Deutsche Bank

Deutsche Bank Securities Inc.
CRR Article 13(1) Pillar 3 Disclosures
at December 31, 2014

Passion to Perform

Contents

Introduction

Overview

The new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, "CRR") and in the EU Directive 2013/36/EU (the Capital Requirements Directive, CRD 4), as published in the Official Journal of the European Union on June 27, 2013, became effective January 1, 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union Regulations.

The CRR is directly enforceable in member states, while the regulations in CRD 4 must be implemented through national legislation.

Article 13(1) CRR ("Application of disclosure requirements on a consolidated basis") requires that significant subsidiaries of EU parent institutions and, those subsidiaries which are of material significance for their local market, disclose information specified in the following articles on an individual or sub-consolidated basis:

Own funds (Article 437)

Capital requirements (Article 438)

Capital buffers (Article 440)

Credit risk adjustments (Article 442)

Remuneration Policy (Article 450)

Leverage (Article 451)

Credit risk mitigation techniques (Article 453)

Article 13(1) CRR does not provide explicit criteria for the determination of significant subsidiaries or those subsidiaries which are material significance for their local market. Therefore, Deutsche Bank Aktiengesellschaft ("DBAG") has defined certain quantitative and qualitative criteria to determine which subsidiaries would be subject to the requirements set forth in Article 13(1) CRR. These criteria take into account the subsidiaries significance to DBAG as well as the subsidiaries importance to its local market using quantitative measures such as total assets and total risk weighted assets ("RWA") in relationship of DBAG's consolidated assets and RWA, as well as certain qualitative aspects of the subsidiaries standalone systemic importance to their local markets using designations and measures as defined by local regulators.

When applying these measures, Deutsche Bank Securities Inc. ("DBSI"), a subsidiary of DBAG that is a US registered broker-dealer, has been identified as a significant subsidiary and as such, DBSI is subject to the disclosure requirements described above. DBSI disclosures will be made on an individual basis.

Deutsche Bank Securities Inc.

DBSI is a wholly owned subsidiary of DB U.S. Financial Markets Holding Corporation, a wholly owned subsidiary of DB USA Corporation ("DBUSA") (formerly Taunus Corporation), which is a direct, wholly owned subsidiary of DBAG. DBSI is registered as a US securities broker-dealer and investment advisor with the Securities and Exchange Commission ("SEC") and as a futures commission merchant ("FCM") with the Commodities Futures Trading Commission ("CFTC"). DBSI is a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC"), the National Futures Association ("NFA") and other self regulatory organizations.

As a standalone broker-dealer operating in the US, DBSI is subject to the applicable broker-dealer rules and regulations as set forth primarily by the SEC and CFTC, including the SEC's net capital and regulatory reporting requirements. The SEC and CFTC rules and regulations significantly differ from those set out in CRR/CRD 4 and lack many of the core principles and measures underlying the disclosures required under Article 13(1) CRR. As a result of these differences, using the broker-dealer regulatory framework to facilitate the disclosures required in Article 13(1) CRR would not be consistent with the disclosures and measures reported by other DBAG significant subsidiaries operating under the CRR/CRD 4 or similar regulatory frameworks.

Furthermore, as a standalone US broker-dealer and under the current US corporate legal entity structure, DBSI is currently not subject to the US Final Rule on Basel 3 Capital Requirements as approved by the Federal Reserve Bank on July 2, 2013. The Enhanced Prudential Standards for Banking Holding Companies and Foreign Banking Organizations ("FBOs") issued by the Federal Reserve Board on March 27, 2014 requires FBO's to establish an Intermediate Holding Company ("IHC") for US subsidiaries, including DBSI, by July 1, 2016. The IHC will be subject to a regulatory framework that is similar to CRR/CRD 4, however DBSI will not be subject to the IHC framework or US Basel 3 capital requirements until such time DBAG establishes the IHC as required by US laws and regulations and DBSI becomes a subsidiary of it.

Therefore, for the year ended December 31, 2014, the disclosures for DBSI are limited to those outlined in Article 442, 450, and 453 CRR, as applicable. These disclosures are primarily based on fundamental credit risk and remuneration policies, processes and principles which are common across DBAG subsidiaries. In addition, DBSI's disclosures as they relate to Article 442 and Article 453 CRR will be presented on a basis consistent with DBAG's consolidated CRR disclosures as this is representative of how DBSI currently measures and manages its credit risk. Using a basis consistent with DBAG's consolidated disclosures, DBSI will present Article 442 and Article 453 CRR disclosures on an IFRS basis and all figures will exclude inter-company transactions as such transaction would have been eliminated from DBAG's consolidated results. All figures will be represented in Euro and in millions.

US Intermediate Holding Company Regulatory Framework

The DBSI CRR disclosures will continue to be published on a limited basis as described above until such time DBSI is required to operate under a regulatory framework that can facilitate the disclosures outlined in Article 13(1) CRR. This is anticipated to be the case when DBAG establishes its US IHC pursuant to Regulation YY: Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, codified in 12 C.F.R. Part 252, and, in particular, Subpart O - Enhanced Prudential Standards for Foreign Banking Organizations with Total Consolidated Assets of $50 Billion or More and Combined U.S. Assets of $50 Billion or More" (the "FBO EPS Rule").

The FBO EPS rule requires that a foreign banking organization ("FBO") having US non-branch assets of $50 billion or more establish in the US an IHC for its US subsidiaries that must be organized under the applicable US laws and operate under all applicable US regulatory requirements including, leverage and risk-based capital standards, stress testing, risk management and liquidity requirements.

DBAG, along with its US subsidiaries, are currently in the process of implementing the US IHC. The IHC is scheduled to be established by July 1, 2016 as required by regulations and, at such time, the IHC and its subsidiaries, including DBSI, will be subject to the IHC regulatory framework and US Basel 3 capital requirements which will facilitate the disclosure requirements as set out in Article 13(1) CRR.

Credit Risk Adjustments

Overview of DBSI Business Activities and Credit Risk Exposures

DBSI is a full service broker-dealer that provides brokerage and investment advisory services, investment banking services and client clearing services. The current main activities are:

- Trade execution services for a broad range of domestic and international clients;
- Securities brokerage and investment advisory services to private clients and institutions;
- Collateralized financing;
- Market making and fixed income trading;
- Equity sales, trading and research;
- Investment banking services; and
- Securities and derivatives clearing for its customers, affiliates or itself on various exchanges of which DBSI is a member.

DBSI is also a full-service broker including prime brokerage, margin lending, investment management and retail brokerage.

DBSI's major categories of clients are:

- Asset and fund managers;
- Banks;
- Financial institutions and hedge funds;
- Sovereign governments and government agencies; and
- Internal affiliates

While credit risk exposure arises from a number of the activities described above, credit risk exposure on DBSI is generally short-term and with highly rated counterparts. The business activities primarily generating credit risk exposure include securities and derivatives clearing services, collateral financing activities (i.e. reverse repurchase and repurchase agreements, stock borrow and stock lending), and market making activities in fixed income and equity securities trading.

Securities and Over-the-counter Derivatives Clearing Services

The over-the-counter ("OTC") clearing business of DBSI offers clearing and settlement services for OTC derivative products. DBSI provides clearing services at exchanges it is a member of to both US clients and non-US clients. US OTC clearing covers a wide variety of products that include credit default swaps and interest rate swaps that are eligible for clearing. With respect to OTC clearing services, DBSI, as agent, guarantees performance for both third-party client transactions, and transactions executed on behalf of its affiliates.

DBSI also clears on behalf of its customer and affiliates exchange-traded derivative transactions (i.e. futures and options) which are regularly settled through a central counterparty, the rules and regulations of which provide for daily margining of all current and future credit risk positions emerging out of such transactions. To the extent possible and appropriate, DBSI also uses central counterparty clearing services for OTC derivative transactions; DBSI thereby benefits from the credit risk mitigation achieved through the central counterparty's settlement system. In addition, the Dodd–Frank Wall Street Reform and Consumer Protection Act ("The Dodd-Frank Act") introduced mandatory OTC clearing in 2013 for certain standardized OTC derivative transactions and margin requirements for uncleared OTC derivatives transactions are expected to be introduced in late 2015. Similarly, the European Regulation ("EU") No 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories ("EMIR") will introduce mandatory clearing for certain standardized OTC derivatives transactions, which is expected to start in the first half of 2015, and margin requirements for uncleared OTC derivative transactions, which will be phased in beginning December 2015. These reforms are expected to help reduce the amount of credit risk clearing firms take when clearing derivative transactions.

With regards to the above businesses, credit risk arises when DBSI's counterparties do not have sufficient liquidity in their clearing accounts to cover margin requirements arising from volatility in their accounts. Credit risk may also arise as a result of any default fund balances DBSI is required to maintain with its central clearing counterparties and organizations.

Collateral Financing Activities

DBSI acts as a dealer of securities in the global capital markets and, consequently, has credit risk on its holdings of securities and the financing of those securities via the reverse repurchase, repurchase, stock borrow and stock lending markets.

Credit risk is measured by the loss DBSI would record if its counterparties failed to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, were not adequate to cover such losses. DBSI's potential loss due to credit risk for contractual commitments is equal to the market or fair value of contractual commitments that are in a net asset position less the effect of master netting agreements and any applicable collateral.

DBSI has established controls to monitor the creditworthiness of counterparties, as well as the quality of pledged collateral, and uses master netting agreements whenever possible to mitigate DBSI's exposure to counterparty credit risk. DBSI may require counterparties to submit additional collateral when deemed necessary. DBSI controls the collateral pledged by the counterparties, which consists largely of securities issued by the US government or its agencies.

Market Making Activities

DBSI acts as a dealer of securities in the global capital markets and, consequently, has credit risk for the timely repayment of principal and interest regarding its holdings of securities. Credit risk is measured by the loss DBSI would record if its counterparties failed to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, was not adequate to cover such losses. Specifically, DBSI's potential credit loss exposure for contractual commitments is equal to the market or fair value of contractual commitments that are in a net asset position less the effect of master netting agreements.

The notional amounts of contractual commitments do not represent exposure to credit risk. Credit risk associated with futures contracts is limited since all transactions are guaranteed by the exchange on which they are traded and daily cash settlements by all counterparties are required for changes in the market value of open contracts. DBSI's purchases of exchange issued options also possess low credit risk due to guarantee of performance by the issuing exchange. Negotiated contractual commitments, such as forwards, and certain OTC options possess greater exposure to credit risk since cash settlement is not normally required on a daily basis, and therefore, counterparty credit quality and the value of pledged collateral are essential elements in controlling DBSI's risk concentrations.

Concentration credit risk from financial instruments, including contractual commitments, exist when groups of issuers or counterparties have similar business characteristics or are engaged in like activities that would cause their ability to meet their contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. As a financial intermediary, DBSI regularly transacts business with, and owns securities issued by, a broad range of governments, corporations, international organizations, central banks, and other financial institutions, which are economically and geographically diverse. DBSI monitors credit risk on both an individual and group counterparty basis and minimizes this risk through credit reviews, approvals, trading limits, and monitoring procedures.

Measure of Financial Assets

Financial instruments owned and financial instruments sold, but not yet purchased, are recorded at fair value. In addition, DBSI has elected to account for certain of its other financial assets and liabilities at fair value by electing the fair value option. The fair value of financial instruments is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices.

Credit risk is an essential component of fair value. Cash products (e.g., bonds) and derivative instruments (particularly those with significant future projected cash flows) trade in the market at levels which reflect credit considerations. DBSI manages its exposure to credit risk as it does other market risks and will price, economically hedge, facilitate and intermediate trades which involve credit risk.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Use of Credit Risk Mitigation Techniques

Credit Risk Mitigation

In addition to determining counterparty credit quality and our risk appetite, we also use various credit risk mitigation techniques to optimize credit exposure and reduce potential credit losses. Credit risk mitigants are applied in the following forms:

- Comprehensive and enforceable credit documentation with adequate terms and conditions.
- Collateral held as security to reduce losses by increasing the recovery of obligations.
- Risk transfers, which shift the probability of default risk of an obligor to a third party including hedging executed by our Credit Portfolio Strategies Group.
- Netting and collateral arrangements which reduce the credit exposure from derivatives and repo- and repo-style transactions.

Collateral Held as Security

We regularly agree on collateral to be received from or to be provided to customers in contracts that are subject to credit risk. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality underwriting standards.

We segregate collateral received into the following two types:

- Financial and other collateral, which enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfill its primary obligations. Cash collateral, securities (equity, bonds), collateral assignments of other claims on inventory typically fall into this category.

- Guarantee collateral, which complements the borrower’s ability to fulfill its obligation under the legal contract and as such is provided by third parties. Letters of credit, insurance contracts, export credit insurance, guarantees, credit derivatives and risk participations typically fall into this category.

Our processes seek to ensure that the collateral we accept for risk mitigation purposes is of high quality. This includes seeking to have in place legally effective and enforceable documentation for realizable and measureable collateral assets which are evaluated regularly by dedicated teams. The assessment of the suitability of collateral for a specific transaction is part of the credit decision and must be undertaken in a conservative way, including collateral haircuts that are applied. We have collateral type specific haircuts in place which are regularly reviewed and approved. In this regard, we strive to avoid “wrong-way” risk characteristics where the borrower’s counterparty risk is positively correlated with the risk of deterioration in the collateral value. For guarantee collateral, the process for the analysis of the guarantor’s creditworthiness is aligned to the credit assessment process for borrowers.

Risk Transfers

Risk transfers to third parties form a key part of our overall risk management process and are executed in various forms, including outright sales, single name and portfolio hedging, and securitizations. Risk transfers are conducted by the respective business units and by our Credit Portfolio Strategies Group (“CPSG”), in accordance with specifically approved mandates.

CPSG has two primary objectives within the credit risk framework to enhance risk management discipline, improve returns and use capital more efficiently:

- to reduce single-name credit risk concentrations within the credit portfolio and

- to manage credit exposures by utilizing techniques including loan sales, securitization via collateralized loan obligations, default insurance coverage and single-name and portfolio credit default swaps

Netting and Collateral Arrangements for Derivatives and Securities Financing Transactions

Netting is applicable to both exchange traded derivative transactions (“futures and options”) and those traded over-the-counter (“OTC”) derivative transactions. Netting is also applied to collateral financing transactions as far as documentation, structure and nature of the risk mitigation allow netting with the underlying credit risk.

All futures and options are cleared through central counterparties (“CCPs”), which interpose itself between the trading entities by becoming the counterparty to each of the entities. Where available and to the extent agreed with our counterparties, we also use CCP clearing for our OTC derivative transactions. The rules and regulations of CCPs usually provide for the bilateral set off of all amounts payable on the same day and in the same currency (“payment netting”) and thereby reducing our settlement risk. Depending on the business model applied by the CCP, this payment netting applies either to all of our derivatives cleared by the CCP or at least to those that form part of the same class of derivatives. Many CCP rules and regulations also provide for the termination, close-out and netting of all cleared transactions upon the CCP’s default (“close-out netting”), which reduced our credit risk. In our risk measurement and risk assessment processes we apply close-out netting only to the extent we have satisfied ourselves of the legal validity and enforceability of the relevant CCP’s close-out netting provisions.

In order to reduce the credit risk resulting from OTC derivative transactions, where CCP clearing is not available, we regularly seek the execution of standard master agreements (such as master agreements for derivatives published by the International Swaps and Derivatives Association, Inc. (“ISDA”) with our counterparts. A master agreement allows for the close-out netting of rights and obligations arising under derivative transactions that have been entered into under such a master agreement upon the counterparty’s default, resulting in a single net claim owed by or to the counterparty. For parts of the derivatives business we also enter into master agreements under which payment netting applies in respect to transactions covered by such master agreements, reducing our settlement risk. In our risk measurement and risk assessment processes we apply close-out netting only to the extent we have satisfied ourselves of the legal validity and enforceability of the master agreement in all relevant jurisdictions.

Also, we enter into credit support annexes (“CSA”) to master agreements in order to further reduce our derivatives-related credit risk. These annexes generally provide risk mitigation through periodic, usually daily, margining of the covered exposure. The CSAs also provide for the right to terminate the related derivative transactions upon the counterparty’s failure to honor a margin call. As with netting, when we believe the annex is enforceable, we reflect this in our exposure measurement.

Certain CSAs to master agreements provide for rating dependent triggers, where additional collateral must be pledged if a party’s rating is downgraded. We also enter into master agreements that provide for an additional termination event upon a party’s rating downgrade. These downgrading provisions in CSAs and master agreements usually apply to both parties but may also apply to DBSI only. We analyze and monitor our potential contingent payment obligations resulting from a rating downgrade in our stress testing approach for liquidity risk on an ongoing basis.

Concentrations within Credit Risk Mitigation

Concentrations within credit risk mitigations taken may occur if a number of guarantors and credit derivative providers with similar economic characteristics are engaged in comparable activities with changes in economic or industry conditions affecting their ability to meet contractual obligations. We use a range of quantitative tools and metrics to monitor our credit risk mitigating activities. These also include monitoring of potential concentrations within collateral types supported by dedicated stress tests.

Regulatory Application of Credit Risk Mitigation Techniques

As described earlier in this document, DBSI is not required to calculate standalone RWA based on CRR/CRD 4 or the US Basel 3 rules. However, DBSI is required to maintain standalone capital adequacy pursuant to applicable SEC and CFTC rules and regulations governing a US broker-dealer and FCM. While the EU CRR/CRD 4 and US Basel regulatory frameworks differ in many aspects, the use of credit risk mitigants is recognized under both frameworks, although the SEC and CFTC rules generally limit such credit mitigants to cash and securities collateral received against counterparty exposures and exposure netting pursuant to eligible netting agreements.

Pursuant to SEC and CFTC rules, cash and securities are generally recognized as mitigants to activities such as repo and repo style transactions, receivables resulting from derivative clearing activities and other similar counterparty receivables. In such cases, the collateral is required to meet eligibility requirements and subject to a haircut based on the type of transaction and credit quality of the collateral received.

Counterparty receivables and payables may also be netted for purposes of calculating capital adequacy if eligible netting agreements are in place and meet the requirements set out in the SEC and CFTC rules.

Credit Risk Exposures

The following tables set out the Credit Risk exposures for DBSI as of December 31, 2014. All tables exclude inter-company transactions between DBSI and its affiliates and are prepared on an IFRS basis, consistent with DBAG's disclosures.

Main credit exposure categories by geographical region

									Dec 31, 2014
in €m.	Loans	Irrevocable lending commitments	Contingent liabilities	Derivatives	Traded Loans	Traded Bonds	Debt securities available for sale	Repo and repo-style transactions	Total
Germany	0	0	222	2	0	3	0	1,257	1484
Western Europe (excluding Germany)	0	0	0	5	0	334	0	1742	2,081
thereof:	0	0	0	0	0	0	0	0	0
France	0	0	0	3	0	24	0	4	31
Luxembourg	0	0	0	0	0	110	0	48	158
Netherlands	0	0	0	0	0	62	0	44	106
United Kingdom	0	0	0	0	0	72	0	1395	1467
North America	127	0	1415	2,503	0	31563	1	56,115	91724
thereof:	0	0	0	0	0	0	0	0	0
Canada	0	0	0	2	0	94	0	636	732
Cayman Islands	0	0	0	91	0	300	0	4,240	4,631
U.S.	127	0	1415	2,404	0	31,140	1	51,143	86,230
Central and South America	0	0	10	0	0	17	0	8	35
thereof:	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	0	0	17	0	0	17
Asia/Pacific	0	0	1	1	0	36	0	1005	1043
thereof:	0	0	0	0	0	0	0	0	0
Japan	0	0	0	1	0	9	0	231	241
South Korea	0	0	0	0	0	0	0	14	14
Other	0	0	0	0	0	487	0	0	487
Total	127	0	1648	2,511	0	32,440	1	60,127	96,854

All exposures are reported before credit mitigants and applicable netting.

Main credit exposure categories by industry sectors

									Dec 31, 2014
in €m.	Loans	Irrevocable lending commitments	Contingent liabilities	Derivatives	Traded Loans	Traded Bonds	Debt securities available for sale	Repo and repo-style transactions	Total
Banks and insurance	0	0	0	83	0	501	0	10,690	11,274
Fund management activities	53	0	0	0	0	469	0	48	570
Manufacturing	0	0	0	0	0	711	0	0	711
Wholesale and retail trade	0	0	0	0	0	256	0	0	256
Households	0	0	1412	0	0	0	0	29	1441
Commercial real estate activities	0	0	0	0	0	47	0	319	366
Public sector	18	0	0	5	0	549	0	0	572
Other	56	0	236	2,423	0	29,907	1	49,041	81664
Total	127	0	1648	2,511	0	32,440	1	60,127	96,854

Other represents exposures to the US government and US government-sponsored entities.

Residual contract maturity profile of the main credit exposure categories

Dec 31, 2014

in €m.	Loans	Irrevocable lending commitments	Contingent liabilities	Derivatives	Traded Loans	Traded Bonds	Debt securities available for sale	Repo and repo-style transactions	Total
< 1year	0	0	1,648	2,511	0	32,440	1	60,127	96,727
1year – 5 years	2	0	0	0	0	0	0	0	2
> 5 years	125	0	0	0	0	0	0	0	125
Total credit risk exposure	127	0	1,648	2,511	0	32,440	1	60,127	96,854

Average credit risk exposure held over the four quarters

Dec 31, 2014

	Loans [1]	Irrevocable lending commitments [2]	Contingent liabilities	Derivatives [3]	Traded Loans	Traded Bonds	Debt securities available for sale	Repo and repo-style transactions [4]	Total
Total average credit risk exposure	120	0	2,993	2,524	0	34,123	1	74,367	114,128
Total credit risk exposure at year-end	127	0	1,648	2,511	0	32,440	1	60,127	96,854

Asset Quality

Derivatives - Credit Valuation Adjustment

Counterparty Credit Valuation Adjustments ("CVA"s) are required to cover expected credit losses to the extent that the valuation technique does not already include an expected credit loss factor relating to the nonperformance risk of the counterparty. The CVA amount is applied to all relevant over-the-counter ("OTC") derivatives, and is determined by assessing the potential credit exposure to a given counterparty and taking into account any collateral held, the effect of any relevant netting arrangements, expected loss given default and the credit risk, based on available market information, including Credit Default Swap ("CDS") spreads. Where counterparty CDS spreads are not available, relevant proxies are used.

Past Due Loans

Loans are considered to be past due if contractually agreed payments of principal and/or interest remain unpaid by the borrower, except if those loans are acquired through consolidation. The latter are considered to be past due if payments of principal and/or interest, which were expected at a certain payment date at the time of the initial consolidation of the loans, are unpaid by the borrower.

Impaired Loans

Credit Risk Management regularly assesses whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ("a loss event"). When making our assessment we consider information on such events that is reasonably available up to the date the financial statements are authorized for issuance in line with the requirements of IAS 10;

- the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets, and

- a reliable estimate of the loss amount can be made.

Credit Risk Management's loss assessments are subject to regular review in collaboration with Group Finance. The results of this review are reported to and approved by an oversight committee comprised of Group Finance and Risk Senior Management.

Impairment Loss and Allowance for Loan Losses

If there is evidence of impairment the impairment loss is generally calculated on the basis of discounted expected cash flows using the original effective interest rate of the loan. If the terms of a loan are renegotiated or otherwise modified because of financial difficulties of the borrower without qualifying for a derecognition of the loan, the impairment loss is measured using the original effective interest rate before modification of terms. We reduce the carrying amount of the impaired loan by the use of an allowance account and recognize the amount of the loss in the consolidated statement of income as a component of the provision for credit losses. We record increases to our allowance for loan losses as an increase of the provision for loan losses in our income statement. Charge-offs reduce our allowance while recoveries, if any, are credited to the allowance account. If we determine that we no longer require allowances which we have previously established, we decrease our allowance and record the amount as a reduction of the provision for loan losses in our income statement. When it is considered that there is no realistic prospect of recovery and all collateral has been realized or transferred to us, the loan and any associated allowance for loan losses is charged off (i.e., the loan and the related allowance for loan losses are removed from the balance sheet).

While we assess the impairment for our corporate credit exposures individually, we assess the impairment of our smaller-balance standardized homogeneous loans collectively.

Our collectively assessed allowance for non-impaired loans reflects allowances to cover for incurred losses that have neither been individually identified nor provided for as part of the impairment assessment of smaller-balance homogeneous loans.

Renegotiated Loans and Forbearances

For economic or legal reasons we might enter into a forbearance agreement with a borrower who faces or will face financial difficulties in order to ease the contractual obligation for a limited period of time. A case by case approach is applied for our corporate clients considering each transaction and client specific facts and circumstances. For consumer loans we offer forbearances for a limited period of time, in which the total or partial outstanding or future installments are deferred to a later point of time. However, the amount not paid including accrued interest during this period must be re-compensated at a later point of time. Repayment options include distribution over residual tenor, a one-off payment or a tenor extension. Forbearances are restricted and depending on the economic situation of the client, our risk management strategies and the local legislation. In case of a forbearance agreement is entered into, an impairment measurement is conducted as described below, an impairment charge is taken if necessary and the loan is subsequently recorded as impaired.

Loans that have been renegotiated in such a way that, for economic or legal reasons related to the borrower's financial difficulties, we granted a concession to the borrower that we would not otherwise have considered are disclosed as renegotiated loans and are a subset of forborne loans.

On February 20, 2014, the EBA issued the draft Implementing Technical Standards (ITS) on Supervisory reporting on forbearance and non-performing exposures under Article 99(4) CCR.

During 2014, DBAG introduced the new EBA definition for forbearances replacing the definition of renegotiated and restructured loans. The scope of the new definition goes far beyond the prior definitions applied and now includes those measures to clients which will face financial difficulties. Once the conditions mentioned in the ITS are met, we report the loan as being forborne; we remove the loan from our forbearance reporting, once the discontinuing criteria in the ITS are met.

Compensation Overview and Disclosure

Executive Summary

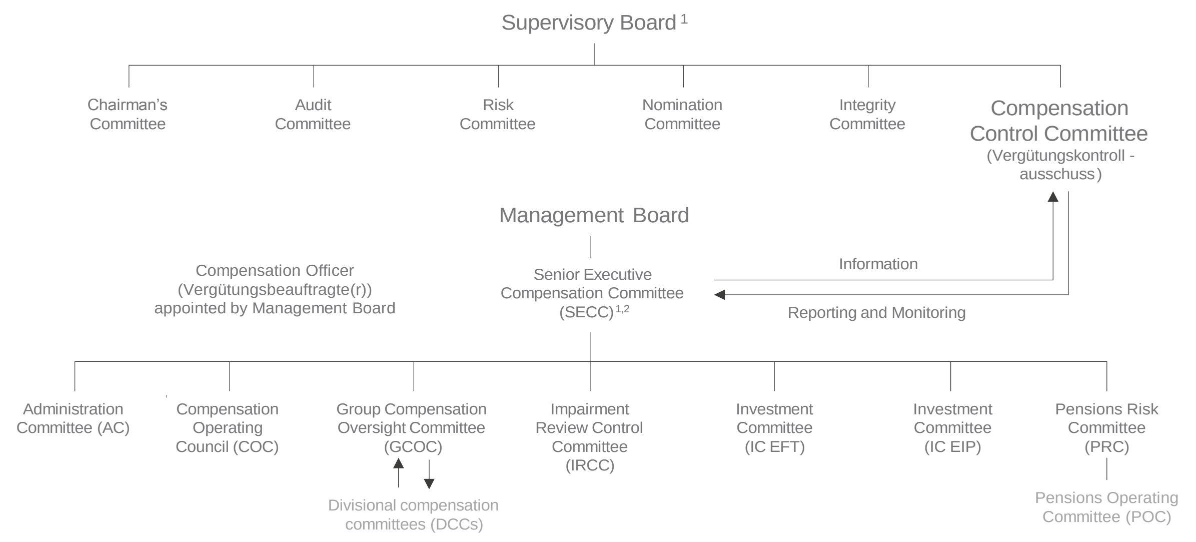
DB Group generally implements its compensation policies on a group-wide basis, so that the compensation policies applicable to DBSI employees are those of DB Group, which are described below.

DBSI had a total of 4,200 employees as of December 31, 2014, and its total compensation expenses were € 1,447 million for 2014. The total 2014 variable compensation ("VC") for employees in DBSI was € 635 million. In keeping with our historic approach, a large proportion of VC is deferred over three to five years and made subject to a combination of behavioral and performance based forfeiture provisions. The scope of the forfeiture provisions was significantly extended in 2013, and the Bank has maintained these provisions for performance year 2014.

Compensation Governance

Our robust governance structure enables us to operate within the clear parameters of our compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the key committees that form the Global Reward Governance Structure.

Compensation governance structure
(based on §25d (12) KWG and InstitutsVergV Regulations)



[1] Optional: Independent external consultants
[2] The relevant tasks are performed by the SECC on behalf of the Management Board

In accordance with the German two-tier board structure, the Supervisory Board governs the compensation of the Management Board members, while the Management Board, supported by the Senior Executive Compensation Committee ("SECC"), oversees compensation matters for all other employees in the Group. The SECC meets at least every two months (24 meetings in performance year 2014), and is co-chaired by Stefan Krause (CFO) and Stephan Leithner (for 2014: CEO Europe ex Germany and UK, Human Resources, Legal & Compliance, Government and Regulatory Affairs), both of whom are members of the Management Board. The remaining membership is comprised of Stuart Lewis (CRO and member of the Management Board) and senior employees from Finance and Human Resources. In order to maintain its independence, no employees aligned to any of our business divisions are members of the SECC. The SECC prepares and recommends to the Management Board key Group level decisions on compensation strategy and structures, as well as overseeing the overall compensation process through its sub-committee structure.

The Management Board has approved a Group Compensation Strategy, which ensures that compensation practices are fully linked to the Group's business and risk strategies. The Bank also has a Group Compensation Policy, an internal document focused on informing and educating employees with regards to the Bank's compensation strategy, governance processes and structures. These documents provide a clear and demonstrable link between compensation practices and the wider Group strategy and, in compliance with § 13

InstitutsVergV, these documents have been published on the Bank's intranet site and are therefore available to all employees.

In accordance with the InstitutsVergV, the SECC works in co-operation with the Compensation Control Committee ("CCC") in relation to Group matters. The CCC is comprised of Supervisory Board members and establishes a closer link to, and focus on, Group compensation matters by the Supervisory Board by monitoring the structure of remuneration systems for senior management and employees. The CCC also supports the Supervisory Board in monitoring whether the relevant internal control functions are adequately involved in the structuring of remuneration systems, as well as ensuring that the long-term interests of shareholders, investors and other stakeholders are taken into account. In addition, and according to §§ 23 to 26 of the InstVV, the Management Board, in cooperation with the CCC, has appointed a Compensation Officer, who cooperates closely with the chair of the CCC and is responsible for continuously monitoring the adequacy of the compensation systems. A Deputy Compensation Officer has also been appointed to assist the Compensation Officer in the fulfillment of his duties. The CCC had seven meetings in performance year 2014.

Compensation Structure

The Bank employs a total compensation philosophy, which comprises fixed pay and variable compensation ("VC").

Fixed pay is used to compensate employees for their skills, experience and competencies, commensurate with the requirements, size and scope of their role. For the majority of Deutsche Bank employees, fixed pay is the primary compensation component, and the share of fixed compensation within total compensation is far greater than 50 %. This is appropriate to many businesses and will continue to be a significant feature of total compensation going forward.

VC is predicated on the industry objective of retaining cost flexibility whilst attracting and retaining the right talent. VC also has the advantage of being able to differentiate performance outcomes and drive behaviors through appropriate incentive systems that can also positively influence culture. As a result, VC is a key feature of market practice compensation in many business lines in the banking environment globally. Combined with fixed pay, this drives total compensation outcomes that are both cost effective and flexible.

CRD 4 Implementation

As previously stated, pursuant to § 25a (5) German Banking Act (KWG) and § 6 (2) InstitutsVergV, the Bank is subject to a maximum fixed to variable compensation ratio. In implementation of this, the Bank has taken a number of steps which impact the remuneration structure. Implementing the regulatory requirements of 1:1 and 1:2 will not in itself cause individual employee total compensation to rise. Total compensation will continue to be performance and market driven. To ensure that total compensation levels remain competitive, the application of a 1:1 and 1:2 ratio has required an adjustment to the compensation structure of a number of employees.

Determining Group-wide Variable Compensation

The Bank uses a formalized and transparent process to derive recommended VC pools across the Group. For business divisions, VC pool recommendations are calculated by applying divisional payout rates to divisional risk-adjusted, bonus-eligible performance. Divisional payout rates are calibrated to both historical midpoints and competitive benchmarks to promote transparency of initial pool recommendations. Infrastructure pool recommendations are determined separately and are not dependent on the performance of the Divisions they oversee, in accordance with § 5 (4) InstitutsVergV.

The resulting pool recommendations are then considered and reviewed taking into account other strategic qualitative factors and external benchmarks. In accordance with the InstitutsVergV, the emphasis of remuneration for the majority of infrastructure employees, particularly in key control functions, is on fixed compensation.

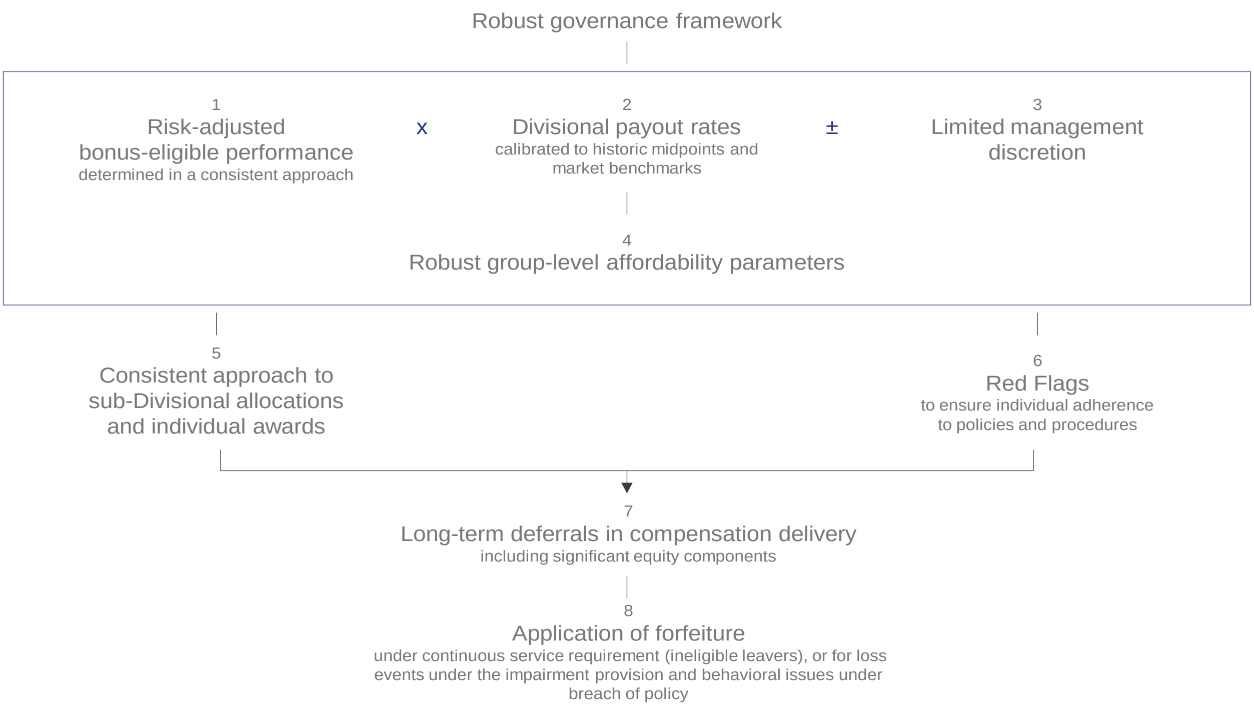
When making VC pool decisions, the overriding consideration is balancing Group affordability with competitiveness; ensuring the Bank is able to meet externally published targets, liquidity and capital requirements, in accordance with the specifications of § 7 and § 19 InstitutsVergV. Group-level affordability tests are conducted to determine the recommended VC pool sizes are appropriate; supporting long-term profitability and the sustainable development of the Bank, in line with the Group Compensation Strategy and with the Bank's values and beliefs. The metrics used by the SECC to assess Group affordability include, but are not limited to:

— Pro forma CRR/CRD 4 Common Equity Tier 1 Capital Ratio
— Liquidity
— Risk Bearing Capacity

— Cost Income Ratio
— Compensation Ratio
— Income before Income Taxes (IBIT)
— Net Income
— Other relevant financial metrics requested by the SECC

The Group VC pool is considered affordable if aligned with these key financial metrics and if consistent with the projected fulfillment of future regulatory and strategic goals.

Summary of the VC pool determination process and the overarching governance framework:



Variable Compensation Structure and Vehicles

VC has been used by the Bank for many years to incentivize, reward and retain strong performing employees and thereby differentiate total compensation outcomes. All individual VC decisions must be performance-based and linked to a combination of risk-adjusted Group, divisional and individual performance. Managers, when exercising discretion, must fully understand both the absolute and relative risk-taking activities of individuals to ensure that VC allocations are balanced and risk-taking is not inappropriately incentivized.

At a senior level, we are committed to ensuring that a large portion of any VC award is linked to the long-term development and performance of the Bank through the structured deferral of awards over a minimum three year period, with appropriate performance conditions and forfeiture provisions.

Employees with a 2014 deferred VC award received 50 % of the award in the form of deferred equity and 50 % in deferred cash. Note: a limited number of senior employees in our Deutsche AWM division received a portion of their deferred award in the form of an Employee Investment Plan (EIP) Award. These are cash settled awards based on the value of funds managed by the business. Deferral and forfeiture provisions under the EIP remain the same as all other awards.

The following instruments were utilized to achieve this:

Restricted Equity Awards

The deferred equity portion is delivered as a Restricted Equity Award ("REA") which vests on a pro rata basis over three years (or 4.5 years for the Senior Management Group). Note: employees in the Private Client Services ("PCS") business of Deutsche AWM receive a PCS award instead of REA. The value of the REA is linked to the Bank's share price over the vesting (and, where applicable, retention) period and is therefore tied to the long-term sustained performance of the Bank. Specific forfeiture provisions apply during the deferral period and, where applicable, retention periods.

Restricted Incentive Awards

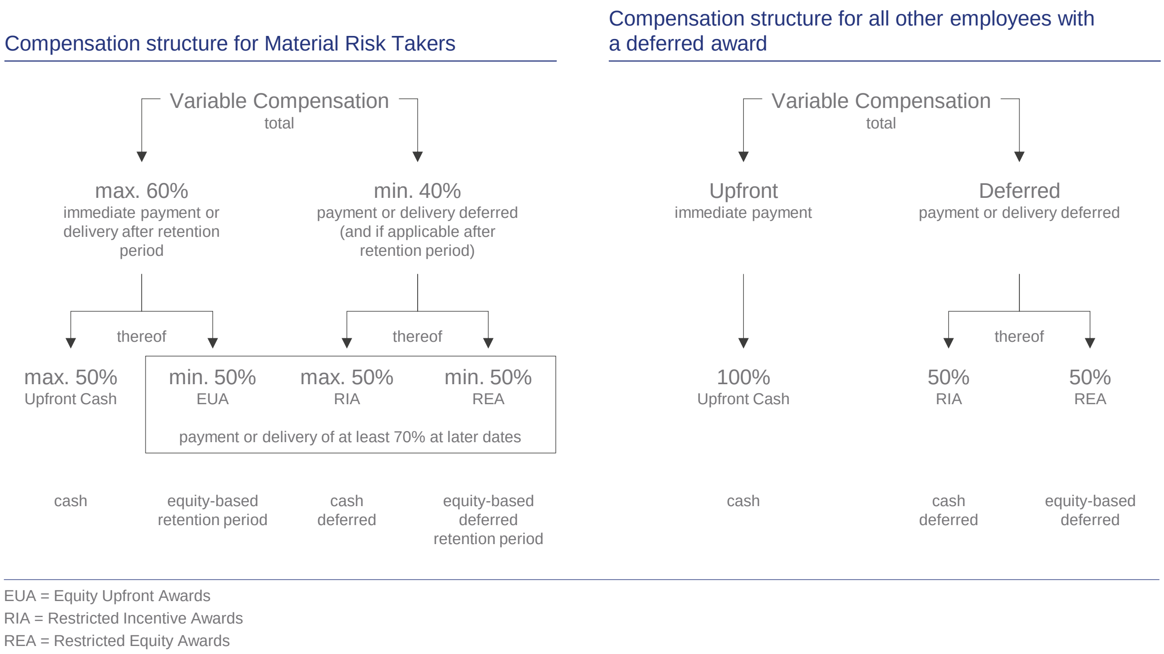
The non-equity based portion is granted as deferred cash compensation (Restricted Incentive Award, “RIA”) which vests on a pro rata basis over three years (a longer deferral period applies to Management Board members). Specific forfeiture provisions apply during the deferral period.

Equity Upfront Awards

In addition to the above deferred awards, all Material Risk Takers receive 50 % of their upfront (non-deferred) award in the form of an Equity Upfront Award (“EUA”).

The EUA is vested at grant but it is subject to a 6 month retention period. The value of the EUA is linked to the Bank’s share price during the retention period and is therefore tied to the sustained performance of the Bank. Specific forfeiture provisions apply during the retention period in addition to a service requirement.

The following diagram summarizes the above compensation vehicles utilized for Material Risk Takers and all other employees with a deferred award.



Deferral Schedule

Regulatory requirements dictate that deferral periods for Material Risk Takers should be a minimum of three years. As in previous years, we have chosen to apply these minimum requirements to all employees with deferred awards. We have also once more identified a subset of our most senior MRTs. This Senior Management Group (consisting of 11 employees in DBSI) is subject to a 4.5 year (cliff vest) deferral period in respect of their REA. This is intended to ensure more than any other employees they have a vested interest in the long-term, sustained performance of the Bank.

A six month retention period also applies following the vesting of each REA tranche for MRTs. For the Senior Management Group, the six month retention period follows the 4.5 year vesting period. As such, they will not realize any of the value of their 2015 REA until at least February 2020 (five years following grant).

All MRTs also receive 50 % of their upfront award in the form of an EUA. The EUA is vested at grant, however it is subject to a six month retention period during which time forfeiture provisions are applicable (this goes beyond regulatory requirements).

Below is a summary of the vesting structure for each population of employees with a deferred award (excluding the Management Board).

Structure for 2014 deferred compensation

		Upfront		Deferred	
Employee population		Cash Bonus (50% of Upfront Award)	Equity Upfront Award (EUA) (50% of Upfront Award)	Restricted Incentive Award (RIA) (deferred cash) (50% of Deferred Award)	Restricted Equity Award (REA) (deferred equity) (50% of Deferred Award)
Senior Management Group[1]	Vesting schedule (Grant date February 2015)		Fully vested at grant (Feb 2015)	3-year equal vesting tranches (February 2016, 2017, 2018)	4.5-year cliff vesting (August 2019)
	Retention period (post vesting period)		Retention period ends August 2015		Retention period ends February 2020
Remainder of Material Risk Takers	Vesting schedule (Grant date February 2015)		Fully vested at grant (Feb 2015)	3-year equal vesting tranches (February 2016, 2017, 2018)	3-year equal vesting tranches (February 2016, 2017, 2018)
	Retention period (post vesting period)		Retention period ends August 2015		Retention periods end August 2016, 2017, 2018
All other employees with deferred awards	Vesting schedule (Grant date February 2015)			3-year equal vesting tranches (February 2016, 2017, 2018)	3-year equal vesting tranches (February 2016, 2017, 2018)
	Retention period (post vesting period)				

[1] Excluding Management Board.

Risk Adjustment of Variable Compensation

A series of measures are intended to implement effective risk management processes into compensation systems addressing both ex ante and ex post adjustments.

Ex-Ante Risk Adjustment

To establish appropriate ex-ante risk adjustments, we use a consistent, bank-wide standardized methodology to measure risk-adjusted bonus-eligible (“RA BE”) performance (RA BE Net Income before Bonus and Tax (“NIBBT”)) by business. All performance for VC calculation purposes is appropriately risk-adjusted based on economic capital utilization in accordance with the requirements of § 19 InstitutsVergV.

The Bank’s economic capital model was developed within the Risk function and is the Bank’s primary method for calculating the degree of future potential risk to which the Bank may be exposed. The model measures the amount of capital that the Bank would need in order to absorb very severe unexpected losses arising from the Bank’s exposures.

Economic capital was verified as being the Bank’s best estimate for future but not materialized losses from its current portfolio and therefore the best metric to adjust VC pools. The SECC reviewed the appropriateness of the risk-adjustment methodology and does so on an annual basis.

The Bank’s economic capital model captures inputs from four risk areas:

— Credit risk
— Market risk
— Operational risk
— Business risk

These risks are modeled independently and with the consideration of the different components that constitute each risk area.

Ex post risk adjustment

Performance conditions and forfeiture provisions are a key element of our deferred compensation structures and ensure that awards are aligned to future conduct and performance. As illustrated by the statistics in this report, the percentage of VC awards subject to deferral, and therefore performance and forfeiture conditions, increases in line with earnings. In conjunction with the scope of the risk adjustment measures, the duration for which they are applicable is equally as important and is reflected in the application of such conditions up to the settlement of awards.

A number of performance and forfeiture provisions have been applied to 2014 deferred VC awards (awarded in February 2015), which are summarized below.

2014 deferred compensation awards: forfeiture provisions

Performance Conditions & Forfeiture provisions	Senior Management Group & other Material Risk Takers	All other staff with Deferred Awards
Group Performance Provision (REA) – Applicable to REA tranches prior to settlement — In the event of negative Group IBIT, the next vesting tranche of REAs will be forfeited — In the event that the CET1 Capital Ratio is less than 200 basis points over the Group's applicable regulatory minimum capital level according to Article 92(1)(a) of the CRR as a result of the Group incurring a negative net income or for any other reason, 100% of undelivered 2014 REAs will be forfeited	yes	yes
Group Performance Provision (RIA) – Applicable to RIA tranches prior to settlement for MRTs — In the event of negative Group IBIT, the next vesting tranche of RIAs will be forfeited	yes	
Divisional Performance Provision – Applicable to REA and RIA tranches prior to settlement for MRTs — In the event of negative Divisional IBIT, the next vesting tranche of REAs/RIAs will be forfeited — Provision is not applicable for Infrastructure, Regional Management or NCOU employees	yes	
Revenue Impairment Forfeiture – Applicable to undelivered RIA and REA	yes	yes
Revenue Impairment Forfeiture – Applicable to EUA and retention periods following vesting of REA tranches for MRTs	yes	
Breach of Policy – Applicable to undelivered RIA and REA	yes	yes
Breach of Policy – Applicable to EUA and retention periods following vesting of REA tranches for MRTs	yes	

Material Risk Takers

In accordance with the InstitutsVergV we are required to identify all employees whose work is deemed to have a major influence on the overall risk profile of the Group. Appropriately identifying Material Risk Takers (“MRTs”), and subsequently designing suitable compensation structures for them, is essential in order not to incentivize inappropriate risk-taking. The European Banking Authority’s Regulatory Technical Standards (“EBA RTS”), which have been adopted by the InstitutsVergV, came into effect in June 2014.

To promote alignment with new regulatory requirements, the 2014 MRT identification process is based on a combination of qualitative and quantitative criteria as set out in the EBA RTS, and internal criteria developed by the Bank to identify additional categories of employees whose professional activities have a material impact on the Bank’s risk profile. In DBSI, 667 employees were identified as MRTs for performance-year 2014.

Compensation Structures for Material Risk Takers

Material Risk Takers are subject to the same deferral matrix as the general employee population, save for the requirement that at least 40 % - 60 % of VC must be deferred. If a MRT’s VC does not trigger a deferral of at least 40 % under the Group’s global deferral matrix then (providing their VC is in excess of € 50,000) the matrix is overridden to ensure that regulatory obligations are met. On average, however, MRTs are subject to deferral rates in excess of the minimum 40 % - 60 % regulatory requirements.

All MRTs receive 50 % of their deferred VC in the form of a Restricted Equity Award (“REA”) and typically the remaining 50 % as a Restricted Incentive Award (“RIA”). Note: a limited number of MRTs in Deutsche AWM received a portion of their RIA in the form of an Employee Investment Plan (“EIP”) Award. These are cash settled awards based on the value of funds managed by the business, and deferral and forfeiture provisions under the EIP remain the same as the RIA. These employees still received 50 % of their deferred award in equity (as a REA) as required by regulation.

Upon the vesting of each REA tranche (or at the end of the 4.5 year vesting period for the Senior Management Group), a further minimum six-month retention period applies during which time employees are not permitted to sell their shares. Employees can still forfeit their REA under the Policy/Regulatory Breach and Revenue Impairment forfeiture provisions or if they are subject to termination for Cause during the retention period.

In addition to the deferred award, 50 % of the upfront award (the remaining portion after the deferred element is calculated) is also awarded in equity in the form of an Equity Upfront Award (“EUA”). At award, the equity is subject to a minimum six-month retention period during which time the shares cannot be sold. Adding the EUA to the deferred portion of the award means that, on average, MRTs receive less than 15 % of their 2014 VC as an immediate cash payment (i.e., average deferral rates in excess of 85 %). EUAs are subject to the Policy/Regulatory Breach and Revenue Impairment forfeiture provisions during the retention period and will also be forfeited if the employee leaves the Group either voluntarily or for cause.

All deferred awards and the EUA are subject to forfeiture following a Policy/Regulatory Breach or Revenue Impairment event. In addition, all deferred awards are subject to forfeiture provisions linked to the performance of the respective division and/or the Group as a whole.

Compensation Disclosure pursuant to Section 16 InstitutsVergV

Section 16 InstitutsVergV provides that the duties of disclosure for institutions are determined solely by Article 450 of Regulation (EU) No. 575/2013 (the Capital Requirements Regulation, “CRR”). Article 450 CRR introduces new disclosure requirements and the tables below have been created in accordance with this.

Aggregate remuneration

As described above, we have developed, refined and implemented a structured and comprehensive approach in order to identify Material Risk Takers in accordance with the InstitutsVergV requirements. The collective remuneration elements for this population of employees are detailed in the table below. Please note that ‘variable pay’ is reported in the table, which includes variable compensation as well as other discretionary remuneration elements. Variable pay has been used for fixed to variable remuneration ratio purposes.

All Management Board members and Board members of other significant Group Subsidiaries per Section 1 and 17 InstitutsVergV are included in the Geschäftsleiter column.

						2014
in € m. (unless stated otherwise)	CB&S	Deutsche AWM	Geschäftsleiter (Significant Institutions)	Infrastructure & Regional Management	NCOU	Group Total
Number of employees	633	7	6	25	7	678
thereof:						
Senior Management Group	5	1	4	0	1	11
Other material risk takers	628	6	2	25	6	667
Total Pay	733	8	31	18	16	805
thereof:						
Fixed Pay[2]	330	3	13	9	7	363
Variable Pay[3]	402	5	17	8	9	441
Variable Pay	402	5	17	8	9	441
thereof:						
Variable in cash	205	2	9	4	5	225
Variable in shares	197	2	9	4	4	216
Variable in share-linked instruments	0	0	0	0	0	0
Variable in other types of instruments	0	0	0	0	0	0
Outstanding deferred Variable Pay	720	3	55	10	18	806
thereof:						
Vested awards	8	0	0	0	0	8
Unvested awards	712	3	55	10	18	798

[2] Fixed pay defined as: base salary + Additional Fixed Pay Supplement + relevant local allowances
[3] Variable pay defined as: VC + other discretionary remuneration payments

The table may contain marginal rounding differences.

Sign-on awards are intended to be a one-off premium to exceptional new hires and are included as variable pay in the year of joining for the purposes of the maximum fixed to variable ratio. As such, Sign-on awards are included in 'variable pay' in the above table. For 2014, € 1.02 million Sign-on awards were granted to a total number of 5 MRTs in DBSI.

We are conscious that any discretionary termination payments made must be determined based on the sustained commitment of the individual and their personal contribution to the success of the Bank during the course of their employment. No MRTs in DBSI received discretionary termination payments in 2014.

During the course of 2014, one MRT in DBSI had awards subject to forfeiture as a result of a finding of a Policy breach.

Remuneration of high earners

Per Article 450 CRR, the Bank is also required to disclose the number of individuals remunerated € 1 million or more. This information is provided below:

	2014
	Number of employees
Total Pay[1]	
1,000,000 to 1,499,999	120
1,500,000 to 1,999,999	56
2,000,000 to 2,499,999	33
2,500,000 to 2,999,999	16
3,000,000 to 3,499,999	14
3,500,000 to 3,999,999	16
4.000,000 to 7,999,999	13

1 Total Pay defined as fixed pay (base salary + AFPS + relevant local allowances) plus variable pay (VC plus other discretionary remuneration payments)

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