Christian Sewing, CEO
at the Deutsche Bank Global Financial Services Conference

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Transcript

DB FIG Conference – Executing on our strategic transformation

Slide 0

- Good morning or good afternoon
- It is my pleasure to welcome you to our 11th annual Global Financial Services Conference, although unfortunately again, not in person
- But even as a virtual conference, it is still a truly global event
- We are pleased to welcome 650 attendees from 34 countries
- This includes 131 companies with a combined market value of 3.7 trillion dollars
- And these companies will interact with investors, who manage over 10 trillion dollars of assets
- So we are delighted to have you all attending and it is my pleasure to open this conference and provide you with an update on DB's transformation

Slide 1 – Summary

- So where do we stand?
- We gave ourselves fourteen quarters to transform Deutsche Bank, and seven quarters are now behind us
- Half-way through our timeframe, we have already completed much of the transformation journey
- At the end of the first quarter and at the half-way point of our journey, 87% of the expected transformation related effects are already behind us
- We have continued to deliver against our transformation milestones. We are on, or ahead of, our expected timeline on all key measures
- Progress across all businesses in recent quarters reinforces our confidence that our strategic path is the right one
- We can already see that our transformation is paying off. Our Core Bank, generated adjusted profit before tax of 4.2 billion euros for the full year 2020, 52 percent more than the previous year, despite higher loan loss provisions in light of the pandemic

- And this positive trend has continued year to date
- We also continue to make progress on expenses; we have reduced costs every quarter for more than three years
- We remained disciplined on capital, risk and balance sheet management and we successfully navigated several market events in the first quarter
- Over the past two years we have nevertheless invested and will continue to invest in bolstering our technology and controls
- And last but not least, we have outperformed our own ambitions on ESG. Since announcing our sustainable finance target last year we have been moving significantly faster than expected
- We now aim to facilitate over 200 billion euros in sustainable finance and investments by the end of 2023, two years earlier than we expected, as we outlined at our recent Sustainability Deep Dive in May this year

Slide 2 – We have made material progress

- Let me outline where we are on our transformation journey
- Firstly, all of this is the result of our diligent work over the past three years
- As you know, we actually started back in 2018. In the first phase we stabilised our bank and laid the foundations on which we could build
- In July 2019 we launched phase two, the most fundamental transformation of Deutsche Bank in two decades
- This included a new setup for our bank, coupled with ambitious financial targets up to 2022
- As we always said, the actual restructuring work mainly happened in the first six quarters following our strategy announcement
- We took fundamental decisions and have been executing them with a relentless delivery mind-set:
    - We focused our core businesses on our strengths. As of today, more than 70% of our revenues are in market leading businesses
    - We have reduced costs for the 13th consecutive quarter
    - At the same time, we have not just maintained the strength of our franchise, we have actually increased it significantly. This is

demonstrated by 1.6 billion euros of pre-tax profit and 1 billion euros of profit after tax we generated in Q1; that's our best quarter in seven years, despite our more focused footprint

  - We maintained our strong balance sheet. Despite financing our transformation with existing resources, our Common Equity Tier 1 ratio is slightly higher than in July 2019, when we announced our transformation

- With the reorganisation and restructuring period behind us, we launched phase 3 of our transformation at our Investor Deep Dive in December
- A phase which will mainly see us focused on ensuring sustainable profitability by growing our businesses, while remaining disciplined on costs and capital

Slide 3 – Strategic transformation drives higher profitability

- Our relentless focus on delivering our transformation agenda is reaching the bottom line
- We have seen a 75% year on year increase in our adjusted profit before tax in the Core Bank for the last twelve months to the first quarter, and all four core businesses contributed
- At the same time, we continued to de-risk the Capital Release Unit, which nearly halved its pre-tax loss compared to the first quarter of last year
- Since we started our transformation strategy seven quarters ago, we have substantially reduced the Capital Release Unit's losses. We remain committed to minimising the P&L impact of de-risking efforts by the unit and to our cost reduction plans

Slide 4 – Cost discipline continues for 13th consecutive quarter

- In line with our plan and expectations, we reduced adjusted costs excluding transformation charges, bank levies and the unexpected deposit protection premium to 4.6 billion euros for the quarter, down year on year
- As we outlined at our first quarter earnings call, we incurred some unexpected additional costs, including the higher than expected bank levy charge

- As it relates to costs within our control, we remain committed to our 16.7 billion euros target for 2022. And we are working towards it every day, executing on cost saving measures, as we planned
- We see scope for further efficiencies, for example, from alignment of infrastructure functions supporting the Corporate and Investment Bank
- Let me now turn to our balance sheet

Slide 5 - Maintained strong balance sheet

- Our Common Equity Tier 1 ratio stands at 13.7%, over 300 basis points above regulatory requirements in Q1
- Our liquidity reserves also remained stable at 243 billion euros, as we continue to improve the quality and reduce the cost of our funding base
- Our liquidity coverage ratio is actually 146%, 70 billion euros above regulatory requirements
- As a result, we can deploy our capital and liquidity strength to support our clients, in what is still an uncertain environment
- This stability and the success of our strategy has enabled us to regain trust
- Since the beginning of this year, the three major rating agencies have upgraded their outlook for our bank, with Moody's, most recently, placing all Deutsche Bank's ratings on review for upgrade
- Furthermore, our cost of funding, which is also reflected in the price of our credit default swaps, has decreased significantly. In this context, we are now back on a more equal footing with our main competitors and that is positively impacting our business

Slide 6 - Disciplined risk management

- The fact that we have been able to regain trust is also a reflection of our strong risk discipline. This is a central pillar of our strategy, across credit, market, liquidity and non-financial risks
- We benefit from a high quality and well-diversified loan book, with strong underwriting standards, a robust and proactive risk management framework as well as dynamic collateral management

- Provision for credit losses was 69 million euros the first quarter, or 6 basis points of average loans on an annualised basis, principally due to the improved macroeconomic environment
- We have also remained vigilant on concentration risk, strict on risk appetite parameters and proactive in risk identification and management
- And in the face of single, high impact events, we also proved that we have our risks well under control
- We therefore expect our 2021 full-year risk provisions to be in a range of 25 basis points of loans, significantly lower than in 2020
- Our market risk management benefits from a dynamic hedging framework, with daily stress testing and monitoring
- Our comprehensive non-financial risk controls contribute to robust crisis management practises
- These capabilities have not only helped us achieve consistently contained credit and market risk losses, but have also helped us avoid negative impacts from external events such as the ones we saw in the quarter
- And we continue to strengthen non-financial risk management, tightening our control environment and continuing to work on strengthening our Anti-Financial Crime capabilities

Slide 7 – Continue to invest in technology and controls

- Further strengthening our control environment remains a core element of our strategy
- In the past four years we have invested around 1.2 billion euros in technology across Risk, Anti Financial Crime and Compliance
- And yes, these investments have strengthened the quality and granularity of our data across all risk disciplines
- We continue to invest significantly in technology in 2021, particularly in Anti Financial Crime or 'AFC'
- Today our compliance function monitors 3 million transactions and 1 million communication events every day. In market risk management, we analyse up to 30 billion valuation calculations per day

- While we have made progress in strengthening our controls, we know that we still have work to do. This includes necessary improvements in our transaction monitoring and we are working diligently on this

Slide 8 – Client trust and employee engagement is growing

- In light of the challenges the last year has brought to all of us, it is particularly pleasing that our clients have appreciated our commitment and that they see our clear strategy to be part of the solution
- We stood by our clients when economic certainties suddenly seemed to no longer be valid
- We were there for them, be it with funding or with our advice
- Trust in our brand has not only returned, but in some areas reached record levels, both among our corporate clients and our private clients in Germany
- And of course this regained trust supports revenue generation across all four businesses
- Regained trust also has an internal impact
- 76 percent of our employees support our strategy and they are more loyal to our bank than they have been at any point since 2012
- And as you all know, one reinforces the other here; our colleagues see what they have achieved for their clients and feel appreciated by them, which gives us all additional motivation and in turn, more momentum in our businesses

Slide 9 – Progress made on strategic priorities

- While there is certainly still work to do, we are more convinced than ever before that we are on the right track
- Having implemented our plans in a disciplined manner, we are very optimistic as we start the third phase of our transformation
- Now our focus is on ensuring sustainable profitability and to achieve our target of a post-tax return on tangible equity of 8% in 2022
- This requires continuous discipline on costs and balance sheet management and it also requires us to achieve our revenue plans

- We are confident that we will get there, based on the strong market position we have in all of our core businesses
- Our performance in the first quarter of this year is testament to this
- The Corporate Bank continues to offset interest rate headwinds through repricing strategies and growth initiatives
- We made progress in clearing payments, via an expansion of our partnership with Mastercard
- The Investment Bank continued to benefit from our refocused business model, with another strong performance in FIC and market share gains in Origination & Advisory
- We continue to expect markets to normalize in the remainder of 2021, but we feel reassured in our view that a substantial portion of our Investment Bank growth since 2019 is sustainable. As we said at our first quarter results, we expect our revenues for 2021 to be very close to 2020 levels
- The Private Bank was also successful in offsetting interest rate headwinds with continued business growth
- With growth of 15 billion euros across net new client loans and net inflows to Assets under Management in the first quarter, the Private Bank is well in line with its ambition to attract more than 30 billion euros of business growth as we discussed in the Investor Deep Dive last year
- We also made progress on our cost plans. In the Private Bank Germany, we agreed the balance of interests for our distribution network with the workers council
- This will lead to the closure of approximately 150 branches across both brands in Germany by the end of the year, as we outlined last September
- In Asset Management, our assets under management grew by 28 billion euros to 820 billion euros, a new record high
- The business continued to generate net inflows in the quarter, although these were partly offset by outflows of cash, as investors returned to risk assets
- In short: the dynamics in all four core businesses show that our re-focused business model is paying off
- We feel encouraged by our revenue and market share momentum over the past quarters

- And in addition to these trends, we are also seeing a couple of tectonic shifts in the economy which do play to our strengths

Slide 10 – Well positioned for key structural trends

- It has become common to say that our economy post COVID will not look the same as before
- But there is more to it
- In fact, there are a number of fundamental changes in the world in which we operate
- Deutsche Bank is well positioned for these trends, as they will translate to four important growth engines for the years to come
    - Economists expect an increase in global financing demand. And not only because of the pandemic but in particular because of the transformation of the economy. Our Investment Bank and Corporate Bank are ideally positioned to capture these opportunities
    - In an aging society, wealth preservation will become more pressing. Our Private Bank as well as our Asset Management will of course make use of this development
    - Our deep local presence worldwide is more of an asset in a world of 'glocalization'
    - 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 significant opportunities within that; opportunities we did not see to that extent in July 2019, opportunities we are determined to take advantage of

Slide 11 – Sustainability is a key driver for opportunities with new value potential

- Let's dive deeper into the fourth of these trends, the increasing demand for sustainable finance products
- Sustainability is for us about much more than challenges, rules and regulations. This transformation brings opportunities for us as a bank and we took our stakeholders through these at our Sustainability Deep Dive in May

- It is about supporting our clients on their transformation journey; they need our advice and they need our products and solutions
- By being a frontrunner in sustainability, we will also be more attractive to investors in a fast-growing market
- And finally, needless to say, society, like our clients, values it highly when we act as a responsible corporate citizen
- As a global universal bank deeply rooted in Europe, we see ourselves ideally positioned for this new environment. And being a universal bank is the key to success
- We are producing the assets in-house that our clients demand, from originating and structuring, to designing and finally distributing them. We are therefore ideally positioned on both sides of the balance sheet
- And moreover, I see a competitive advantage for us because of our advisory capabilities
- In the ESG world, clients are not as certain about what they want to buy. They need advice and transparency. With over 22,000 client-facing people worldwide, we are able to leverage the knowledge we have been developing in ESG for our clients
- Last year we announced our first comprehensive sustainability strategy and we are making excellent progress
- As a result, we were able to bring forward our target of facilitating 200 billion euros of sustainable financing and investments by two years to 2023
- In the first 15 months since we started this measurement, we have already achieved a volume of 71 billion euros

<u>Slide 12 – Committed to our 2022 plans and targets</u>

- As we promised you at the Investor Deep Dive, our focus remains on executing our transformation agenda, while staying focused on our clients
- We have made clear progress in terms of client momentum, which is visible through our revenues
- We continue to make progress on our key deliverables to support cost and control improvements

- The management board changes made earlier this year are a further alignment of our business and our cross-divisional strategic priorities to drive efficiency
- So let me summarise where we plan to take our business and what we want to achieve:
    - Group revenues of approximately 24.4 billion euros by 2022
    - As it relates to costs within our control, adjusted costs excluding transformation charges of 16.7 billion for 2022
    - A cost to income ratio of 70%
    - 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
- And given the strength of our franchise, as we have proved in recent quarters, we are optimistic that we can achieve this
- We do see pressures on costs that are volume related, tied to better than expected performance and we are working to offset these where we can with new initiatives
- Nevertheless, we remain relentlessly focused on our goals and targets
- The most important, we think, is the 8 or 9% return on tangible equity target, at the Group and Core Bank levels
- A critical driver of those goals is achieving the cost to income ratio of 70%, to which the expense and headcount reductions contribute, as well as our higher revenues
- And we are increasingly comfortable that we would be able to achieve these based on the momentum we have seen in our businesses so far this year
- In short: We are well on our way to meeting our 2022 strategic and financial ambitions and we remain committed to our aim of returning 5 billion euros of excess capital to our shareholders starting in 2022
- Thank you very much for your time and I sincerely hope you enjoy the rest of the conference

Disclaimer

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