

Inside

*Social Investments*

Helping neighborhoods rebound  
Global support for social entrepreneurs

*Employee Engagement*

Meet the microfinance ambassadors

*Passionate about...*

Closing the gap

# Focus

Education | Social Investments | Art & Music | Employee Engagement

*Social Investments*

Rebalancing act



Microfinance gives the enterprising poor a chance at a better life Photograph: Wu Shaoping

What's driving us

**Demand**

60% of people in the developing world don't have access to formal job opportunities

60%

**Supply**

By most industry estimates, less than 20% of the demand for microcredit globally is being met

20%

**Sustainability**

Entrepreneurs supported by Deutsche microfinance funds since 1997

2.76m

**Scale**

Number of microfinance institutions around the world currently supported by Deutsche Bank

120

## Market mover

Deutsche Bank's newest microfinance fund aims to influence the industry by rewarding those who put client protection first

Microfinance relies on the conviction that all human beings have the potential to be productive and to generate an income if given an opportunity and backed by resources – resources that socially motivated investors like Deutsche Bank can supply. The bank has been making loans, investments and grants to the microfinance sector as part of its global social investments strategy since 1997.

"As the most mature segment of the nascent impact investment marketplace, operating at scale and with consistent financial performance, microfinance can routinely absorb and deploy capital towards the goal of stabilizing and improving the lives of the poor," says Gary Hattem, President of Deutsche Bank Americas Foundation and Managing Director, Community Development Finance Group.

**A worrying disconnect**

The very success of the sector has resulted in tensions over its direction in some regions though. In some markets, aggressive commercialization by microfinance institutions (MFIs) has put profits ahead of the well-being of their borrowers. This has led to a worrying disconnect between MFIs and their clients.

From the beginning Deutsche Bank has played a leading role in helping the microfinance industry negotiate its challenges. Its dialog with the industry has had a persistent theme: care for the client must come first. With its latest financing initiative, the bank is turning up the volume on this message.

Continued on page 3 »



## Opinion

Gary Hattem



# Beyond borders

In this edition of *Focus* we examine our role as a provider of financing for social change.

In making capital available to community-led initiatives for more than two decades, we've been part of a movement to make markets work for people and places outside the economic mainstream.

We came to this work in 1990 as a wholesale bank with a regulatory obligation to comply with the Community Reinvestment Act (CRA). The role we would play in directing capital to distressed communities was far from obvious. Yet those constraints proved liberating, and defined an approach to community development with few limitations and high aspirations.

Our prudent lending achieved profound social returns. This success led Deutsche Bank to go beyond its regulatory obligations and to globalize its social finance practice. That began in 1997, with the first commercial bank-initiated fund to benefit the expanding microfinance sector. Since then, a portfolio of Deutsche Bank-led funds and financings has reached all corners of the world, delivering new opportunities for local citizens everywhere. In doing so, we have also created opportunities for a growing community of investors interested in social impact.

The credit quality of these financings has been nothing short of outstanding, with write-offs representing less than 0.25% of the total portfolio over 20 years. We've learned that the best mitigant for risk is the engagement of a broad set of stakeholders – entrepreneurs, clients, community, investors – who all stand to gain from a success and will work hard to achieve one.

The examples featured here show how far we, and the sector, have come in deploying capital for a broad range of projects, enterprises and partnerships that are redefining how capital markets can benefit society.

Gary Hattem  
President, Deutsche Bank Americas Foundation  
Managing Director, Deutsche Bank Community Development Finance Group

*Passion to Perform*



Green credentials  
Printed on paper comprising 100% de-inked post consumer waste that is manufactured carbon neutral with 100% renewable electricity.

## International

Facts of life

# Data base

Deutsche Bank's impact investing addresses social problems the world over, on our doorstep and wherever our capital can make a difference

### Around the world

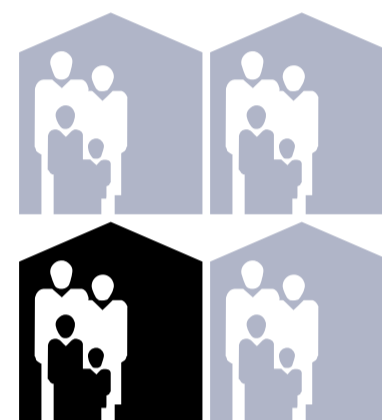


**Living on little**  
More than half the world's population live on less than \$2 a day  
Source: Population Reference Bureau, 2012

**Out of sight**  
Up to 80% of the world's blindness is avoidable and 90% of blind people are in low-income countries. Deutsche Bank's Eye Fund supports the development of eye care services to the poor (see page 7)  
Source: World Health Organization

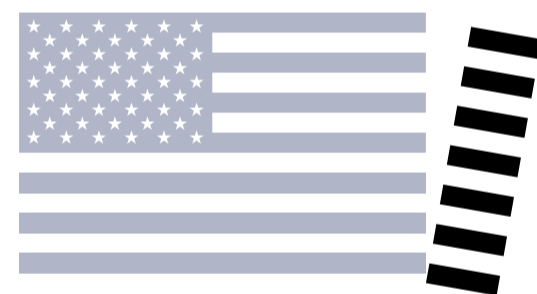


### The US

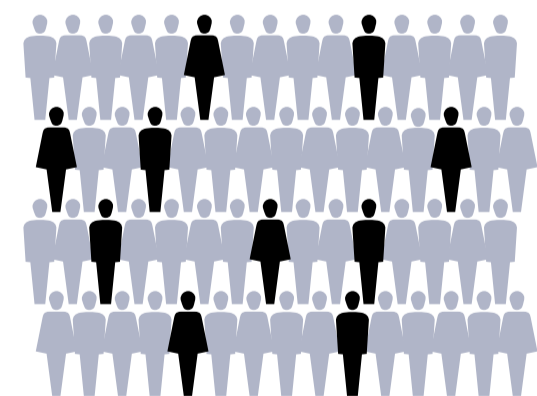


**Half on housing**  
Nearly one in four working households spend more than half their income on housing costs  
Source: Center for Housing Policy

**15%**  
More than 46 million Americans, some 15% of the population, live in poverty  
Source: US Census Bureau, 2011



### Europe



**One in six**  
As many as 1 million people aged 16 to 24 in England, equivalent to 16% of their age group, are not in education, employment or training. Social finance from Deutsche Bank is helping to address this issue (see page 5)  
Source: UK government data, 2012

### Impact investing explained

Impact investments affirmatively pursue societal and/or environmental benefits along with financial return. As a distinct asset class, these investments define a meaningful component of a diversified portfolio for individuals as well as institutional investors who are mission motivated. For social entrepreneurs, impact investments yield a sustainable source of capital to fuel growth and innovation.

Discover more  
Read Deutsche Bank's research  
on the challenges facing the  
microfinance industry



## Social Investments

### Rebalancing act

« continued from page 1

#### Opportunity to influence

The Global Commercial Microfinance Consortium II fund is committing nearly \$100 million of financing over the next seven years to support the growth of institutions that pursue excellence in customer service.

"As an intermediary we're in a position to influence the marketplace. By directing funds to institutions that comply with industry standards on client protection, we want to motivate an industry-wide re-engagement with the social mission of microfinance," says Asad Mahmood, the chief architect of the fund and Managing Director of Deutsche Bank's Community Development Finance Group.

A substantial fund like Consortium II, created and managed by a global bank, carries considerable weight within the industry, a situation that creates favorable conditions for encouraging this change. "Socially motivated capital is key to realizing our mission. We need investors who are committed to our social goals," says Borann Kea of Cambodian microfinance institution AMK, which will receive financing from the fund.

#### Advancing standards

Deutsche Bank has long advocated the prioritization of client care within the industry. It organized the meeting of microfinance leaders in 2008 that led to the creation of the client protection principles that are the basis of the Smart Campaign (see panel).

In addition to loan capital, institutions will receive help to achieve Smart Campaign certification, a quality mark that investors are looking for more and more.

Deutsche Bank plans to continue to advance standards of client care by sharing examples of customer service innovations and best practices with the industry. An upcoming conference will encourage the spread of best practice and knowledge sharing among MFIs that are defining new approaches to customer service excellence.

#### New opportunities

The fund is also assisting these institutions with product innovation to increase clients' financing options in the marketplace. Housing finance is an underserved area within microfinance. The high level of demand is largely unmet. The medium to long-term financing and technical support available through Consortium II will assist institutions in developing affordable loan products for this market.

Consortium II provides new opportunities for investors as well, as its predecessor Consortium I did in its time as the first microfinance fund directed toward institutional investors. In the same spirit, investors in Consortium II will be introduced to promising social enterprises active in healthcare, education, energy, agribusiness and technology that operate at the base of the economic pyramid.

#### A return to roots

Investors have welcomed the change of orientation being led by Deutsche Bank. "We've been concerned by the drift away from social goals towards maximizing profits. So we're pleased to see a microfinance fund that's taking positive steps to restore the balance to where it should be, and at the same time contributing to the expansion of the sector. We don't want to be involved with microfinance institutions that push their clients to extremes," says Jonas Ahlen, Investment Manager at Storebrand.

By returning the focus to the original purpose of microfinance, Deutsche Bank's Consortium II fund has provided a timely reminder to a growing industry of the importance of attending to the roots of its success. ■



Entrepreneur in Peru teaches local women to produce and market fabrics made from local resources  
Photograph: courtesy EDPYME Solidaridad

### Customers first

Deutsche Bank was one of the architects of the Smart Campaign, which aims to embed client protection practices within the microfinance industry.

These are the principles institutions must follow:

- 1 Appropriate product design and delivery
- 2 Prevention of over-indebtedness
- 3 Transparency
- 4 Responsible pricing
- 5 Fair and respectful treatment of clients
- 6 Privacy of client data
- 7 Mechanisms for complaint resolution

Source: Client Protection Principles, the Smart Campaign, July 2011

[smartcampaign.org](http://smartcampaign.org)

"We want to motivate an industry-wide re-engagement with the social mission of microfinance"

Asad Mahmood  
Managing Director, Deutsche Bank  
Community Development Finance Group

## Closer to the client

### AMK

Cambodian microfinance institution AMK is one of the first to receive financing through Deutsche's Consortium II fund.

With branches in every province of the country and over 280,000 customers, AMK is one of Cambodia's leading microfinance institutions.

It has a clear social mission with well defined goals. AMK aims to improve the lives of the country's poor by giving them the opportunity to diversify their livelihood options through a growing range of microfinance products and services.

"Socially motivated capital is key to realizing our mission. We need investors who are committed to our social goals"

Borann Kea  
CEO, AMK

AMK takes this mission seriously. Its board structure includes a social performance committee. It uses a social performance management framework to guide product development and operating strategy.

The financing will be used to expand operations into remote areas with no access to microfinance.

AMK endorses the Smart Campaign. With technical assistance from Consortium II, it will apply for certification in early 2013.

[amkcambodia.com](http://amkcambodia.com)



Photograph: Vong Pheakyny

## Social Investments

### Still working

# Bricks and celery sticks

Deutsche Bank's Working Capital program helps neighborhoods rebound

Innovation in socially responsible investing is central to Deutsche Bank's strategy for alleviating poverty.

The bank has been a pioneer in defining financial products that enable social enterprises throughout the world to achieve their goals. Whether addressing healthcare delivery in Africa or concentrated poverty in New York City, the bank brings the same passion and ingenuity to assist organizations trying to improve living standards and quality of life for their highest risk citizens.

"We look for ways to make markets function for the benefit of low-income communities everywhere grassroots initiatives are propelling effective change," explains Gary Hattem, President of Deutsche Bank Americas Foundation.

Back in 1994, Deutsche Bank Americas Foundation set up a financing program to assist nonprofit community development corporations (CDCs) involved in the preservation and rebuilding of distressed neighborhoods in New York City. Since then it has committed millions of dollars in grants and zero-interest loans to projects resulting in new affordable housing, community centers, commercial facilities and planning and development partnerships.

The program provides these organizations with additional working capital. It's working capital that covers the day-to-day operating costs of running a business. It pays salaries, keeps the lights on in the office, and funds all the other essentials that make the big ideas possible.

An eighth round of financing has seen the Working Capital program move into new areas to address neighborhood problems linked to the current economic environment.

So, as well as supporting new construction projects, financing from Deutsche Bank will help to keep real estate within the nonprofit community through stabilization of the sector, and increase access to healthy food for the city's low-income communities.

Eleven awards have been made through Working Capital VIII to advance goals in these three areas. Each corporation will receive a total of \$225,000 paid over a three-year period, which includes direct grants as well as zero-interest loans.

#### New construction

New bricks and mortar projects have been a mainstay of the Working Capital program since it began. The bank is supporting

Chinese American Planning Council's development of a 17-story building providing approximately 90 affordable housing units and a community facility on the Lower East Side of Manhattan. Civic Builders will partner with Harlem RBI/DREAM Charter School and Jonathan Rose Companies to create a facility comprising education, affordable housing and community services in East Harlem.

#### Stabilizing the sector

New York City's community development sector continues to experience strain following the financial crisis, with fewer real estate deals and increased financial stress among tenants. Some CDCs have struggled to maintain and preserve their existing affordable housing portfolios in the new conditions, threatening to destabilize neighborhoods Deutsche and its partners have worked hard to transform over three decades.

The bank has therefore provided working capital to assist strategic partnerships, mergers and other initiatives to reposition CDC-owned real estate portfolios. Pratt Area Community Council received an award to acquire 177 units in 22 buildings from the defunct nonprofit ABCCD. St. Nick's Alliance will acquire and rehabilitate 117 units from Neighborhood Women of Williamsburg/Greenpoint and CABS Housing. Parodneck Foundation and its housing affiliate CATCH will rehabilitate two failed mutual housing associations in Manhattan and Brooklyn, representing 90 affordable housing units.

#### Food and community

Deutsche is also supporting two projects that operate at the intersection of food and community development.

Greenpoint Manufacturing & Design Center will turn a former auto parts warehouse facility into a production space for small and mid-sized food and beverage manufacturers.

Some 3 million New Yorkers live in neighborhoods with limited access to fresh fruits and vegetables. This problem is particularly acute in low-income communities, which have the highest levels of diet-related diseases such as obesity and diabetes. GrowNYC's Wholesale Greenmarket will increase access to affordable, fresh local foods for all city residents, while creating a new wholesale marketplace for regional farm and food businesses. The emphasis will be on fair-priced foods grown locally by small and medium-sized farms. ■

#### More affordable

Number of affordable housing units developed since 2000 with the help of financing from the Working Capital program

# 2,411

#### Every dollar counts

Total financing provided by Deutsche Bank Americas Foundation through the Working Capital program since 2000

# \$19.1m



Helping to build community in East Harlem Image: Harlem RBI



Some 3 million New Yorkers live in neighborhoods with limited access to fresh fruits and vegetables Photograph: GrowNYC/Tim Soter

## Eleven by VIII

Eleven organizations have been awarded financing through Round VIII of Deutsche Bank's Working Capital program.

- Asian Americans for Equality
- Chinese American Planning Council
- Civic Builders
- Cypress Hills Local Development Corporation
- Greenpoint Manufacturing & Design Center
- Parodneck Foundation
- Pratt Area Community Council
- Preserving City Neighborhoods
- St. Nick's Alliance
- Wholesale Greenmarket
- Women's Housing and Economic Development Corporation

"We look for ways to make markets function for the benefit of low-income communities everywhere"

Gary Hattem  
President, Deutsche Bank Americas Foundation

## Social Investments Growing possibilities

With their vision, optimism and passion to succeed, entrepreneurs embody the human spirit at its best. Deutsche Bank is a natural partner for entrepreneurs everywhere, and for those in underserved areas in particular.

Social entrepreneurs bring innovation to the fulfillment of critical human needs like housing, education and healthcare for poor and traditionally disadvantaged communities. They need capital though to get their ideas off the ground, and to see them grow to a point where they can change the social, economic and environmental landscape to lasting effect.

### New thinking

Traditional philanthropy has begun to recognize the potential role of social enterprises as agents to achieve social change. However, bridging the traditional role for foundations from grant making to prudent investing is a significant cultural and operational shift.

Deutsche Bank Americas Foundation saw that it had a role to play in connecting the often disparate worlds of philanthropy and banking, and launched the New Initiatives Fund in 1997 as a link between the two.

The Fund recognizes that a continuum of capital is needed to grow social enterprises, and that the most difficult support to find lies at the point between donor support and commercial investment. This requirement is met by providing flexible financing at a larger scale than a typical philanthropic grant, but on more favorable terms than a regular bank loan.

### Scale and repeat

The focus is on entrepreneurial projects at the cutting edge of social and environmental innovation that combine potential for scalability and replication with realistic plans to access mainstream capital markets in the future.

As Sam Marks of Deutsche Bank Americas Foundation explains, the Fund's niche is as a financial incubator that can help promising ventures to grow. "Good business ideas don't always get the backing they deserve. The New Initiatives Fund is a catalyst for initiatives that have difficulty accessing traditional sources of finance because they don't fit a conventional mold."

### Transforming lives

To date, \$24.4 million has been committed to a wide variety of projects within the US and the developing world. The Fund has demonstrated an impressive track record as an investor. Loan write-offs are below 1%.

The examples in the panel on the right, which include partnerships recently begun, show the breadth of the needs being addressed by the Fund across the social and geographical spectrum, and how putting financing into the right hands can transform the lives of generations. ■

### Across the pond



Making a difference in London's poorest areas, the Impact Investment Fund Photograph: Lee Mawdsley

The experience Deutsche Bank has gained in this field over the past 20 years in the Americas is now helping to bridge the worlds of social enterprise and finance and establish social finance as an asset class in the UK.

The Community Development Finance Group acted as advisor on the Impact Investment Fund launched by the bank in London in 2011. The fund will provide £10 million in financing to intermediaries to invest in UK social enterprises active in employment, education and training, and social and financial inclusion.

The UK is also following the lead of the US in taking on the role of catalyst to help this emerging market achieve scale.

"Social finance in the UK has reached a point where it needs the entry of a bank like Deutsche to move it to the next level," says Tiina Lee, UK Head of Strategy.

### Across the world



#### US

##### 1 Affordable housing

The Disability Opportunity Fund (DOF) provides housing, education and training assistance for the disabled, a population largely overlooked in the US. Since 2008, clients have borrowed over \$3 million for projects in California, Connecticut, Massachusetts, New Jersey, New York, Tennessee and Wisconsin. DOF is scheduled to provide \$4.25 million of financing between now and 1Q 2013 to projects supporting people with disabilities and their families.

\$250,000

##### 2 Economic development

Family Independence Initiative (FII) takes an innovative approach to reducing poverty. The FII model assumes that when individuals pool resources and follow the examples of those in their community, they begin to succeed. To date, it has partnered with about 1,700 individuals in 420 families. A loan program was launched in early 2012 that aims to support 15% to 20% of all active FII families.

\$100,000



#### Home is sweeter

Tough times and limited opportunities at home forced Edwin Hilaire to take a job overseas. But being separated undermined the family's stability back in Boston. With support from FII, the Hilaire family has been able to set up a candy store, named A Sweet Place, to give the family a new start. Photograph: courtesy Boston Rising

#### Haiti

##### 3 Environmental

EarthSpark distributes solar lighting and efficient cookstoves to residents living off the grid in Haiti, including earthquake-affected communities living in encampments. Since it was founded in 2010, EarthSpark has helped 12,000 households achieve an average saving of 30% on their energy costs.

\$100,000

#### Africa

##### 4 Education

Using a unique "school in a box" model, Bridge International Academies has created the largest chain of private primary schools on the African subcontinent, providing high quality education at ultra-low cost. Its 73 schools serve 25,000 children today. It aims to reach more than 1 million poor families across the continent in the next decade.

\$150,000

#### India

##### 5 Healthcare

Healthpoint Services Global is transforming rural healthcare in India through the establishment of village units that provide safe water and make medical services available in remote areas. So far 127 units have been set up that serve more than 20,000 families, representing over 100,000 people.

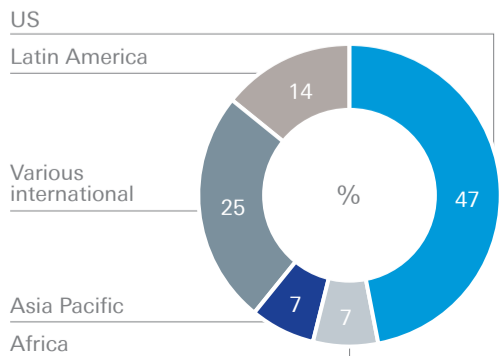
\$250,000

# Incubator

The New Initiatives Fund fuels the ambitions of new generations of social entrepreneurs

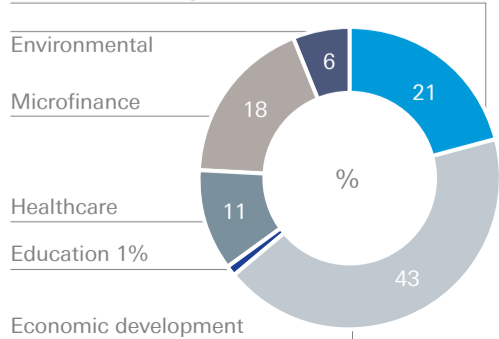
New Initiatives Fund portfolio – where and what

Geography



Program area

Affordable housing



## Social Investments

A lasting impact

# \$2.4bn of change

Financial institutions are in a unique position to affect positive change at every level of society. How has two decades of investment by Deutsche Bank changed the landscape?



1990

1993

1996

1997

2000

2002

2005

Cumulative investment

\$85m

**Community Development Finance Group**  
The Community Development Finance Group is established by Deutsche Bank as a platform to direct financing to disadvantaged communities within the United States. Reinvestment activities focus on affordable housing and economic development, with a dedicated effort to partner with nonprofit community development corporations.

\$182m

**Home ownership opportunities**  
Closing Assistance Support for Homeowners (CASH) is established by Deutsche Bank to create home ownership opportunities for moderate-income families within underserved communities. The consortium, including philanthropic foundations and commercial lenders, provides more than 400 loans to support first-time homebuyers.

**Foreign bank financing**  
Global Resources for Affordable Neighborhood Development (GRAND) is a Deutsche-led foreign bank financing consortium organized to provide capital for the building of affordable housing. The consortium finances production of more than 2,500 homes in 23 developments throughout New York's five boroughs.

\$430m

**New businesses in the neighborhood**  
The Neighborhood Franchise Project by Deutsche Bank in partnership with the Ford Foundation supports new businesses in emerging neighborhoods. Combining debt and technical assistance, the project offers local residents the chance to realize their entrepreneurial dreams.

\$430m

**First global microfinance fund**  
Deutsche Bank becomes the first global commercial bank to establish a microfinance fund. The Deutsche Bank Microcredit Development Fund is capitalized with resources from the bank's clients and its own resources and jump-starts the flow of private capital to microfinance institutions. With small loans, the entrepreneurial poor in the developing world can start and grow small businesses.

**Catalytic capital**  
Deutsche establishes the New Initiatives Fund, using philanthropic resources to create a source of high-risk, low-cost and patient catalytic capital to finance social enterprises in the US and throughout the developing world. The fund meets the growing demand for capital from social enterprises that fall between donor support and commercial investment.

\$807m

**Working capital**  
With the fourth round of its Working Capital program, Deutsche provides \$2.3 million in grants and 0% interest loans to community development organizations, catalyzing affordable housing development and other social ventures in Harlem, Chinatown, Central Queens, South Brooklyn and other neighborhoods.

\$878m

**Arts as a tool for economic development**  
Recognizing the potential of arts and culture as a tool for economic development and community revitalization, the bank's Arts and Enterprise program directs new investment into neighborhoods where cultural institutions are driving vibrancy and growth.

\$1,079m

**Rebuilding post Katrina**  
The donation of a day's trading fees by the bank raises \$1.8 million to assist Gulf Coast communities to rebuild post Hurricane Katrina. Concessionary loans re-boot the devastated small-scale fishing industry and finance the construction of replacement housing.

**Global commercial microfinance consortium**  
The largest fund of its kind at launch, the Global Commercial Microfinance Consortium is the first commercial fund to provide microfinance institutions with financing in local currency, and the first to attract institutional investors.



Since 1990, Deutsche Bank has brought new thinking and invested over \$2.4 billion to improve the prospects of distressed, disadvantaged and low-income communities in the US and around the world.

Financial support from Deutsche has grown small businesses, created new homes, revitalized neighborhoods and provided nimble financing in response to disasters.

Here are some of the milestones, and how Deutsche's commitment continues to grow.



Illustration: Robert Samuel Hanson for Focus

2006	2007	2008	2009	2010	2011	2012
<p><b>\$1,351m</b></p> <p><b>Tsunami relief</b> Deutsche raises \$10 million for tsunami relief and distributes \$1.8 million to self-employed entrepreneurs in affected countries through microcredit.</p>	<p><b>\$1,453m</b></p> <p><b>First rating</b> Deutsche launches VG Microfinance Invest, the first microfinance fund to be rated by Fitch. It provides subordinated debt finance to mature microfinance institutions globally and helps facilitate organizational transformations.</p> <p><b>Supportive housing</b> The bank's Supportive Housing Acquisition and Rehabilitation Effort (DB SHARE) assists developers of supportive housing through grants and loans, resulting in development of 19 buildings providing permanent housing for 2,300 vulnerable New Yorkers.</p>	<p><b>\$1,705m</b></p> <p><b>Protection for microfinance clients</b> A turning point in the development of the microfinance industry, the Pocantico Declaration leads to the first formal set of principles to protect the rights of microfinance clients. Hundreds of microfinance institutions, investors, networks and associations sign up to these principles, which are now embedded in the Smart Campaign.</p>	<p><b>\$1,734m</b></p> <p><b>Energy efficiency</b> Deutsche and the Community Preservation Corporation launch the Neighborhood Energy Loan Program to raise private sector capital to fund energy efficiency retrofits in New York City.</p>	<p><b>\$2,038m</b></p> <p><b>Eye care for the poor</b> In partnership with the International Agency for the Prevention of Blindness and nonprofit organization Ashoka, Deutsche Bank launches the Eye Fund to expand eye care services to the poor in developing countries.</p> <p><b>Housing and economic development in Haiti</b> Deutsche Bank raises \$5.8 million in donations to help Haiti recover from its devastating earthquake. The bank concentrates on housing production and economic development, and pioneers the Haiti Entrepreneur House to combine asset building and income generation for the country's emerging middle class.</p>	<p><b>\$2,042m</b></p> <p><b>Climate entrepreneurs</b> In partnership with Shell Foundation, Deutsche establishes the Carbon Initiative for Community Impact to provide financing to assist climate entrepreneurs involved in carbon reduction with the registrations needed to trade carbon credits.</p> <p><b>Energy intermediary</b> The New York City Energy Efficiency Corporation is created through the efforts of the City of New York, the National Resources Defense Council and Deutsche Bank as a new energy efficiency financial intermediary. Its mission-driven business model is to catalyze financing for private building owners to complete energy efficiency retrofits.</p>	<p><b>\$2,402m</b></p> <p><b>Protection and innovation</b> Deutsche Bank launches the Global Commercial Microfinance Consortium II to direct funds to institutions that focus on microfinance client care through client protection, customer service and product innovation.</p> <p><b>Lower emissions</b> With the establishment of the Community Clean Heat Fund, the bank creates a vehicle to provide building owners in low-income neighborhoods with access to financing to upgrade heating plants and reduce building emissions.</p>

Discover more  
Affordable homes heal fractured  
families in Argentina through the  
work of Fundación Sagrada Familia



Discover more  
Follow the progress of the "Lowering  
the Cost of Housing" competition



## Social Investments

### House calls



Photograph: Navid Baraty

# Under one roof

There's an urgent need for new thinking on affordable housing. What happened when participants from across the sector were invited to join forces?

The affordable housing sector within the United States is facing tremendous pressures as demand escalates in light of stagnant incomes and growing poverty. Government resources dedicated to housing production and preservation are rapidly shrinking and the cost of development and preservation of affordable housing is increasing.

Deutsche Bank has been working with nonprofit organizations to develop affordable housing for low-income families and the homeless for more than 20 years. In that time it has spearheaded numerous initiatives in partnership with like-minded organizations.

Through the Community Development Finance Group's housing portfolio, hundreds of millions of dollars have been provided to support ambitious and creative affordable housing programs. The bank has played a crucial role in moving the industry to innovate in its delivery of affordable housing as well.

Ground-breaking projects include Via Verde in the South Bronx, a winner of the prestigious New Housing New York design competition sponsored by the City of New York and the American Institute of Architects. The bank helped set up the New York Acquisition Fund, which provides innovative financing to increase the development and preservation of affordable housing in New York City. The Fund received an Innovations in American Government Award from the Harvard Kennedy School in 2008.

#### An invitation to innovate

The community development and affordable housing industry has demonstrated success through partnerships between nonprofits, government and the private sector.

It's widely acknowledged that more innovation is needed if the industry is to continue to succeed in delivering housing options for disadvantaged communities and the people that live in them. Lowering cost has waxed and waned as a priority for the

affordable housing field for years. It is now ripe for renewed attention.

In July 2012 Deutsche Bank Americas Foundation hosted a conference at 60 Wall Street to address the pressing need for innovation and to catalyze action across the industry. "Lowering the Cost to Develop and Sustain Affordable Housing" brought together some of the best thinkers and doers from around the country, including architects, policymakers and financiers, to work out ways to counter the decreasing availability of low-income housing.

The conference was organized with nonprofit Enterprise Community Partners as part of its Affordable Housing Design Leadership Institute, a yearly thought leadership event that aims to improve design practices in the affordable housing arena.

Deutsche Bank and Enterprise have been working together for more than 18 years. The partnership is built on a shared conviction that collaboration is a route to new answers. "Enterprise and Deutsche Bank are like-minded in believing diverse perspectives are needed to lead new approaches," says Terri Ludwig, President and CEO of Enterprise Community Partners.

#### Talk into action

The urgent need for fresh ideas led the two organizations to see what could be achieved by inviting all those with an interest in affordable housing to work in the same spirit of cooperation.

"This issue is so big and cuts across so many boundaries. If we're going to make progress on improving the accessibility, quality and impact of affordable housing, we need people collaborating outside of their traditional groups," explains Ludwig.

All conferences aim to get delegates talking. This conference turned that talk into collective action. Working groups were asked to look at issues such as inefficiencies in the

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The conference at 60 Wall St brought together some of the best thinkers and doers from around the country to work out ways to counter the decreasing availability of low-income housing

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affordable housing system, alternative construction approaches and affordable housing without subsidy. The conversation was rich and provocative. Several policy and design initiatives have already been initiated.

#### A push for new ideas

Deutsche Bank, in partnership with Enterprise, is committed to driving the innovation agenda forward. A recently announced competition aims to draw out the most advanced thinking about design, policy, sustainability and cost-effective building practices.

Managed by UPSTATE, Syracuse University's Center for Design, Research and Real Estate, the competition will award \$250,000 in low-cost financing to help the winner bring innovative ideas to the next stage of implementation.

Separately, grants from Deutsche Bank are supporting two projects that offer new direction on housing policy.

Citizens Housing & Planning Council's "Making Room" research project and exhibit at the Museum of the City of New York will present new architectural solutions for housing in response to the city's changing demographics. An accompanying international design competition invites the global engineering and design community to provide cutting-edge practical solutions that can formalize and legalize basement apartments as residential spaces.

Meanwhile, a project at New York University's Furman Center for Real Estate and Urban Policy will analyze ways in which existing zoning regulations might be revised to allow unused property rights of historic structures to be transferred to serve public purposes like affordable housing development.

Thanks to initiatives like these, the future of affordable housing is under construction. ■

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"Enterprise and Deutsche Bank are like-minded in believing that diverse perspectives are needed to lead new approaches"

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Terri Ludwig  
President and CEO, Enterprise Community Partners





## Social Investments

### Financing development through the arts

Deutsche Bank's involvement in the arts has many dimensions. The bank supports promising young artists, provides them with opportunities to present their work and invests in partnerships and programs that extend access to all. The goal is to foster the creativity that's essential to social progress.

Deutsche recognizes that artists have an influence that goes beyond the creative. The artist is a driver of social change on multiple levels – through the questions they ask and through the role they play in their own communities.

Community development is where the bank's art and social investment strategies intersect, creating opportunity to address the challenges facing distressed neighborhoods through arts-led initiatives. "Artists are at the center of how we create vibrant communities," says Gary Hattem, President of Deutsche Bank Americas Foundation.

#### The beat goes on

The Bronx is rebounding from decades of disinvestment and decline, and most notably within the South Bronx, a neighborhood that's located in the nation's poorest congressional district. The renaissance that's underway is about to have its momentum accelerated as a result of a bold arts-based project that Deutsche Bank is supporting.

Music is part of the fabric and the soul of the Bronx. Some of the most influential musical forms of today, including jazz, salsa, doo wop and rap, have emerged from the borough or have roots there.

The Women's Housing and Economic Development Corporation (WHEDco) has worked for 20 years to build a more beautiful, equitable and economically vibrant Bronx. Its Bronx Commons development in the South Bronx aims to use this heritage as a spur for community change.

"It's time the Bronx reclaimed its remarkable history of home-grown music and to recall the venues where live music was once performed. Enshrining Bronx music is a way to restore pride to this storied borough and re-establish it as a cultural destination," says WHEDco President Nancy Biberman.

The centerpiece of Bronx Commons will be the Bronx Music Heritage Center, a new performance space and education resource. Its mission is to promote the South Bronx's musical contributions and attract new audiences to the area, including creative entrepreneurs who can foster new economic growth.

The more than 290 units of affordable housing for low-income families will include live/work space for the musicians who have played such an important role in the Bronx's history. Many renowned artists have lived, performed and drawn inspiration from each other in this neighborhood. WHEDco hopes the presence of these elders within Bronx Commons will strengthen intergenerational ties and inspire new generations of artists.

Music is part of the fabric and the soul of the Bronx. Some of the most influential musical forms of today – jazz, salsa, doo wop and rap – have emerged from the borough or have roots there



Musical connections Photograph: Thomas Haskin

#### Music lessons

Education provides another way to preserve the culture of a community. Deutsche Bank is an active supporter of cultural learning initiatives all over the world. The bank's partnership with the Berliner Philharmoniker and programs that get young people involved in art like Children to Olympus! in Germany are just two examples.

With places for 500 young people from grades 6 up to 12, a new charter middle/high school within Bronx Commons will increase local educational opportunities and offer a new way to learn.

#### School's out



Elsewhere in the city, in October 2012 ground was finally broken at PS109, a long-abandoned East Harlem public school that's being turned into affordable housing for neighborhood artists with space for galleries and arts organizations.

Early support from Deutsche Bank was critical to advancing this complex rehabilitation of a historic building. In 2006 the project received \$225,000 through the Working Capital program. This year Deutsche invested a further \$7 million in the project through a low-income housing tax credit fund.

"This project not only shows Deutsche Bank's commitment to using the arts as a community development strategy, it demonstrates our ability to align our philanthropic resources with traditional financing from the bank itself," says Sam Marks of Deutsche Bank Americas Foundation.



East Harlem's PS 109, ready for redevelopment Photography: David Sanders

Drawing on the celebrated El Sistema music program from Venezuela, the curriculum will invite the students to find attainment through music. Here too, music will be a source of direction and motivation.

Ground-breaking on Bronx Commons is expected in 2013, with project completion in 2015. In the meantime there's a lot of development work to do. Deutsche Bank Americas Foundation has provided WHEDco with financing through its Working Capital program (see page 4) to maintain progress. ■

[whedco.org](http://whedco.org)

"It's time the Bronx reclaimed its remarkable history of home-grown music"

Nancy Biberman  
President, WHEDco

# Heart beats

Neighborhood developments in the Bronx and East Harlem are using the past to inspire the future

Discover more  
CCP participants assist Egyptian  
microfinance institution  
Lead Foundation



Discover more  
Passion leads by example. Find out  
what colleagues are doing



## Employee Engagement

### Changing places

# Above and beyond

Passionate belief in the power of social finance to change lives has led to new paths for two Deutsche employees

#### From Brooklyn to Kampala

Growing up in Brooklyn awoke a passion for community development in Abdul-Rahman Lediju. Two years ago, he spent his days at Deutsche Bank advising on the trading and settlement of securities. Today he's using the skills he developed in high finance to assist local entrepreneurs in one of the poorest regions of the world.

Abdul traded life on Wall Street for a position as a branch manager with microfinance institution FINCA in Uganda. He was introduced to FINCA through his involvement in the Microfinance Volunteer Group in New York. A meeting with FINCA's CEO began a conversation that concluded with a ticket to Kampala, and the fulfillment of a long-held ambition.

"When I learned about the poverty in the sub-Saharan region of Africa and the need for financial resources and technical knowledge in those communities, I wanted to serve in that capacity. It was not a question of if, but when I would do this," he says.

His customers today are very different from the large financial institutions he dealt with on Wall Street. "A typical microenterprise is very small, with a net profit of around \$100-\$200 a month. But the people that run them are high in business acumen. Give them capital and they can put it to work immediately." Nor are they just across the street. "Financial access is a real problem in this part of the world. A client can live many miles from their nearest branch."

In this environment, profit and loss take on a different meaning: "Here business growth has an immediate impact on lives and livelihoods. It can mean better food and education opportunities for the children. It's proof that financial services can change lives. I love seeing the results of what I do. It's very satisfying to do some good."

#### Led by example

A crowd of 500 female microentrepreneurs at a candlelit dinner, dignified, wearing contagious smiles, exuding pride in their achievements. That's Tara Kenney of Deutsche Asset Management's abiding memory of a recent trip she made to La Paz in Bolivia, in her role as a board member of microfinance institution ACCION International.

Tara was there to celebrate the twentieth anniversary of BancoSol, Bolivia's leading microfinance institution. The women were attending as clients of BancoSol. For Kenney, their presence stood as an example of the extraordinary social and economic progress that microfinance has made possible around the world.

"When I first traveled to Latin America 30 years ago, there were no opportunities for indigenous, uneducated women to work in business. Seeing them really brought home to me the transformational power of microfinance."

That first exposure to Latin America and microfinance as a graduate student has shaped every step Tara's taken since. She grew her knowledge of both as a fund manager for Deutsche Bank. Today she's responsible for building up the bank's asset management business in the region.

She's been on the board of ACCION since 2002. It's a commitment that allows her to influence microfinance practice and at the same time gain new insights for her job at Deutsche. "My fellow board members are leading business people in their countries and I've met business and government leaders who've helped me shape my investment thesis," she says.

Now when Tara boards the plane at JFK, she's often accompanied by Deutsche Bank colleagues. By passing on her passion for Latin America and for social finance tools like microfinance, she's keeping the flame burning. ■

#### Priority pass

Volunteering is a priority for many Deutsche Bank employees. In 2011, nearly one in four employees worldwide took part in volunteering programs.

From team challenges, where groups of employees complete a community task over the course of day, to the personal commitment of mentoring and board service, there are numerous ways that employees pass on their knowledge, skills and passion.

Deutsche Bank's institutional efforts to develop the reach of social finance are well known. Those efforts are replicated at a personal level by volunteers from all areas of the bank who share the same goal. For many, working to improve the lives of others proves a life-changing experience.

#### Passing on passion

Number of Deutsche employees in the Americas who took part in the bank's volunteering programs in 2011

# 30%

#### Going places

The Corporate Community Partnership (CCP) is a global volunteering program which offers Deutsche Bank employees the opportunity to pursue their personal and professional development through international assignment.

Volunteers on the CCP use their skills to assist social entrepreneurs and financial institutions in emerging market countries by taking on projects in areas where partners lack resources.

Dealing with the challenges posed by a new environment builds management and leadership skills, broadens horizons and brings new perspectives on work and life.

Assignments are for two to four weeks or four to six weeks, depending on the level of experience and skills required. To be eligible, employees must have been with the bank in a full-time role for at least two years, have project management skills and some international experience.



Checking in: Abdul Lediju visits a local client, recently in receipt of a loan  
Photograph: courtesy FINCA



Tara Kenney in Bolivia Photograph: Nancy Truitt

Discover more  
Ideas for smarter, greener cities at  
the 2012 Urban Age conference



Discover more  
Working for a cleaner New York City



## Briefing

Financing for climate entrepreneurs, incentives to convert to cleaner fuels and seed funding to improve the supply of drinkable water in the developing world show how social finance can advance sustainability goals

### A climate change

#### Support for climate entrepreneurs

Many small businesses in the developing world face high barriers to finance. Those barriers are higher still for climate entrepreneurs, due to a lack of understanding among local financial institutions about green technologies and their potentially high return on investment.

Result: no finance. That's a setback for society as much as these entrepreneurs, as it limits the progress of environmental initiatives that are already constrained by a lack of investment in green ventures from both public and private sectors.

Which is why Deutsche Bank Americas Foundation and Shell Foundation have teamed up to create a new fund to support environmentally-motivated entrepreneurs. The Carbon Initiative for Community Impact invests in small and medium enterprises (SMEs) that seek social and environmental returns.

In addition to supporting some good business ideas, the bank hopes the fund will attract new investment to a market still at a very early stage of development. "As a global bank, we have an opportunity to assist clients in the transition to a lower carbon future. We want this fund to show that environmentally-led business models can be financially viable and provide healthy returns," says Mark Naron of the Community Development Finance Group.

One way climate entrepreneurs can increase their financial returns is by selling carbon credits. These offsets are typically bought by companies to comply with environmental regulatory requirements. The first two investments from the fund have covered the cost of registration to allow two SMEs in Africa to sell offsets in the carbon markets.

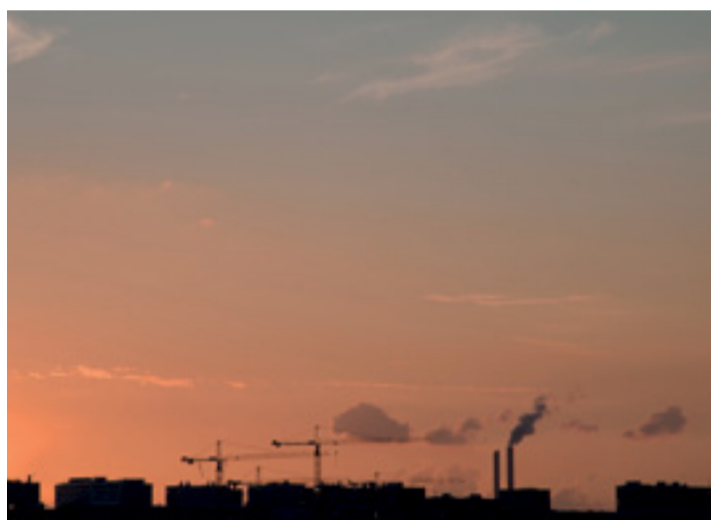
Clean tech company EAO Utility operates a landfill in Ghana that emits an estimated 30,000 metric tons of methane into the atmosphere every year. It's covering the site to achieve a significant reduction in emissions. Agritech Faso, an agricultural company in Burkina Faso, will generate green electricity from biomass normally discarded as waste. ■



Landfills are the third largest source of methane emissions globally  
Photograph: Albert Lleal/Minden Pictures/Corbis

### Something in the air

#### Community Clean Heat Fund



Cleaner air will improve quality of life for all New Yorkers, not just those with asthma  
Photograph: Deutsche Bank

Deutsche Bank has demonstrated its commitment to cleaner energy by helping New York City convert to cleaner heating fuels.

In 2011 the city set new regulations to ban the dirtiest heating oils that are still used in approximately 10,000 buildings and are a significant contribution to air pollution. Eliminating those fuels will help the city meet its goal to reduce soot pollution by 50% by 2013. Its ambition is to have the clearest air of any major US city.

Air pollution isn't just bad for the city's buildings, which become encased in grime. It's a health hazard. Studies by the American Lung Association have linked air pollution with a range of health impacts. It poses a particular threat to children, the elderly and anybody with heart or lung ailments.

Millions of New Yorkers live in communities with some of the highest asthma levels in the nation. Lowering emissions levels will improve air quality. That should reduce hospital visits and save lives.

Deutsche Bank has provided thought leadership, philanthropic support and financing towards this goal. In 2011 the bank helped establish the New York City Energy Efficiency Corporation (NYCEEC) as a nonprofit intermediary to assist in the financing of energy retrofits. Deutsche Bank Americas Foundation has since made a \$250,000 philanthropic grant to NYCEEC to facilitate clean heat conversions.

In June 2012 the bank announced the Community Clean Heat Fund, a \$30 million dollar financing pool that will provide building owners in low-income neighborhoods with access to the financing needed to upgrade their heating plants.

"It's exciting to be at the start of a new financial era that is recognizing the economic value of making our environment healthier and cleaner," says Jim Baek of the Community Development Finance Group. ■

[nyceec.com](http://nyceec.com)

### A thirst for equality

#### Credit for cleaner water



Water is chronically scarce in Kenya  
Photograph: Getty

Most of us take it for granted, but one-sixth of the world's population do not have access to safe drinking water. More than 2.5 billion people have to live with inadequate sanitation and its associated problems. Deutsche Bank Americas Foundation is working to improve this situation through partnerships with two of the leading organizations involved in bringing safe water and sanitation to the developing world.

Water.org addresses the marginalization of communities that results from restricted and unhygienic water supply. When access to clean water is lacking, women and children are forced to wait in line at public taps. They could be spending those hours at work or in school. They have little choice, with waterborne diseases causing incapacitation or worse.

The organization has been a pioneer of new approaches in this field for more than 20 years. It uses microfinance to give poor communities a way to take ownership of their futures. Microloans make construction of water connections and toilets possible for households and communities.

A grant from Deutsche Bank Americas Foundation will go towards expanding and scaling Water.org's WaterCredit loan program in Bangladesh and Haiti. Approximately 85% of the residents of temporary settlements in Dhaka do not have access to safe water, and only one in 10 of Haiti's rural citizens have a toilet.

Water is chronically scarce in Kenya. World Vision has a five-year plan to improve quality of life and provide better health for children and families there, by helping them gain access to safe drinking water and good hygiene practices.

New boreholes, wells, water tanks and distribution systems will increase the supply of water. The program puts an equal emphasis on the role of education in saving lives. At more than 450 schools throughout Kenya, children are learning that a little time spent washing their hands will go a long way towards keeping them healthy. ■

[water.org](http://water.org)  
[worldvision.org](http://worldvision.org)

# Clean

Passionate about...  
Closing the gap

pass on  
your  
passion

What passion to perform  
can achieve, when it is  
passed on – in business  
and beyond.

# Pioneer

Sir Ronald Cohen has been described as the father of British venture capital. As advocate, government advisor and Chair of Big Society Capital in the UK, he's now leading another movement – to establish social finance as a mainstream asset class

*How did you first become involved in the social finance sector, and why has it so captured your imagination and commitment of time?*

I've always been aware of our system's inability to address the gap between the rich and poor. Those who are disadvantaged are simply left behind. So when I was asked by the UK Treasury department in 2000 to lead a task force that would examine these issues, I readily accepted.

Between public and private sectors there is a significant social sector, the voluntary or "third sector", that has assumed some of the responsibility for dealing with social issues. Traditional methods of philanthropy often pressure charitable providers to avoid using donations to build overheads. As a result, very few of them can achieve scale and significant social impact.

My efforts have focused on connecting social entrepreneurs to the capital markets. This would enable them to raise further capital to grow as they achieve real social performance, in the same way business entrepreneurs can raise further capital if they achieve profitability milestones.

*You're recognized as a pioneer in the social finance sector. How has your early venture capital work informed your efforts in the nascent social finance sector?*

I've always been struck by the parallels between business entrepreneurship and social entrepreneurship. In both cases, an increasing supply of capital creates its own demand.

We're trying to do for social innovators what we did 30 years ago for business entrepreneurs.

*What do you see as the ultimate promise of social finance if it is to succeed as a mainstream capital market?*

The ultimate promise of social finance is to provide investors with a spectrum of investment funds capable of delivering social and financial returns that match the aspirations of investors, foundations and pension funds.

Within the social investment spectrum, equity-like investment in not-for-profit service providers will perhaps return 5% and social impact bonds perhaps 7%. Further along the spectrum, there are profit-with-purpose businesses that supply services or products at a cost that allows them to achieve more than a 7% return, perhaps all the way to market rates of return. The owners of these firms may decide to put part of their shares into a charitable organization. At the far end, you have "investment with impact" – a for-profit company with a social conscience that's reflected in its business model.

The objective is to turn social investment into a new asset class which is uncorrelated with equity markets and capable of attracting from investors a specific allocation of, say, 3%-5% of total assets.

*We still find ourselves frustrated by the scale and pace at which capital is mobilized for social enterprises. What can be done to take this work into the mainstream to truly*

*reach disadvantaged communities throughout the world?*

The initial challenge is to encourage government to move from a procurement mindset to one where it finances social improvement according to its achievement. This is what new securities such as social impact bonds have made possible. It's important to give not-for-profit organizations the same tax incentives as those available to small businesses. Each country will also need a social investment bank that funds new investment managers and investment vehicles that invest in social impact bonds and other "impact securities" which fund social organizations.

*What role do you see for large financial institutions like Deutsche Bank in advancing the field?*

Deutsche Bank has been a leader among financial institutions in the area of social investment, and there's an important role for it to play in distributing social impact bonds and raising capital from clients interested in social investment. It would be valuable for Deutsche Bank to sponsor secondment of talented bankers to work in social investment organizations where they can contribute to the next generation of social finance initiatives. It would also be helpful to create a broader social investment group within the bank that brings together employees who share an interest in social issues and prepares them to play a role in the sector. ■

[bigsocietycapital.com](http://bigsocietycapital.com)  
[pass-on-your-passion.com](http://pass-on-your-passion.com)