Ad hoc: Deutsche Bank AG (english)

Deutsche Bank intends to raise capital, plans additional measures and announces new financial targets

Frankfurt am Main, 5 March 2017 / 16:32 CET – Deutsche Bank (XETRA: DBKGn.DE / NYSE: DB) intends to increase its capital from the issuance of new shares with subscription rights for existing shareholders with proceeds expected to be around EUR 8 billion. Additionally, the Bank plans to take a number of additional measures and is announcing new financial targets.

Strengthening capital

Deutsche Bank expects to issue up to 687.5 million new shares with subscription rights to existing shareholders and with the same dividend rights as all other outstanding shares. The volume of around EUR 8 billion in proceeds is underwritten by a syndicate of banks including Credit Suisse, Barclays, Goldman Sachs, BNP Paribas, Commerzbank, HSBC, Morgan Stanley, and UniCredit. Deutsche Bank will act as global coordinator and joint bookrunner.

Subject to approval by the BaFin, a securities prospectus is expected to be published on March 20 2017. The subscription period of the rights is expected to run through April 6 2017.

Upon completion of the proposed capital raise, the Bank's fully loaded December 31 2016 pro forma CET1 ratio would be 14,1%, and its pro forma leverage ratio 4,1% (Footnote 1).

Additional measures

The Bank plans a series of additional actions and sets new financial targets that replace the existing targets originally announced in October 2015. These additional measures are intended to strengthen the Bank's status as a leading European bank with a global reach supported by its strong home base in Germany. The Bank intends to continue serving the needs of its clients across transaction banking, corporate finance, capital markets, asset management, wealth management and retail banking.

The planned measures include:

- Retention of Postbank and over time integration with the Bank's existing German private and commercial banking and wealth management businesses
- Reconfiguration of the existing Global Markets, Corporate Finance and Transaction Banking businesses into a single division, Corporate & Investment Bank (CIB), a corporate client led investment bank

- Disposal and run off of an identified pool of legacy assets within Global Markets (approximately EUR 20 billion of Risk Weighted Assets (RWA) excluding operational risk and EUR 60 billion of leverage exposure), that is currently estimated to represent a negative impact on the new CIB's current post-tax return on tangible equity (RoTE) of approximately 200 basis points per annum
- The legacy assets pool will be managed separately and is targeted to be reduced to approximately EUR 12 billion of RWA excluding operational risk and EUR 31 billion of CRD4 leverage exposure by 2020; the reduction will be accelerated whenever economically feasible
- Sale of a minority stake in Deutsche Asset Management (Deutsche AM) via an initial public offering (IPO) over the next 24 months
- Dispose of businesses with identified RWA of approximately EUR 10 billion (excluding related operational risk) and approximately EUR 30 billion in leverage exposure, with a majority of the disposals expected to be completed in the next 18 months
- The business disposals and the proposed minority IPO in Deutsche AM are expected to create up to EUR 2 billion of additional capital accretion
- Severance and restructuring costs resulting from the planned measures are estimated to be approximately EUR 2 billion over the period 2017-2021 with approximately 70% to be incurred over the next two years; all other spending related to these measures will be included in Adjusted Costs (Footnote 2)

New financial targets

- 2018 Adjusted Costs of approximately EUR 22 billion and a further reduction to approximately EUR 21 billion by 2021, both include Postbank's Adjusted Costs
- Post-tax RoTE of approximately 10% in a normalized operating environment
- Targeting a competitive dividend payout ratio for fiscal year 2018 and thereafter
- Fully loaded CET1 ratio to be comfortably above 13%
- Leverage ratio of 4.5%

Additionally, the Management Board has approved payment of the AT1 interest coupons coming due in 2017 and intends to propose at the Annual General Meeting in May 2017 to pay a dividend of EUR 0.19 per share, including the shares to be issued in the announced capital raise. The dividend to be paid out of Deutsche Bank AG's distributable profit for 2016 contains a component reflecting the distributable profit carried forward from 2015 of approximately EUR 165 million, and EUR 0.11 per share out of the distributable profit for 2016. The aggregate amount of these proposed dividends is approximately EUR 400 million. Additionally, the Bank would expect to recommend at least the payment of a minimum dividend of EUR 0.11 per share for 2017.

Current trading

Deutsche Bank has made a positive start in the first two trading months of 2017 (Footnote 3).

- Global Markets has performed strongly against a weaker comparable period in 2016 with Debt Sales & Trading revenues up over 30% while Equities Sales & Trading was flat year on year.
- Corporate Finance year to date performance was strong with revenues up over 15% year on year reflecting positive momentum in primary markets that drove significant increases in debt and equity issuance.
- Global Transaction Banking saw resilience in its client franchise, but single digit lower revenue performance in a macro environment that remains challenging and from the consequences of intentional reductions in client perimeter during 2016.
- In Private Wealth & Commercial Clients (PW&CC), revenues were flat versus the comparable period in 2016 as the impact of low interest rates was mainly offset by positive developments in investment products supported by asset and deposit inflows.
- In Postbank, operating performance was flat, but reported revenues were slightly down given the absence of one-off gains in the prior year and weaker hedging results.
- Deutsche Asset Management had a modest improvement in revenues as well as the reversal of negative asset flows seen in 2016.

Footnotes:

(1) Assumes capital raise of EUR 7.9 billion net of transaction costs and including associated impacts on reported 2016 CET1 capital of EUR 42.7 billion, RWA of EUR 358 billion and leverage exposure of EUR 1,348 billion. Capital accretion (through a combination of RWA reduction and capital contribution) from Deutsche AM minority IPO and proposed disposals not included in pro-forma capital levels

(2) Adjusted Costs defined as total noninterest expense under IFRS, excluding costs related to restructuring & severance, litigation, impairment of goodwill and other intangibles.

(3) Commentary on performance based on end-Feb 2017 financials compared to end-Feb 2016 financials and excluding material disposals in 2016 (Abbey Life, PCS, Hua Xia) and Funding Valuation Adjustment (FVA), Debt Valuation Adjustment (DVA), Credit Valuation Adjustment (CVA).

An analyst event will take place tomorrow, March 6, at 14:00 GMT in London to detail these actions and updated targets.

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