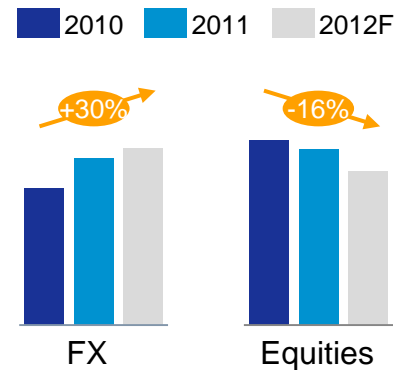


### Outlook



- DCM expected to remain robust, particularly if low rates persist
- M&A activity expected to hold up as corporates draw on cash balances
- ECM will remain subdued until investor confidence returns

## Secondary volumes

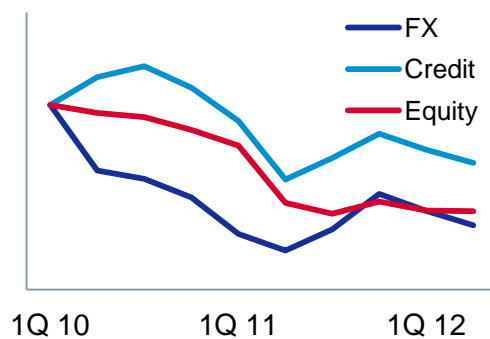


### Outlook



- Activity to remain strong in some fixed income markets (e.g. FX)
- Equities volumes may trend higher in medium term when global recovery takes hold

## Margins<sup>(2)</sup>

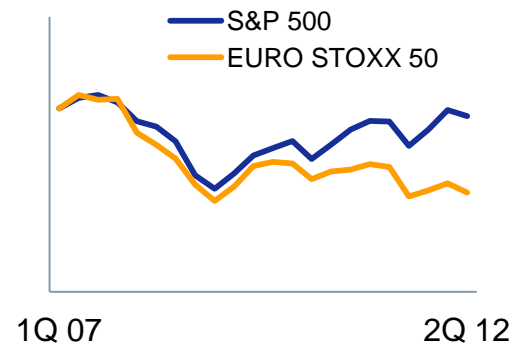


### Outlook



- Margins have trended lower as market volatility declined
- Consolidation and capital pressure expected to pull margins up (offset somewhat by regulatory change)

## Asset valuations



### Outlook



- Equity market valuations currently reflecting relative economic outlook in US and Europe
- Asset valuations potential to recover as sovereign risk recedes

Note: All volume data shown in EUR m value terms. (1) Announced M&A volumes  
 Source: Thomson Financial, CLS, World Federation of Exchanges, Deutsche Bank

(2) Secondary margins based on Deutsche Bank data



# Policymaker action dictating asset valuations



## Market characteristics

Policy measures  
 distorting asset prices

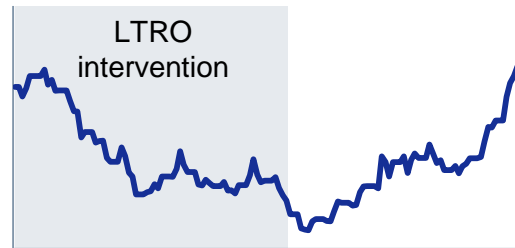
Event-driven  
 markets

Idiosyncratic  
 risk events



## Credit asset prices

iTraxx Main spreads in bp (indexed)



Jan 2012

May 2012

## Currencies

CHF EUR exchange rate

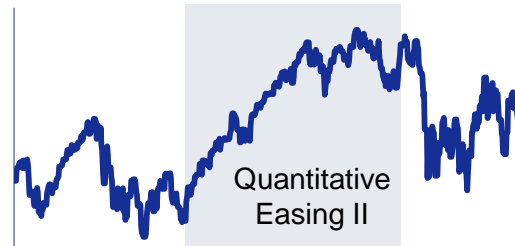


Nov 2010

Aug 2012

## Equity markets

S&P 500

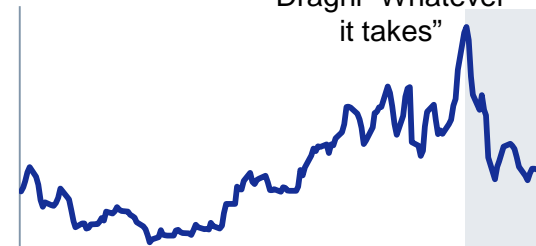


Jan 2010

Dec 2011

## Sovereign spreads

Spain 2 year bond yields



Jan 2012

Aug 2012

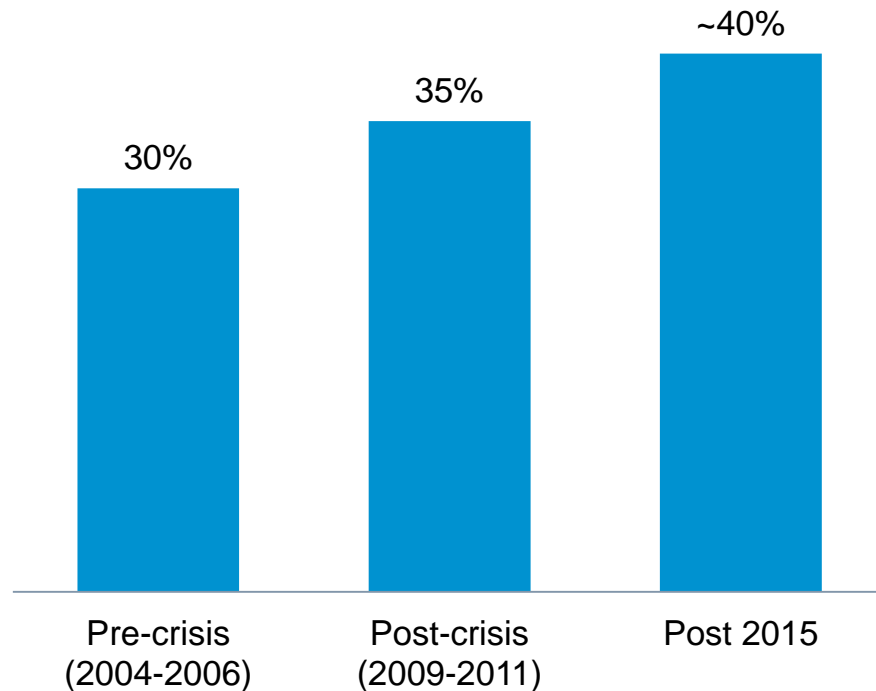
Source: Bloomberg



# The market environment will drive increased consolidation and polarization – DB is a likely winner

## Continued market consolidation

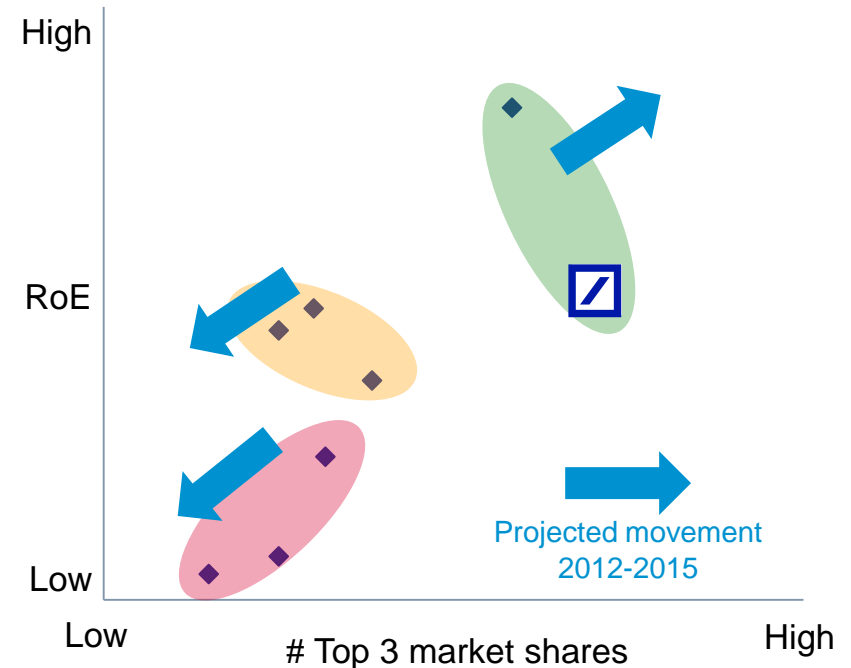
Investment banking top 3 revenue share<sup>(1)</sup>



## Bar-belling of competitive landscape

2011 returns vs. market share for Deutsche Bank and peers<sup>(2)</sup>

Indicative



(1) Revenues adjusted for fair value gains, brokerage and other one-offs, excludes banking and other products. Peer set includes Barclays, Bear Stearns, BNP, BoA, Citi, CS, GS, JPM, Lehman, ML, MS, Nomura, RBS, SocGen and UBS

(2) Top 3 rankings counted for each product and major region (Americas, Europe, Asia ex Japan, Japan). Products include a wide range of fixed income, equities and corporate finance products. Rankings generally on the basis of client market share, penetration or fees. Total of 73 markets analyzed

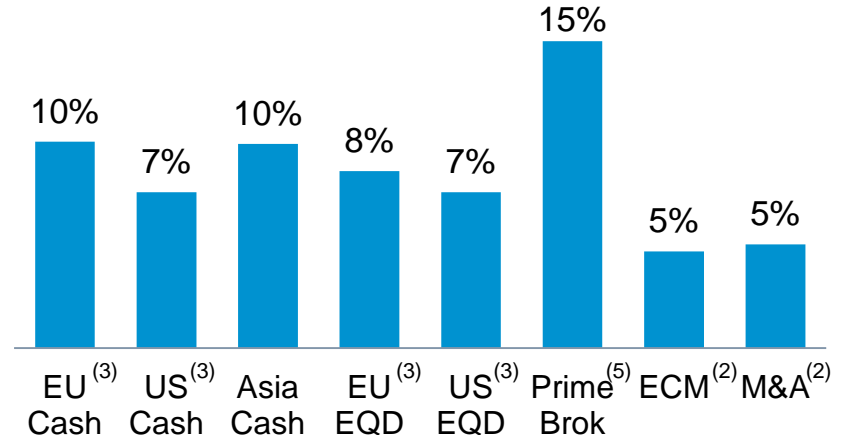
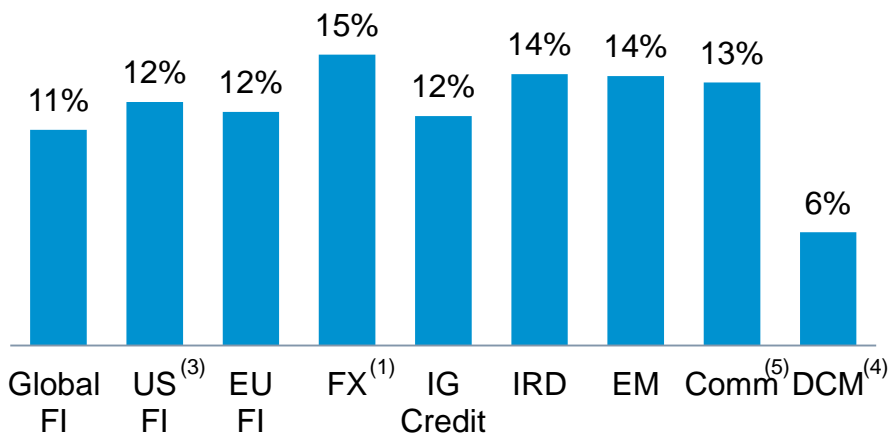
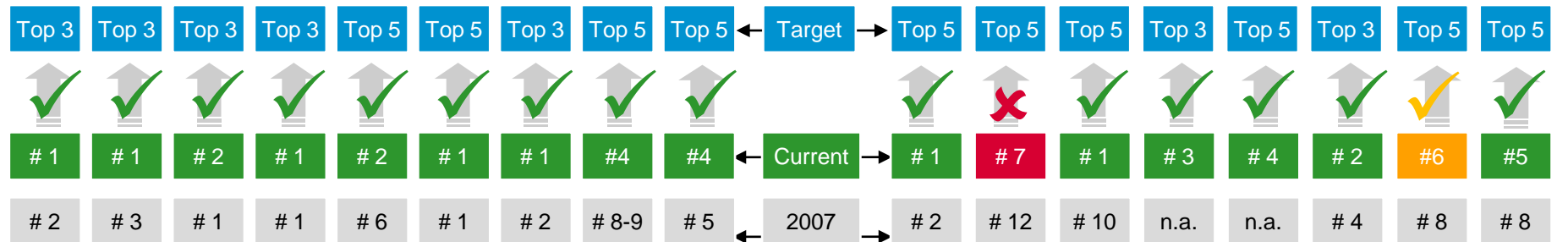
Source: Greenwich Associates, Coalition Development, Euromoney, Dealogic, Deutsche Bank estimates



# DB is a top tier firm with depth and breadth across the business

## Fixed income ranks/shares

## Equities/Advisory ranks/shares



Note: 2011 data except where stated otherwise; FI = Fixed Income, IRD = Interest Rate Derivatives, EM = Emerging Markets, Comm = Commodities, EQD = Equity Derivatives, Prime Brok = Prime Brokerage; % figures represent client market shares unless stated below; commodities and prime brokerage show revenue market share of top 9 players only; equity derivatives numbers represent equity swaps for US and flow options for EU

(1) 2012 Euromoney FX poll (2) ECM/M&A based on 1H2012 Dealogic data (3) 2012 Greenwich Associates data. Research/Advisory ranks for cash equities. (4) High Grade/High Yield/Loans origination for DCM 1H2012 Dealogic data (5) Source: Coalition Development

Source: Greenwich Associates (except where stated otherwise), Coalition Development, Euromoney, Dealogic, Deutsche Bank



# Our flow-focused, lower risk business model is well suited to client needs

## Deutsche Bank volumes

Number of trades, daily average 1H2012

Cash equities	~2,000,000
FX Cash	206,000
Bonds	57,000
Repo	11,000
Money Markets	7,200
IRD	2,500
FX Options	2,200

## Higher risk businesses scaled back

CB&S resources, current vs. peak levels<sup>(1)</sup>



- (1) Peak refers to highest level during the period 3Q2007 to 4Q2009
- (2) Adjusted assets, as defined in 2Q2012 Financial Data Supplement on page 20
- (3) Current RWA under Basel 2 as of Nov 2011 as DB started reporting RWA under Basel 2.5 from Dec 2011 onwards
- (4) Estimated maximum traded market risk loss on a return to 1Q2009 conditions over a quarter, including offsetting revenues across businesses



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# Investment banks play an essential role in the global economy

## Valuable functions

<p>Capital raising &amp; distribution</p>		<ul style="list-style-type: none"><li>— Enabling governments and companies to raise capital</li><li>— Providing extensive global distribution networks</li><li>— Facilitating investment</li></ul>
<p>Global connectivity</p>		<ul style="list-style-type: none"><li>— Facilitating trade growth and exchange of services</li><li>— Supporting corporate activity around the globe</li><li>— Providing market access</li></ul>
<p>Risk management</p>		<ul style="list-style-type: none"><li>— Allowing firms to focus on their operational strengths</li><li>— Lowering clients' financing costs and reducing uncertainty</li><li>— Immunizing non-standard risks (e.g. longevity risk for pension funds)</li></ul>
<p>Trusted advice</p>		<ul style="list-style-type: none"><li>— Maintaining trusted long-term relationships</li><li>— Offering independent advice and transaction support</li><li>— Providing guidance on strategic acquisitions and divestments</li></ul>

# We are redefining our culture to underpin this purpose



## Deutsche Bank commitments

### Linking our values to behavior

We will make our cultural values central to the way we manage our people

### Realigning compensation

We will lead the industry on realigning compensation balance and practices

## CB&S actions

- “Tone at the top” communication
  - “Red flag” status and impact available to individuals and supervisors – culture reinforced in promotion criteria and performance reviews
  - Greater focus on ‘how’ performance is delivered through assessment of employee behavior
  - Risk culture further embedded through training and communications
- 
- Clear compensation impact of “red flag” breaches in 2011
  - Meaningful claw back and forfeiture mechanisms implemented
  - Extended deferral from 3 to 5 years and change from tranche vesting to cliff vesting for share component for senior management



# While retaining our top performers

## CB&S – our people

<b>Market leading client relationships</b>	<ul style="list-style-type: none"><li>— Relationships with leading global institutions/clients</li><li>— Unparalleled service delivery in Europe. Leader in US fixed income</li></ul>
<b>High performing talent</b>	<ul style="list-style-type: none"><li>— Highly successful, innovative workforce with collaborative approach</li><li>— Top quartile productivity across the platform</li></ul>
<b>Track record of managing change</b>	<ul style="list-style-type: none"><li>— Delivered on major strategic programmes</li><li>— Extensive experience of managing change across businesses/regions</li></ul>

## Our value proposition

### **Performance culture**

- Meritocracy
- Stronger differentiation of rewards
- Execution and results oriented
- Risk culture

### **Entrepreneurial spirit**

- Empowerment of business leaders
- Speed and agility
- Innovation

### **Cultural diversity**

- Ability to adapt and change
- Respect for others
- Global culture
- Strongly anchored in home market



# Focus, scale and efficiency will define the future CB&S business

## CB&S value drivers

### Focus

- Re-evaluate the CB&S portfolio to identify strategic priorities
- Transfer of non-core assets out of CB&S
- Align client profitability and balance sheet deployment better

### Scale

- Leverage strengths of FICC platform
- Industrialize processes
- Re-design trading architecture

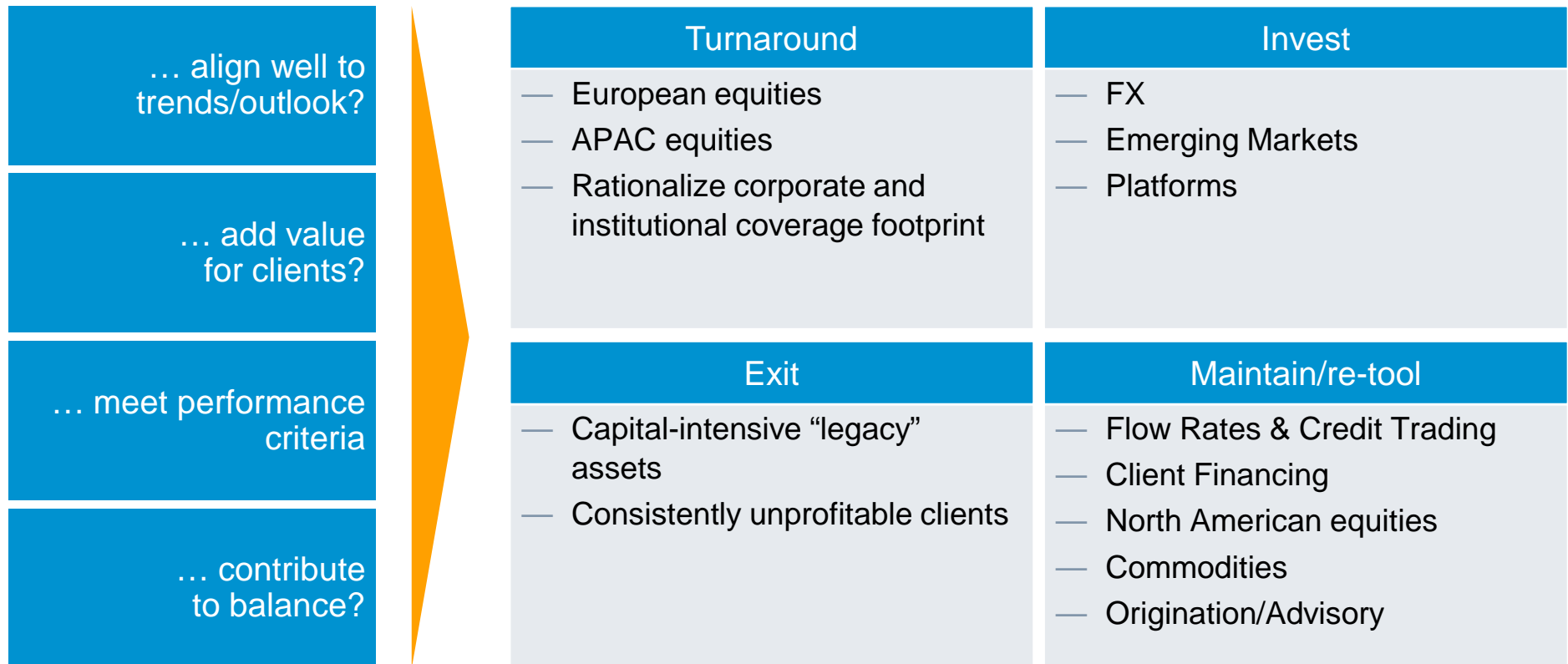
### Efficiency

- Reduce capital consumption across the business
- Align coverage to market opportunities



# Focus: We have re-evaluated the CB&S portfolio to identify strategic priorities

Does the business ...





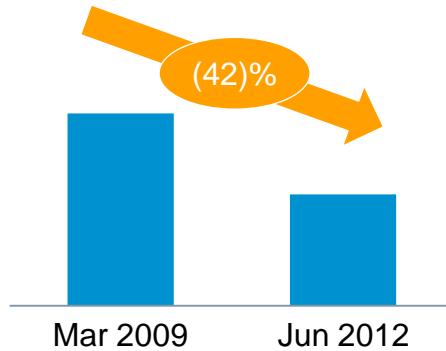


# Focus: Reductions in legacy assets will be further continued by the Non-Core Operations unit

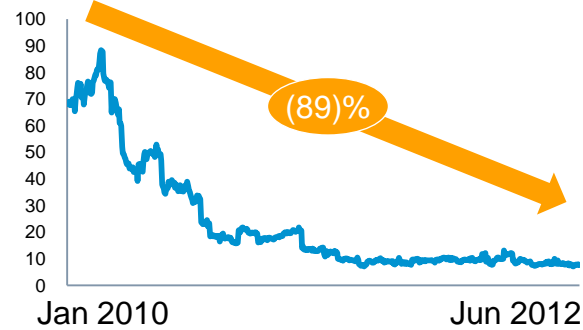
SPLIT OPERATING vs. NON-CORE INDICATIVE

## Significant de-risking of non-core assets, CB&S

### IAS 39 assets

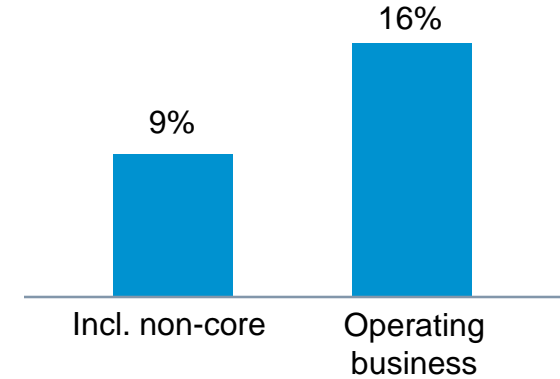


### Correlation trading VaR, in EUR m

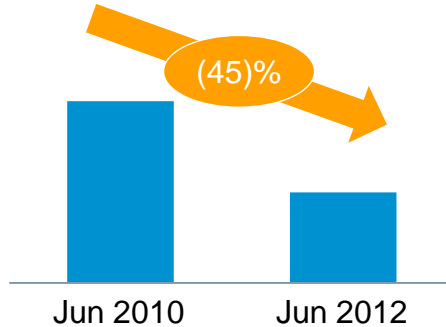


## CB&S post-tax RoE, 2011<sup>(1)</sup>

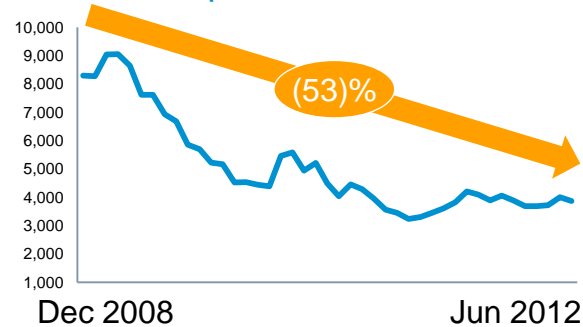
### Basel 2



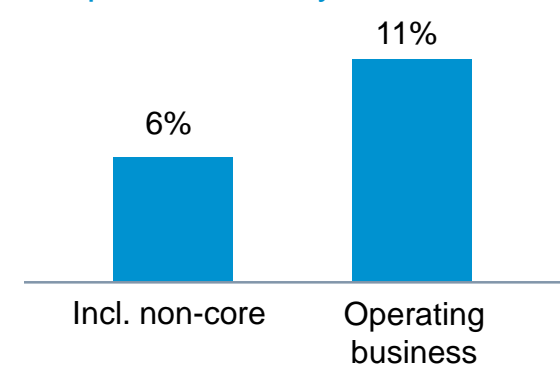
### Securitization CDIs



### Monoline exposure, in EUR m



## Basel 3 pro-forma, fully loaded<sup>(2)</sup>



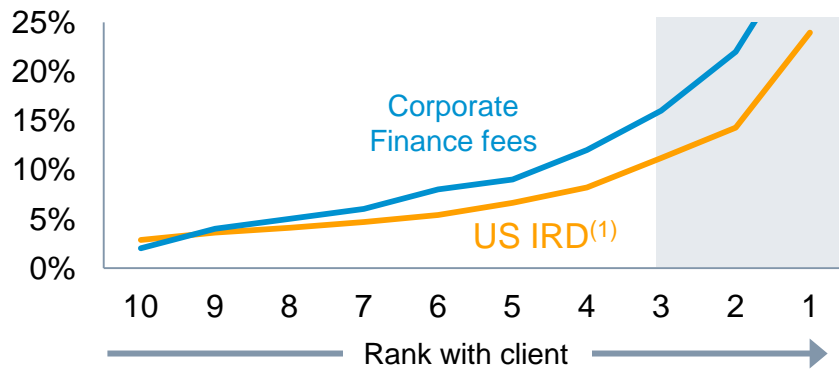
- (1) Assumes domestic statutory tax rate of 30.8%. 'Operating business' excludes non-core operations and reflects reassignment of management responsibilities for asset-gathering business and changes to the allocation of coverage costs between CB&S and GTB
- (2) Assumes overall bank capitalization consistent with an 8% Core Tier 1 ratio under Basel 3 fully loaded and Basel 3 RWA impact commensurate with year-end 2012 targets



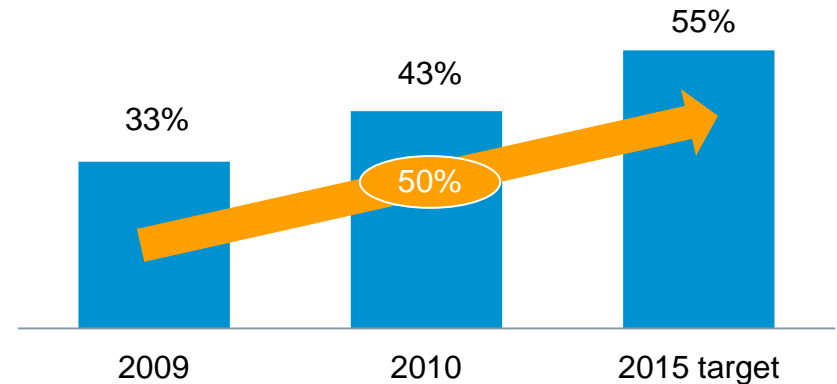
# Focus: We will better align client profitability and capital deployment

## Deepening leading client relationships

### Ranking with client vs. market share



### % of Corporate clients where DB in top 3



## Deploying capital effectively

### DB approach to allocation of financial resources

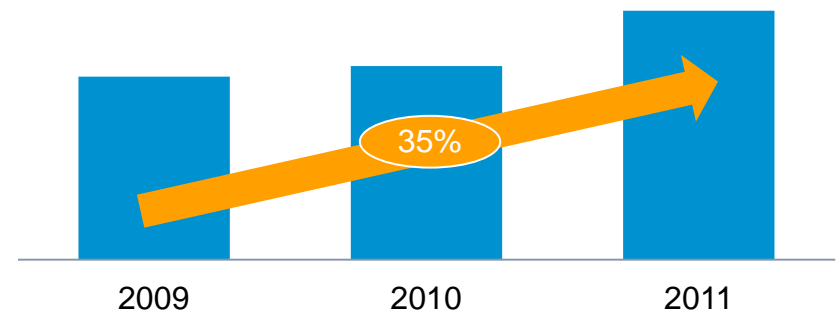
- ▶ Utilize resources to support key clients
- ▶ Understand full relationship profitability
- ▶ Segment and manage clients based on returns

(1) Interest rate derivatives

(2) Revenue returns on credit RWA (Basel 2 basis)

Source: Dealogic, Greenwich US Fixed Income Survey 2012

### Corporate lending returns on RWA(2)

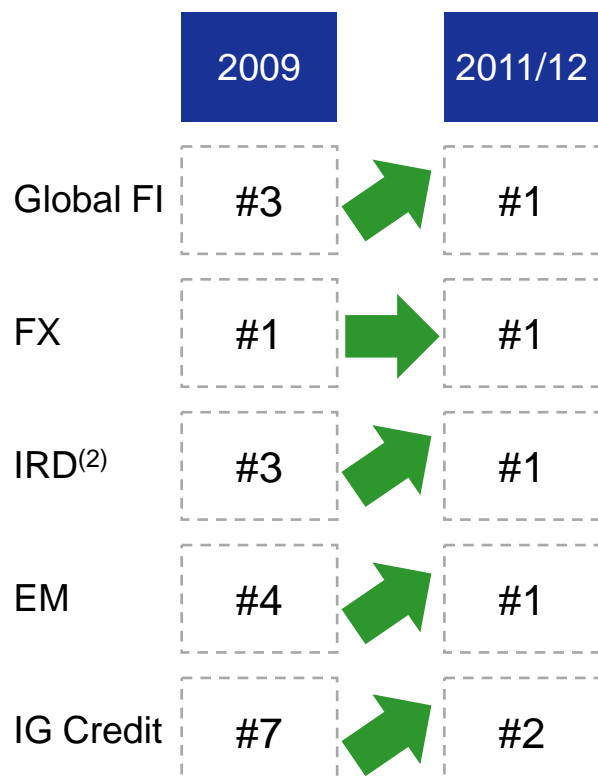


# Scale: We will continue to leverage our scale in FICC<sup>(1)</sup>



## Leading FICC franchise

### Ranks by market share



(1) Fixed Income, Currency and Commodities

(2) Interest rate derivatives

Source: Greenwich Associates (all ranks except FX), Euromoney (for FX rank only)

## Driving further integration opportunities

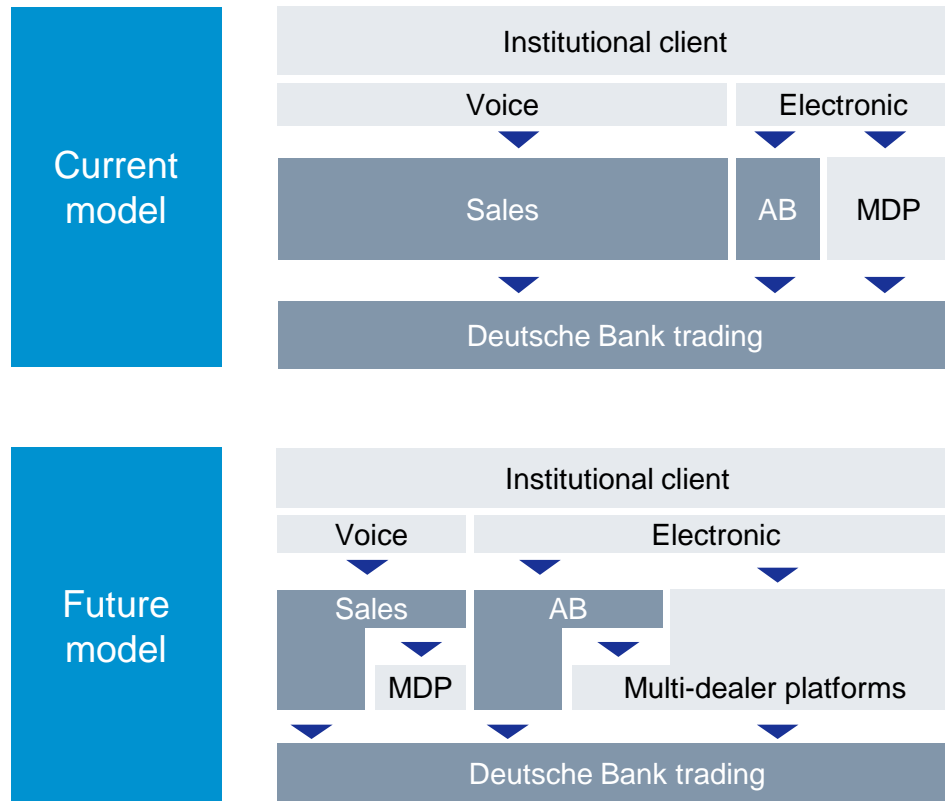
	FX	Rates/ MM	Credit Trading	Commod- ities
Sales				
Structuring				
Trade pricing, liquidity				
Settlement, netting				
Financial resource optimization (RWA, balance sheet, collateral)				
Risk management				
Business support				

- Remove support function silos
- Industrialize systems and process
- Decommission overlapping/redundant systems
- Deliver best of breed algos



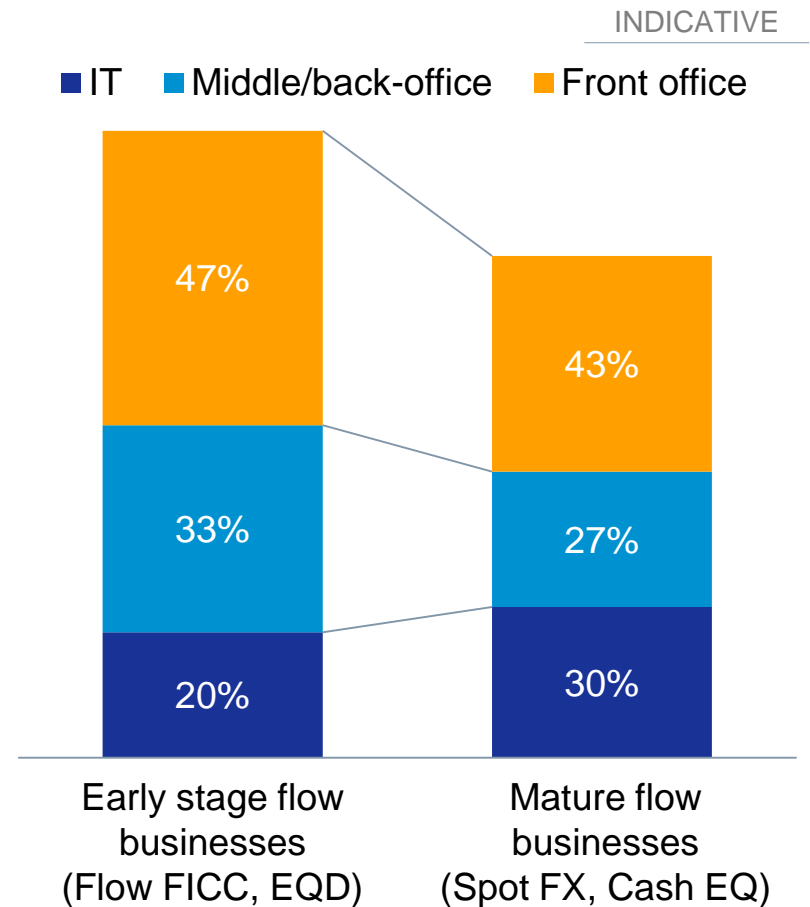
# Scale: Our target trading architecture will enable us to recalibrate our cost base

## Trading operating model for new OTC businesses



Note: AB = AutoBahn; MDP = Multi-dealer platform  
 Source: Oliver Wyman, Deutsche Bank

## Industry cost base evolution

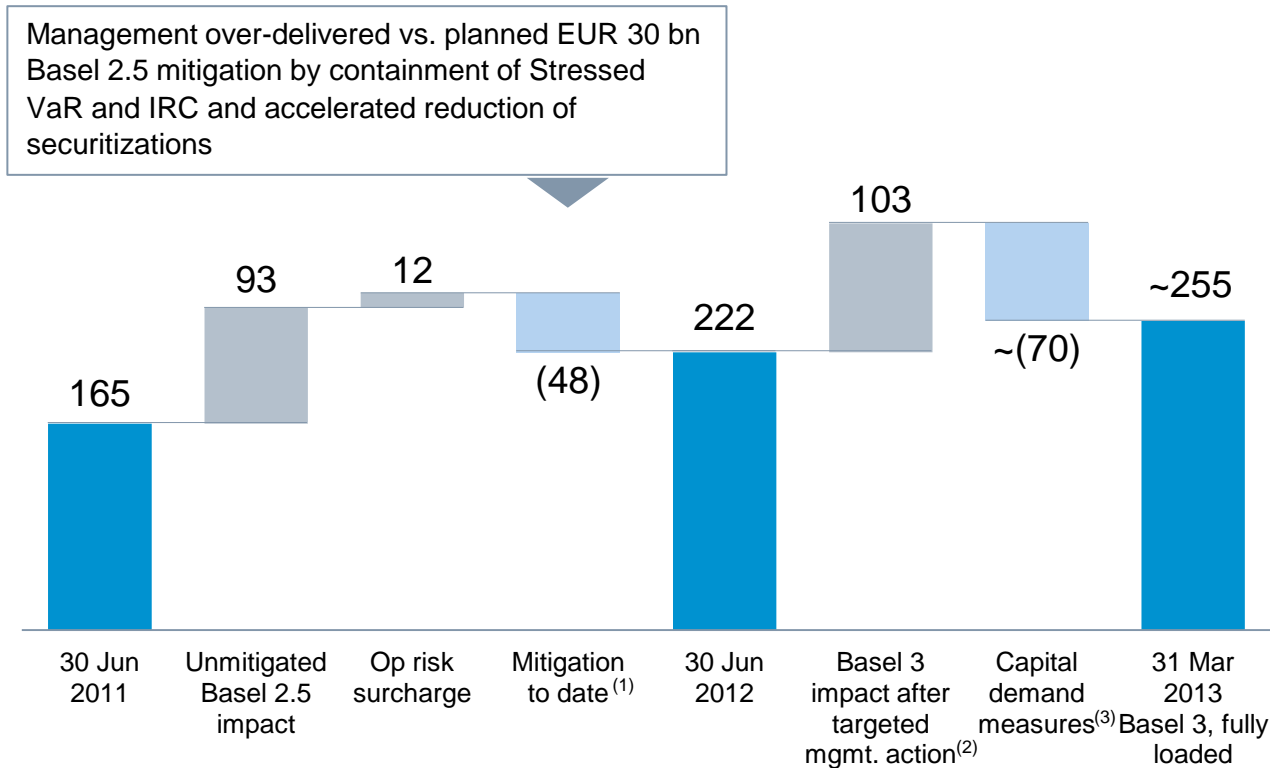




# Efficiency: We exceeded our RWA mitigation targets for Basel 2.5 and will manage the impact of Basel 3

## CB&S risk-weighted assets

In EUR bn



### Mitigation until 31 March 2013

- Planned mitigation to year end 2012 includes significant sales of securitization positions, tight management of market risk levels along with model and data enhancements
- Further actions are likely to include further securitization sales, correlation book transfer and further model/data/process enhancements

(1) Net of other RWA movements (e.g. FX)

(2) CB&S portion of EUR 109 bn Group impact. Gross RWA increase does not reflect EUR 2 bn of capital benefit from the add-back of securitization deductions

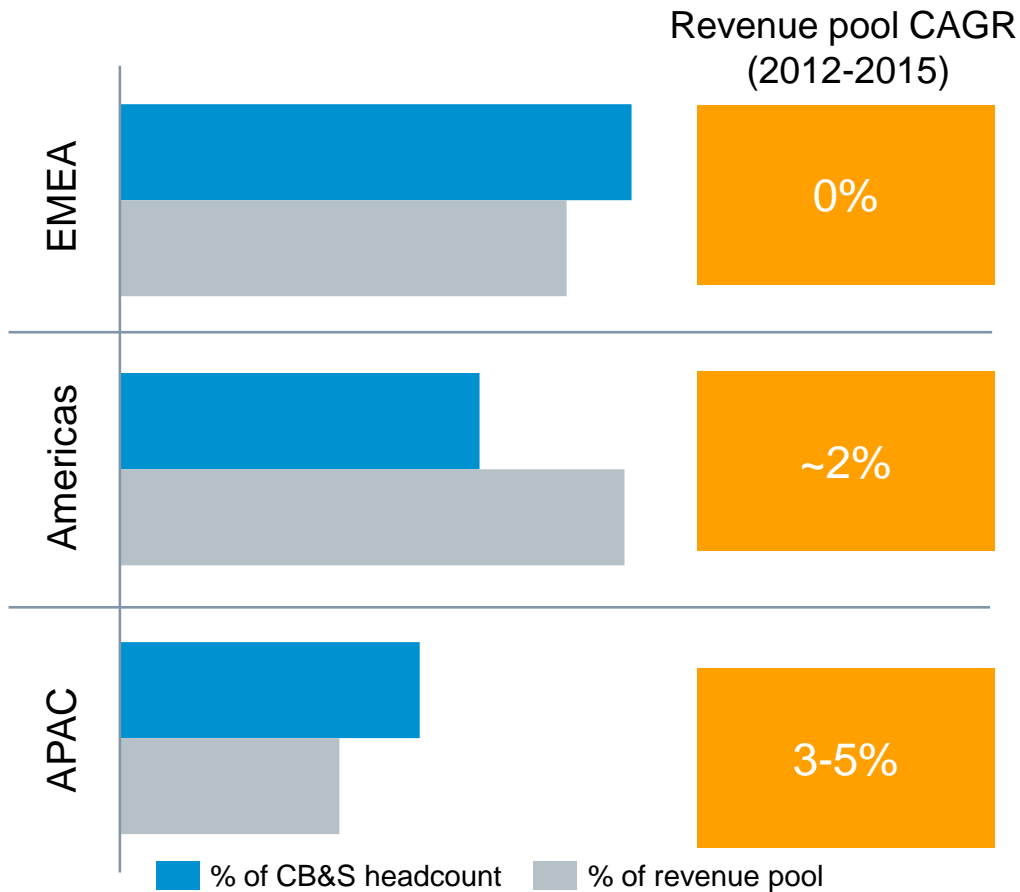
(3) CB&S portion of EUR (85) bn Group impact. Net of other RWA movements (e.g. FX)



# Efficiency: We will continue to align headcount with market opportunities

## Resources and opportunities not fully aligned

## CB&S resource allocation



- Maintain European leadership
- Grow in Germany
- Rescale franchise

- Opportunity to win share
- Grow US coverage, with focus on key sectors through resource realignment
- Streamline Latin America

- Consolidate top tier position
- Recalibrate footprint in line with evolving market opportunities

Source: Dealogic, Oliver Wyman, Deutsche Bank



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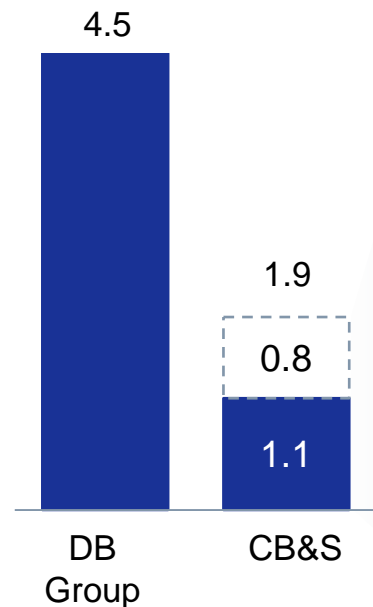


# We are taking significant costs out of the business

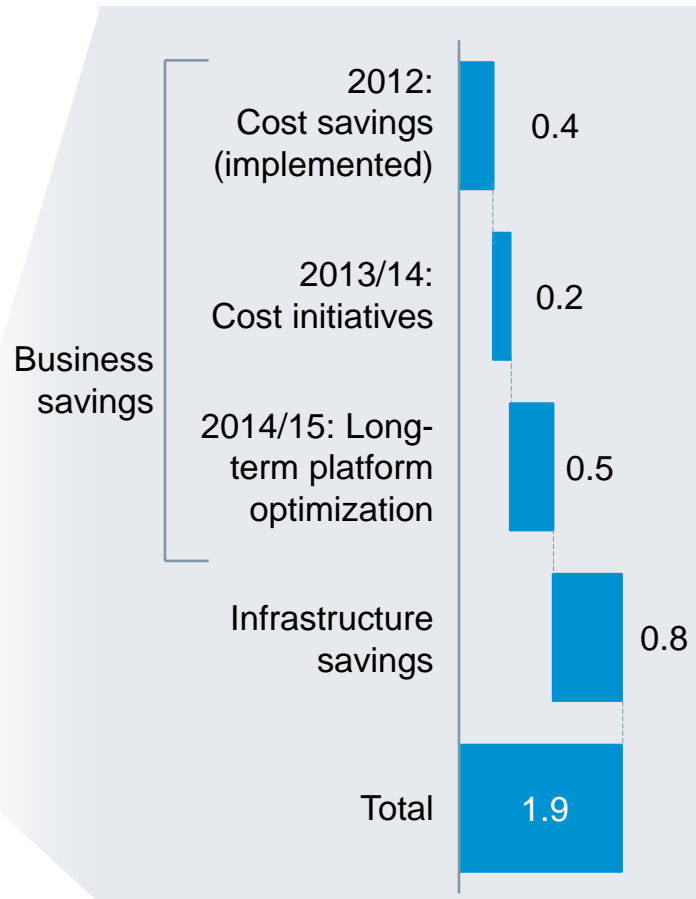
## Contribution to Group aspiration

2015 run-rate savings, in EUR bn

- Cost savings
- Infrastructure cost savings



## CB&S: Major cost measures



- Announced 900 front office headcount reduction (in addition to 500 reduction announced in 4Q2011). Focus on equities/corporate finance in EU/APAC
- Improved cost management
- Reduction of non-compensation costs (e.g. real estate optimisation, procurement management)
- Platform realignment to emerging regulatory changes and business performance
- Lower compensation costs
- Dynamic management of business portfolio
- Announced 600 infrastructure headcount reduction
- Front-to-back process optimization
- Optimization of location footprint

### Cumulative impact:

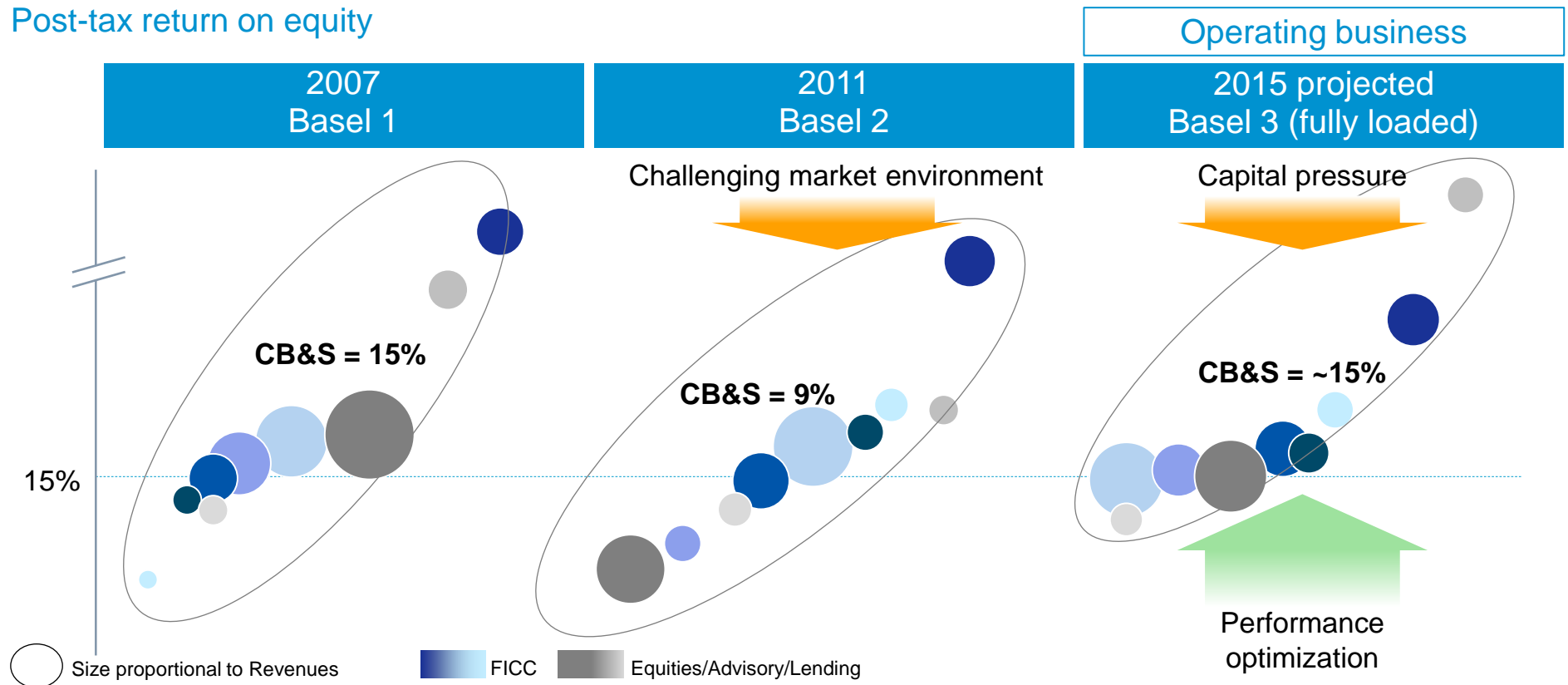
- Cost/income ratio <65%



# By 2015, a recalibrated CB&S will deliver attractive risk-adjusted returns across its portfolio of core businesses

## CB&S portfolio evolution 2007 – 2015

### Post-tax return on equity



Note: 2007 and 2011 are based on reported pre-tax return on equity and on domestic statutory tax rates for 2007 (30.7%) and 2011 (30.8%). They include non-core operations and do not reflect reassignment of management responsibilities for asset-gathering business to AWM and changes to the allocation of coverage cost between CB&S and GTB. The projection for 2015 is based on Basel 3 pro-forma fully loaded an tax rate guidance of 30 – 35%. It excludes non-core operations and reflects the aforementioned reassignment of management responsibilities and changes to cost allocation. All years shown are based on average active equity.



# From here to there: Aspiration 2015

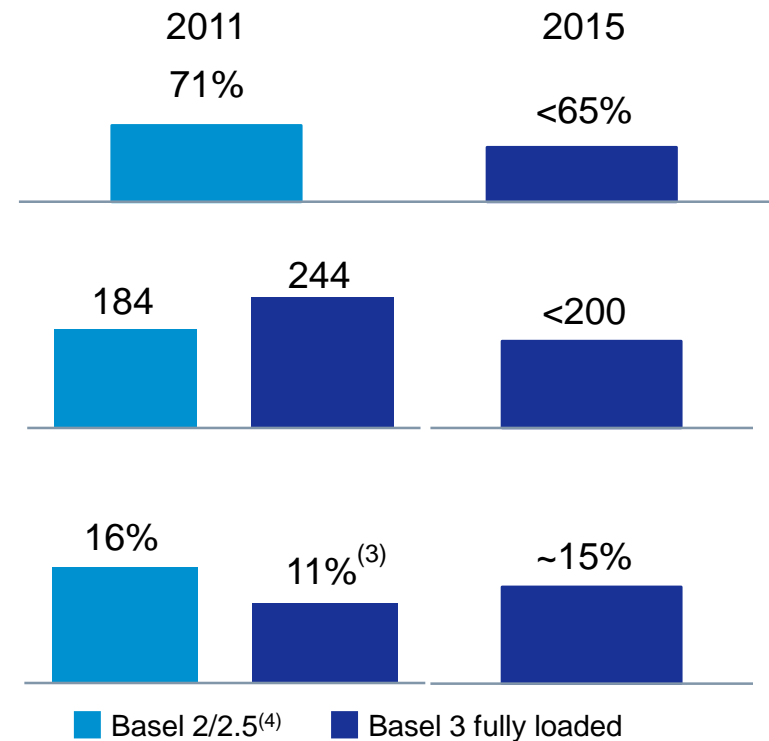
## Key take-aways

- Top 3 global investment bank
- Culture fully aligned to needs of clients and stakeholders
- Superior returns on resources



## Key metrics for operating business

Pro-forma, excluding non-core operations<sup>(1)</sup>



- (1) Also reflects reassignment of management responsibilities for asset-gathering business and changes to the allocation of coverage costs between CB&S and GTB
- (2) Based on domestic statutory tax rate of 30.8% for 2011 and corporate tax rate guidance of 30 – 35% for 2015; based on average active equity
- (3) Assumes overall bank capitalization consistent with an 8% Core Tier 1 ratio under Basel 3 fully loaded and Basel 3 RWA impact commensurate with year-end 2012 targets
- (4) Basel 2 for RoE, Basel 2.5 for RWA equivalent





# Appendix

*Passion to Perform*

Investor Day, Frankfurt, 12 September 2012



# Reconciliation of key financials shown in presentations

2011

SPLIT OPERATING vs. NON-CORE INDICATIVE

		Re-segmentation			
		As reported	Non-Core Operations	Other <sup>(1)</sup>	Operating businesses
<b>CB&amp;S</b>	Cost/income ratio	78%	(6)ppt	(1)ppt	71%
	RWA (in EUR bn)	229	(52)	(3)	173
	Memo: RWA equivalent (in EUR bn) <sup>(2)</sup>	257	(70)	(3)	184
	Pre-tax RoE	13%	+10ppt	+1ppt	24%
	Post-tax RoE <sup>(4)</sup>	9%	+7ppt	+1ppt	16%
<b>GTB</b>	IBIT (in EUR bn)	1.1	-	(0.2)	1.0
<b>AWM</b>	IBIT (in EUR bn)	0.8	(0.1)	0.2	0.8
<b>PBC</b>	IBIT (in EUR bn)	1.8	0.2	-	2.0
	Cost/income ratio	69%	(1)ppt	-	68%
<b>Group<sup>(3)</sup></b>	Cost/income ratio	78%	(6)ppt	-	72%
	Pre-tax RoE	10%	+8ppt	-	18%
	Post-tax RoE <sup>(4)</sup>	7% <sup>(5)</sup>	+6ppt	-	13%

Note: Numbers may not add up due to rounding. All RoE numbers in the table are based on average active equity.

(1) Reassignment of management responsibilities for asset-gathering business and changes to the allocation of coverage costs between CB&S and GTB

(2) 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%

(3) Operating business of Group also includes Consolidation & Adjustments

(4) Based on domestic statutory tax rate of 30.8%

(5) The post-tax RoE of 7% is calculated as a memo item for the purposes of this slide using the domestic statutory tax rate. 2011 reported post-tax RoE is 8%, based on average shareholders' equity





# 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 20 March 2012 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 2Q2012 Financial Data Supplement, which is accompanying this presentation and available at [www.db.com/ir](http://www.db.com/ir).