Release

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Deutsche Bank reports net income of € 466 million for the second quarter of 2017

John Cryan, Chief Executive Officer, said: "Our second-quarter results give a good summary of where we stand today. Profitability is significantly better than a year ago. We made good progress in bringing costs down and continued to attract net money inflows from clients."
"Despite the significant improvement, this level of profitability falls short of our longer term aspirations. Revenues were not as universally strong as we would have liked, in large measure because of muted client activity in many of the capital markets. As we modernise our bank we are turning our focus onto building profitable growth."

Pre-tax profit of € 822 million vs. € 408 million in the second quarter of 2016

- Operating performance before debt valuation adjustments (DVA), the valuation of own debt, restructuring/severance, litigations and impairments of € 1.1 billion
- Net income of € 466 million, up from € 20 million in the prior year period

Revenues of € 6.6 billion, down 10% year-on-year

- Negative impact of more than € 340 million from the tightening of spreads on own debt and losses on sales of businesses
- Non-recurrence of one-time gain of € 192 million on sale of stake in VISA Europe in the prior year period

Provision for credit losses of € 79 million, down 70% year-on-year

- Releases and a benign credit environment among private and commercial clients
- Broad-based improvement in corporate portfolios

Noninterest expenses of € 5.7 billion, down 15% year-on-year

- Adjusted costs down 6% year-on-year, or € 391 million, to € 5.6 billion
  - Savings from the wind-down of the Non-Core Operations Unit (NCOU)
  - Progress on restructuring and disposals of non-core businesses
- Non-recurrence of a € 285 million goodwill impairment in the prior year period
- Lower restructuring and litigation charges

Headcount down by 4,656 full-time equivalents (FTE) vs. end of second quarter 2016

- Headcount down 1,525 to 96,652 FTE during the second quarter

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– Despite approximately 100 further net hires in Anti-Financial Crime / Compliance during the quarter

Fully loaded Common Equity Tier 1 (CET1) ratio at 14.1% at quarter end, pro forma for capital raise

– Reflecting net proceeds of capital raise in April
– Risk Weighted Assets (fully loaded) of € 355 billion, down € 3 billion during the quarter, driven by negative FX impact of € 6 billion
– Fully loaded leverage ratio of 3.8% in the quarter, pro forma for capital raise

Positive net money inflows

– Net new money of € 9 billion during the quarter with inflows in the Private & Commercial Bank, including Wealth Management, and in Deutsche Asset Management

The first half year of 2017 in summary:

– Pre-tax profit of € 1.7 billion, up 72% year-on-year
– Net income of € 1.0 billion, versus € 256 million in the first half of 2016
– Revenues of € 14.0 billion, down 10% or € 1.5 billion
  - o Including negative impact of € 1.0 billion predominantly from debt valuation adjustments, tightening of spreads on own debt and business disposals
– Provision for credit losses of € 212 million, down 62%
– Noninterest expenses of € 12.0 billion, down 13% or € 1.9 billion
  - o Including adjusted costs likewise of € 12.0 billion, down 6% or € 724 million
  - – Fully-loaded CET 1 ratio of 14.1%, pro forma, versus 10.8% as at June 30, 2016
– Net money inflows of € 16 billion, versus net outflows of € 28 billion in the first half of 2016

Group Results

in € m (unless stated otherwise)	Q2 2017	Q2 2016	YoY	QoQ
Net revenues	6,616	7,386	(770)	(730)
Provision for credit losses	(79)	(259)	181	55
Noninterest expenses	(5,715)	(6,718)	1,004	620
Income (loss) before income taxes	822	408	415	(56)
Net income	466	20	446	(109)
RWA (in € bn)	355	402	(48)	(3)
Tangible book value per share (in €)	27.24	33.38	(6.14)	(4.76)

Noninterest expenses

in € m (unless stated otherwise)	Q2 2017	Q2 2016	YoY	QoQ
Noninterest expenses	**-5,715**	**-6,718**	**1,003**	**619**
therein:				
Impairment of goodwill & intangibles	-6	-285	279	(6)
Litigation	26	-120	147	(4)
Policyholder benefits and claims	0	-74	74	0
Restructuring and severance	-95	-207	112	(65)
Adjusted costs	**-5,641**	**-6,032**	**391**	**695**
Cost/income ratio	86 %	91 %	(5) ppt	0 ppt
Compensation ratio	44 %	40 %	4 ppt	1 ppt

Note: Figures may not sum due to rounding

Commentary

Group net revenues in the second quarter of 2017 decreased 10% to € 6.6 billion versus the prior year.

Provisions for credit losses were € 79 million, a 70% decline versus the second quarter of 2016, primarily driven by broad-based improved performance in the Corporate & Investment Bank (CIB). Reductions in the Private & Commercial Bank (PCB) were driven by a release in Postbank.

Noninterest expenses in the second quarter of 2017 decreased 15% versus the prior year to € 5.7 billion reflecting lower restructuring and impairment costs, the effects from disposals and the closure of the Non-Core Operations Unit (NCOU), lower litigation costs and cost-management efforts.

Adjusted costs declined by 6% versus the prior year period to € 5.6 billion, driven mainly by ongoing cost management efforts, the closure of NCOU, disposals in 2016, lower IT costs and lower professional fees.

Second-quarter 2017 **net income** was € 466 million compared to € 20 million in the prior year period. The **post-tax return on tangible shareholders' equity** was 3.2%.

Capital and leverage

in € bn (unless stated otherwise)	Jun 30, 2017 (1)	Mar 31, 2017	Jun 30, 2016
CET1 capital ratio (CRR/CRD4 fully-loaded)	14.1%	11.8%	10.8%
Risk-weighted assets (CRR/CRD4 fully-loaded)	355	358	402
Total assets (IFRS)	1,569	1,565	1,803
CRD4 leverage exposure (CRR/CRD4 fully-loaded)	1,443	1,369	1,415
Leverage ratio (CRR/CRD4 fully-loaded)	3.8%	3.4%	3.4%

Note: Q2 2017 CRR/CRD4 phase-in values (pro forma): CET1 capital ratio is 14.9 %, CET1 capital is € 52.6bn; Risk-weighted assets are €354bn; Leverage ratio is 4.2%; T1 capital is € 61.3bn; Leverage exposure is € 1,444bn

(1) pro-forma: including the proceeds from capital raise completed in early April

Commentary

The **Common Equity Tier 1 (CET1)** capital ratio increased to 14.1% on a fully loaded pro forma basis in the quarter. Fully loaded pro forma CET1 capital increased by € 7.9 billion to € 50.1 billion, principally driven by the net proceeds of the capital raise.

Risk Weighted Assets (RWA, fully loaded) decreased by € 3 billion in the second quarter to € 355 billion driven by a € 6 billion reduction in RWA as a result of the weakening US dollar in the quarter.

The **CRD4 Leverage Ratio** increased to 3.8% on a fully loaded pro forma basis. Leverage exposure in the quarter increased by € 73 billion to € 1,443 billion. The increase in leverage exposure reflected a € 64 billion change in the reporting of pending settlements and a € 52 billion increase in cash balances, partially offset by a € 45 billion reduction as a result of the weakening US dollar in the quarter.

The CET1 capital ratio and CRD4 leverage ratio are presented on a pro forma basis as of June 30, 2017, because the European Central Bank (ECB) granted permission on July 26, 2017 for the inclusion of the € 8 billion gross proceeds from the capital raise according to Article 26 (3) CRR. Prior to this, the capital and leverage ratios for Deutsche Bank Group as of June 30, 2017 for regulatory purposes amounted to 11.8% for CRR/CRD 4 Common Equity Tier 1 ratio (fully loaded), 12.6% for the CET1 ratio (phased-in), 3.2% for CRR/CRD 4 leverage ratio (fully loaded) and 3.7% for CRR/CRD 4 leverage ratio (phased-in).

Segment results

NB: Segment results reflect the revised definition outlined in our March 2017 strategy announcement.

Corporate & Investment Bank (CIB)

in € m (unless stated otherwise)	Q2 2017	Q2 2016	YoY	QoQ
Net revenues	3,618	4,321	(704)	(791)
Provision for credit losses	(56)	(155)	99	1
Noninterest expenses	(3,000)	(3,705)	705	642
Noncontrolling interest	(19)	(2)	(17)	(15)
Income (loss) before income taxes	543	460	83	(163)
RWA (in € bn)	242	255	(13)	(2)

Commentary

Corporate & Investment Bank net revenues declined by 16% versus the prior period to € 3.6 billion in the second quarter of 2017, including a negative impact of € 104 million from Debt Valuation Adjustments (versus losses of € 11 million in the second quarter of 2016). Excluding this effect, revenues were 14% lower than in the prior year period.

Global Transaction Banking net revenues were € 975 million, a decrease of 12% from the prior year period, and were impacted by tightened margins including changes in funding cost allocation together with the impact of reductions in the business perimeter in 2016. Cash Management revenues were slightly lower, as the recent US dollar interest rate increases were more than offset by the client and product perimeter reductions in 2016. Trade revenues were lower driven by margin pressure.

Origination and Advisory revenues were € 563 million in the second quarter of 2017, a decrease of 7% versus the prior year period. Lower Debt Origination revenues partially offset an increase in Advisory revenues.

Financing revenues were € 554 million, down 5% compared to the second quarter of 2016, with good performance across asset-based lending and commercial real estate offset by lower revenues in investment-grade lending.

Sales & Trading (Fixed Income & Currencies, or FIC) revenues were € 1.1 billion and declined 12% versus the prior year period due to lower client activity, particularly in FX, partially offset by higher credit revenues. Sales & Trading (Equity) revenues of € 537 million declined by 28% compared to the second quarter of 2016, predominantly driven by a decline in Prime Finance revenues.

Noninterest expenses were € 3.0 billion in the second quarter of 2017, a 19% decline from the prior year period reflecting the non-recurrence of a goodwill impairment booked in the second quarter of 2016, lower restructuring costs and reduced litigation provisions. Adjusted costs of € 3.0 billion declined by 6% versus the prior period, largely driven by reductions in non-compensation costs.

Private & Commercial Bank (PCB)

in € m (unless stated otherwise)	Q2 2017	Q2 2016	YoY	QoQ
Net revenues	2,558	2,764	(207)	(145)
Provision for credit losses	(22)	(101)	79	55
Noninterest expenses	(2,226)	(2,296)	70	0
Noncontrolling interest	1	(0)	1	1
Income (loss) before income taxes	310	367	(57)	(89)
RWA (in € bn)	89	95	(6)	1

Commentary

Private & Commercial Bank net revenues of € 2.6 billion decreased 7% in the second quarter of 2017, principally driven by the absence of gains from the sale of shares in VISA Europe reported in the prior year period and the lower revenue base as a result of the sale of the Private Client Services (PCS) business in 2016. The continued negative impact of the lower interest rate environment on deposit revenues was to a great extent counterbalanced by growth in loan revenues and higher fee income from current accounts and investment products.

Provision for credit losses were € 22 million, compared to € 101 million in the prior year quarter driven by a provision release in Postbank and selective portfolio sales in a continued benign economic environment.

Noninterest expenses of € 2.2 billion in the second quarter of 2017 declined by 3% from the prior year period, largely reflecting lower restructuring charges and a lower cost base as a result of the PCS sale. Since the beginning of the year, the bank has closed 177 branches out of the target total closures of 188 in PCC Germany.

Deutsche Asset Management (Deutsche AM)

in € m (unless stated otherwise)	Q2 2017	Q2 2016	YoY	QoQ
Net revenues	676	705	(29)	70
Net revenues excl. Abbey Life(1)	676	634	42	70
Provision for credit losses	0	(0)	0	0
Noninterest expenses	(442)	(535)	93	(16)
Noninterest expenses excl. Abbey Life(1)	(442)	(461)	19	(16)
Noncontrolling interest	(1)	(0)	(1)	(1)
Income (loss) before income taxes	234	170	64	53
RWA (in € bn)	9	13	(4)	(1)

(1) Net revenues excluding mark-to-market movements on policyholder positions; noninterest expenses excluding policyholder benefits and claims

Commentary

Deutsche Asset Management net revenues in the second quarter of 2017 of € 676 million were 4% below the second quarter of last year. Excluding the impact of the Abbey Life gross-up in the second quarter of 2016, revenues increased 7% versus the prior year period, mainly due to higher performance fees in Alternatives and higher management fees reflecting improved market conditions.

Noninterest expenses were € 442 million in the second quarter, a decrease of 17% versus the prior year period. Excluding the policyholder positions in Abbey Life reported in the prior year period, noninterest expenses declined by 4% due to lower restructuring and severance expenses, partially offset by higher compensation and benefit expenses.

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An analyst call to discuss second-quarter 2017 financial results will take place today at 13.00 CEST. This conference call will be transmitted via internet:
www.db.com/quarterly-results

A Fixed Income investor call will take place on Wednesday, August 2, 2017 at 15.00 CEST. This conference call will be transmitted via internet:
www.db.com/bondholder-presentations

A Financial Data Supplement (FDS), presentation and audio-webcast for the analyst conference call are available at:
www.db.com/quarterly-results

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 20 March 2017 under the heading “Risk Factors”. Copies of this document are readily available upon request or can be downloaded from www.db.com/ir.

This document contains non-IFRS financial measures. For a reconciliation to directly comparable figures under IFRS, to the extent not provided herein, please refer to the Financial Data Supplement.