Deutsche Bank

Christian Sewing

Chief Executive Officer

Deutsche Bank AG

Annual Media Conference

Frankfurt am Main, 1 February 2019

– Check against delivery –

Ladies and gentlemen,

media representatives,

I, too, am pleased to welcome you to our Annual Media Conference. It is my pleasure to guide you through the past financial year for the first time and provide you with an outlook for 2019.

We can look back on a year that was not just eventful for Deutsche Bank but was also certainly not easy either. Nevertheless we accomplished a great deal, made excellent progress in many areas and achieved our stated objectives. Deutsche Bank now has a very stable foundation – this is our basis for growth.

From stabilisation to controlled growth

The clearest sign of this is that we have returned to profit despite strong headwinds – to be more precise, this is the first time we have reported a profit after tax since 2014. This is a key element of our bank returning to normality. Year-on-year our net profit improved by more than 1 billion euros. At the same time, we managed to increase our pre-tax profit as well.

An important prerequisite for this was that we achieved all the objectives we set ourselves in spring 2018. In fact, in terms of adjusted costs and headcount, we did much better than we anticipated. That demonstrates how disciplined and strong in execution this management team and the entire bank are.

What is also important is that while we have cut costs on the one hand, we have further strengthened our internal controls on the other.

And to cap it all, we have further strengthened our balance sheet. In terms of capital, liquidity and lending quality, we believe we have laid solid foundations for the next phase. This starts now – and the primary focus is no longer on costs and cleaning up the balance sheet.

We now aim to resume controlled growth. With our clients, for our clients and in the interests of our employees and shareholders.

For 2018 it is absolutely fair to say, we have delivered on our promises.

We achieved all this in a year when the capital markets proved difficult for the whole sector, especially in the fourth quarter. A year in which we were subjected to investigations conducted by the Frankfurt Public Prosecutor’s Office that attracted widespread public attention. My fellow Board Member Karl von Rohr, who is responsible for legal matters, will address this topic in greater detail later.

Our first full-year net profit since 2014

Let me first show you what we achieved last year.

Looking back even further, we can see that after making a loss of over 6 billion euros in 2015 we have steadily improved our earnings position. In 2018 we slightly improved our pre-tax profit year-on-year, to 1.3 billion euros. Most importantly, however, we can again report a net profit, amounting to 341 million euros.

This was achieved despite a high tax rate of about 75 percent which was due to specific tax items. Without these items our net profit would have been more than 700 million euros.

Of course we are not yet where we want to be – especially in terms of revenues which fell by 4 percent. We are confident that we have, however, laid the foundations to once again provide our shareholders with sustained growth in their return on investment.

We delivered on our promises

So what was the all-important difference compared to the previous year?

We have established a new type of cost discipline – one that previously didn't exist.

Here you can see the results: we have reduced our adjusted costs by more than 1 billion euros. At 22.8 billion euros our adjusted costs even beat the target we set ourselves of 23 billion euros.

That was our most important target for 2018 – and we met it. Doing so was important for our credibility. Ladies and gentlemen, this is the way we want to keep things. We are committed to continue meeting our cost targets.

James von Moltke will explain these savings in greater detail in a moment. It is clear, however, that this cannot be done without considerable cutbacks. We have reduced the number of full-time equivalents in the Deutsche Bank Group by almost 6,000 to 91,700. You will remember the target we set ourselves at the AGM in 2018: we aimed to bring our workforce down to under 93,000 full-time equivalents – in fact the current number is well below.

Cost reduction on this scale initially weighed on revenues, of course. But we managed to surprise in this regard as well because we succeeded in cutting costs by a greater amount than the fall in revenues.

And we are making no compromises on our claim of being stable and sound. We continue to aim for a Common Equity Tier 1 ratio of at least 13 percent, and we also achieved that last year. In this respect we will remain disciplined, too.

We reached important strategic milestones

However, 2018 was not only a year of cost-cutting. We have to resume growth if we want to be sustainably profitable. We have done the strategic and structural groundwork for this by extensively reorganising all three business divisions in 2018.

We have scrutinised every business area in our **Corporate & Investment Bank**. We clearly identified where our strengths lie.

Having done that, we aligned each and every area more consistently with these strengths.

So what does Deutsche Bank stand for? Deutsche Bank continues to be a relevant provider of financial services to the world's most global companies. And we want to remain *the* leading bank for corporate and institutional clients in Germany and Europe, meeting all their financial needs through our global network.

First, we have our Global Transaction Banking unit, which is a world leader in a number of areas, for example Trade Finance and Cash Management.

Clients also need our Markets business including Fixed Income & Currencies (FIC), where we are the only European institution among the world's four leading banks.

And our offering includes our Corporate Finance business, primarily in our home market of Europe, but also with a strong and at the same time focused presence in North America and Asia. For example, Deutsche Bank is and remains one of the leading debt capital market houses globally.

Conversely, we have scaled back from areas where we did not see ourselves as one of the leading banks. This applies, for example, to areas of our Equities and US Rates business. In total we reduced our leverage exposure in CIB by more than 130 billion euros year-on-year, accomplishing our plans for 2019 early on.

All of this shows that there is a strategic component to the decline in revenues in 2018. We expect it to pay off in the long term, though, as we are not only cutting costs but also creating more scope for business. We are now in a position to allocate larger portions of our balance sheet to areas where we want to grow and to areas where we can make a real difference. I will come back to this later.

The same can be said for our **Private & Commercial Bank**, which last year was focused on the further integration of Deutsche Bank and Postbank in our home market. In May we merged the relevant legal entities to form the "Bank for Germany". Now we are in the process of merging the head offices and infrastructure functions of the two banks, including their day-to-day operations. This is the biggest merger of two banks since the European Central Bank took on the supervisory responsibility for large banks in 2014.

This will not only deliver expected synergies of 900 million euros. Joining forces will also enable us to provide an even better service to our 20 million-plus clients in Germany. Economies of scale are becoming increasingly important in this business – due in no small measure to digitalisation. That is why this integration of Postbank and Deutsche Bank is so instrumental to our future market position. And what makes us especially proud is that despite this major reorganisation we managed to increase revenues slightly at the "Bank for Germany", and we expect the same in 2019.

And in other areas, too, we have made strategic progress. We have completed the disposal of our Private & Commercial Clients business in Poland, while the divestment in Portugal is well advanced. We have successfully integrated Sal. Oppenheim into our Wealth Management business – and we have been able to retain most of its business. You can see that in this division also we are focussing on our core markets.

Our Private & Commercial Bank generated a post-tax return on tangible equity of about 5 percent in 2018 – and that's despite all the restructuring and the unfavourable interest rate environment, and before we have realised the synergies in the "Bank for Germany". That shows the enormous potential this business has.

A highlight for our asset manager **DWS** was its flotation in March, which provided the entrepreneurial independence that we expect will enable DWS to tap future growth opportunities more effectively.

We also have high hopes for the new alliances that DWS has forged with insurers Nippon Life and Generali as well as with the French asset manager Tikehau Capital. I am very confident that the new Chief Executive Asoka Woehrmann will lead DWS back to its former strength.

Solid balance sheet and strong liquidity

The successful reorganisation of our business divisions is one of the things we determined we needed to grow again. The second is our financial strength: our bank has rarely been as stable as it is at present. I don't want to overwhelm you with numbers, so here are just a few key figures:

- Our CET1 ratio of 13.6 percent is higher than our own target of 13 percent – and higher than many of our leading peers.
- We have trimmed our balance sheet considerably over the years.
- Our assets are of top quality, and our credit and market risk levels have rarely been so low.
- And we have vast liquidity reserves – 66 billion euros more than stipulated by the regulatory authorities.

So we have created a solid base on which to grow the business with our clients once more.

Before I talk about how we plan to grow this year, I'd like to hand over to James von Moltke, who will take you through our figures for 2018 in more detail.

A year with clear strategic priorities

So much for looking back on the last year. Let's now turn our thoughts to what's possibly the more interesting part: what have we got planned for this year?

Of course, we want to continue building on last year's success: we will retain our cost discipline and plan to continue to reduce expenditure.

However, a new phase is also beginning – one of controlled growth. We aim to grow in all our business divisions, at the same time not relinquishing our cost discipline or compromising our integrity.

We have a clear plan of how to raise our return on tangible equity to 4 percent this year. And we intend to apply the same rigorous level of discipline that we did to achieve our goals in 2018.

Remaining disciplined on cost

Let's start with costs. With the progress we made last year, we are not only well on our way to reaching our 22 billion-euro cost target in 2019; we are even more ambitious, now aiming for 21.8 billion euros.

And we've already identified areas with potential for cost-cutting. It will help us that the costs we saved as a result of the job-cutting measures in 2018 will become fully tangible in 2019 as we started the new year with 6,000 fewer employees. In addition, we expect the disposal of our retail business in Portugal to become effective this year. And we expect to benefit from the first synergies in the "Bank for Germany".

I'd like to emphasise one thing here: we aim to reduce our costs *sustainably*. We're not talking about short-term "flash in the pan" – one-off savings where expenses are just carried over into the following year.

It's also about leaving room for investments – in technology, our control systems and solutions for our clients.

It's about making savings that don't damage business. We'll be making sure that cost reductions have as little negative effect as possible on our revenues.

On the way towards the right revenue mix

That brings me to our second priority for this year. We're not just committed to stabilising our revenues but to growing them in a controlled manner.

And we believe we are on track to achieve the right revenue mix. Our more stable businesses – the Private & Commercial Bank, our asset management arm DWS and Global Transaction Banking – generate more than 60 percent of our revenues. And we shouldn't forget that in the two largest of these three areas we are already on a growth path. Both the Private & Commercial Bank and Global Transaction Banking managed to increase revenues year-on-year in the fourth quarter.

In our Corporate & Investment Bank, a large share of our revenues is generated by business areas in which we are among the leading providers worldwide. These earnings are more sensitive to market dynamics but we believe we always have the opportunity to secure a high market share as we have done in the past. In recent months, we have realigned the remaining areas of our Corporate & Investment Bank, with the result that we can now focus on areas where we are among the leading players.

Corporate & Investment Bank

I'd like to give you a few examples of the areas in which we aim to grow this year. Let's start with our Corporate & Investment Bank.

- Our Global Transaction Banking unit is the No. 1 in settling euro payments; it has a global network that few others can compete with. We want to capitalise on this potential, for instance by linking Global Transaction Banking more closely with our FX trading business as well as with provision of credit. After all, in the global Fixed Income & Currencies (FIC) business we are also the leading European bank.
- Our IT investments also focus predominantly on our transaction banking and FX business. Capable platforms will be decisive for long-term success in these areas. Our "Autobahn" system is a technological leader, and we want to retain this position.

These businesses are an excellent example of what makes Deutsche Bank special and why we're such a valuable partner for our corporate clients. Casually speaking, cash is king. We are leaders in cash management *and* in FX trading and we also have trade finance solutions to match. We believe that combination makes us the best conceivable banking partner for any corporate treasurer or any CFO of a

Mittelstand company. We are *the* bank supporting them in their day-to-day operations and able to offer them one-stop financing solutions across their entire value chain.

Of course, we still aim to be one of the best advisers, not just to our clients in Germany and Europe but also in the world's key markets such as North America and Asia. While we have withdrawn from peripheral activities, we are committed to growing certain areas of our Corporate Finance business.

One of our traditional strengths is our debt business, both in primary and secondary markets. In fact, the new year has only just begun and we've already supported our clients on a number of major transactions. For instance, in January we were bookrunner for a 15.5 billion-dollar bond for drinks company Anheuser-Busch Inbev. Year to date we were a lead bookrunner in seven of the 10 largest transactions.

So despite the restructuring, we want to keep our Corporate & Investment Bank on a broad footing. It is one of the first pillars on which Deutsche Bank was built. And it has potential for growth which go beyond the few examples I mentioned here.

Private & Commercial Bank

We also see good growth opportunities in our Private & Commercial Bank.

It is by far the largest bank in our home market with more than 20 million clients. We have plans to further expand our lending business after increasing lending volumes by 7 billion euros last year.

And we are seeing renewed growth in the business with German Mittelstand clients, which I'm particularly delighted about. In this area we gained about 3,000 net new clients last year.

And we continue to invest in innovative products. With Apple Pay, for instance. Its launch last December was a major success. Within just four weeks, we hit our 12 month target for user numbers.

We also want to grow our Wealth Management business. We expect this market will grow globally as wealth is increasing in many emerging countries, and in the developed world significant assets will be inherited. As Deutsche Bank we believe we have the competence to benefit from these developments. We have a global presence and intend to hire still more advisors in selected areas.

DWS

Now we come to our third division, asset management: DWS is also the market leader in Germany and the fifth largest asset manager in Europe. We intend to continue strengthening this position and simultaneously expand the business in the Americas and Asia. Several of the factors that affected our net flows in 2018 are not expected to be repeated this year. We also have strong momentum behind our strategic partnerships that I mentioned before.

We also see great opportunities in sustainable investments (ESG) where demand is constantly increasing. We have already had our first successes in this field. We set up a closed-end fund for Apple that invests in clean energy in China. And a European pension fund awarded us an ESG mandate with inflows of 1 billion euros in the fourth quarter alone.

We are also investing in our business, for example with passively managed funds. We are already ranked second in Exchange traded products net flows in Europe and had a market share of 27 percent of new business in the fourth quarter.

Ladies and gentlemen, this is not an exhaustive list of the areas where we want to grow. We have a strong plan for this year.

Improving balance sheet productivity

The foundation for our growth is our financial strength which I just described. This is where we see a lot of potential to increase our revenues. This is particularly true as far as liquidity is concerned.

Our liquidity levels are presently 66 billion euros higher than the demands of the regulatory authorities. That gives us a certain amount of scope, which we'd like to use for supporting our business growth.

At the same time, we're working on a better mix for our liquidity reserves. Until now, we have held more than 70 percent in cash, with a portion deposited at the ECB – attracting the negative interest rates that I just mentioned. Over time, we intend to hold an increasing share of our liquidity in low-risk securities such as, for example, government bonds.

In 2018 we deployed around 20 billion euros of liquidity. We have the capacity this year to further deploy up to 30 billion euros, from our reserves and subsidiaries. In aggregate, we expect these actions to add over 300 million euros to our annualised revenues.

A clear path towards our target return for shareholders

Our continued strict cost discipline, the switch to controlled growth and a more efficient approach to managing liquidity: with these components we think we are well equipped to achieve our return on tangible equity target for 2019. A jump from 0.5 to 4 percent may appear significant and even impossible at first glance. It can be divided into a number of steps, though, and then it becomes clear how we're planning to achieve it.

- We expect to achieve approximately 2.5 percentage points in additional returns from factors that we can largely control – this is much more than half of the growth that we require to meet our target. This includes the lower adjusted costs and a normalised tax rate as well as the measures mentioned earlier to manage our balance sheet more economically. We firmly expect growth in our stable business areas.

- A smaller role is played by factors that we are less able to control. Of course, these primarily include the market environment for our Corporate & Investment Bank. Don't worry, our plans are not based on a miraculously improved environment. And we are definitely planning to maintain a certain buffer, both for credit losses and legal risks – not because we expect them to materialise, but because we are planning conservatively.
  However, it is also clear that a return to the extremely unfavourable market environment we saw in the fourth quarter would certainly pose a challenge to our plans. And of course we will have to work hard to achieve growth.

Regarding the macroeconomic environment, however, I am less pessimistic than many others. Yes, there are numerous geopolitical uncertainties. But the fundamentals are still solid in the most important economies. Therefore I don't only see risks in this environment, but also many opportunities.

We continue to focus on our near-term targets

Ladies and gentlemen, last year we delivered what we promised. And we are committed to continue to deliver on our promises, this year and beyond.

Here is an overview of the targets we've set ourselves for 2019 – targets that we will be measuring ourselves against as you too will and should do.

I believe we were able to show you today that we made good progress last year. We are confident that we now have a solid structure in place.

- We have a strong balance sheet
- We have strong cost discipline and execution capabilities.

- We have a strong market position in our core businesses.
- And above all we have good and long standing relations with clients.

Just last week in Davos, my colleagues and I met numerous executives from German and international companies. What we heard from them was the same across the board: their companies rely on Deutsche Bank and they want to work with us. They want a European alternative to the big US banks. This makes us even more confident that we can succeed in switching to growth this year.

Ladies and gentlemen, our clients need much of what we have traditionally stood for. And where their needs are changing, we are adapting accordingly. So I'm very optimistic about our future, because I believe in the business we do and in the positive impact we have on our clients, our staff, our investors and society as a whole. Deutsche Bank plays its part in driving economic growth and ultimately social progress. In Germany and beyond. At home in Europe, connected to the world – that is and shall stay our ambition.

And if we achieve our goals, people's perception of our bank will change.

Our return to profitability shows that Deutsche Bank is on the right track. Now, our priority is to take the next step. In 2019 we aim not only to save costs but also to make focused investments in growth. We aim to grow profitability substantially through the current year and beyond.

We have it in our own hands. And we'll do our utmost to make this happen.

Thank you for listening.