Deutsche Bank

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Annual Media Conference

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– Check against delivery –

Ladies and Gentlemen, let me also welcome you to our Annual Media Conference.

Today will be the second time that I will be presenting the bank’s annual results – and for the second time I will be discussing a year that was anything but easy for Deutsche Bank. But we will also be talking about a year in which we achieved a great deal, and we’re beginning to see these achievements reflected in the financial results.

I don’t want to beat around the bush: there were times in 2016 when we were under intense pressure. This was true above all in the autumn, when the US Department of Justice’s 14 billion dollar opening demand became public knowledge. We then saw weeks of debate and speculation on what a settlement of this size would mean for Deutsche Bank – although we never assumed that we would actually have to pay an amount that high.

This period of uncertainty impacted our P&L. An environment marked by low interest rates and economic and political uncertainties also made our business more difficult. Marcus Schenck will explain this to you in more detail in a few minutes.

However, I can say to you today that 2016 was not a bad year. On the contrary. It may come as a surprise to you, but for us on the Management Board, 2016 was actually very encouraging, for two reasons:

Resilience

First, we emphatically demonstrated Deutsche Bank’s resilience. It’s true that during the turbulent months of September and October we saw outflows of funds and lower revenues.

However, it’s also true that the overwhelming majority of our clients stood by us. Some even spoke up for us in public - because they trust their bank, Deutsche Bank, because they like working with us and want to continue to do business with us in future. We highly appreciate this support, and we won’t forget it.

It was particularly important too, that in some areas, we were able to turn sentiment back in our favour.

That can be seen in the deposits of our private and commercial clients in Germany. In October we saw outflows, but in November and December these reversed. By year end, deposits were higher than at the beginning of the year. Most critically, since we announced the settlement in principle with the Department of Justice in December, we have seen meaningful reengagement by those clients who had pulled back in the fall.

And that is evident in the promising start we have seen to the year. In key areas of our bank, business is distinctly better than a year earlier, for example, in our capital markets business. We are gaining additional momentum from the fact that we are now putting additional litigation matters behind us.

This resilience is due above all to our employees around the world. In those difficult autumn weeks, they showed even greater dedication than usual. They fielded critical questions from their clients and worked tirelessly to sustain progress in our day-to-day business.

I would therefore like to take this opportunity, on behalf of all the Management Board, to express our heartfelt thanks to all of our colleagues throughout the bank for their exceptional efforts and outstanding performance.

Progress made in restructuring

The second reason why 2016 was encouraging to me was that we made great progress in putting our legacy matters behind us and in restructuring the bank. In other words, we didn’t just promise – we delivered.

Let me briefly recap what we have set out to do since October 2015. Our aims were to:

- … make the bank less complex and thus more manageable
- … strengthen our capital and reduce risks
- … improve our technology and our controls
- … further digitize our business
- … resolve litigation matters
- … and, in addition to all these ambitious targets, devote even more attention to our clients.

Today, we can say that while we may not have achieved everything yet, we have nevertheless achieved a great deal. Of course, 2016 was a year of small steps. But it was the *many* small steps that moved our bank forward, even if the majority of them cannot yet be seen in our results.

Let me give you just a few examples:

- The work of our Non-Core Operations Unit (NCOU) is materially completed. Since mid-2012 we have reduced risk-weighted assets by over 90 percent from their original level of 128 billion euros. As a result, we were able to close this unit, as planned, at the end of 2016. This means we’re able to remove a source of uncertainty which was a burden of 3.2 billion euros on our pre-tax result, including litigation costs. At the same time, and even more importantly, despite its losses, the NCOU freed up about 8.5 billion euros in core capital over the years. This was a huge effort and success was by no means assured, so I would like to congratulate the NCOU team on this success.

- We made good progress in restructuring our private and commercial banking operations in Europe. Following intensive preparations, we have already merged some branches in Germany and will be closing a further 181 branches in 2017. On the other hand, we opened the first of eight new Advisory Centres which customers can use in the evenings and at weekends. We are also offering an expanded and improved advisory service through our digital channels. As part of this, it is now possible to open an account with us online in less than ten minutes.

- Furthermore, Deutsche Bank's financial strength is greater than at any time in recent history. We raised our Common Equity Tier 1 capital ratio (fully loaded) to 11.9 percent, its best level in the past three years. We exceed current regulatory minimum requirements, with a buffer of more than 11 billion euros. Our liquidity reserves increased almost ten percent, from 200 billion euros to 218 billion euros, during the fourth quarter. Market risk and credit risk both remain low by historical standards.

- The bank has also become more secure because we strengthened our internal controls. In 2016, we hired more than 350 additional staff members in our Compliance and Anti-Financial Crime departments, and over 600 more will follow this year.

- Our IT infrastructure is more stable and more modernised than ever. We have already reduced the number of core operating systems from 45 to 38 and are ahead of schedule in this. Our ultimate aim is to have only four core operating systems.

- We have also built up our global innovation network. This includes our Digital Factory in Frankfurt-Sossenheim, our Data Lab in Dublin and Innovation Labs in Berlin, London and Palo Alto. We are working with the Massachusetts Institute of Technology (MIT) in Cambridge and the startup incubator Axel Springer Plug & Play in Berlin.

- Last but not least, we made a lot of progress in resolving litigation matters. Last year and over the past few weeks in particular, we have resolved important legal matters including civil cases related to US residential mortgage-backed securities and precious metals, a long-running legal case with the Icelandic bank Kaupthing and parts of the Russia-related proceedings about our money-laundering controls.

All of this cost us a great deal of effort. Nevertheless, we were also successful in our day-to-day business. Unfortunately, this is something that, at times, does not receive nearly enough attention. Here as well, let me give you a few examples:

- Our Corporate & Investment Banking division ranked among the leading advisors in seven of the global top ten corporate finance transactions of the year, as measured by fees. For example, we advised on the takeover of Reynolds American by British American Tobacco, and on the initial public offering of the energy company Innogy, based in Essen. In all, we helped our clients raise some 380 billion euros in equity and debt capital.

- As one of the leading providers of trade finance, Transaction Banking contributed to global trade by providing trade financing totalling more than 180 billion euros. Furthermore, no other bank settles as many euro transactions as we do.

- Our capital markets business advises clients around the globe on complex debt and credit facilities. Furthermore, we launched a new derivatives platform that quadruples our capacity while simultaneously cutting our costs.

- Deutsche Asset Management remains the undisputed market leader in Germany. In fact, over a quarter of all mutual fund units for private clients in Germany still come from us. We now offer 45 funds that Morningstar has awarded its top rating of five stars – more than just one year ago. One of our flagship funds, *DWS Top Dividende* paid out 460 million euros to investors, more than ever before.

- In our Private, Wealth & Commercial Clients division, clients continue to rate us best in class despite our ongoing reorganisation. *Euromoney* recently named us best provider of private banking services in Germany for the seventh year running, and a *Financial Times* survey of UK readers named us “Wealth Manager of the Year”.

Nonetheless, Ladies and Gentlemen, our reorganisation was not without cost. Working through legacy matters, putting the bank on a new footing – this all costs money and will, at first, impact our revenues in the near term. These effects impacted our figures for the past year, as did the times of uncertainty.

Our CFO Marcus Schenck will now give you an overview.

[Handover to Marcus Schenck]

What still needs to be done

Ladies and Gentlemen, let me be frank: of course we are not satisfied with these numbers.

Let me use a farming analogy: if we want to reap, we must first sow – and this requires patience. We are definitely still in the phase where we are primarily sowing seeds.

That is what our whole restructuring programme is about. Part and parcel of this is the fact that this year, as a one-time measure, there will be no individual variable compensation for senior managers. At a time when we are not paying a dividend and, sadly, have to part company with thousands of colleagues, it was important to us to show that management is also making a sacrifice. Naturally, this also had to apply to the members of the Management Board.

We are laying the foundation today so we can be a successful bank again tomorrow. It is getting easier and easier for us to do this, because we can now see how the seeds we have sown are gradually starting to grow and flourish.

Strategy

I know what many of you would like to hear some new details about our strategy today.

Of course, economic conditions and financial markets are constantly subject to change, while regulation is constantly evolving. Since the autumn of 2015, the operating environment has seen far-reaching changes. We have responded to them and will continue to do so. This is a highly dynamic process.

In corporate history, abrupt changes of strategic direction have rarely been successful – particularly in the case of banks. Who we are will not change radically: we are a European bank with strong German roots and a global network for our clients. We have built an infrastructure that would be difficult to replicate. Among European banks we offer a unique suite of products and services as well as expertise.

We know what we are good at. Our primary focus must be to build on our strengths. Every day we aim to become a better bank – for the benefit of our clients.

Apology

Ladies and Gentlemen, we will be far more successful in achieving this goal when we can put our past failings behind us. Since I became Chief Executive Officer of Deutsche Bank 18 months ago, we have incurred settlement costs totaling approximately five billion euros for incidents that largely occurred many years ago.

These legacy issues have not only cost us a lot of money; they have also cost us dearly in terms of reputation and trust. There are still other matters from the past that will burden our results, but we have now settled the bulk of our major legal issues.

Therefore I would like to take this opportunity to express, also on behalf of the Management Board of Deutsche Bank, our deep regret for what happened. We would like to apologise sincerely.

Serious errors were made - for example, with regard to our residential mortgage backed securities business in the US between 2005 and 2007, about which we recently reached a settlement with the Department of Justice. In this matter, conduct at that time did not meet our standards and was completely unacceptable. Unfortunately the same also applies in other instances.

It is also a fact, however, that the vast majority of Deutsche Bank employees were neither involved in, nor bore any responsibility for, the legal issues that the bank has dealt with recently. It was generally the misconduct of a relatively small number of individuals pursuing their own short-term interests that jeopardised Deutsche Bank's most valuable asset: its reputation. Many more people felt the repercussions – not only clients and investors, but also all of our decent, honest colleagues who identify so strongly with Deutsche Bank.

Ladies and Gentlemen, wherever human beings work, there will always be mistakes. However, we, the Management Board members and the bank's senior management as a whole, will do everything in our power to prevent a repetition of such incidents.

Our goals are a Deutsche Bank that…
...is trusted by its clients
...is true to its heritage and responsibilities
…attracts and inspires people who share our values
…creates first-class solutions for its clients
...and delivers sustainable profits.

In short, we want to be a bank that contributes to economic growth and to the community. A bank that can generate a positive impact – for its clients, employees, investors and society.