



Deutsche Bank AG
Sustainability Deep Dive
May 20, 2021

– Transcript –

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- Hello everyone.
- My name is Claire Coustar and I run ESG for our Fixed Income business globally.
- In my presentation, I will talk you through how the Fixed Income business fits into Deutsche Bank's overall sustainability programme, the approach we are taking, and our goals for the future.

- Let's start with the big picture.
- We see Sustainable Finance as a major opportunity for the FIC business.
- We think we can more than triple our sustainable finance volumes over the next three years, and have a clear plan to deliver on this.
- Across the industry, there are challenges. It's important to harmonize global ESG reporting and labelling standards and establish consensus around what is ESG from an investment perspective.
- We are looking forward to playing a leading role in solving this, and in engaging with the Net-Zero Banking Alliance as we transition our portfolio.
- Nevertheless, the forward picture for sustainability and the FIC business is very positive.
- The big driver will be debt financing.
- The fixed income private and public markets have an essential role to play in transitioning the world's economy to net zero carbon.
- The ESG-related securitization market alone is expected to grow to between 250 and 350 billion dollars a year within the next ten years according to the OECD.
- Deutsche Bank is very well positioned for this trend.
- We have four business areas – Credit, Rates, Emerging Markets and Foreign Exchange.
- Many of these businesses are leaders in their fields and either have or are quickly developing established track records in sustainable finance.



- Across the platform we originate assets which then form the basis for the bank's green bonds and investment products. We are - in effect - the "asset factory" of the group... And we expect to significantly increase our activity in the years ahead.
- Here you can see our growth plan year by year.
- In 2020, we completed 8 billion Euros of ESG transactions. We are confident we can grow that to a cumulative 30 billion Euros by 2023.
- To show you how our business works in practice and why we think we can achieve this target, I'd like to look now at some of the actual deals we've done and then our strategic goals.
- Let's start with SB Energy.
- SB Energy is a leading solar, energy storage, and technology platform.
- Our Credit team provided them with 255 million dollars of debt development finance secured against a portfolio of utility-scale solar and storage projects.
- We structured a solution to allow the client access to a diverse range of lenders.
- Another client we have arranged financing for is the European Union. As Mark mentioned, we were a lead arranger on its 17 billion Euros social bond. FIC Sales placed it with investors, with over 500 accounts taking part in each tranche. Our Rates business – which is a top five primary dealer in sovereign, supranational and agency bonds – is now providing secondary market liquidity in the EU's bond.
- My last example – Olam - was not a financing but a hedge. It's a fascinating transaction that illustrates how a clients' needs evolve, and Deutsche Bank's ability to innovate.
- Olam exports agricultural products from Thailand, exposing it to FX risk which it wanted to hedge. At the same time Olam also wanted to support sustainable farming methods to protect natural resources and reduce poverty among farmers.
- We developed a hedge where payments were linked to Olam's ESG performance. If the company meets certain environmental and social development goals by the end of the trade, it will earn a discount on the hedge.
- It is estimated that if Olam delivers, this will increase income for rice farmers by 10%, improve nitrogen and phosphorus efficiency by 5% and 20%, and bring about a 10% reduction in greenhouse gas emissions.
- I'm pleased to say that the transaction was named Deal of the Year by AsiaRisk magazine.



- Now let's take a look at our future plans.
- We have four key goals: support clients by connecting investors and issuers, increase sustainable lending, integrate ESG into the securitisation market, and innovate and expand our product range.
- We have set strategic priorities and established KPIs for each.

- On the key lending target, we will be focused on three main areas: renewable energy, green real estate & social housing finance, and lending to emerging market development projects.
- In renewable energy, we see opportunities in the build out of solar and wind energy production and in storage and energy efficiency technologies.
- We expect to extend 2 billion dollars of green and sustainability-linked financings this year alone.
- In green real estate and social housing finance, we expect our loan book and CMBS issuance to grow, with a target of 2.8 billion dollars in 2021.

- Moving briefly onto securitization. We have a long track record in this area, with deals for companies such as Tesla, Mosaic and Sage Housing, and we are looking to build on that.
- We also priced our first ESG collateralized loan obligation transaction this year and expect further deals in 2021.
- Innovation will be key and we have detailed plans in place to expand the range of investment products we can offer clients to include green repos, deposits and structured notes, as well as ESG thematic investment products from our Quantitative Investment Solutions team.
- In Emerging Markets, we have funded multiple deals in Sub Saharan Africa over the last year and we are looking to do more.
- We are working closely with development agencies and banks on Public-Private or Blended Finance initiatives across the emerging markets, and aim to close one such partnership within the next 9 months.

- So that's the plan. How are we going to deliver?
- A key part of our approach is building awareness and engagement.
- It's vital that everyone understands the financial implications of climate change and other ESG issues, and is aware of the steps governments and regulators are taking to address these problems and how they will impact our business and that of our clients.



- Many employees are already well engaged, but to ensure a solid foundation for the expansion of our sustainable financing, we have begun a major programme of staff training so ESG principles are fully embedded in our due diligence, governance and client engagement processes.
- Our goal is to have half of our product-risk and client-facing staff trained by the end of this year, and all these staff trained by the end of 2022.
- Externally, we will also have four ESG client events a year to bring together clients with diverse needs and generate positive momentum across ESG markets.

- Let me finish with these three key messages.
- First, Fixed Income & Currencies plays a vital role in Deutsche Bank's overall Sustainability programme. We have a proven track record in originating ESG assets.
- Second, product innovation will be key. It has always been the core of our client service strategy and we'll be doing the same with ESG.
- And finally, Sustainability is now an integral part of our business processes.
- There is a lot to be excited about.

- Thank you.

Disclaimer

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