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## Deutsche Bank - Rode to Basel III

1. Shareholders were very nervous about Deutsche Bank's future under Basel III's more stringent new requirements. Identify all of the issues impacting investor confidence except:
  - a. What would the new Co-CEO's do with Postbank the newly acquired former competitor of Deutsche Bank?
  - b. Sovereign debt issues in the European Union were improving in general across member countries
  - c. Would the deemphasize investment banking over more conservative and less lucrative retail banking?
  - d. Strick capital requirements would have little impact on Deutsche Bank's profitability
  - e. How would the new Co-CEO's meet the new regulatory requirements under Basel III?
  - f. How would the bank structure its lines of business in the new banking environment?
2. Deutsche Bank was a truly global bank from its early beginnings in the 1870's and immediately began doing business on an international scale including investment banking. What two systemic events almost lead to the collapse of Deutsche Bank in the 1900's? \_\_\_\_\_ and \_\_\_\_\_ (fill-in the blanks)
3. By the early 2000's Deutsche Bank had regained its status as an international bank but markets were asking what is the role of a bank - to take deposits and make loans or to sell investments and take higher risks in its strategies? CEO Jain said that traditional banking would be better in the long-term for Deutsche Bank and Germany however based on Table I what was the banking profile of Deutsche Bank between 2002 and 2007.
  - Total Investment Banking Activities 2002 \_\_\_\_\_ vs 2007 \_\_\_\_\_
  - Total Asset Management Activities 2002 \_\_\_\_\_ vs 2007 \_\_\_\_\_
  - Total Commercial/Retail Banking Activities 2002 \_\_\_\_\_ vs 2007 \_\_\_\_\_
4. Globalization changed the number of Deutsche Bank competitors in-country and outside of the country. Which two competitor banks gained the most share of nondomestic revenues from Deutsche Bank between 2002 and 2011? \_\_\_\_\_ and \_\_\_\_\_
5. Fill in the blanks: Banks had to increase assets on its balance sheets. What are the three options:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

6. Between 2002 and 2007, in 5 short years Deutsche Bank reduced its leverage ratio by 64%  
True or False

7. During the 2009 subprime meltdown the regulatory environment ramped up with the Basel Committee on Banking Supervision looking to tighten capital requirements. Please explain how the BCBS impacted banking capital requirements?

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8. Deutsche Bank experienced increased earnings but did so because of increased leverage. The markets recognized the risk profile of Deutsche Bank's business model resulting in its stock price valuation falling lower than its peers. Using Table 2 what metrics would the markets use to determine Deutsche Bank's valuation? (select all that apply)

- a. ROA
- b. ROE
- c. Dividend Yield
- d. Leverage Ratio

9. Part 1: In the Appendix, Exhibit 1, after reviewing Deutsche Bank's income statement what does the change in the banks "Total Net Revenues", "Diluted Earnings per Share", "Diluted Shares Outstanding" and Financial Ratios tell you about the change in risk profile? Your answer should explain whether Deutsche Bank's financial condition is related to a change in its business model or financial accounting transactions ?

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10. Appendix 2, page 18, please explain how to calculate risk-weighted assets using treasury bonds and mortgages as risk assets. Secondly, please explain the definition of risk-weighted assets.

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