

# Deutsche Bank Securities Inc. CRR Article 13(1) Pillar 3 Disclosures at December 31, 2015

*Passion to Perform*



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# Introduction

## Overview

Prudential rules for banks and investment companies are 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, and which 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"), 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, 2015, 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 providing 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, collateralized 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 2016. Similarly, in August 2015 the European Commission adopted mandatory clearing through central counterparties for certain standardized OTC derivatives transactions. 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 customers 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.

## Collateralized 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), and 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 collateralized 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 themselves 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, and 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, 2015. 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

| 31-Dec-15   |       |                                       |                           |             |              |              |                                       |                                     |        |
|---|-------|---------------------------------------|---------------------------|-------------|--------------|--------------|---------------------------------------|-------------------------------------|--------|
|   | Loans | Irrevocable<br>lending<br>commitments | Contingent<br>liabilities | Derivatives | Traded Loans | Traded Bonds | Debt securities<br>available for sale | Repo and repo-style<br>transactions | Total  |
| Germany   | 0     | 0                                     | 164                       | 0           | 0            | 1            | 0                                     | 713                                 | 878    |
| Western Europe<br>(excluding Germany)<br>thereof: | 0     | 0                                     | 0                         | 6           | 0            | 280          | 0                                     | 2,641                               | 2,928  |
| France  | 0     | 0                                     | 0                         | 1           | 0            | 43           | 0                                     | 0                                   | 44     |
| Luxembourg  | 0     | 0                                     | 0                         | 0           | 0            | 89           | 0                                     | 96                                  | 185    |
| Netherlands                                       | 0     | 0                                     | 0                         | 0           | 0            | 31           | 0                                     | 51                                  | 82     |
| United Kingdom                                    | 0     | 0                                     | 0                         | 4           | 0            | 61           | 0                                     | 1,978                               | 2,044  |
| North America                                     | 54    | 0                                     | 922                       | 1,575       | 0            | 22,992       | 1                                     | 60,455                              | 85,999 |
| thereof:  |       |                                       |                           |             |              |              |                                       |                                     |        |
| Canada  | 0     | 0                                     | 0                         | 0           | 0            | 95           | 0                                     | 682                                 | 778    |
| Cayman Islands                                    | 0     | 0                                     | 2                         | 26          | 0            | 287          | 0                                     | 5,400                               | 5,715  |
| U.S.  | 54    | 0                                     | 920                       | 1,542       | 0            | 22,585       | 1                                     | 53,834                              | 78,936 |
| Central and South<br>America<br>thereof:          | 0     | 0                                     | 31                        | 0           | 0            | 5            | 0                                     | 154                                 | 190    |
| Mexico  | 0     | 0                                     | 0                         | 0           | 0            | 5            | 0                                     | 0                                   | 5      |
| Asia/Pacific                                      | 0     | 0                                     | 0                         | 2           | 0            | 38           | 0                                     | 1,671                               | 1,711  |
| thereof:  |       |                                       |                           |             |              |              |                                       |                                     |        |
| China   | 0     | 0                                     | 0                         | 0           | 0            | 14           | 0                                     | 0                                   | 14     |
| Japan   | 0     | 0                                     | 0                         | 1           | 0            | 3            | 0                                     | 0                                   | 4      |
| South Korea                                       | 0     | 0                                     | 0                         | 0           | 0            | 0            | 0                                     | 8                                   | 8      |
| Other   | 0     | 0                                     | 178                       | 0           | 0            | 6,290        | 0                                     | 1,030                               | 7,497  |
| Total   | 54    | 0                                     | 1,294                     | 1,583       | 0            | 29,607       | 1                                     | 66,663                              | 99,202 |

|   |       |                                       |                           |             |              |              |                                       |                                     | 31-Dec-14 |
|---|-------|---------------------------------------|---------------------------|-------------|--------------|--------------|---------------------------------------|-------------------------------------|-----------|
| in € m.   | Loans | Irrevocable<br>lending<br>commitments | Contingent<br>liabilities | Derivatives | Traded Loans | Traded Bonds | Debt securities<br>available for sale | Repo and repo-style<br>transactions | Total     |
| Germany   | 0     | 0                                     | 222                       | 2           | 0            | 3            | 0                                     | 1,257                               | 1,484     |
| Western Europe<br>(excluding Germany)<br>thereof: | 0     | 0                                     | 0                         | 5           | 0            | 334          | 0                                     | 1,742                               | 2,081     |
| 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                                     | 1,395                               | 1,467     |
| North America                                     | 127   | 0                                     | 1,415                     | 2,503       | 0            | 31,563       | 1                                     | 56,115                              | 91,724    |
| thereof:  |       |                                       |                           |             |              |              |                                       |                                     |           |
| 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                                     | 1,415                     | 2,404       | 0            | 31,140       | 1                                     | 51,143                              | 86,230    |
| Central and South<br>America<br>thereof:          | 0     | 0                                     | 10                        | 0           | 0            | 17           | 0                                     | 8                                   | 35        |
| Mexico  | 0     | 0                                     | 0                         | 0           | 0            | 17           | 0                                     | 0                                   | 17        |
| Asia/Pacific                                      | 0     | 0                                     | 1                         | 1           | 0            | 36           | 0                                     | 1,005                               | 1,043     |
| thereof:  |       |                                       |                           |             |              |              |                                       |                                     |           |
| 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                                     | 1,648                     | 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

| 31-Dec-15                         |           |                                 |                        |              |              |               |                                    |                                  |               |
|-----------------------------------|-----------|---------------------------------|------------------------|--------------|--------------|---------------|------------------------------------|----------------------------------|---------------|
| in € m.                           | Loans     | Irrevocable lending commitments | Contingent liabilities | Derivatives  | Traded Loans | Traded Bonds  | Debt securities available for sale | Repo and repo-style transactions | Total         |
| Financial Intermediation          | 0         | –                               | 5                      | 1,579        | –            | 8,425         | –                                  | 66,104                           | 76,112        |
| Fund management activities        | 54        | –                               | –                      | –            | –            | 447           | –                                  | 237                              | 738           |
| Manufacturing                     | –         | –                               | –                      | –            | –            | 519           | –                                  | –                                | 519           |
| Wholesale and retail trade        | –         | –                               | –                      | –            | –            | 127           | –                                  | –                                | 127           |
| Households                        | –         | –                               | 1,239                  | –            | –            | –             | –                                  | 10                               | 1,249         |
| Commercial real estate activities | –         | –                               | –                      | –            | –            | 109           | –                                  | 40                               | 150           |
| Public sector                     | –         | –                               | –                      | 2            | –            | 444           | –                                  | 120                              | 566           |
| Other                             | 0         | –                               | 49                     | 2            | –            | 19,537        | 1                                  | 153                              | 19,741        |
| <b>Total</b>                      | <b>54</b> | <b>–</b>                        | <b>1,294</b>           | <b>1,583</b> | <b>–</b>     | <b>29,607</b> | <b>1</b>                           | <b>66,663</b>                    | <b>99,202</b> |

| 31-Dec-14                         |            |                                 |                        |              |              |               |                                    |                                  |               |
|-----------------------------------|------------|---------------------------------|------------------------|--------------|--------------|---------------|------------------------------------|----------------------------------|---------------|
| 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               | –          | –                               | –                      | 83           | –            | 501           | –                                  | 10,690                           | 11,274        |
| Fund management activities        | 53         | –                               | –                      | 0            | –            | 469           | –                                  | 48                               | 570           |
| Manufacturing                     | –          | –                               | –                      | –            | –            | 711           | 0                                  | –                                | 711           |
| Wholesale and retail trade        | –          | –                               | –                      | 0            | –            | 256           | 0                                  | –                                | 256           |
| Households                        | –          | –                               | 1,412                  | –            | –            | –             | –                                  | 29                               | 1,441         |
| Commercial real estate activities | –          | –                               | –                      | –            | –            | 47            | –                                  | 319                              | 366           |
| Public sector                     | 18         | –                               | –                      | 5            | –            | 549           | –                                  | –                                | 572           |
| Other                             | 56         | –                               | 236                    | 2,423        | –            | 29,907        | 1                                  | 49,041                           | 81,664        |
| <b>Total</b>                      | <b>127</b> | <b>–</b>                        | <b>1,648</b>           | <b>2,511</b> | <b>–</b>     | <b>32,440</b> | <b>1</b>                           | <b>60,127</b>                    | <b>96,854</b> |

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

## Residual contract maturity profile of the main credit exposure categories

| 31-Dec-15                         |           |                                 |                        |              |              |               |                                    |                                  |               |
|-----------------------------------|-----------|---------------------------------|------------------------|--------------|--------------|---------------|------------------------------------|----------------------------------|---------------|
| in € m.                           | Loans     | Irrevocable lending commitments | Contingent liabilities | Derivatives  | Traded Loans | Traded Bonds  | Debt securities available for sale | Repo and repo-style transactions | Total         |
| < 1 year                          | 0         | –                               | 1,294                  | 1,583        | –            | 29,607        | –                                  | 66,663                           | 99,147        |
| 1 year – 5 years                  | –         | –                               | –                      | –            | –            | –             | –                                  | –                                | –             |
| > 5 years                         | 54        | –                               | –                      | –            | –            | –             | 1                                  | –                                | 55            |
| <b>Total credit risk exposure</b> | <b>54</b> | <b>–</b>                        | <b>1,294</b>           | <b>1,583</b> | <b>–</b>     | <b>29,607</b> | <b>1</b>                           | <b>66,663</b>                    | <b>99,202</b> |

| 31-Dec-14                         |            |                                 |                        |              |              |               |                                    |                                  |               |
|-----------------------------------|------------|---------------------------------|------------------------|--------------|--------------|---------------|------------------------------------|----------------------------------|---------------|
| in € m.                           | Loans      | Irrevocable lending commitments | Contingent liabilities | Derivatives  | Traded Loans | Traded Bonds  | Debt securities available for sale | Repo and repo-style transactions | Total         |
| < 1 year                          | 0          | –                               | 1,648                  | 2,511        | –            | 32,440        | 1                                  | 60,127                           | 96,727        |
| 1 year – 5 years                  | 2          | –                               | –                      | –            | –            | –             | –                                  | –                                | 2             |
| > 5 years                         | 125        | –                               | –                      | –            | –            | –             | –                                  | –                                | 125           |
| <b>Total credit risk exposure</b> | <b>127</b> | <b>–</b>                        | <b>1,648</b>           | <b>2,511</b> | <b>–</b>     | <b>32,440</b> | <b>1</b>                           | <b>60,127</b>                    | <b>96,854</b> |

## Average credit risk exposure held over the four quarters

| 31-Dec-15                              |       |                                 |                        |             |              |              |                                    |                                  |         |
|--|-------|---------------------------------|------------------------|-------------|--------------|--------------|------------------------------------|----------------------------------|---------|
|  | Loans | Irrevocable lending commitments | Contingent liabilities | Derivatives | Traded Loans | Traded Bonds | Debt securities available for sale | Repo and repo-style transactions | Total   |
| Total average credit risk exposure     | 73    | –                               | 1,277                  | 2,356       | (0)          | 33,094       | 1                                  | 67,437                           | 104,238 |
| Total credit risk exposure at year-end | 54    | –                               | 1,294                  | 1,583       | (0)          | 29,607       | 1                                  | 66,663                           | 99,202  |

| 31-Dec-14                              |       |                                 |                        |             |              |              |                                    |                                  |         |
|--|-------|---------------------------------|------------------------|-------------|--------------|--------------|------------------------------------|----------------------------------|---------|
|  | Loans | Irrevocable lending commitments | Contingent liabilities | Derivatives | Traded Loans | Traded Bonds | Debt securities available for sale | Repo and repo-style transactions | Total   |
| Total average credit risk exposure     | 120   | –                               | 2,993                  | 2,524       | –            | 34,123       | 1                                  | 74,367                           | 114,128 |
| Total credit risk exposure at year-end | 127   | –                               | 1,648                  | 2,511       | –            | 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.

# Compensation Overview and Disclosure

## Executive Summary

DB Group (the “Bank”) 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 4,220 employees as of December 31, 2015, and its total compensation expenses were € 1.5 billion for 2015. The total 2015 Variable Compensation (“VC”) for employees in DBSI was € 504 million.

The Bank remains committed to align compensation with the long-term performance of the institution. Against this background, the proportion of VC which will be paid or delivered at a later stage remains high.

In light of the negative result of Deutsche Bank AG for 2015, the VC for 2015 was also granted with a view to ensuring stability of the franchise and with the expectation of a positive and sustainable development over the next years. Against this background, it was important to the Bank that this expectation is also reflected in the structure of the VC. The Bank therefore decided to take additional steps towards an alignment between VC and a sustainable performance by increasing the minimum deferral period for the deferred compensation elements from three to four years for all employees receiving deferred compensation elements. Additionally, the retention period for equity upfront compensation elements for MRTs was increased to one year. These measures are accompanied by the introduction of strengthened methods for an ex post risk adjustment of VC which allow for a subsequent decrease or complete elimination of VC.

With the aim to ensure that the Bank's approach to compensation remains aligned to its multi-year objectives under Strategy 2020, the Bank has also implemented a new compensation structure for 2016 onwards (the New Compensation Framework). This new structure places stronger emphasis on fixed compensation as well as a closer and more transparent link between the overall Group performance and individual VC decisions.

## Compensation Strategy

Compensation plays an integral role in the successful delivery of Deutsche Bank's strategic objectives. The Group Compensation Strategy is predicated on supporting a global, client-centric banking model with safe and sound compensation practices that operate within the Bank's capital, liquidity and risk-bearing capacity, and in alignment with the Bank's strategic objectives and its stated values and beliefs.


### Five key objectives of our compensation practices

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- To support the delivery of Deutsche Bank's client-focused, global bank strategy by attracting and retaining talent across the range of diverse business models and across numerous country locations
- To support the long term performance of the Bank, the sustainable development of the institution and the risk strategies that derive from this
- To support long-term performance that is predicated on cost discipline and efficiency
- To ensure that the Bank's compensation practices are safe in terms of risk-adjusting performance outcomes, preventing inappropriate risk taking, ensuring compatibility with capital and liquidity planning and complying with regulation
- To underscore the Bank's stated values of integrity, sustainable performance, client centricity, innovation, discipline and partnership

### Core remuneration principles

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- 
- Align compensation to shareholder interests and sustained firm-wide profitability, taking account of risk and the cost of capital
  - Maximize sustainable employee and firm performance
  - Attract and retaining the best talent
  - Calibrate compensation to different divisions and levels of responsibility
  - Apply a simple and transparent compensation design
  - Ensure compliance with regulatory requirements

The Group Compensation Policy is an internal document focused on informing and educating employees with regard to the Bank's compensation strategy, governance processes as well as compensation practices and structures. Together, the Group Compensation Strategy and the Group Compensation Policy, provide a clear and demonstrable link between compensation practices and the wider Group strategy. Both documents have been published on the Bank's intranet site and are available to all employees.

## Regulatory Compliance

Ensuring compliance with regulatory requirements is an overriding consideration in the Bank's Group Compensation Strategy. The Bank has strived to be at the forefront of compensation regulatory changes and will continue to work with its prudential supervisor, the European Central Bank (ECB), to be in compliance with all existing and new requirements.

As an EU-headquartered institution, Deutsche Bank is subject to the CRD 4 requirements, as translated into German national law in the German Banking Act and InstVV, globally. The Bank adopted the rules for all subsidiaries and branches globally to the extent required in accordance with Sec. 27 InstVV. The Bank also identifies all employees whose work is deemed to have a material impact on the overall risk profile ("Material Risk Takers" or "MRTs") in accordance with the InstVV. MRTs are identified on a Group level and also on a single legal entity level for significant institutions in the meaning of Sec. 17 InstVV.



Pursuant to CRD 4 and the requirements subsequently adopted in the German Banking Act, the Bank is subject to a ratio of 1:1 with regard to fixed to variable components, provided that the shareholders may approve an increase to 1:2. At the Bank's Annual General Meeting on May 22, 2014, and in accordance with Sec. 25a (5) German Banking Act, shareholder approval was granted to increase the ratio to 1:2. To emphasize the fixed compensation component in respect of remuneration for control functions employees, the Management Board has determined that individuals within the independent control functions are subject to a 1:1 ratio.

As a result of sector specific legislation and in accordance with the InstVV, certain Asset and Wealth Management subsidiaries specifically managing alternative investments are governed under the Alternative Investments Fund Managers Directive ("AIFMD"). AIFMD contains provisions on remuneration which outline the rules that Alternative Investment Fund Managers ("AIFMs") have to comply with when establishing and applying the remuneration policies for certain categories of their employees. AIFMD Material Risk Takers are to be identified at the AIFM level. One notable difference to CRD 4 and its implementation in German law is that AIFMD Material Risk Takers are not subject to the fixed to variable ratio stipulated in CRD 4. The Bank also identifies AIFMD Material Risk Takers for Alternative Investment Fund Managers in accordance with AIFMD. The Bank applies the remuneration provisions for InstVV MRTs also to AIFMD MRTs except for the 1:2 ratio with regard to fixed to variable components.

The Bank will continue to closely monitor the regulatory environment. Major regulatory developments for 2016 include the adoption of the Undertakings for Collective Investments in Transferable Securities ("UCITS") Directive and the expected revision of the InstVV in light of the publication of the "Guidelines on sound remuneration policies" by the European Banking Authority in December 2015.

## Total Compensation Structure

As part of the Compensation Strategy, the Bank employs a Total Compensation philosophy, which comprises Fixed Pay (FP) and Variable Compensation (VC).

| Element                    | Description  |
|----------------------------|--|
| Fixed Pay (FP)             | <p>FP 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, FP 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.</p> <p>As part of their fixed compensation, a limited number of employees receive an Additional Fixed Pay Supplement (AFPS). The AFPS was introduced primarily for benefits and pensions cost management purposes.</p> |
| Variable Compensation (VC) | <p>VC is predicated on the industry objective of retaining cost flexibility while attracting and retaining the right talent. VC also has the advantage of being able to differentiate performance outcomes and drive behaviours 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 FP, this drives Total Compensation outcomes that are cost effective, flexible and aligned to performance.</p>   |
| Benefits&Pensions          | <p>In accordance with the respective local market practice, requirements and demands, the Bank also grants benefits (including company pension schemes) that are linked to employment with the Bank, to certain seniority or to certain length of service but that have no direct link to performance.</p>   |

## Compensation approach for 2016 onwards: Outlook on the New Compensation Framework

One of the main objectives of Strategy 2020 is to align reward more closely with performance and conduct. In order to achieve this goal, the Bank has assessed its compensation approach over the course of 2015 and, in 2016, has started putting in place a New Compensation Framework that is designed to align pay more closely with sustainable performance at all levels of the Bank by rebalancing fixed and variable remuneration elements and providing for a closer link between VC and the Bank-wide performance. The New Compensation Framework provides guidance on the target proportion of fixed to variable compensation elements by seniority and by division or function.

In addition, variable remuneration from 2016 onwards is intended to include two components. The first, the group component, reflects the performance of Deutsche Bank, tying individual Total Compensation more closely to the Bank's performance and recognizing the contribution of every single employee to the Bank's results. The second, the individual component, is more discretionary and recognises individual performance in the context of divisional performance.

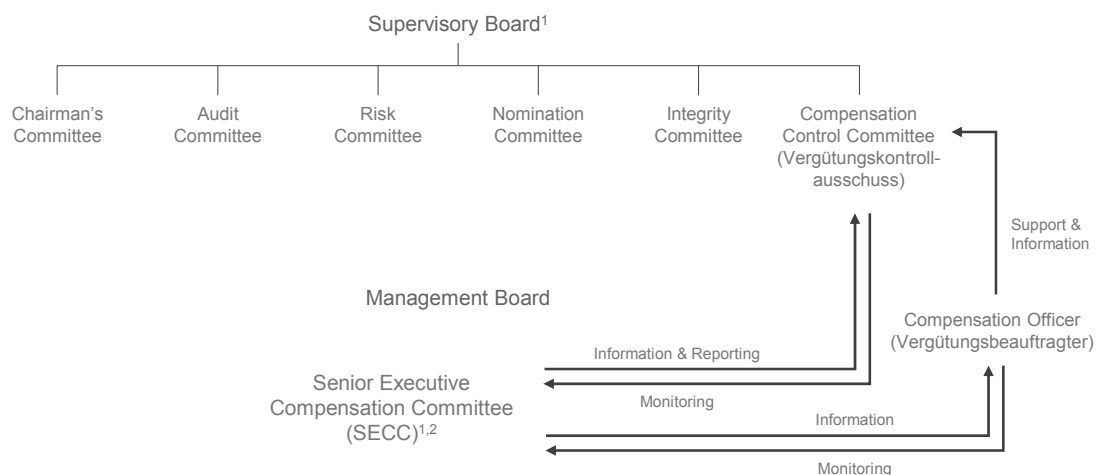
## Compensation Governance

In accordance with the German two-tier board structure, the Supervisory Board governs the compensation of the Management Board members while the Management Board oversees compensation matters for all other employees in the Group. Both the Supervisory Board and the Management Board are supported by specific committees and functions in accordance with InstVV.

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

### Reward Governance Structure

(based on Sec. 25d (12) German Banking Act and InstVV)



<sup>1</sup> Optional: Independent external consultants

<sup>2</sup> The relevant tasks are performed by the SECC on behalf of the Management Board

## Compensation Control Committee

The Compensation Control Committee (CCC) was established by the Supervisory Board in accordance with Sec. 25d (12) German Banking Act. It consists of the Chairperson of the Supervisory Board and three further Supervisory Board Members, two from among the employee representatives, and had 10 meetings in the calendar year 2015, two of them being joint meetings with the Risk Committee.

The responsibilities of the CCC includes supporting the Supervisory Board in establishing and monitoring the appropriate structure of the compensation system for the Management Board Members of Deutsche Bank AG, considering, in particular, the effects on the risks and risk management in accordance with the InstVV. Furthermore, the CCC monitors the appropriate structure of the compensation system for the employees, as established by the Management Board and the Senior Executive Compensation Committee. The CCC checks regularly whether the total amount of VC is appropriate and set in accordance with the InstVV.

The CCC also assesses the impact of the compensation systems on the management of risk, capital and liquidity and seeks to ensure that the compensation systems are aligned to the business and risk strategies. Furthermore, the CCC supports the Supervisory Board in monitoring whether the internal controls and the other relevant areas are properly involved in the structuring of the compensation systems.

## Compensation Officer

In accordance with Sec. 23 InstVV, the Management Board, in cooperation with the CCC, has appointed a Compensation Officer. The Compensation Officer supports the Supervisory Board and the CCC in performing their duties relating to all compensation systems and cooperates closely with the Chairperson of the CCC. The Compensation Officer is involved in the conceptual review, development, monitoring and the application of the employee's compensation systems on an ongoing basis.

The Compensation Officer performs his monitoring obligations independently and provides an assessment on the appropriateness of the design and practices of the compensation systems for employees to the Management Board, the Supervisory Board and the CCC at least annually.

## Senior Executive Compensation Committee

The Senior Executive Compensation Committee (SECC) is a delegated committee established by the Management Board which has the mandate to develop sustainable compensation principles, to prepare recommendations on Total Compensation levels and to ensure appropriate compensation governance and oversight. In accordance with its mandate the SECC establishes compensation strategy, policy and guiding principles and coordinates compensation decisions. The SECC establishes quantitative and qualitative factors to assess performance as a basis for compensation related decisions and makes appropriate recommendations to the Management Board regarding the annual VC pool and its allocation across the business divisions and infrastructure functions. Additional committees, as delegated bodies of the SECC, are an integral part of the overall governance structure; the inclusion of these committees is designed to ensure that diversified expertise from multiple stakeholders is taken into consideration when making compensation decisions and applying compensation practices.

In order to maintain its independence, only employees from control functions who are not aligned to any of our business divisions are members of the SECC. During 2015, the SECC saw a number of membership changes, in line with the membership changes of the Management Board. From November 2015, the SECC comprises the Chief Administration Officer and the Chief Financial Officer, both also Members of the Management Board, as Co-Chairpersons, as well as the Chief Risk Officer (also a Management Board Member), the Global Head of Human Resources and an additional Finance representative as Voting Members. The Compensation Officer, the Deputy Compensation Officer and the Global Head of Reward are Non-Voting Members. The SECC generally meets on a monthly basis and it had 21 meetings with regard to the performance year 2015 compensation process.

## Determination of Variable Compensation – Methodology

The Bank has a robust methodology in place to ensure that the determination of VC reflects risk-adjusted performance as well as the capital position of the Bank and its divisions. The ultimate Group VC pool is primarily driven by (i) Group affordability (i.e. what “can” the Bank award in alignment with regulatory requirements) and (ii) Group strategy (what “should” the Bank award in order to provide an appropriate compensation while protecting the long-term health of the franchise).

| Parameter                 | Description   |
|---------------------------|---|
| Group affordability       | Group affordability is assessed, as a first step, to determine if the Bank is in a position to award VC and still meet the liquidity and capital requirements. Group affordability is the overriding consideration of the VC pool decisions. The metrics used are linked to the Bank’s Risk Appetite Framework and include, but are not limited to, Common Equity Tier 1 Ratio (CET 1 Ratio), Economic Capital Adequacy Ratio, Leverage Ratio, Stressed Net Liquidity and Basel III Liquidity Coverage Ratio, as well as to the Bank’s “negative results test” (which was first defined for the 2015 performance year). |
| Risk-adjusted performance | Having assessed Group affordability, risk-adjusted performance is the starting point of VC pool determination.  |

The Bank uses economic capital (EC) scaled to align with the Bank’s forward looking unexpected losses to risk-adjust the VC pools across the divisions. The EC model is the Bank’s primary method for calculating the degree of future potential risk to which the Bank may be exposed and measures the amount of capital that the Bank would need in order to absorb very severe unexpected losses arising from the Bank’s exposures. The risk adjustment takes into account credit, market, operational and business risk. The EC charge increases in case of an increase of the risk profile of the Bank, thereby reducing Bank-wide economic profitability and, by extension, the amount of VC awarded.

As part of the range of considerations, the SECC compares and contrasts the view of actual performance through this formulaic VC pool calculation with a view of VC pools aligned with underlying performance and other factors such as:

- **Group & Divisional Key Performance Indicators (KPIs):** Both Group and divisional scorecards, which consolidate a consistent set of financial and non-financial KPIs, provided by control functions, are used to assess performance against targets.
- **Qualitative risk and regulatory assessments:** The VC pool decision must be sustain-able and, as such, items such as new regulatory matters and pending litigation, overdue audit findings and Risk Red Flag scores are key considerations in the VC determination process.
- **Relative performance:** Both Group and divisional performance is assessed in the context of performance vis-à-vis defined peers.
- **Market position and trends:** Environmental factors, market data and market trends, including benchmarking data on various elements of compensation, as well as information on developing pay practices, are used to support fair, competitive and cost-effective compensation decisions.
- **Infrastructure pools:** Infrastructure VC pools are not dependent on the performance of the division(s) they oversee, but are aligned with divisional or functional bonus builds and overall Group affordability. As stated above, performance against key strategic infrastructure indicators is also carefully considered.
- **Payout Rates:** Appropriate payout rates are applied to each business division with reference to historical payout rates and market context.

|                           |  |
|---------------------------|--|
| Ultimate VC pool decision | The SECC recommends the derived Group VC pool to the Management Board for formal ratification. Taking all the factors into account, in careful assessment of additional considerations discretion may also be exercised, for example where strategic investments require time to contribute to performance, where one-off business or market dynamics are expected to reverse or in the context of relevant strategic factors, especially under employee retention and franchise protection or strengthening considerations. |
|---------------------------|--|

After ratification, the Compensation Control Committee is formally notified.

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## Consideration of Individual Performance

While individual VC decisions are discretionary, all decisions must be performance-based and linked to a number of factors, including, but not limited to, risk-adjusted Group, divisional and individual performance as well as retention considerations and behavioural aspects. 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.

This applies, in particular, to managers of MRTs who are required to attest that they have thoroughly reviewed and considered all of the relevant financial, non-financial and risk metrics when determining individual compensation. In addition, narrative commentary is also required to articulate how the compensation parameters (both quantitative and qualitative) and the individual's performance and behavioural factors have influenced the ultimate compensation decision. Inputs (both positive and negative) from internal control functions were collected on MRTs and provided to managers. These inputs were intended to ensure an appropriate impact on decisions with regard to the employees' performance assessment, promotion potential and VC.

## 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.

The compensation structures are designed not to provide incentives for excessive risk-taking. Against this background, the Bank chose to go beyond the regulatory requirements as in previous years, aligning the VC of an even broader group of employees to the long-term performance of the Bank. Furthermore, MRTs are on average subject to deferral rates in excess of the minimum 40 % - 60 % regulatory requirements. Additionally, the Bank has decided to increase the minimum deferral period for all employees receiving deferred VC to four years. These compensation structures aim to ensure that the alignment of the VC to the sustainable performance of the Group increases with the level of responsibility and the overall compensation.

| Employee Group                  | Description   | Impact on Variable Compensation   |
|---------------------------------|---|---|
| Material Risk Takers            | The Bank identifies all employees whose work is deemed to have a material impact on the overall risk profile in accordance with the InstVV. InstVV MRTs are identified for the whole Group on a Group level but also on a single legal entity level for the significant institutions in the meaning of Sec. 17 InstVV. In addition to Deutsche Bank AG, 18 other legal entities in Deutsche Bank Group (excl. Postbank) fall under the criteria of Sec. 17 InstVV and are therefore deemed to be significant. | At least 40 %-60 % of the VC is deferred for four years on a pro rata vesting schedule. All MRTs receive 50 % in restricted equity and 50 % in restricted cash. In addition, 50 % of the upfront VC award is also awarded in equity. 100 % of any VC above € 500,000 is fully deferred. Furthermore, employees with a FP in excess of € 500,000 are subject to a 100 % VC deferral.<br><br>In accordance with respective guidance provided by the BaFin, these requirements do not apply for MRTs whose VC is less than € 50,000. |
| Senior Management Group ("SMG") | As the significant influencers and stewards of the Bank's long-term health and performance, it is prudent that the majority of their compensation should be linked to the long-term development and success of the Group. All members of the Senior Management Group are MRTs.  | To further align the compensation of this group with the long-term, sustained performance of the Bank, the deferred equity awards are subject to a combined deferral and retention period of five years ("cliff-vesting").  |
| All other employees             | All employees are subject to the Bank's deferral matrix. The deferral matrix continues to be geared towards protecting lower earners, whilst ensuring an appropriate amount of deferral for higher earners.   | The deferral threshold is set at € 100,000 above which at least 50 % of any VC was deferred. 50 % of the deferred VC is received in restricted cash and 50 % in restricted equity.  |

The overall benefits of deferred awards and the positive aspects from a retention and risk management perspective must also be carefully balanced with the management of compensation costs for future years and the implications of increasing levels of deferral. Reflecting what the Bank deems to be an appropriate balance, 49 % of the overall Group VC pool for 2015 is paid or delivered later than March 2016.

## Overview on Award Types

| Award Type                                      | Description  | Beneficiaries                                 | Deferral Period   | Retention Period                            | Proportion   |
|---|--|---|---|---|--|
| Cash Bonus                                      | Upfront cash proportion  | All employees <sup>2</sup>                    | n/a   | n/a   | 50 % of upfront (non-deferred) compensation for InstVV MRTs<br>100% of upfront (non-deferred) compensation for all other employees |
| Equity Upfront Award ("EUA")                    | Upfront equity proportion; The value of the EUA is linked to the Bank's share price and is therefore tied to the long-term sustained performance of the Bank                                     | All MRTs <sup>2</sup> with VC $\geq$ € 50,000 | n/a   | 12 months (increased from 6 months in 2014) | 50 % of upfront (non-deferred) compensation for MRTs   |
| Restricted Incentive Award ("RIA") <sup>3</sup> | Non-equity based portion (deferred cash compensation)  | All employees with deferred VC                | Pro rata vesting over four years (increased from three years in 2014)   | n/a   | 50 % of deferred compensation  |
| Restricted Equity Award ("REA") <sup>4</sup>    | Deferred equity portion; The value of the REA is linked to the Bank's share price over the vesting and retention period and is therefore tied to the long-term sustained performance of the Bank | All employees with deferred VC                | Pro rata vesting over four years (increased from three years in 2014);<br>Cliff-vesting after 4.5 years for SMG | 6 months for MRTs                           | 50 % of deferred compensation  |
| Key Position Award ("KPA")                      | Specific deferred equity award for selected employees who are deemed to be key contributors in the achievement of Strategy 2020  | Selected employees                            | Cliff-vesting after four years  | 1 year                                      | n/a  |

<sup>1</sup> All equity awards for MRTs are subject to a retention period upon the vesting of each tranche during which time employees are not permitted to sell their shares.

<sup>2</sup> Employees with a Fixed Pay of more than € 500,000 are subject to a 100 % VC deferral and receive no upfront VC.

<sup>3</sup> A limited number of senior employees/MRTs 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. These employees still receive 50 % of their deferred award in equity (as a REA) as required by regulation.

<sup>4</sup> Employees in the Private Client Services ("PCS") business of Deutsche AWM receive a PCS award instead of REA.

## Overview on 2015 Deferral Schedule

|                                | Award Type | 2016     |     | 2017                    |           | 2018                    |           | 2019                    |           | 2020                    |               | 2021      |
|--------------------------------|------------|----------|-----|-------------------------|-----------|-------------------------|-----------|-------------------------|-----------|-------------------------|---------------|-----------|
|                                |            | Mar      | Sep | Mar                     | Sep       | Mar                     | Sep       | Mar                     | Sep       | Mar                     | Sep           | Mar       |
| Senior Management Group        | Cash Bonus | Pay-ment |     |                         |           |                         |           |                         |           |                         |               |           |
|                                | EUA        | Vesting  |     | Deliv-ery               |           |                         |           |                         |           |                         |               |           |
|                                | RIA        |          |     | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |               |           |
|                                | REA        |          |     |                         |           |                         |           |                         |           |                         | Cliff-Vesting | Deliv-ery |
|                                | KPA        |          |     |                         |           |                         |           |                         |           |                         | Cliff-Vesting | Deliv-ery |
| All other Material Risk Takers | Cash Bonus | Pay-ment |     |                         |           |                         |           |                         |           |                         |               |           |
|                                | EUA        | Vesting  |     | Deliv-ery               |           |                         |           |                         |           |                         |               |           |
|                                | RIA        |          |     | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |               |           |
|                                | REA        |          |     | 1/4 Vesting             | Deliv-ery | 1/4 Vesting             | Deliv-ery | 1/4 Vesting             | Deliv-ery | 1/4 Vesting             | Deliv-ery     |           |
|                                | KPA        |          |     |                         |           |                         |           |                         |           |                         | Cliff-Vesting | Deliv-ery |
| All other employees            | Cash Bonus | Pay-ment |     |                         |           |                         |           |                         |           |                         |               |           |
|                                | RIA        |          |     | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |           | 1/4 Vesting & Pay-ment  |               |           |
|                                | REA        |          |     | 1/4 Vesting & Deliv-ery |           | 1/4 Vesting & Deliv-ery |           | 1/4 Vesting & Deliv-ery |           | 1/4 Vesting & Deliv-ery |               |           |
|                                | KPA        |          |     |                         |           |                         |           |                         |           |                         | Cliff-Vesting | Deliv-ery |

## Ex post Risk Adjustment of Variable Compensation

Performance conditions and forfeiture provisions are key elements of the Bank's deferred compensation structures and support the alignment of awards with future conduct and performance while also allowing for an appropriate back-testing of the initial performance assessment. As illustrated by the statistics in this report, the percentage of VC awards subject to deferral, and therefore performance conditions and forfeiture provisions, increases in line with Total Compensation. In conjunction with the scope of the risk adjustment measures, the duration for which they are applicable is equally important and is reflected in the application of such conditions up to the settlement of awards.

The VC decisions for 2015 were accompanied by the decision to increase the ability to apply measures for an appropriate ex post risk adjustment. Increasing the minimum deferral period to four years allows for the application of an ex post risk adjustment for a longer timeframe. Additionally, to underpin the importance of an appropriate ex post risk adjustment, the Bank reviewed and chose to further strengthen its performance conditions and forfeiture provisions.



## Overview on Performance Conditions and Forfeiture Provisions of Variable Compensation for 2015

| Performance Conditions and Forfeiture Provisions                        | Description  | Material Risk Takers                                |  |   | Other employees with Deferred Awards             |     |
|---|--|---|--|---|--|-----|
|   |  | EUA   | REA/ KPA   | RIA   | REA/ KPA   | RIA |
| <b>Group's Common Equity Tier 1 capital ratio performance condition</b> | If at the quarter end prior to vesting or settlement the Group's CET1 ratio is below a certain threshold   | Whole undelivered award will be forfeited           | All undelivered tranches will be forfeited       |   | All undelivered tranches will be forfeited       |     |
| <b>Negative Group IBIT performance condition</b>                        | If, in any financial year during the vesting period, the Management Board determines that prior to delivery Group Income before Income Taxes (IBIT) is negative  |   | Next tranche due for delivery will be forfeited* | Next tranche due for delivery will be forfeited | Next tranche due for delivery will be forfeited* |     |
| <b>Negative Divisional IBIT performance condition</b>                   | If, in any financial year during the vesting period, the Management Board determines that prior to delivery Divisional Income before Income Taxes (IBIT) is negative, even if Group IBIT condition is met (Divisional IBIT condition is not applicable for employees in Regional Management, Infrastructure and NCOU)  |   | Next tranche due for delivery will be forfeited* | Next tranche due for delivery will be forfeited |  |     |
| <b>Impairment provision</b>   | In the event that it is discovered that the award (or the grant, vesting or settlement of any other award made to the participant) was based on performance measures or assumptions that are later deemed to be materially inaccurate or if a deal, trade or transaction considered to be attributable to an employee has a significant adverse effect on any Group entity, division or the Group as a whole | Up to 100 % of undelivered awards will be forfeited |  |   |  |     |
| <b>Policy / Regulatory Breach provision</b>                             | In the event of a discovery of an internal policy or procedure breach, or breach of any applicable laws or regulations imposed externally prior to settlement  | Up to 100 % of undelivered awards will be forfeited |  |   |  |     |
| <b>Material Control Failure</b>   | If a Material Control Failure occurs, whether arising by act or omission (or series of acts or omissions), which is considered to be attributable to the Participant (whether in whole or in part, directly or indirectly, in a supervisory or managerial capacity, as a member of a committee or panel or otherwise)  | Up to 100 % of undelivered awards will be forfeited |  |   |  |     |
| <b>Regulatory Requirements</b>  | If forfeiture is required to comply with prevailing regulatory requirements (which, for the avoidance of doubt, includes any legislation or guidance published by a regulator from time to time)   | Up to 100 % of undelivered awards will be forfeited |  |   |  |     |

\* For the award types subject to a cliff-vesting, a certain proportion of the award (20 % for REAs of the SMG, 25 % for KPAs) will be forfeited in respect of a year, if the IBIT is negative for that respective year.

With respect to deferred awards scheduled to be delivered in the first quarter of 2016, the Management Board has confirmed that the performance conditions relating to Group-wide and divisional IBIT for the Financial Year 2015 have been met. In exercising its discretion to make this determination, the Management Board recognized the unique circumstances that the Bank's loss for the Financial Year 2015 reflects strategic decisions, adjustments for goodwill impairments and business restructuring costs. Consequently, deferred awards are delivered as planned in the first quarter in 2016.

## Compensation Disclosure pursuant to Section 16 InstVV and Art. 450 CRR

638 employees were identified as InstVV Material Risk Takers (MRTs) for FY 2015 for DBSI. The collective remuneration elements for InstVV MRTs are detailed in the tables below in accordance with Sec. 16 InstVV and Art. 450 CRR. InstVV MRTs for DBSI that receive their compensation from other companies of the DB Group are included with the compensation received by these companies.

### Aggregate remuneration for Material Risk Takers

| in € m.<br>(unless stated otherwise) <sup>1</sup> | Senior<br>Management <sup>2</sup> | Supervisory<br>Function <sup>3</sup> | Further MRTs |          |          |                 |           | 2015           |
|---|-----------------------------------|--------------------------------------|--------------|----------|----------|-----------------|-----------|----------------|
|   |                                   |                                      | CB&S         | PBC      | GTB      | Deutsche<br>AWM | NCOU      | Group<br>Total |
| <b>Number of employees</b>                        | <b>20</b>                         | <b>0</b>                             | <b>580</b>   | <b>4</b> | <b>4</b> | <b>20</b>       | <b>10</b> | <b>638</b>     |
| <b>Total Pay</b>                                  | <b>82</b>                         | <b>N/M</b>                           | <b>648</b>   | <b>4</b> | <b>3</b> | <b>19</b>       | <b>20</b> | <b>777</b>     |
| thereof:  |                                   |                                      |              |          |          |                 |           |                |
| Fixed Pay   | 38                                | N/M                                  | 337          | 2        | 2        | 9               | 8         | 397            |
| Variable Pay                                      | 44                                | N/M                                  | 311          | 2        | 1        | 10              | 12        | 380            |
| <b>Variable Pay<sup>4</sup></b>                   | <b>44</b>                         | <b>N/M</b>                           | <b>311</b>   | <b>2</b> | <b>1</b> | <b>10</b>       | <b>12</b> | <b>380</b>     |
| thereof:  |                                   |                                      |              |          |          |                 |           |                |
| Variable in cash                                  | 9                                 | N/M                                  | 110          | 1        | 1        | 5               | 6         | 132            |
| Variable in shares                                | 35                                | N/M                                  | 201          | 1        | 1        | 5               | 6         | 248            |
| Variable in share-linked instruments              | 0                                 | N/M                                  | 0            | 0        | 0        | 0               | 0         | 0              |
| Variable in other types of instruments            | 0                                 | N/M                                  | 0            | 0        | 0        | 0               | 0         | 0              |

N/M – Not meaningful

<sup>1</sup> All figures in the table include the allocation of Infrastructure related compensation and number of employees according to our established cost allocation key. The table may contain marginal rounding differences.

<sup>2</sup> Senior Management refers to Management Board Members/ Executive Directors of significant institutions in accordance with Sec. 17 InstVV and to members of the Senior Management Group.

<sup>3</sup> Supervisory Function refers to non-executive Board members and Supervisory Board members of significant institutions in accordance with Sec. 17 InstVV. Compensation information is not reported for non-executive Board members and Supervisory Board members.

<sup>4</sup> Variable Pay is reported which includes VC as well as other discretionary remuneration elements.

### Deferred Compensation

| in € m.  | Senior<br>Management | Further MRTs | 2015           |
|--|----------------------|--------------|----------------|
|  |                      |              | Group<br>Total |
| <b>Outstanding deferred Variable Pay</b>                               | <b>139</b>           | <b>621</b>   | <b>760</b>     |
| thereof:   |                      |              |                |
| Vested awards  | 14                   | 10           | 24             |
| Unvested awards  | 125                  | 611          | 736            |
| Deferred Variable Pay granted for 2015                                 | 41                   | 273          | 313            |
| Deferred Variable Pay granted during 2015 <sup>1</sup>                 | 64                   | 313          | 378            |
| Deferred Variable Pay forfeited due to ex-post risk-adjustment in 2015 | 0                    | 23           | 23             |
| Deferred Variable Pay from previous years vested during 2015           | 33                   | 303          | 336            |

<sup>1</sup> Does not include Variable Compensation granted in March 2016 for the Financial Year 2015.

During the course of 2015, seven InstVV MRTs had awards subject to forfeiture as a result of being terminated for cause or as a result of a finding of a Policy Breach. The total amount forfeited (based on the value of the awards at grant) was € 22.5 million.

#### Sign-on and termination payments

|  | Senior<br>Management | Further MRTs | 2015<br>Group<br>Total |
|--|----------------------|--------------|------------------------|
| Sign On payments (in € m.)             | 0                    | 0            | 0                      |
| Number of beneficiaries                | 0                    | 2            | 2                      |
| Termination payments granted (in € m.) | 0                    | 1            | 1                      |
| Number of beneficiaries                | 2                    | 14           | 16                     |

The highest termination payment granted to an InstVV MRT was € 0.5 million.

#### Remuneration of high earners

| in €                     | 2015<br>Number of employees |
|--------------------------|-----------------------------|
| Total Pay                |                             |
| 1,000,000 to 1,499,999   | 132                         |
| 1,500,000 to 1,999,999   | 64                          |
| 2,000,000 to 2,499,999   | 26                          |
| 2,500,000 to 2,999,999   | 12                          |
| 3,000,000 to 3,499,999   | 12                          |
| 3,500,000 to 3,999,999   | 8                           |
| 4,000,000 to 4,499,999   | 6                           |
| 4,500,000 to 4,999,999   | 3                           |
| 5,000,000 to 5,999,999   | 4                           |
| 6,000,000 to 6,999,999   | 1                           |
| 7,000,000 to 7,999,999   | 2                           |
| 8,000,000 to 8,999,999   | 1                           |
| 9,000,000 to 9,999,999   | 0                           |
| 10,000,000 to 10,999,999 | 1                           |
| 11,000,000 to 11,999,999 | 1                           |

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