

Report Prepared On: 01/19/14

## Structured Product Details

**Name** Phoenix Autocallable Securities linked to Verifone Systems Inc.

**Issue Size** \$1.00 million  
**Issue Price** \$1,000  
**Term** 12 Months  
**Annualized Coupon** 11.25%

**Pricing Date** November 21, 2013  
**Issue Date** November 26, 2013  
**Valuation Date** December 5, 2014  
**Maturity Date** December 10, 2014

**Issuer** Deutsche Bank  
**CDS Rate** 13.72 bps  
**Swap Rate** 0.57%

**Reference Asset** Verifone Systems Inc.'s stock  
**Initial Level** \$24.30  
**Dividend Rate** 0.00%  
**Implied Volatility** 42.00%

**Fair Price at Issue** \$986.81

**CUSIP** 25152RFZ1  
**SEC Link** [www.sec.gov/Archives/edgar/data/1159508/000095010313006836/dp42109\\_424b2-1889bk.htm](http://www.sec.gov/Archives/edgar/data/1159508/000095010313006836/dp42109_424b2-1889bk.htm)

## Related Research

**Research Papers:**  
[www.slcg.com/research.php](http://www.slcg.com/research.php)

- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

**Mike Yan, Ph.D., FRM**  
Senior Financial Economist, SLCG  
(+1) 703.539.6780  
[MikeYan@slcg.com](mailto:MikeYan@slcg.com)

## Phoenix Autocallable Securities linked to Verifone Systems Inc.

### Description

Deutsche Bank issued \$1.00 million of Phoenix Autocallable Securities linked to Verifone Systems Inc. on November 26, 2013 at \$1,000 per note.

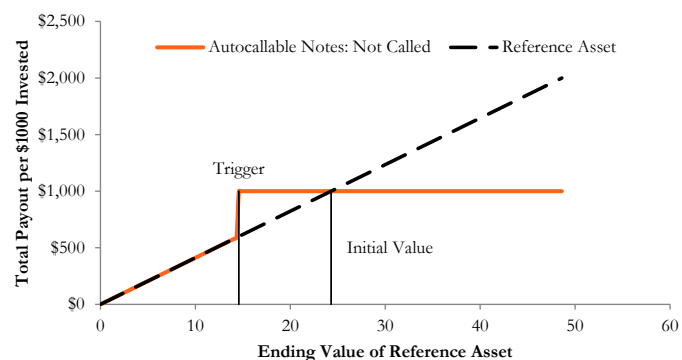
These 12-month notes are UBS-branded reverse convertible notes. On the quarterly coupon observation date, if the notes are not called back, they pay either quarterly coupon at an annualized rate of 11.25% if Verifone Systems Inc.'s stock price closes above the coupon barrier \$14.58, or no coupon if the stock price closes below the barrier. The first coupon observation date is March 6, 2014. This autocallable notes will be called back if the reference stock price on any quarterly call observation date after March 6, 2014 exceeds the initial stock price \$24.30. In this case, investors receive the principal plus any unpaid coupons. At maturity, the notes convert into shares of the reference security—41.15 shares of Verifone Systems Inc.'s stock in this case—if the market value of the reference stock at the note's maturity is below the trigger price \$14.58 (60% of the reference asset on November 21, 2013). Otherwise, investors will receive the \$1,000 face value.

### Valuation

This note can be viewed as a combination of a zero-coupon note from Deutsche Bank, a series of contingent coupon payments, and a short put option on the reference asset. For reasonable valuation inputs this note was worth \$986.81 per \$1,000 face value when it was issued on November 26, 2013, including \$995.91 for the present value of the zero-coupon note, (\$66.14) for the short put options, and \$57.04 for the present value of all future contingent coupon payments.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

### Payoff Curve at Maturity

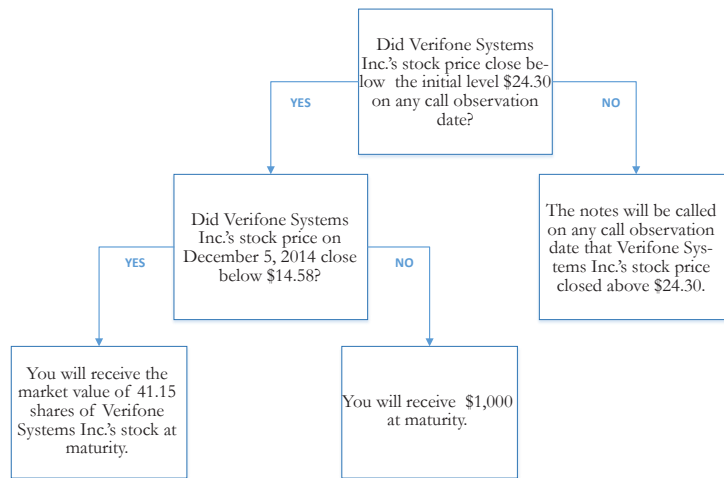


The payoff diagram shows the final payoff of this note given Verifone Systems Inc.'s stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in Verifone Systems Inc.'s stock directly.

**Principal Payback Table**

Verifone Systems Inc.'s Stock	Note Payoff
\$0.00	\$0.00
\$2.43	\$100.00
\$4.86	\$200.00
\$7.29	\$300.00
\$9.72	\$400.00
\$12.15	\$500.00
\$14.58	\$1,000.00
\$17.01	\$1,000.00
\$19.44	\$1,000.00
\$21.87	\$1,000.00
<b>\$24.30</b>	<b>\$1,000.00</b>
\$26.73	\$1,000.00
\$29.16	\$1,000.00
\$31.59	\$1,000.00
\$34.02	\$1,000.00
\$36.45	\$1,000.00

**Maturity Payoff Diagram**



*The contingent payoffs of this Phoenix Autocallable Security.*

**Analysis**

The 11.25% coupon rate on this Phoenix Autocallable Security is higher than those paid by Deutsche Bank on its straight debts but, in addition to Deutsche Bank's credit risk, investors bear the risk that, 1) the note may be called; 2) the note may pay zero coupon because of the coupon contingency; 3) and the note will be converted into shares of Verifone Systems Inc.'s stock when Verifone Systems Inc.'s stock is worth substantially less than the face value of the note.

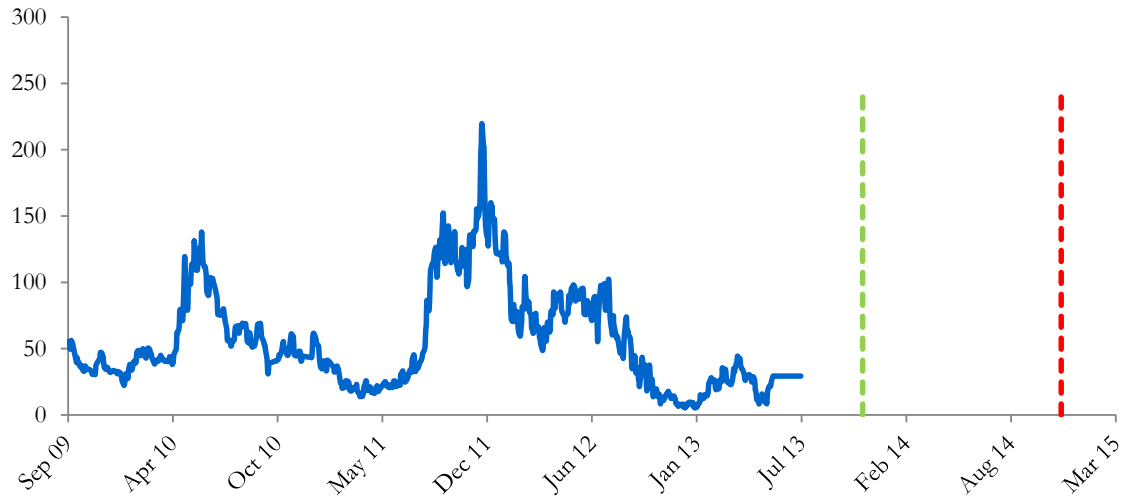
Investors purchasing these autocallable phoenix notes effectively sell contingent put options to Deutsche Bank and post the note's issue price as collateral to secure satisfaction of the investors' obligations under the option contracts. Deutsche Bank pays investors a contingent coupon that is part payment for the put options and part interest on the investors' posted collateral. This Phoenix Autocallable Security is fairly priced if and only if the difference between the contingent coupon and interest paid on Deutsche Bank's straight debt equals the value of the contingent put options investors are giving to Deutsche Bank. Whether this Phoenix Autocallable Security is suitable or not is identically equivalent to whether selling put options on the reference stock at the option premium being paid by Deutsche Bank was suitable for the investor.

**Deutsche Bank's Stock Price**



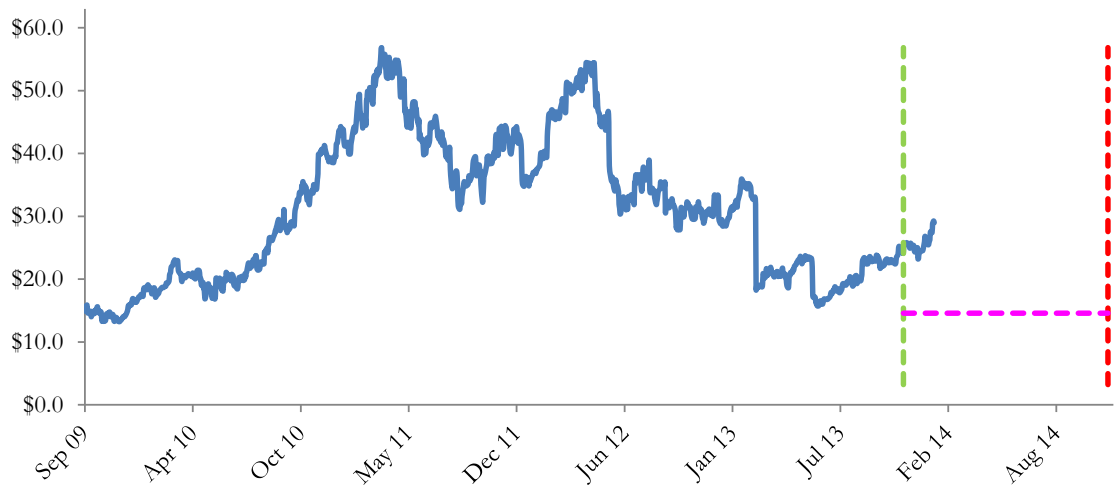
*The graph above shows the adjusted closing price of the issuer Deutsche Bank for the past several years. The stock price of the issuer is an indication of the financial strength of Deutsche Bank. The adjusted price shown above incorporates any stock split, reverse stock split, etc.*

**Deutsche Bank's CDS Rate**



*Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as Deutsche Bank. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of Deutsche Bank's debt, including outstanding Phoenix Autocallable Security. Fluctuations in Deutsche Bank's CDS rate impact the market value of the notes in the secondary market.*

**Verifone Systems Inc.'s Stock Price**

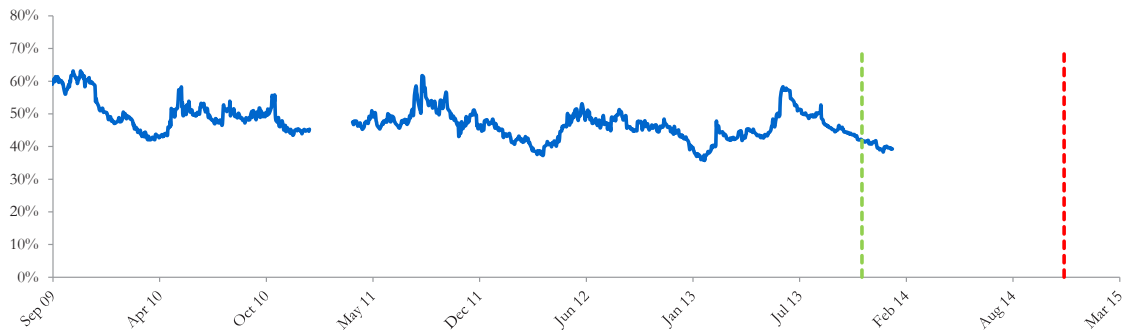


*The graph above shows the historical levels of Verifone Systems Inc.'s stock for the past several years. The final payoff of this note is determined by Verifone Systems Inc.'s stock price at maturity. Higher fluctuations in Verifone Systems Inc.'s stock price correspond to a greater uncertainty in the final payout of this Phoenix Autocallable Security.*

**Realized Payoff**

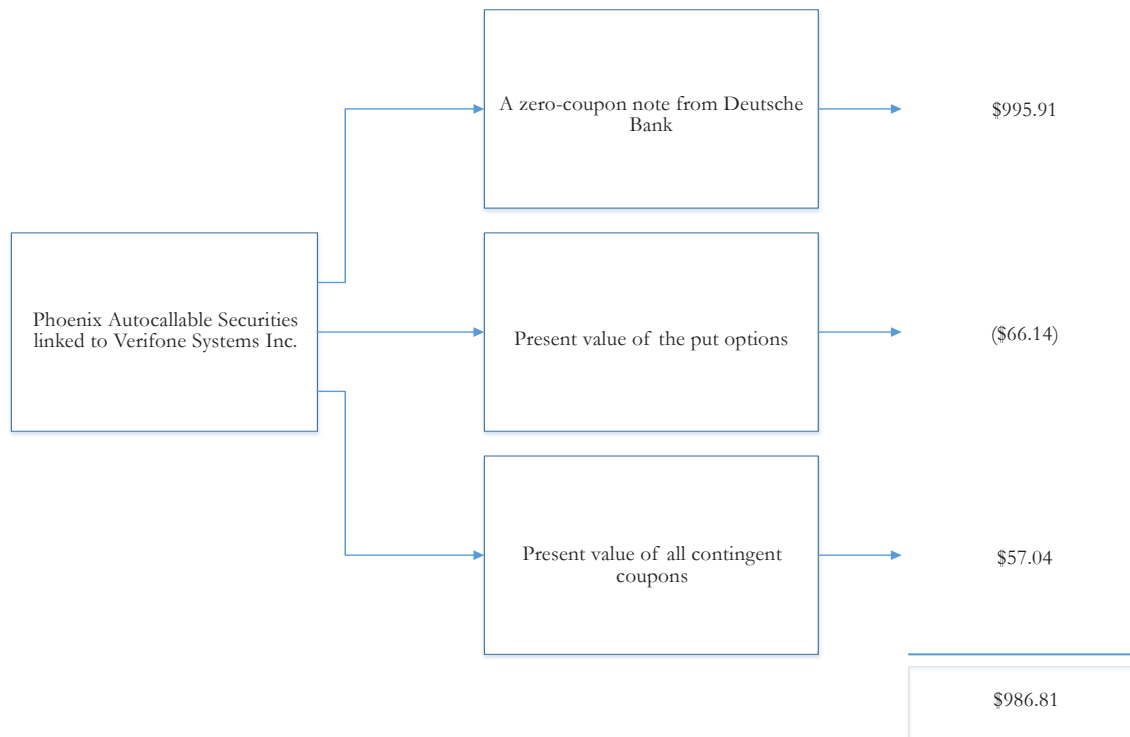
This product will mature on December 10, 2014.

### Reference Asset Verifone Systems Inc.'s Stock's Implied Volatility



The annualized implied volatility of Verifone Systems Inc.'s stock on November 21, 2013 was 42.00%, meaning that options contracts on Verifone Systems Inc.'s stock were trading at prices that reflect an expected annual volatility of 42.00%. The higher the implied volatility, the larger the expected fluctuations of Verifone Systems Inc.'s stock price and of the Note's market value during the life of the Notes.

### Decomposition of this Phoenix Autocallable Security



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Phoenix Autocallable Security.

1. Delta measures the sensitivity of the price of the note to the Verifone Systems Inc.'s stock price on November 21, 2013.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the Verifone Systems Inc.'s stock on November 21, 2013.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.