Deutsche Bank (Malaysia) Berhad
Company No. 312552-W
and its subsidiaries

Statement on Corporate Governance
2017

CEO's Statement

The Malaysian economy, as measured by gross domestic product (GDP), expanded 5.9% in the fourth quarter of 2017 (4Q17) from a year earlier, driven mainly by private sector demand with support from the external sector. According to Bank Negara Malaysia's report, 2017 full-year GDP grew 5.9% on year as compared to 4.2% expansion in 2016. From the supply side, all economic sectors continued to expand, except for the mining sector in the last quarter of 2017. Growth is expected to remain favourable in 2018 as domestic demand remain to be the key driver of growth. The global growth is expected to continue to benefit Malaysia's exports, with positive spill-overs to the domestic economic activity.

Despite the challenging environment, the Bank demonstrated corporate resilience and recorded income before taxes of RM274.1 million in 2017, an increase of 40% from the previous year. Net profit for the year was RM210.4 million, compared to RM147.0 million in the preceding year. This translates to earnings per share of 121.2 sen in 2017.

The Bank's return on equity rose to 15.4% from 11.1 % reported in the previous year. Our liquidity profile continues to be strong with total deposits at RM5.3 billion. The Bank's Internal Capital Adequacy Assessment ("ICAAP") and the capitalization level remains healthy and robust with overall and common equity tier 1 capital ratio reported at 21.65% and 21.33% respectively as at 31 December 2017.

Notable deals and Awards

For the third time running, Euromoney has selected Deutsche Bank 'Best Global Trade Finance Provider' in the Euromoney Trade Finance Survey 2017. Deutsche Bank received a total of 17 number one wins, including No. 1 trade finance provider in Germany, North America, Asia Pacific and China.

For the sixth year in succession Euromoney magazine has named Deutsche Bank 'Best Cash Management Provider Award' for Corporates in its domestic German market and in Western Europe. Deutsche Bank also won No. 1 positions in Belgium and the Netherlands.

Deutsche Bank's Global Prime Finance business, which provides a range of services to hedge funds, has been ranked no. 2 in the Global Custodian Prime Brokerage Survey of investment banks, up from third place in 2016. Deutsche Bank's client service was regarded as outstanding by many of the survey's respondents. This survey reinforces the strong progress the Prime Finance Business is making and the business continues to be an investment area that Deutsche Bank seeks to capture further market share in 2018 and beyond.

CEO's Statement (continued)

Deutsche Bank won "Data Management Project of the Year" and "Storage Solution of the Year" at the industry renowned FSTech Awards 2017. The awards recognise excellence and innovation in information technology in EMEA financial services. The awards were presented for Markets Clearing Hub (mcHub) within the Corporate & Investment Bank and its new eSafe service offering for its PW&CC Clients.

Bank ratings

In August 2017, RAM has reaffirmed the Bank's long and short term ratings of AA1 and P1 respectively, with a stable outlook.

Business plan and strategy

We remain focused on building our franchise, with emphasis on tapping client flows in foreign exchange, fixed income, interest rate derivatives, credit derivatives, structured transactions, money markets, repo, capital market instruments, cash management, securities services, trade finance and Islamic banking. Our objectives remain as a client focussed organisation and building a global network of balanced businesses underpinned by strong capital and liquidity.

The Bank stands firmly committed to Corporate Responsibility ("CR"). Over the course of the year, we continued to work with the Deutsche Bank Asia Foundation ("DBAF") to support local projects relating to education, corporate volunteering, sustainability and community development. We regard these CR initiatives as investments in our own future.

Outlook

The global economic activities continues to strengthen further with growth whilst financial markets have remained stable. Global growth is forecasted to experience a faster expansion in 2018 in line with the increased global growth momentum and expected impact of the relevant policy changes. Risks to the global growth forecast are broadly balanced in the near term.

CEO's Statement (continued)

Bank Negara Malaysia has raised the overnight policy rate by 25 basis points to 3.25%. The domestic financial markets have been resilient and Ringgit has also strengthened to better reflect the economic fundamentals. For the Malaysian economy, the strong growth momentum is anticipated to continue in 2018 sustained by the stronger global growth and positive spill over to the domestic economy from external sectors. Overall, domestic demand will remain the key driver of growth with the outlook for investment activity to remain positive.

The Bank remains competitive with the solid frameworks around capital and liquidity management, risk controls and enhanced internal processes. We continue to be relentless in our commitment towards client centricity and in driving product innovation to deliver sustainable performance.

The Bank looks forward to contribute to the economic growth and wellbeing of the communities in which we operate and to create positive impact for our clients, investors, employees and society at large.

Dato' Yusof Annuar bin Yaacob
Chief Executive Officer

1. Board of Directors

(a) Composition of the Board

The Directors who served since the date of the last report are as follows:

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Independent Non-Executive Director
Chairman – Independent Non-Executive Director

Dato' Yusof Annuar bin Yaacob
Chief Executive Officer (CEO) – Non-Independent Executive Director

Mr. Steven Choy Khai Choon
Independent Non-Executive Director

Madam Koid Swee Lian
Independent Non-Executive Director

Mr Seamus Toal
Non-Independent Executive Director (Appointed on 27 July 2017)

Key information and background of Directors

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin, aged 59, was appointed to the Board of DB Malaysia on 28 April 2016 and succeeded the role as non-executive Chairman of the Bank on 1 January 2017.

Tunku Dato' Mahmood Fawzy received his Bachelor of Arts (Hons) Business Studies degree from the Polytechnic of Central London (now known as Westminster University), Masters in Business Administration from the University of Warwick and the Diploma in Marketing from the Chartered Institute of Marketing. He is a Member of the Institute of Australian Institute of Company Directors, Malaysian Institute of Management and Malaysian Institute of Corporate Governance.

Tunku Dato' Mahmood Fawzy draws on a wealth of governance, management and cross border experience in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services, across several international locations including the United Kingdom, New Zealand, South Africa and Malaysia.

He was previously a board member of Malaysia Airports Holdings Berhad, Hong Leong Islamic Bank Berhad, Pos Malaysia Bhd, SapuraKencana Petroleum Bhd/ Kencana Petroleum Berhad, Ethos Capital One Sdn Berhad, The Federation of Investment Managers Malaysia (FIMM), Energy Africa Limited and Engen Limited in South Africa.

Tunku Dato' Mahmood Fawzy currently sits on the board of Telekom Malaysia Berhad and one of its subsidiaries Webe Digital Sdn Berhad, Hong Leong Asset Management Berhad, Hong Leong Assurance Bhd, and Hong Leong MSIG Takaful Bhd.

Tunku Dato' Mahmood Fawzy was awarded the Darjah Sultan Ahmad Shah Pahang in 2009 and the Darjah Setia Tuanku Muhriz in 2011. He holds an honorary military rank of Lieutenant Colonel attached with the Malaysia Territorial Army Regiment 508 (AW).

Dato' Yusof Annuar bin Yaacob

Dato' Yusof Annuar bin Yaacob, aged 52, was appointed as Executive Director and Chief Executive Officer of DB Malaysia on 20 February 2014. Dato' Yusof is a Chartered Accountant by profession and a member of the Chartered Institute of Management Accountants and Malaysian Institute of Accountants.

Key information and background of Directors (continued)

He has distinguished experience in the telecommunication industry and over 18 years of experiences in investment banking, financial management, accounting and corporate management of international firms.

Prior to joining DB Malaysia, Dato' Yusof was the Managing Director and Chairman of the Investment Banking Division, Goldman Sachs Malaysia Sdn Bhd. Dato' Yusof held positions as Executive Director/Chief Financial Officer of Axiata Group Berhad and served as a Board Member of several numbers of public listed and private companies locally and internally.

Mr. Steven Choy Khai Choon

Mr. Steven Choy Khai Choon, aged 60, was appointed to the Board of DB Malaysia on 29 June 2012. Mr. Choy graduated from the University of New South Wales, Australia with a Bachelor of Commerce and holds a Master in Business Administration from Oklahoma City University, United States of America. He had attended the General Management Programme at INSEAD, France over a period of two (2) years from 2001 to 2002. He is a Fellow of the Certified Practicing Accountants Australia and a member of the Malaysian Institute of Accountants.

He has extensive experience in financial sector and had served as the President/Chief Executive Officer of Cagamas Berhad for six (6) years before retiring in March 2012. Prior to that, he was the Senior General Manager, Group Head, Business Reengineering with RHB Banking Group and had held various senior positions with Aviva Insurance Group, Credit Corporation Malaysia Berhad.

Mr. Choy is currently a Director of Malaysia Marine and Heavy Engineering Holdings Berhad, RAM Rating Services Berhad, Zurich Life Insurance Malaysia Berhad, Zurich Takaful Malaysia Berhad, Hap Seng Plantations Holdings Berhad, Bond and Sukuk Information Platform Sdn Bhd and Asian Banking School Sdn Bhd.

Madam Koid Swee Lian

Madam Koid Swee Lian, aged 60, was appointed to the Board of DB Malaysia on 7 December 2016. Madam Koid was a scholar of Bank Negara Malaysia (BNM) to read law in the Law Faculty of the University of Malaya. She graduated with a Bachelor of Laws Degree in 1981 and was admitted to the Malaysia Bar in 1983. Madam Koid has been with BNM for more than 32.5 years until her retirement and she has served in various capacities including as Board member and CEO of BNM's Credit Counselling and Debt Exposure Management Agency (AKPK).

Key information and background of Directors (continued)

Madam Koid is currently an Advisor for Consumer Financial Education Initiative of the Financial Planning Association of Malaysia (FPAM) and appointed by Securities Commission as a Public Interest Director on the Board of The Federation of Investment Managers Malaysia (FIMM) and chairs one of the Board Committees. Her directorships in other companies include HLA Holdings Sdn Bhd and Genting Berhad.

Mr. Seamus Toal

Mr. Seamus Toal, aged 51, was appointed to the Board of DB Malaysia on 27 July 2017. Mr. Toal is a graduate of the Columbia Senior Executive Program, a Fellow of the Institute of Bankers and Finance Singapore and Associate Member of the Association of Corporate Treasurers.

Mr. Toal started his career with National Westminster Bank in 1986 and moved on to various senior positions in Deutsche Bank across various regions. Mr. Toal has more than 30 years of experience in the banking industry. He is currently the Managing Director/ Chief Risk Officer Asia Pacific of Deutsche Bank with oversight across all risk categories, credit, market, liquidity, operational and information and resilience and responsible for implementation of risk strategies, vision, policies and direction.

Role and Responsibilities of the Board

The Board's role is to effectively supervise the affairs of the Bank, to deliberate and approve significant policies and strategies that are proposed by management and to ensure its compliance with all regulatory and statutory obligations.

The Board reviews the Bank's business plans, strategies and financial performance periodically to ensure that it achieves its objectives and provides regular oversight of the Bank's business operations and performance. The Board also reviews and approves proposals to hire new key Senior Management officers, to ensure that the affairs of the Bank are administered by qualified and competent officers.

The roles of the Chairman and CEO are separate and distinct to ensure an appropriate balance of role, responsibility, authority and accountability. These two positions are held by different individuals and the division in the roles of the Chairman and the CEO is clearly defined in the terms of reference. The Independence Non-Executive Chairman assumes an important role in encouraging a healthy debate on critical issues and brings to the Board the required level of independence and professional skepticism.

Key information and background of Directors (continued)

Board Training

To keep abreast of current market developments, the Board is encouraged to attend public programmes, seminars, training or talks on areas related to their roles and responsibilities. Training programmes on specific subjects or areas can be requested and arranged internally.

Directors received training by attending external seminars, training sessions and talks and through reading materials. They had also attended talks, dialogues sessions and focus group sessions organised by FIDE Forum, an initiative of the alumni members of the Financial Institutions Directors' Education Programme, set out to enhance corporate governance practices in the boards of financial institutions and to develop world class directors who are advocates of best practices and excellence in corporate governance.

During the year, the Directors had attended the following training programmes, seminars and workshops:-

Training Programmes/ Seminars/ Workshops	Description of training
In-house Training : Companies Act 2016 (CA 2016): Directors' Duties and Liabilities	Directors' duties and liabilities under:- • Common law • CA 2016 • Directors as appointed signatories • Exceptions, insurance and indemnity • Regulated entities – financial institutions • Other legislation
In-house Training : Personal Data Protection Act (PDPA) Code of Practice	• Explain the purpose, objectives, key characteristics of the PDPA • Implications of the PDPA on the operations of the Bank
In-house Training : The Highlights of CA 2016	• Explain how CA 2016 will affect capital market in Malaysia • Compliance requirements on CA 2016
In-house Training : Foreign Exchange Administration (FEA) Rules of Malaysia	• Interpret and effectively apply the FEA Rules of Malaysia • Comply with the latest FEA Rules when dealing with foreign currency denominated loan and investment products

In-house Training : Deutsche Bank Connect2 Learn	• Anti-Financial Crime – Sanctions and embargoes essentials • Compliance – Markets in Financial Instruments Directive II (MiFID II) • Anti-Financial Crime – AFC essentials • KYC Policy – Level 4 Key Operating Procedures for CIB • Legal – Legal essentials • Anti-Financial Crime – Prevention of facilitation of tax evasion • Crisis Management • Compliance – FEA training • Compliance – the Dodd-Frank Act Swap Dealer Associated Person training • Risk – Global information security awareness – refresher • Risk – Risk awareness • Anti-Financial Crime – Anti-bribery & corruption • Anti-Financial Crime – Fraud awareness • Anti-Financial Crime – US OFAC training • Risk Culture – New product approval • Compliance – Insider list and information barrier designation training • Anti-Financial Crime – Business development consultants for MDs • Global training for board members and branch managers • Legal – German Bank Separation Act • Compliance – Compliance essentials 2017 refresher – Part 1 • Legal – Antitrust Compliance programme • KYC Policy – accountable client owner and client risk rating methodology • KYC Policy – CIB & GM business training

	• Anti-Bribery and corruption joint venture risk awareness training • SLC Leadership Planning and Development Chargeback • Anti-Financial Crime - Training for MB-1 • Compliance – Compliance essentials • APAC Onboarding Program : Hello networking event • Understanding Your Deferred Awards • Minimum Requirements For Risk Management- MaRisk – GKFH • Compliance – Market Conduct Fundamentals • RMG New Policy Update • Anti-Financial Crime – Global Anti-Money Laundering
PriceWaterhouseCoopers (PWC) Risk Conference	• Discussion on various risk related matters
PWC CRO Roundtable	• ICBI Risk Minds Conference - an overview of the hot topics from the recent conference in December 2016 • Data Management and Analytics - the role of, and tools for, effective application of data management and analytics in risk management in the evolving Financial Services sector • Open forum for other topics of interest
International Institute for Strategic Studies Fullerton Lecture by the Right Honourable David Mundell MP (Secretary of State for Scotland)	• Sharing session on the UK government's vision for a positive future partnership with Europe and with nations around the world and vision of a global and outward-oriented UK, outside the EU, and talked of Mr David Mundell's hopes that Scotland and Singapore will use this opportunity to strengthen and build on their existing bonds.
FIDE Core Programme – Banks	• Corporate governance in the 21st Century • Directors' duties

	• Board structures • A conversation with a Chairman • Board composition, dynamics and effectiveness • 'Risking It All' – The chronicle of a disaster • Board challenges in risk management – development & emerging issues • The language of risk management – risk categories • Management of liquidity risk • Management of market risk • EWRM, stress testing and risk reporting

Frequency and Conduct of Board Meetings

The Board meets on a regular basis to review the Bank's financial performance, risk positions and minutes of meetings of the Bank's various internal governance committees. Special Board meetings are convened for purposes such as to assess business proposals or address issues that require the immediate decision of the Board.

The agenda and board papers are furnished to Directors for their perusal in advance prior to the Board meeting to enable them to have sufficient time to review the agenda papers and provide informed views and comments during the deliberations at Board meetings. The relevant management staff are invited to the Board meetings to provide additional input and clarification to the issues or business proposals.

The attendance of each director at the Board meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	8/8 (100%)
Mr. Steven Choy Khai Choon	8/8 (100%)
Dato' Yusof Annuar bin Yaacob	8/8 (100%)
Madam Koid Swee Lian	8/8 (100%)
Mr. Seamus Toal (Appointed on 27 July 2017)	3/3 (100%)

Key information and background of Directors (continued)

Directors' Independence

To ensure transparency in corporate governance as well as to promote independent oversight by the Board, the Bank has put in place its internal guidelines that the maximum tenure of a new Independent Director who is appointed from January 2017 onwards, shall be capped at 9 years, subject to the approval by the Board and BNM for such tenure to extend beyond 9 years whilst existing Independent Directors may continue to serve on the Board until the expiry of their terms as approved by BNM.

Directors' remuneration

Non-Executive Directors	**RM'000**
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	331
Mr. Steven Choy Khai Choon	202
Madam Koid Swee Lian	197

Executive Director	**RM'000**
Mr. Seamus Toal (Appointed on 27 July 2017)	-

Executive Director (CEO)

	Fixed Remuneration			Variable remuneration		
	Fixed Pay	Other	Benefits-in-kind	Non deferred	Deferred	
				Cash	*Cash*	*Shares*
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Dato' Yusof Annuar bin Yaacob	1,962	621	42	976	715	854

2. Board Committees

The following Board Committees assist the Board in the discharge of its role and responsibilities. The terms of reference and the composition of these Committees are set out below. In line with the requirements of BNM's Corporate Governance Policy, the Board Committees comprise three independent non-executive Directors and is chaired by an independent director. The Directors have the necessary skills, knowledge and experience relevant to the responsibilities of the Board Committee.

(a) Nominating and Remuneration Committee

Membership and composition

In 2017, the Nominating and Remuneration Committee ("NRC") comprises the following Independent Non-Executive Directors of the Board:

Mr. Steven Choy Khai Choon - Chairman
Madam Koid Swee Lian - Vice Chairperson
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member

The NRC comprises three independent non-executive Directors. In 2017, there were 5 meetings held by the NRC.

Terms of Reference

Its responsibilities are as follows:

- To establish minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a director. The committee is also responsible for establishing minimum requirements for the CEO's post. The requirements and criteria must be approved by the full Board.
- To assess and recommend to the Board the nominees for directorship, Board committee membership as well as nominees for the CEO's post and Shariah Committee membership. This includes assessing directors and Shariah Committee members for reappointment, before an application for approval is submitted to Bank Negara Malaysia. In considering the appointment of a CEO or nominees for directorship and Shariah Committee membership, the Board shall take into consideration the requirements of the regulator and the recommendation of the representatives of the Shareholder, whether at a regional or global level.

2. Board Committees (continued)

(a) Nominating and Remuneration Committee (continued)

- To oversee the overall composition of the Board, in terms of the appropriate size and skills and the balance between executive directors, non-executive directors and independent directors through annual review. Such composition of the Board shall always include two representatives of the Group's Regional Management.
- To recommend to the Board the removal of a director/CEO from the Board/ Management team if the director/CEO is found to be ineffective, errant and negligent in discharging their responsibilities.
- To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees, determine whether a director is independent and the performance of the CEO and other key Senior Management officers.
- To recommend the remuneration of the Shariah Committee members for the full board's approval and that the remuneration shall commensurate and reflect the roles and responsibilities of the Shariah Committee.
- To ensure that all directors receive an appropriate continuous training programme in order to keep abreast with latest developments in the industry;
- To oversee the appointment, management succession planning and performance evaluation of key Senior Management officers.
- To recommend to the Board the removal of key Senior Management officers if they are ineffective, errant and negligent in discharging their responsibilities.
- To assess on an annual basis, that the directors and key Senior Management officers continue to be "Fit and Proper" persons and are not disqualified under sections 59 & 60 of the Financial Services Act 2013 ("FSA") and sections 69 & 70 of the Islamic Financial Services Act 2013 ("IFSA").
- To recommend a framework of remuneration for directors, Shariah Committee members, CEO and Senior Management officers for the full Board's approval. The remuneration framework should support the Bank's risk culture, objectives and strategy and should reflect the responsibility and commitment, which goes with Board membership and responsibilities of the CEO and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain directors of calibre, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind.

2. Board Committees (continued)

(a) Nominating and Remuneration Committee (continued)

- To recommend specific remuneration packages for executive directors and the CEO. The remuneration package should be structured such that it is competitive and consistent with the Bank's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short term performance to avoid incentives for excessive risk raking. As for non-executive directors and independent directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. In addition, the remuneration of each board member may differ based on their level of expertise, knowledge and experience.
- To recommend the appointment, remuneration and termination of the Head of Compliance for the full Board's approval.
- Periodically review the remuneration of directors on the Board, particularly on whether remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

Frequency and Conduct of Meetings

Meeting shall be held at least once a year with a view to discussing the above issues or such other times as the NRC deems appropriate. The attendance of each director at NRC meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Mr. Steven Choy Khai Choon - Chairman	5/5 (100%)
Madam Koid Swee Lian - Vice Chairperson	5/5 (100%)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member	5/5 (100%)

2. Board Committees (continued)

(b) Audit and Examination Committee

Membership and composition

In 2017, the Audit and Examination Committee ("AEC") comprises the following Independent Non-Executive Directors of the Board:

Mr Steven Choy Khai Choon - Chairman
Madam Koid Swee Lian - Vice Chairperson
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member

Terms of Reference

Its responsibilities are as follows:

- To support the Board in ensuring there is a reliable and transparent financial reporting process.
- To oversee the effectiveness of the internal audit function.To foster a quality audit by exercising oversight over the external auditor, in accordance with the expectations set out in the policy document on External Auditor.
- Review and update the Board on all related party transactions.
- Review the accuracy and adequacy of the Chairman's statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- Monitor compliance with the Board's conflicts of interest policy.
- Review third-party opinions on the design and effectiveness of the Bank's internal control framework (where available).

Frequency and Conduct of Meetings

The AEC shall hold regular meeting, at least once every quarter and should report regularly to the Board. The attendance of each director at AEC meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Mr. Steven Choy Khai Choon – Chairman	5/5 (100%)
Madam Koid Swee Lian - Vice Chairperson	5/5 (100%)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member	5/5 (100%)

2. Board Committees (continued)

(c) Board Risk Management Committee

Membership and composition

In 2017, the Board Risk Management Committee ("BRMC") comprises the following Independent Non-Executive Directors of the Board:

Madam Koid Swee Lian - Chairperson
Mr. Steven Choy Khai Choon - Vice Chairman
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member

Terms of Reference

Its responsibilities are as follows:

- To review and recommend the overall risk management strategies, policies and risk appetite framework for Board's approval.
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these policies are operating effectively.
- To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the licensed institution's risk taking activities.
- To review management's periodic reports on market risk exposure, specific risk portfolio composition and risk management activities is supported by overall adequacy of capital and liquidity buffers of the Bank.
- To review minutes of EXCO, OPCO and ALCO meetings to be made aware of the business activities of the Bank and that the organisation units are operating within the parameters of the Bank's risk appetite framework for specific types of risks.
- To review REEC Minutes and credit and new product/product variation recommendations including compliance with legal and regulatory requirements.
- To ensure Senior Management monitors and control the Bank's risk and is consistent with approved strategies and policies as approved by the Board.
- To provide oversight and advice to the Board on the current market risk exposures of the Bank and future risk strategy.
- To review information on the key exposures and the associated risk tolerance of the Bank and provide high level information on the scope and outcome of any stress-testing programme to the Board.

2. Board Committees (continued)

(c) Board Risk Management Committee (continued)

- In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee

Frequency and Conduct of Meetings

The BRMC shall hold regular meeting, at least once every quarter and should report regularly to the Board. The attendance of each director at BRMC meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Madam Koid Swee Lian - Chairperson	4/4 (100%)
Mr. Steven Choy Khai Choon – Vice Chairman	4/4 (100%)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member	4/4 (100%)

3. Internal Audit and Internal Control Activities

Deutsche Bank (Malaysia) Berhad ("DBMB") has a local Group Audit function. The Principal Auditor in DBMB represents Group Audit in Malaysia and is primarily supported by resources from the Group Audit Asia Pacific regional team in Singapore.

The Principal Auditor has a functional reporting line to the Bank's Audit and Examination Committee and the Group Audit, Country Head for Singapore and South East Asia. Group Audit reports to the Audit and Examination Committee on a quarterly basis. The audits are managed in conjunction with the Principal Audit Managers in Singapore, who provide 'subject matter expertise' across businesses and infrastructure functions, with overall coordination by the Group Audit-Country Head for Singapore and South East Asia.

Group Audit provides a risk-based approach to examine, evaluate and report objectively on the adequacy of both the design and effectiveness of the systems of internal control and the effectiveness of risk management and governance processes. The Audit and Examination Committee reviews the work of Group Audit, including its Malaysia audit plan, progress and reports issued.

4. Remuneration

Deutsche Bank Group is a truly global organisation with compensation principles and policies established at a global level and underpinned by the goals of Deutsche Bank's Strategy 2020. Compensation plays an integral role in the successful delivery of our strategic objectives. Attracting, developing and retaining talent on a global basis is central to our compensation strategy. The cornerstone of this is the concept of pay for performance, within a sound risk management and governance framework, and with due consideration of market factors and societal values.

It is the full intention of the Bank to ensure that the Compensation Policy is applicable on a global basis in order to foster a fair and transparent approach to compensation across all jurisdictions. Notwithstanding this, the Bank is mindful that the specific nature of local operations should be considered and respected when making decisions and the input of local management sought to ensure this. In view of this and in accordance with Bank Negara Malaysia's Guidelines on Corporate Governance for Licensed Institutions, the Bank's NRC is in place to ensure corporate governance and oversight by the Board.

Employee Compensation Report

The content of the 2017 Employee Compensation Report is based on the qualitative and quantitative remuneration disclosure requirements outlined in Article 450 No. 1 (a) to (i) Capital Requirements Regulation ("CRR") in conjunction with Section 16 of the Remuneration Ordinance for Institutions ("Institutsvergütungsverordnung" – "InstVV").

Regulatory Environment

Ensuring compliance with regulatory requirements is an overarching consideration in our Group Compensation Strategy. We strive to be at the forefront of regulatory changes with respect to compensation and will continue to work closely with our 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 CRR and Capital Requirements Directive 4 ("CRD 4") requirements globally, as translated into German national law in the German Banking Act and InstVV. As of August 4, 2017, the revised version of the InstVV became effective. The principal objective of the amendment was to reflect the guidance on sound remuneration policies published by the European Banking Authority ("EBA") on December 21, 2015. According to the InstVV, all compensation elements must be categorised as either fixed or variable. If a compensation element cannot clearly be categorised as fixed, it is deemed to be variable. We adopted the rules for all of Deutsche Bank's subsidiaries and branches world-wide to the extent required in accordance with Section 27 InstVV.

Pursuant to CRD 4 and the requirements subsequently adopted in the German Banking Act, Deutsche Bank is subject to a ratio of 1:1 with regard to fixed-to-variable remuneration components, which was increased to 1:2 with shareholder approval on May 22, 2014 with an approval rate of 95.27 %. However, we have determined that individuals within the corporate control functions remain subject to a 1:1 ratio.

As a "significant Institution" within the meaning of the InstVV, Deutsche Bank identifies all employees whose work is deemed to have a material impact on the overall risk profile ("Material Risk Takers" or "MRTs") as referenced in the InstVV and in accordance with criteria stipulated under the Commission Delegated Regulation (EU) No. 604/2014. MRTs are identified at a Group level and at the level of Group entities which are significant institutions within the meaning of Section 17 InstVV. The compensation framework for MRTs must comply with specific requirements. Among other things, a significant part (at least 40 %) of the variable compensation has to be deferred over a period of at least three years (for senior management at least 60 % over five years). As a new ex-post risk adjustment instrument from performance year 2018 onwards, significant institutions must have the ability to reduce retained variable compensation components and, in cases of severe misconduct, demand repayment of variable compensation already paid out ("clawback”). Stricter rules also apply to severance payments, such as the requirement to determine general rules for severance payments including maximum amounts or specific criteria for the calculation of the payments. Moreover, the InstVV establishes more stringent compensation-related documentation and disclosure requirements. Based on thorough analysis, we have determined that our compensation system was already aligned with the revised version of the InstVV to a large extent. Where required, we have been adjusting our relevant policies, processes, and practices.

As a result of sector specific legislation and in accordance with the InstVV, some of Deutsche Bank’s subsidiaries fall under the “Alternative Investments Fund Managers Directive” (“AIFMD”) or the “Undertakings for Collective Investments in Transferable Securities V” Directive (“UCITS V”) and are subject to their respective remuneration provisions. We also identify Material Risk Takers in AIFMD/UCITS V regulated subsidiaries in accordance with the applicable rules and apply the remuneration provisions for MRTs identified according to InstVV also to this group, except for the 1:2 ratio with regard to fixed-to-variable components, which does not apply as long as these employees are not identified as MRTs according to InstVV at the same time.

Deutsche Bank also takes into account the guidelines under the “Markets in Financial Instruments Directive II” (“MiFID II”) targeted at employees who engage directly or indirectly with the bank’s clients. Together with the “Minimum Requirements for the Compliance Function” (“MaComp”) circular, these provisions require the implementation of a specific compensation policy, a review of compensation plans and the identification of populations of employees deemed to be “Relevant Persons” to ensure that they act in the best interest of clients.

We also adhere to the requirements regarding compensation arrangements contained in the final rule implementing Section 619 of the “Dodd-Frank Wall Street Reform and Consumer Protection Act” globally (the “Volcker Rule”).

Where applicable, Deutsche Bank is also subject to specific rules and regulations implemented by local regulators. Many of these requirements are aligned with the InstVV, however, where variations are apparent, pro-active and open discussions with regulators have enabled us to follow the local regulations whilst ensuring any impacted employees or locations remain within the bank’s overall global compensation framework. This includes, for example, the identification of “Covered Employees” in the United States under the requirements of the Federal Reserve Board. In any case, we apply the InstVV requirements as minimum standards globally.

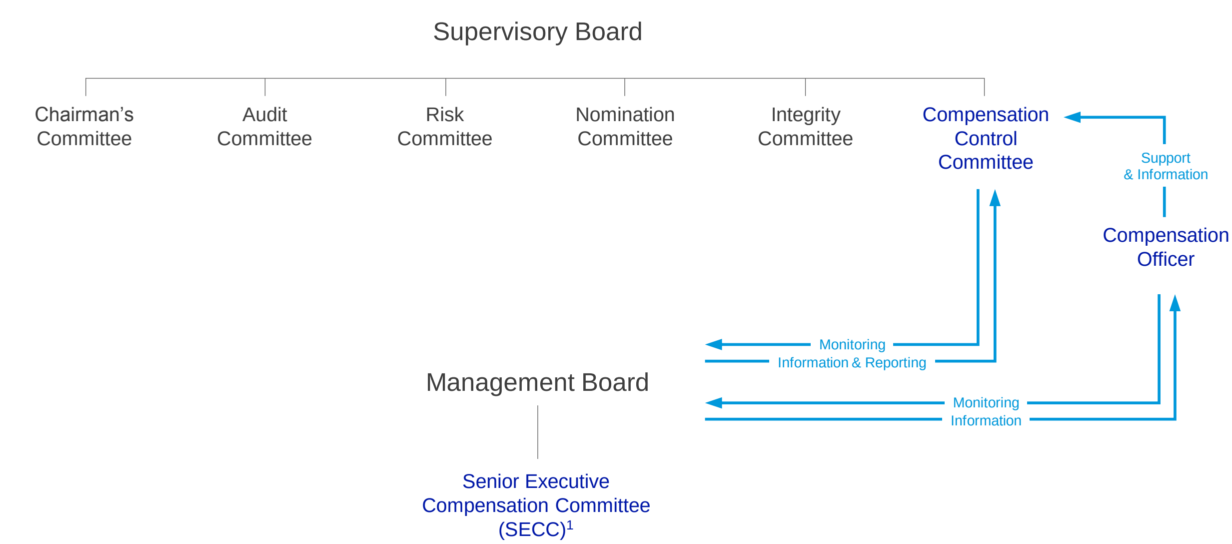
Notwithstanding this, the Bank is mindful that the specific nature of local operations should be considered and respected when making decisions and the input of local management sought to ensure this. In view of this and in accordance with Bank Negara Malaysia’s Guidelines on Corporate Governance for Licensed Institutions, the Bank’s Nominating and Remuneration Committee is in place to ensure corporate governance and oversight by the Board.

For further details on our Compensation decisions for 2017, please refer to below extract from the Deutsche Bank Annual Report 2017.

Compensation Governance

Deutsche Bank has a robust governance structure enabling it to operate within the clear parameters of the Compensation Strategy and the Compensation Policies. 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 particular the Compensation Control Committee ("CCC") and the Senior Executive Compensation Committee ("SECC"), respectively.

Reward Governance structure



[1] The relevant tasks are performed by the SECC on behalf of the Management Board.

Compensation Control Committee ("CCC")

The Supervisory Board has established the CCC to support in establishing and monitoring the 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 appropriateness 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 variable compensation is affordable 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 the MRT identification process and whether the internal control functions and the other relevant areas are properly involved in the structuring of the compensation systems.

The CCC consists of the Chairperson of the Supervisory Board and three further Supervisory Board Members, two from among the employee representatives. It had ten meetings in the calendar year 2017, one of them being a joint meeting with the Risk Committee.

Compensation Officer

The Management Board, in cooperation with the CCC, has appointed a Compensation Officer to support the Supervisory Board and the CCC in performing their compensation related duties. The Compensation Officer is involved in the conceptual review, development, monitoring and the application of the employees' compensation systems on an ongoing basis. The Compensation Officer performs his monitoring obligations independently and provides an assessment on the appropriateness of design and practices of the compensation systems for employees at least annually.

Senior Executive Compensation Committee ("SECC")

The 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. The SECC establishes the Group Compensation Strategy and Compensation Policy. The SECC also utilizes quantitative and qualitative factors to assess performance as a basis for compensation decisions and makes recommendations to the Management Board regarding the total amount of annual variable compensation and its allocation across business divisions and infrastructure functions.

In order to maintain its independence, only representatives from infrastructure functions who are not aligned to any of the business divisions are members of the SECC. In 2017, the SECC's membership comprised of the Chief Administration Officer and the Chief Financial Officer as Co-Chairpersons, as well as the Chief Risk Officer (all of whom are Management Board Members), the Global Head of Human Resources as well as an additional representative from both Finance and Risk as Voting Members. The Compensation Officer, the Deputy Compensation Officer and one of the Global Co-Heads of HR Performance & Reward were Non-Voting Members. The SECC generally meets on a monthly basis and it had 16 meetings with regard to the performance year 2017 compensation process.

Compensation Strategy

Deutsche Bank recognizes that its compensation system plays a vital role in supporting its strategic objectives. It enables us to attract and retain the individuals required to achieve our bank's objectives. The Group Compensation Strategy is aligned to Deutsche Bank's strategic objectives and to its corporate values and beliefs.

Five key objectives of our compensation practices

- To support the delivery of the bank's client-focused, global bank strategy by attracting and retaining talent across its full range of diverse business models and country locations
- To support the long-term, sustainable performance and development of the bank and a corresponding risk strategy
- To promote and support long-term performance based on cost discipline and efficiency
- To ensure that the bank's compensation practices are safe, by way of risk-adjusting performance outcomes, preventing inappropriate risk taking, ensuring sustained compatibility with capital and liquidity planning, and complying with regulation
- To apply and promote the bank's corporate values of integrity, sustainable performance, client centricity, innovation, discipline and partnership

Core remuneration principles

- Align compensation to shareholder interests and sustained bank-wide profitability, taking account of risk
- Maximize sustainable performance, both at the employee and the bank-wide level
- Attract and retain the best talent
- Calibrate compensation to reflect different divisions and levels of responsibility
- Apply a simple and transparent compensation design
- Ensure compliance with regulatory requirements

The Group Compensation Policy informs our employees with regard to our Compensation Strategy, governance processes as well as compensation practices and structures. Together, the Group Compensation Strategy and the Group Compensation Policy provide a clear link between compensation practices and the wider Group strategy. Both documents have been published on our intranet site and are available to all employees.

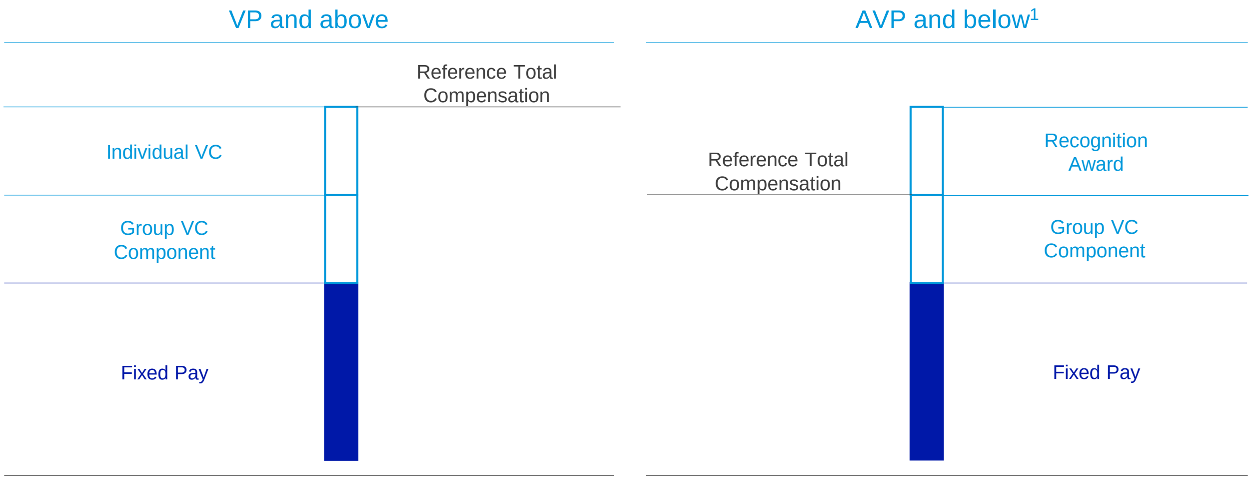
Total Compensation Framework

Our compensation framework aligns incentives for sustainable performance at all levels of Deutsche Bank whilst enhancing the transparency of compensation decisions and their impact on shareholders and employees. The framework puts an appropriate balance on Fixed Pay over Variable Compensation (VC) – together the “Total Compensation”.

In 2016, we introduced a new concept of “Reference Total Compensation” for each employee, that describes a reference value for their role. This reference provides our employees orientation on their Fixed Pay and VC. Actual individual Total Compensation can be at, above or below the Reference Total Compensation, based on Group affordability, and performance expectations having been satisfied at Group, divisional and individual levels, as determined by Deutsche Bank at its sole discretion.
Fixed Pay is used to compensate employees for their skills, experience and competencies, commensurate with the requirements, size and scope of their role. The appropriate level of Fixed Pay is determined with reference to the prevailing market rates for each role, internal comparisons and applicable regulatory requirements. It plays a key role in permitting us to meet our strategic objectives by attracting and retaining the right talent. For the majority of our employees, Fixed Pay is the primary compensation component, and the share of fixed compensation within Total Compensation is greater than 50 %. This is appropriate to many businesses and will continue to be a significant feature of Total Compensation going forward.

Variable Compensation allows to differentiate individual performance and to drive behavior through appropriate incentive systems that can positively influence culture. It also allows for flexibility in the cost base. VC generally consists of two elements – the “Group VC Component” and the “Individual VC Component”. The “Individual VC Component” is delivered either in the form of “Individual VC” (generally starting at the senior level of Vice President (VP) and above) or as “Recognition Award” (generally starting at the senior level of Assistant Vice President (AVP) and below). Under our compensation framework, there continues to be no guarantee of VC in an existing employment relationship.

Key components of the compensation framework



[1] Some Assistant Vice Presidents and below in select entities and divisions are eligible for Individual VC in lieu of the Recognition Award.

The Group VC Component is based on one of the overarching goals of the compensation framework – to strengthen the link between VC and the performance of the Group. The Management Board decided to align the "Group VC Component" directly and in a manner comprehensible for the employees to Deutsche Bank's achievements in reaching strategic targets. To assess progress towards the strategic aspirations, four Key Performance Indicators (KPIs) are utilised: Common Equity Tier 1 (CET 1) Capital Ratio (fully loaded), Leverage Ratio, Adjusted Costs, and Post-Tax Return on Tangible Equity (RoTE). These four KPIs represent important metrics for the capital, risk, cost and the revenue profile of our bank and provide an indication of the sustainable performance of Deutsche Bank.

Individual VC takes into consideration a number of financial and non-financial factors, including the applicable divisional performance, the employee's individual performance and conduct, the comparison with the employee's peer group and retention considerations.

Recognition Awards provide the opportunity to acknowledge and reward outstanding contributions made by the employees of lower seniority levels in a transparent and timely manner. Generally, the size of the Recognition Award Program is directly linked to a set percentage of Fixed Pay for the eligible population and it is paid out twice a year, based on a review of nominations and contributions at divisional level.

Total Compensation is complemented by employee benefits which may be linked to employment or seniority, but have no direct link to performance. They are granted in accordance with applicable local market practice and requirements. Recognition Awards and benefits (including company pension schemes) are not part of an employee's Reference Total Compensation.

Determination of Variable Compensation

Deutsche Bank applies a robust methodology when determining Variable Compensation, that reflects the risk-adjusted performance (which includes ex-ante and ex-post risk adjustments) and is primarily driven by (i) Group affordability, i.e. what "can" Deutsche Bank award in alignment with regulatory requirements, and (ii) performance, i.e. what "should" we award in order to provide an appropriate compensation for performance, while protecting the long-term health of the franchise. These aspects apply to both the Group VC Component and the Individual VC Component (whether granted as Individual VC or Recognition Award).

Group affordability is assessed to determine that key parameters are within the projected fulfilment of future regulatory and strategic goals. The affordability parameters used are fully aligned with our "Risk Appetite Framework" and include: CET 1 Capital Ratio, Economic Capital Adequacy Ratio, Leverage Ratio, Stressed Net Liquidity Position and Liquidity Coverage Ratio.

When assessing performance, we reference a range of considerations, including divisional performance. The performance is assessed in context of divisional financial and non-financial targets. The financial targets are subject to appropriate risk-adjustment, in particular by referencing the degree of future potential risks to which Deutsche Bank may be exposed, and the amount of capital required to absorb severe unexpected losses arising from these risks. For the infrastructure functions, the performance assessment is based on the achievement of cost and control targets. While the allocation of VC to infrastructure functions depends on the overall performance of Deutsche Bank, it is not dependent on the performance of the division(s) these functions, particularly independent control functions, oversee.

At the level of the individual employee, we have established "Variable Compensation Guiding Principles", which detail the factors and metrics that must be taken into account when making Individual VC decisions. Our managers must fully appreciate both the absolute and relative risk-taking activities of individuals to ensure that VC allocations are balanced and risk-taking is not inappropriately incentivized. The factors and metrics to be considered include, but are not limited to, divisional risk-adjusted financial and non-financial performance, culture and behavioural considerations, disciplinary sanctions, and individual performance. Managers of Material Risk Takers must document the factors and risk metrics considered when making Individual VC decisions, and demonstrate how these factors influenced the Individual VC decision.

Variable Compensation Structure

Our compensation structures are designed to provide a mechanism that promotes and supports long-term performance of our employees and our bank. Whilst a portion of VC is paid “upfront”, these structures ensure that an appropriate portion is deferred with the aim to ensure alignment to sustainable performance of the Group.

In our bank we continue to believe that the use of shares or share-based instruments for deferred VC is an effective way to align compensation with Deutsche Bank’s sustainable performance and the interests of shareholders. By using Deutsche Bank shares, the value of the individual’s VC is linked to Deutsche Bank’s share price over the deferral and retention period.

As detailed below, we continue to go beyond certain regulatory requirements with the amount of VC that is deferred and Deutsche Bank’s minimum deferral periods. Whilst ensuring lower compensated employees are not unnecessarily subject to deferrals, we ensure an appropriate amount of deferred VC for higher earners, which generally means that where VC is set at or above € 150,000 and in the case of Material Risk Takers employees at or above € 50,000, the portion of deferred VC increases for VC above these levels. Material Risk Takers are on average subject to deferral rates in excess of the minimum 40 % (60 % for Senior Management) as required by InstVV.

Overview on 2017 Award Types

Award Type	Description	Beneficiaries	Deferral Period	Retention Period	Proportion
Cash VC	Upfront cash proportion	All eligible employees	N/A	N/A	MRTs: 50 % of upfront VC Non-MRTs: 100 % of upfront VC
Equity Upfront Award (“EUA”)	Upfront equity proportion: The value of the EUA is linked to Deutsche Bank's share price	All MRTs with VC >= € 50,000	N/A	12 months	50 % of upfront VC
Restricted Incentive Award (“RIA”)[1]	Non-equity based portion (deferred cash compensation)	All employees with deferred VC	Pro rata vesting over four years	N/A	50 % of deferred VC
Restricted Equity Award (“REA”)[1]	Deferred equity portion: The value of the REA is linked to Deutsche Bank's share price over the vesting and retention period	All employees with deferred VC	Pro rata vesting over four years Senior Management: 4.5 year cliff-vesting[2]	6 months for MRTs	50 % of deferred VC

N/A – Not applicable

[1] For certain AIFMD/UCITS V employees: Employee Investment Plan (“EIP”). These are cash settled awards based on the value of funds managed by the business.

[2] For the purposes of performance year 2017 annual awards, “Senior Management” is defined as the Deutsche Bank’s “Senior Leadership Cadre”, which includes direct reports of Deutsche Bank AG Management Board Members (excluding non-strategic roles), Management Board Members of the bank’s significant institutions (excluding Deutsche Bank AG and Postbank AG for whom other remuneration systems apply) and other senior employees who are significant influencers and stewards of the Deutsche Bank’s long-term health and performance. All Senior Management employees are also considered MRTs.

In addition to the standard Group approach detailed above, we have decided to apply a stricter approach with regard to VC awards granted to Directors and Managing Directors in the Corporate & Investment Bank: The effective deferral threshold for this population is set at € 130,000 (for MRTs at € 50,000) and the proportion of VC that is deferred generally increases faster with increasing levels of the overall amount of compensation awarded than for employees in other areas of the bank, to align their VC even more closely with the sustainable performance of the Group. Furthermore, those Directors and Managing Directors with either Fixed Pay or VC in excess of € 500,000 are subject to a VC deferral of 100 %.

Our employees are not allowed to sell, pledge, transfer or assign a deferred award or any rights in respect to the award. They may not enter into any transaction having an economic effect of hedging any variable compensation, for example offsetting the risk of price movement with respect to the equity-based award. Our Human Resources and Compliance functions work together to monitor employee trading activity and to ensure that all our employees comply with this requirement.

Ex-post Risk Adjustment of Variable Compensation

We believe that the future conduct and performance of our employees are a key element of deferred VC. As a result, all deferred awards are subject to performance conditions and forfeiture provisions as detailed below.

Overview on performance conditions and forfeiture provisions of Variable Compensation

Provision	Description	Forfeiture
Group CET 1 Ratio	If at the quarter end prior to vesting and delivery the Group CET 1 Ratio is below a certain threshold	Next tranche of equity based deferred award due for delivery (100 % of all un-delivered Equity Upfront Awards)[1]
Negative Group IBIT	If the Management Board determines that prior to delivery Group IBIT is negative	Next tranche of equity based deferred award due for delivery (applies also to cash based deferred award of MRTs)[2]
Negative Divisional IBIT	If the Management Board determines that prior to delivery Divisional IBIT is negative	Next tranche of deferred award due for delivery (applies only to MRTs in Business Divisions excluding Postbank MRTs)[2]
Forfeiture Provisions[3]	– In the event of an internal policy or procedure breach, breach of any applicable laws or regulations, or a Control Failure – If any award was based on performance measures or assumptions that are later deemed to be materially inaccurate – Where a Significant Adverse Event occurs, and the Participant is considered sufficiently proximate – If forfeiture is required to comply with prevailing regulatory requirements	Up to 100 % of undelivered awards

[1] For award types subject to cliff-vesting, the whole award will be forfeited if at quarter end prior to vesting or settlement the Group CET 1 ratio is below the threshold. For Equity Upfront Awards, the Group CET 1 Ratio is only assessed at the quarter end prior to delivery.
[2] For annual equity-based awards subject to cliff-vesting granted to Senior Management (defined as Deutsche Bank's "Senior Leadership Cadre"), a certain award proportion (20 %) will be forfeited in respect of a year, if the IBIT is negative for that year.
[3] Forfeiture provisions here are not a complete list, other provisions apply as outlined in the respective plan rules.

Compensation Decisions for 2017

Retention Award Program (granted in January 2017)

As already outlined in last year's Employee Compensation Report, in the context of strategic considerations during the 2016 year-end process, a limited number of employees were granted a special long-term incentive ("Retention Award") in early 2017. In order to mitigate retention risks and to protect the franchise, the Management Board had decided to grant these Retention Awards irrespective of individual performance in the previous year to a targeted population of key employees who had been identified as critical to the bank's future success, who are in high demand in the market and who would be very difficult to replace.

Overall, Retention Awards were awarded to 5,522 employees or approximately 5 % of Deutsche Bank's global workforce. € 554 million were granted in deferred cash, and € 554 million were granted in deferred equity. The Retention Awards are fully deferred over a period of three to five years and are subject to the same measures of ex-post risk-adjustment as described in the chapter "Ex-post Risk Adjustment of Variable Compensation". The earliest pay-out date for parts of these awards is therefore early 2018 for non-Material Risk Takers, as a pro rata vesting over three years, and 2021 for MRTs, respectively. The equity awards for MRTs are subject to an additional retention period of 12 months, meaning that those awards are only fully delivered after six years.

To further align the awards with the long-term health of our bank and the interests of our shareholders, this equity portion will not vest if Deutsche Bank's share price does not reach a certain share price target. If the share price target is met, the equity portion is delivered after three and a half years for non-MRTs, and after five to six years for MRTs taking into account the additional retention period. In line with any other outstanding equity awards, the share price target and number of outstanding shares for unsettled Retention Awards have been adjusted with respect to our rights issue in April 2017.

Although not performance-based, Retention Awards are considered variable compensation pursuant to Section 5 InstVV. For the ratio of 1:1 or 1:2 with regard to fixed-to-variable remuneration components, Deutsche Bank considers Retention Awards on a pro-rated basis over the deferral period in line with the InstVV. To benefit from these awards, Retention Award recipients need to stay with our bank. If they leave for a competitor, any undelivered portion of an award will be forfeited. At the end of 2017, the attrition rate for employees who have been granted a Retention Award has been lower than the attrition rate for employees who received other deferred awards.

Overview of the structure of the Retention Award Program

Population	Weighting	Proportion	Deferral Period
Material Risk Takers	100 % deferred	50 % cash (RIA)	50 % vest on March 1, 2021, 50 % vest on March 1, 2022
		50 % equity (REA)	50 % vest on March 1, 2021 (plus 12 months retention period), 50 % vest on March 1, 2022 (plus 12 months retention period)
Non-Material Risk Takers	100 % deferred	50 % cash (RIA)	3 year pro rata vesting (March 1, 2018, March 1, 2019, March 1, 2020)
		50 % equity (REA)	Cliff vesting after 3.5 years (due to vest on August 1, 2020)

Year-end considerations and decisions for 2017

For the determination of the total amount of VC for the performance year 2017, the Management Board had to consider many factors such as the performance at Group and divisional level. However, the assessment of performance has to be complemented by other key factors such as the ongoing focus on achieving the bank's strategic objectives, the impact of competitive positioning on retaining and motivating employees, and a sustainable balance between shareholder and employee interests as required by the bank's "Compensation Strategy".

For the financial year 2017, Deutsche Bank's pre-tax earnings amounted to approximately € 1.2 billion, with solid revenues in many parts of our bank. However, after taxes the bank incurred a loss of € (0.7) billion. The main reason for this loss was the U.S. tax reform which resulted in a one-time tax charge of € 1.4 billion in the fourth quarter of 2017. This tax charge only had a limited impact on the fully-loaded Common Equity Tier 1.

The financial year 2017, as expected, has been strongly influenced by the pursuit of our strategic objectives. As such, restructuring and severance costs as well as litigation charges have continued to affect the full year results. Overall, noticeable progress has been made: We have concluded negotiations on significant litigation items, have continued with our efforts to build a more efficient infrastructure, have invested in digitalisation, and advanced both the integration of Postbank and the partial initial public offering (IPO) of Deutsche Asset Management.

Against this backdrop, the SECC has monitored the affordability of Variable Compensation throughout 2017. It has concluded that, despite Deutsche Bank's overall negative result, the bank's capital and liquidity positions remain comfortably above regulatory minimum requirements, and that therefore affordability parameters are met. In addition, the bank's

2017 financial statements and targets for the financial years 2018 and 2019 exceed both internal risk appetite metrics and expected regulatory minimum requirements.

The determination of the total amount of VC for the performance year does not only look at the impact on the current year but also on future years. In considering the overall shareholder return, we therefore carefully balance the short-term and long-term return, acknowledging the fact that we are still in the midst of laying the foundations for growth and future success. This includes the required investments in our staff in order to sustain the momentum that has been built over the past years.

After the decision to severely restrict total VC for 2016, another year with drastically reduced variable compensation or no specific recognition of individual performance would have led to attrition risk with respect to both key employees that are critical to our future success as well as many other employees who all worked hard to help our bank navigate through times of continuous change. We have clearly stated multiple times throughout the year that we wanted to return to a normal system of variable remuneration for 2017, including both a "Group VC Component" and "Individual VC Component" of Variable Compensation.

In the context of the above considerations, in line with regulatory requirements, and taking into account the risk-adjusted financial performance, the Management Board has determined a total amount of year-end performance-based VC for 2017 of € 2.2 billion (including the Individual VC Component, the Group VC Component, and Recognition Awards). The Variable Compensation for the Management Board of Deutsche Bank AG is not included in this amount, as it is determined by our Supervisory Board in a separate process. The remuneration of the Management Board for 2017 is detailed in the "Management Board Compensation Report". However, it is also included in the tables and charts below.

As part of the overall 2017 VC awards to be granted in March 2018, the "Group VC Component" was awarded to all eligible employees in line with the assessment of the defined four KPIs, as outlined in the chapter "Total Compensation Framework". The Management Board recognizing the considerable contribution of employees and at its discretion determined a target achievement rate of 55 % for 2017.

Compared to 2016, the Total Fixed Pay for 2017 decreased by approximately 4 % from € 8.3 billion to € 8.0 billion, mainly due to headcount reductions. As established by our compensation framework, Fixed Pay continues to remain the primary compensation component for the majority of our employees, especially those at the lower seniority levels.

Disclosure of Total Compensation for 2017

Deutsche Bank decided in 2017 to move infrastructure employees to the divisions they service in order to increase the overall efficiency and collaboration within the Group. This helped to increase our business divisions' responsibility and autonomy with respect to their organisational decisions and processes and led to a significant increase of the number of employees associated with the business divisions compared to 2016 – in particular in the Corporate & Investment Bank as well as in Deutsche Asset Management. Independent Control Functions generally remained in central areas.

As outlined earlier, the Retention Awards granted in January 2017 are not part of the Variable Compensation granted to employees for their performance in 2017.

Compensation awards for 2017 – all employees

						2017	2016
in € m. (unless stated otherwise)[1]	CIB	PCB[2]	Deutsche AM	Independent Control Functions[3]	Corporate Functions[4]	Group Total	Group Total
Number of employees (full-time equivalent) at period end	17,251	43,460	3,803	13,478	19,542	97,535	99,744
Total Compensation	3,881	3,121	635	1,320	1,313	10,270	8,887
Fixed Compensation	2,463	2,834	417	1,131	1,150	7,995	8,341
Year-end performance-based VC	**1,341**	**279**	**195**	**186**	**160**	**2,161**	
Other VC[5]	77	8	23	3	2	113	
Variable Compensation[6]	1,418	287	218	189	163	2,275	546
Retention Award Program (Jan 2017)[7]						961	N/A

N/A – Not applicable

1 The table may contain marginal rounding differences.

2 For this table only, PCB figures also include employees of Postbank Group (17,441 employees) as well as Postbank Fixed Pay figures (€ 971 million). Variable Compensation granted by Postbank Group is not included in the above variable amount. For Postbank Group, a total amount of variable remuneration of € 95 million is envisaged.

3 In accordance with regulatory guidance, "Independent Control Functions" for the purposes of this table include the areas of the Chief Risk Officer, Group Audit, Compliance, Anti-Financial Crime, and Human Resources (central and regional). Additionally, the bank considers the following infrastructure functions as "Independent Control Functions": Legal, Global Governance, Group Incident & Investigation Management, Chief Information Security Office, Group Finance, Group Tax, and Regulatory Affairs. All of these functions are subject to a fixed-to-variable remuneration ratio of 1:1.

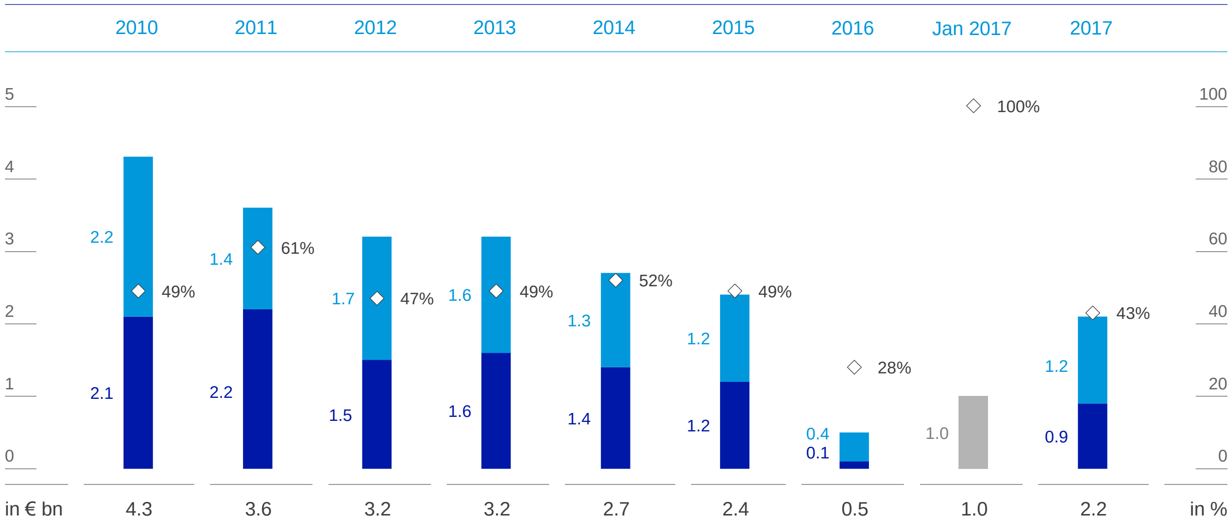
4 "Corporate Functions" comprise any infrastructure function that is neither captured as an Independent Control Function nor part of any division for the purposes of this table. This includes, for instance, the areas of the Chief Operating Officer and Corporate Social Responsibility. "Corporate Functions" also includes the remuneration of the Management Board of Deutsche Bank AG.

5 "Other VC" includes other contractual VC commitments in the period such as sign-on awards.

6 "Variable Compensation" includes Deutsche Bank's year-end performance-based VC awards for the period and the other VC commitments in the relevant period. € 60 million buyouts for new hires (replacement awards for lost entitlements from previous employers) are not included.

7 "Retention Award Program (Jan 2017)" amount includes forfeitures and is FX-adjusted for 2017 (grant value in January 2017 based on 2016 FX: € 1,108 million).

Year-end performance-based Variable Compensation and deferral rates year over year

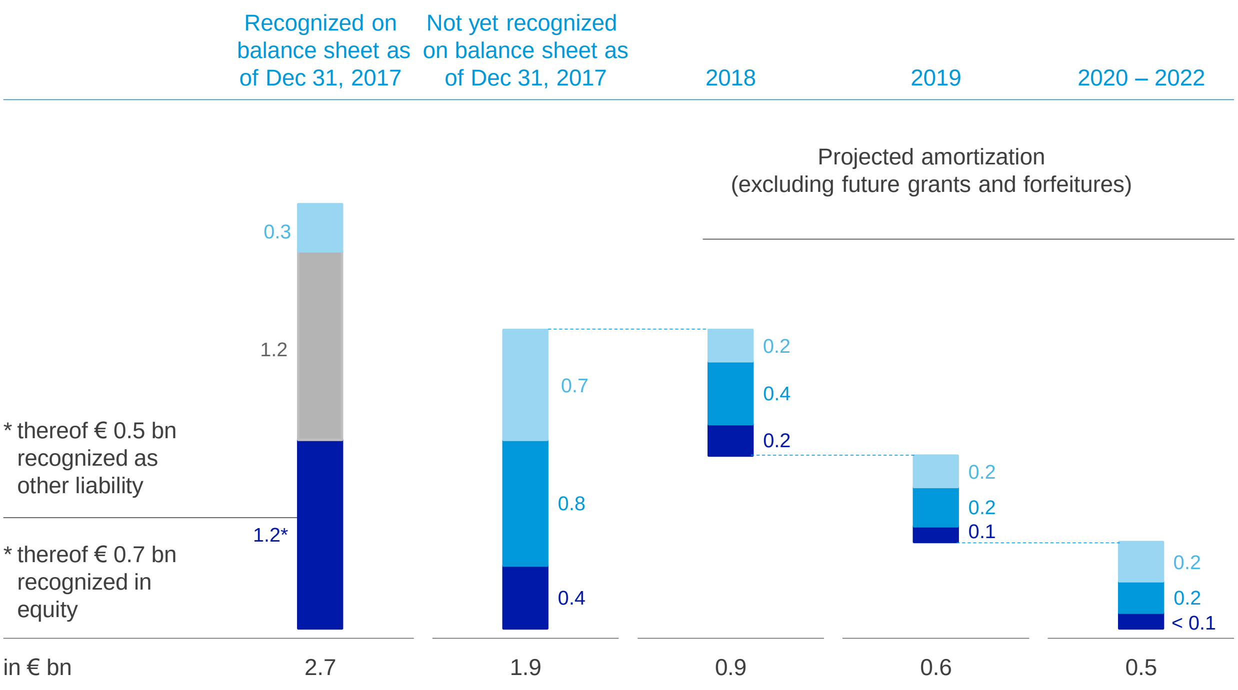


Cash
Deferred
Retention Award Program granted in January 2017 (€ 1.0 billion) including forfeitures (original grant value: € 1.1 billion), 100 % deferred. Retention Awards are not based on performance
◇ Deferral rate in % (i.e. the proportion of the total Variable Compensation that is delivered in deferred awards)
Due to rounding, numbers presented may not add up precisely to the totals provided

Recognition and Amortization of Variable Compensation

As of December 31, 2017, including both awards for financial year 2017 granted in early March 2018 and the Retention Award Program granted in January 2017, unamortized deferred VC expenses amount to approximately € 1.9 billion. The following graph visualizes the amount of VC recognized on the balance sheet for 2017 and the projected future amortization of outstanding VC over the next financial years (future grants and forfeitures excluded).

Year-end performance-based Variable Compensation and Retention Award Program
Recognition as of December 31, 2017 and projected amortization of deferred compensation granted



- Cash portion of Variable Compensation granted for performance year 2017 recognized as part of other liabilities
- Deferred Variable Compensation granted for performance year 2016 or earlier (including € 126 million of performance year 2017 deferred awards recognized as of Dec 31, 2017 due to local regulatory requirements)
- Deferred Variable Compensation granted for performance year 2017
- Retention Award Program (granted in January 2017), 100 % deferred, of which 0.3 billion have been recognized in equity in 2017

Due to rounding, numbers presented may not add up precisely to the totals provided

Of the year-end performance-based VC for 2017, and taking into account the Retention Award Program granted in January 2017, € 1.6 billion is charged to the income statement for 2017 and € 1.5 billion will be charged to future years. In addition, the income statement for 2017 was charged with a VC of € 0.7 billion stemming from prior years' deferrals.

Senior Managements & Material Risk Takers' Remuneration

		Senior Management		Material Risk Takers[1]		Total
		RM'000	No	RM'000	No	RM'000
Fixed Remuneration						
Cash		5,464	9	2,485	2	7,949
Other		996	9	422	2	1,418
Variable						
- Non Deferred	Cash	1,176	9	755	2	1,931
- Deferred	Cash	736	1	448	2	1,184
	Shares	789	1	668	2	1,457
Guaranteed bonus		0	-	0	-	0
Sign On bonus		0	-	0	-	0
Severance Payments		0	-	0	-	0
Others		335	9	204	2	539
Outstanding deferred remuneration						
- Non Deferred	Cash	0	-	0	-	0
- Deferred	Cash	1,182	1	1,354	2	2,536
	Shares	1,591	1	2,117	2	3,708
Exposure to implicit & explicit adjustments		0	-	0	-	0
- Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments		0	-	0	-	0
- Total amount of reductions during the financial year due to ex-post explicit adjustments		0	-	0	-	0
- Total amount of reductions during the financial year due to ex-post implicit adjustment		0	-	0	-	0

[1] Refers to locally identified risk takers who can materially commit or control significant amounts of the Bank's resources or whose actions are likely to have a significant impact on the bank's risk profile.

5. Related Party Transactions

There are no other significant related party transactions other than as reported in Note 23 of the Bank's audited financial statements.

6. Risk Management

The Bank's risk management strategies and policies are disclosed in Note 32 of the audited financial statements and Basel II Pillar 3 Report.

7. Management Report

Board meetings are structured around a pre-set agenda and regular reports from the management on risk management, key operating, financial, legal, compliance and regulatory matters and minutes of committee meetings are circulated to keep Directors abreast with the performance of the Bank.

Deutsche Bank Asia Foundation

Deutsche Bank views corporate social responsibility (CSR) as an investment in society and in the future success of the company. We want to create sustainable value: for our clients and employees, our shareholders and for society.

In Malaysia, our CSR activities are directed through the Deutsche Bank Asia Foundation (DBAF). Through our programmes *Born to Be* and *In the Community*, we focus on education and building strong and inclusive communities. These are supported by *Plus You*, our platform of employee giving and volunteering.

Under the *Born to Be* umbrella, we worked with local organisations to develop what young people need to succeed in life: skills, aspirations and opportunities.

In 2016, Deutsche Bank continued its support for Badan Amal Nur Zaharah, also known as Nur Zaharah Welfare Home. The home is a centre for underprivileged children in Janda Baik, Pahang. Our support has enabled the expansion of a permanent home for boys who were vacated from the old hostel building. Separately, as part of a tradition starting 2013, volunteers continued celebrating the holy month of Ramadhan with the 54 children.

To equip youth with life skills that would enable them to be self-reliant, we worked with Dignity for Children Foundation through its Education Programmes. Dignity for Children Foundation is a one-stop community learning centre for the poor, located in Sentul, Kuala Lumpur, that empowers underprivileged children to break the cycle of poverty through quality education in a safe and conducive environment.

Deutsche Bank partnered Soroptimist International Damansara to prepare disadvantaged youth to be workforce-ready and ensure gainful employment under the *LifeSkills4Youth* Work Readiness Now programme. During the one-week training, youth were equipped with the necessary employability skills to prepare them for the competitive workforce environment to face life’s challenges ahead.

Deutsche Bank adopted Nan Kai Chinese Primary School under the *School Adoption Programme*, to create awareness of financial management for school children. In 2016, Deutsche Bank continued the initiative, using fun and interactive activities to help students learn important money concepts. A simulation game of barter trade was played with the use of money as a medium of exchange. Students were also taught to always prioritise “Needs” over “Wants” when making spending decisions.

Wherever Deutsche Bank does business, we are committed to building stronger and more inclusive communities. Deutsche Bank volunteers continued providing companionship to elderly at The Little Sisters of the Poor, helping to maintain their homes by cleaning. In addition, the bank contributed towards the upkeep of the home, the safe haven the elderly call home in their golden lives.

Deutsche Bank Asia Foundation (continued)

In the area of environment conservation, we collaborated with Malaysian Nature Society to protect the rare and endangered Rafflesia and Rajah Brooke Birdwing butterflies in Ulu Geroh, Perak. Volunteers built the conservation site together with the Orang Asli community of local Semai, the stewards of these natural resources. The conservation site will also be used for ecotourism as part of community development to help generate income and alleviate poverty amongst the local Semai community.

Apart from onshore CSR activities, three volunteers also volunteered in DBAF's Regional CSR activities in Thailand, working with colleagues in the region to help refurbish a primary school.