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

Statement on Corporate Governance 2016

CEO's Statement

Global economy in 2016 remained challenging with modest and uneven recovery with the US the strong performer. Key political events which included Britain's exit from European Union (Brexit) and the election of Donald Trump as president of the United States caused greater volatility to the markets though the actual outcome of those policies remain unclear.

Malaysia maintained its resiliency in 2016 despite falling revenues from commodities, slower external demand couple with the weakness in the Malaysian Ringgit. GDP grew by 4.2% in 2016 as compared to 5% in previous year, driven primarily by domestic demand especially private consumption. Bank Negara Malaysia (BNM) reduced the Overnight Policy Rate (OPR) by 25 basis points to 3% in July, after holding the rate steady at 3.25% since the last hike in July 2015.

Despite the challenging environment, the Bank demonstrated corporate resiliency and recorded income before taxes of RM195.3 million in 2016, an increase of 28% from the previous year. Net profit for the year was RM147.0 million, compared to RM112.3 million in the preceding year. This translates to earnings per share of 84.7 sen in 2016.

The Bank's return on equity rose to 11.1% from 8.9% reported in the previous year. Our liquidity profile continues to be strong with total interest-bearing funds in excess of RM5.7 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 22.19% and 21.87% respectively as at 31 December 2016.

Notable deals and Awards

In 2016, Deutsche Bank was Joint Bookrunner for the multi-award winning Malaysian transaction, Malayan Banking Berhad USD500million Basel III compliant tier two bonds. The issuance was awarded "Best Bank Capital Bond for Malaysia" and "Best Malaysia Deal" by The Asset Triple A Country Awards 2016 and Finance Asia Country Achievement Awards 2016 respectively. This reinforces Deutsche Bank's well-established credentials and franchise in Southeast Asia debt capital markets.

Transaction banking business continues to thrive with recognition by The Asian Banker Transaction Banking Awards 2016 as "Best International Transaction Bank in Asia Pacific", "Best International Cash Management Bank in Asia Pacific" and "Best Global Clearing (EURO and USD) Bank in Asia Pacific". The Asset Triple A Treasury, Trade and Risk Management – Country House Awards 2016 awarded the "Best Treasury and Cash Management Bank in South East Asia" and "Best Service Provider – Structured Trade Finance in Malaysia" to Deutsche Bank. For a second consecutive year, Euromoney's Trade Finance Survey 2016 accorded the Bank as the "Best Trade Finance Provider".

CEO's Statement (continued)

Bank ratings

In August 2016, RAM reaffirmed the Bank's long and short term ratings of AA1 and P1 respectively.

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 stand 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

Global economy is expected to pick up its momentum in 2017 and beyond. And as global economic growth improves and commodity prices recover, Malaysian economy is anticipated to continue on steady growth path but at a slower pace with GDP of 4.0% - 4.7%. While domestic demand would remain as driver of growth mostly from private consumption, trade is also seen as the engine of growth with the higher commodity prices and weak ringgit currency.

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

Deutsche Bank looks forward to contribute to the economic growth and wellbeing of the communities 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:

Tun Mohamed Dzaiddin bin Haji Abdullah
Chairman – Independent Non-Executive Director (retired 31 December 2016)

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Independent Non-Executive Director (appointed 28 April 2016)
Chairman – Independent Non-Executive Director (appointed 01 January 2017)

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

Dato' Ahmad Johari bin Abdul Razak
Independent Non-Executive Director (retired 24 August 2016)

Mr. Ng Soon Lai @ Ng Siek Chuan
Independent Non-Executive Director (resigned 07 December 2016)

Mr. Steven Choy Khai Choon
Independent Non-Executive Director

Mr. Richard Joseph Austin
Non-Independent Non-Executive Director (resigned 01 December 2016)

Madam Koid Swee Lian
Independent Non-Executive Director (appointed 07 December 2016)

Key information and background of Directors

Tun Mohamed Dzaiddin bin Haji Abdullah (retired 31 December 2016)

Tun Mohamed Dzaiddin bin Haji Abdullah, aged 79, is a former Chief Justice of Malaysia, Barrister of the Middle Temple, England and an advocate and solicitor of the High Court of Malaya. He is a Fellow of the Singapore Institute of Arbitrators and Legal Consultant at Skrine & Co, Malaysia.

Tun Dzaiddin is a Member of the Securities Commission's (SC) Corporate Governance Consultative Committee. He was the Chairman of the Tun Mohamed Suffian Foundation Incorporated, and retired in early 2014. He was also the former Chairman and Non-Executive Director of Bursa Malaysia Berhad; Chairman of the Royal Commission to Enhance the Operation and Management of the Royal Malaysia Police; Former President of the ASEAN Law Association and Vice President of the Malaysian Bar.

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (appointed 28 April 2016)

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin, aged 59, is a new member of the Board of Deutsche Bank Malaysia (appointed on 28 April 2016). He succeeded the role as non-executive Chairman of the bank on 1 January 2017. Tunku Dato' Mahmood Fawzy holds a Bachelor of Arts (Hons) Business Studies degree from the Polytechnic of Central London (now known as Westminster University), an MBA from the University of Warwick and the Diploma in Marketing from the Chartered Institute of Marketing. He is a Member of the Institute of Public Accountants Australia, Malaysian Institute of Management, and the Malaysian Institute of Corporate Governance. Tunku Dato' Mahmood Fawzy brings with him wealth of experience from across local and international in telecommunication, investment management, oil and gas, marine and aviation logistic and banking and financial service sectors. His leadership, management and cross borders affluence will continue to drive and strengthen the governance for effective board supervision on the bank.

Formerly, a non-executive Director of Pos Malaysia Bhd, VADS Bhd, SapuraKencana Petroleum Bhd, Hong Leong Islamic Bank Bhd and presently, sits on the board of Malaysia Airports Holdings Berhad, Telekom Malaysia Berhad and one of its subsidiaries Webe Digital Sdn Bhd (formerly P1 Networks Sdn Bhd), Hong Leong Asset Management Bhd, 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).

Key information and background of Directors (continued)

Dato’ Yusof Annuar bin Yaacob

Dato’ Yusof Annuar bin Yaacob, aged 51, joined Deutsche Bank (Malaysia) Berhad (“Deutsche Bank”) from Goldman Sachs Malaysia Sdn Bhd where he was the Managing Director and Chairman of the Investment Banking Division. Dato’ Yusof is a Chartered Accountant by profession and a Member of the Chartered Institute of Management Accountants and Malaysian Institute of Accountants.

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. 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.

Dato’ Ahmad Johari bin Abdul Razak (retired 24 August 2016)

Dato’ Ahmad Johari bin Abdul Razak, aged 62, graduated from the University of Kent, United Kingdom with a Bachelor of Arts degree in law and was called to the Bar of England and Wales at Lincoln’s Inn in 1976. Dato’ Ahmad Johari was thereafter admitted as an Advocate and Solicitor of the High Court of Malaya and practised law with an established law firm from 1979 to 1994 and was a partner of the firm from 1981 to 1994. He re-joined the firm as a Partner on 1 August 2007. Dato’ Ahmad Johari is the Non-Executive Chairman of Ancom Berhad and Daiman Development Berhad. Currently, he also sits on the Board of Hong Leong Industries Berhad and Sumatec Resources Berhad.

Mr. Ng Soon Lai @ Ng Siek Chuan (resigned 07 December 2016)

Mr. Ng Siek Chuan, aged 62, is a fellow of the Institute of Chartered Accountants in England and Wales. He has had several years of experience in the accounting profession with Coopers & Lybrand in London and Kuala Lumpur before moving on to the financial sector in 1980. Prior to joining Alliance Bank in July 1991 as General Manager of Credit, Mr Ng had served in various positions in a leading local merchant bank and a finance company. He was appointed as Chief Executive Director of Alliance Bank Malaysia Berhad on 21 January 1994 and to the Board of Alliance Merchant Bank Berhad on 22 July 2002 until his resignation on 31 August 2005. Mr. Ng is also an Independent Director of Hiap Teck Venture Berhad, Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad) and ELK-Desa Resources Berhad.

Key information and background of Directors (continued)

Mr. Steven Choy Khai Choon

Mr. Steven Choy Khai Choon, aged 59, graduated from University of New South Wales, Australia with a Bachelor of Commerce degree. Mr Choy completed his Master in Business Administration in Oklahoma City University, USA and attended the General Management Programme at INSEAD, France. He is a Fellow member of the Australian CPA and a member of the Malaysia Institute of Accountants since 1982. Mr. Choy has over 30 years of experience in financial services industry having direct hands on exposure in Banking, Insurance, Fund Management and Capital Markets. He held positions as Chief Executive Officer of Cagamas Berhad, Senior General Manager of RHB Bank and various positions in the Aviva Insurance Group.

Mr. Choy is currently an Independent Director of Malaysia Marine and Heavy Engineering Holdings Berhad, Rating Agency Malaysia Berhad, Zurich Insurance Berhad, Asian Banking School Sdn Bhd and was appointed to the Board of Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad) on 30 June 2016.

Mr. Richard Joseph Austin (resigned 01 December 2016)

Mr. Richard Joseph Austin, aged 47, graduated from the University of Warwick in the United Kingdom with Bachelor of Arts (Honours) in Economics and Politics. He joined Deutsche Bank AG in September 2013 as Chief Administrative Officer (CAO) in the Regional Management Office, Asia Pacific and has over 20 years of experience in banking, consulting, professional services and technology across the US, Europe and Asia. Prior to joining Deutsche Bank, he was a Partner of Ernst & Young in London leading Capital Markets Operations and Project Management initiatives and he previously held positions in Citi in the US and London as Managing Director, Global Head of Strategy & Initiatives, Securities and Private Bank Operations and Global Chief of Staff, Cash, FX & EMEA, Securities Operations. Before Citi, Mr. Austin spent most of his career with Lehman Brothers in various front and back office positions in London, New York and Mumbai.

Madam Koid Swee Lian (appointed 07 December 2016)

Madam Koid Swee Lian, aged 59, is a new member to the Board of Deutsche Bank Malaysia (appointed 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 Chief Executive Officer (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 Financial Planning Association of Malaysia (FPAM) and appointed by Securities Commission as a Public Interest Director on the Board of Investment Managers Malaysia (FIMM) and chairs one of the Board Committee.

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 employees, to ensure that the affairs of the Bank are administered by qualified and competent officers.

The role of the Chairman and Chief Executive Officer are separate and distinct to ensure a balance of role, responsibility, authority and accountability.

Board Training

To keep abreast with 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.

Key information and background of Directors (continued)

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 staffs are invited to the Board meetings to provide additional input and clarification to the issues or business proposals.

The attendance of Board members was as follows for year ended 31 December 2016:

Directors	Number of Board Meetings Attended
Tun Mohamed Dzaiddin bin Haji Abdullah (retired 31 December 2016)	8/8
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (appointed 28 April 2016)	4/4
Dato' Ahmad Johari bin Abdul Razak (retired 24 August 2016)	4/6
Mr. Ng Soon Lai @ Ng Siek Chuan (resigned 07 December 2016)	8/8
Mr. Steven Choy Khai Choon	8/8
Dato' Yusof Annuar bin Yaacob	8/8
Mr. Richard Joseph Austin (resigned 01 December 2016)	7/8
Madam Koid Swee Lian (appointed 07 December 2016)	Nil

Key information and background of Directors (continued)

Directors' remuneration

Non-Executive Directors	**RM'000**
Tun Mohamed Dzaiddin bin Haji Abdullah (retired 31 December 2016)	352
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (appointed 28 April 2016)	120
Dato' Ahmad Johari bin Abdul Razak (retired 24 August 2016)	149
Mr. Ng Soon Lai @ Ng Siek Chuan (resigned 07 December 2016)	193
Mr. Steven Choy Khai Choon	191
Madam Koid Swee Lian (appointed 07 December 2016)	10

Executive Director (Chief Executive Officer)

	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	462	39	192	566	215

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.

(a) Nominating and Remuneration Committee

Membership and composition

In 2016, the Nominating and Remuneration Committee comprises the following Independent/ Non-Independent Non-Executive Directors of the Board:

Tun Mohamed Dzaiddin bin Haji Abdullah
Chairman – Independent Non-Executive Director (retired 31 December 2016)

Dato' Ahmad Johari bin Abdul Razak
Independent Non-Executive Director (retired 24 August 2016)

Mr. Ng Soon Lai @ Ng Siek Chuan
Independent Non-Executive Director (resigned 07 December 2016)

Mr. Richard Joseph Austin
Non-Independent Non-Executive Director (resigned 01 December 2016)

Mr. Steven Choy Khai Choon
Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Independent Non-Executive Director (appointed 28 April 2016)

Madam Koid Swee Lian
Independent Non-Executive Director (appointed 07 December 2016)

In line with the requirements of BNM's Guidelines on Corporate Governance for Licensed Institutions, the Bank's Nominating and Remuneration Committee comprise five members whom a majority of them are independent non-executive Directors. The Committee is chaired by an independent director.

2. Board Committees (continued)

(a) Nominating and Remuneration Committee (continued)

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. The requirements and criteria should be approved by the full Board;
- To assess and recommend to the Board the nominees for directorship, Board committee members as well as nominees for the CEO and Shariah Committee. This includes assessing directors and Shariah Committee 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, 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;
- 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;

2. Board Committees (continued)

(a) Nominating and Remuneration Committee (continued)

- To recommend to the Board the removal of Senior Management officers if they are ineffective, errant and negligent in discharging their responsibilities;
- To assess on an annual basis, that the directors and Senior Management officers continue to be “Fit and Proper” persons and are not disqualified under section 59 & 60 of the Financial Services Act 2013 (“FSA”) and section 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 licensed institution’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 licensed institution’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;
- 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 licensed institution’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.

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 where deems appropriate. In 2016, there were 5 meetings held by the Nominating and Remuneration Committee.

2. Board Committees (continued)

(b) Audit and Examination Committee

Membership and composition

The Audit and Examination Committee ("AEC") comprises the following Independent/ Non-Independent Non-Executive Directors of the Board:

Dato' Ahmad Johari bin Abdul Razak
Chairman – Independent Non-Executive Director (retired 24 August 2016)

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Chairman - Independent Non-Executive Director (appointed 24 August 2016)
Independent Non-Executive Director (appointed 28 April 2016)

Mr. Ng Soon Lai @ Ng Siek Chuan
Independent Non-Executive Director (resigned 07 December 2016)

Mr Steven Choy Khai Choon
Independent Non-Executive Director

Mr. Richard Joseph Austin
Non-Independent Non-Executive Director (resigned 01 December 2016)

Madam Koid Swee Lian
Independent Non-Executive Director (appointed 07 December 2016)

Terms of Reference

In line with the requirements of BNM's Guidelines on Corporate Governance for Licensed Institutions, the Bank's AEC comprises four members where the majority of members are independent non-executive Directors. The Committee is chaired by an independent Director.

Its responsibilities are as follows:

- To ensure fair and transparent reporting and prompt publication of the financial accounts;
- Oversee the functions of the Internal Audit department and ensure compliance with BNM's requirements as set out under Guidelines on Internal Audit function of Licensed Institutions;
- Review the scope of the internal audit programme, internal audit findings and recommend actions to be taken by management;
- Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Principal Auditor;
- Review the effectiveness of internal controls and risk management processes;
- Assessment of new appointment/re-appointment of external auditors for approval by the Board;

2. Board Committees (continued)

(b) Audit and Examination Committee (continued)

- Recommend not only the appointment but also the removal of auditors;
- Assess objectivity performance and independence of external auditor;
- Review the external auditor's audit report including Management response and action plan;
- Approve the provision of non-audit service by the external auditor;
- Ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the auditors;
- Regularly review the audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner;
- Have direct communication channels with the external auditors and able to meet with the external auditor without the presence of management at least annually; and
- Review all related party transactions and keep the Board informed of such transactions.

Meetings

The AEC meets periodically. The Chairman of the AEC presents the minutes of the AEC at every Board meeting for notation. A total of 5 meetings were held during the financial year ended 31 December 2016.

The attendance of AEC members was as follows for year ended 31 December 2016:

Directors	Number of AEC Meetings Attended
Dato' Ahmad Johari bin Abdul Razak (retired 28 August 2016)	3/4
Mr. Ng Soon Lai @ Ng Siek Chuan	5/5
Mr. Steven Choy Khai Choon	5/5
Mr. Richard Joseph Austin (resigned 1 December 2016)	3/5
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (appointed 28 April 2016)	2/2

2. Board Committees (continued)

(c) Board Risk Management Committee

Membership and composition

The Board Risk Management Committee ("BRMC") comprises the following Independent/ Non-Independent Non-Executive Directors of the Board:

Mr Ng Soon Lai @ Ng Siek Chuan
Chairman – Independent Non-Executive Director (resigned 07 December 2016)

Mr. Steven Choy Khai Choon
Independent Non-Executive Director

Mr. Richard Joseph Austin
Non-Independent Non-Executive Director (resigned 01 December 2016)

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Independent Non-Executive Director (appointed 28 April 2016)

Madam Koid Swee Lian
Independent Non-Executive Director (appointed 07 December 2016)

Terms of Reference

The BRMC oversees the Senior Management's activities in managing market, credit, liquidity, operational, legal and other risks to ensure that the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework, that is appropriate to the nature, scale and complexity of its activities and the internal risk control, risk management process is in place and functioning.

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 ie 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;

2. Board Committees (continued)

(c) Board Risk Management Committee (continued)

- 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;
- Review REC 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 licensed institution and future risk strategy; and
- 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.

Frequency of Conduct of Meetings

The BRMC shall endeavour to meet at least once every quarter but may vary such number of meetings with reasonable notice to all members.

The Chairman of the BRMC presents the minutes of the BRMC at every Board meeting for notation. A total of 4 meetings were held during the financial year ended 31 December 2016.

The attendance of BRMC members was as follows for year ended 31 December 2016:

Directors	Number of BRMC Meetings Attended
Mr. Ng Soon Lai @ Ng Siek Chuan	4/4
Mr. Steven Choy Khai Choon	4/4
Mr. Richard Joseph Austin	4/4
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin (appointed 28 April 2016)	2/2

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 Nominating and Remuneration Committee is in place to ensure corporate governance and oversight by the Board.

For further details on our Compensation decisions for 2016, please refer to below extract from the Deutsche Bank Annual Report 2016.

Overview on Compensation Decisions for 2016

Compensating the Bank's employees transparently and sustainably is an important element of building a better Deutsche Bank. Against this background, one of the main objectives of our strategy is to align the reward system better with employee conduct and Group returns. For 2016, the Management Board of Deutsche Bank AG ("**Management Board**") took two major decisions which demonstrate the Bank's commitment towards reaching this goal.

Firstly, the Bank introduced a new compensation framework, which was designed to encourage and reward sustainable performance at all levels of the Bank. It introduced a consistent logic for structuring Total Compensation by providing guidance on the target ratio of fixed to variable compensation components, depending on the level of seniority and the division or function of the employee. Variable Compensation (VC) now generally consists of two elements – the "Group Component" and the "Individual Component". The "Group Component" is designed to link the employee's VC directly and transparently to the Bank's results and achievements in reaching strategic targets while the "Individual Component" is linked to divisional and individual performance on a discretionary basis.

Secondly, the Management Board decided to only award a limited VC pool in light of the results for 2016. Over the course of 2016, the Bank showed strong resilience, in particular due to the hard work and dedication of its employees. In this context, the Bank was also able to make significant progress towards its strategic goals by resolving key matters and restructuring the Bank. Even though the Bank made these steps forward, the compensation decision also had to acknowledge that 2016 was a challenging year for the Bank overall. The Management Board is aware that there is still some way to go to strengthen the Bank and to make it more profitable again. Furthermore, the decisions on VC for 2016 had to take into account the financial impact of the settlement of key matters, as well as the Bank's resulting financial performance. The Management Board therefore decided that a substantial limitation of the VC pool for 2016 would be unavoidable in order to reflect the financial results and to appropriately balance the interests of shareholders and employees. This is especially true at a time when many jobs are being cut and the shareholders are only receiving a low annual dividend. Against this background, the senior employees of the Bank (Corporate Titles 'Vice President', 'Director' and 'Managing Director') received a "Group Component" but not an "Individual Component" for the financial year 2016. This decision was the main factor that led to an overall amount of VC for 2016 of € 0.5 billion, representing a decrease of approximately 77 % compared to 2015[1].

[1] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.

While the Management Board fully recognized the additional constraints this decision put on employees, it also strongly believes that this decision is in the best long-term interest and fundamental to building a more successful Deutsche Bank. To underline this, the Management Board has decided to voluntarily waive its Variable Compensation for the financial year 2016.

A limited number of employees in crucial positions for the further success of the Bank were granted “Retention Awards” as a special long-term incentive in early 2017, to a large part in the form of shares. This incentive is fully deferred for up to five years plus an additional retention period of twelve months.

Regulatory Environment

Ensuring compliance with regulatory requirements is an overarching consideration in the Bank’s Group Compensation Strategy. The Bank strives to be at the forefront of regulatory changes with respect to compensation and will continue to work closely 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 globally, as translated into German national law in the German Banking Act and Institutsvergütungsverordnung (InstVV). The Bank adopted the rules for all subsidiaries and branches world-wide 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 criteria stipulated under the Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014. MRTs are identified at a Group level and also at 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 remuneration components, which may be increased to 1:2 with shareholder approval. 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 with an approval rate of 95.27 %. To emphasize the fixed proportion of remuneration for control function employees, the Bank has determined that individuals within the corporate control functions, as defined in the Bank’s Internal Control Framework, remain subject to a 1:1 ratio.

As a result of sector specific legislation and in accordance with the InstVV, certain Asset Management subsidiaries fall under the ‘Alternative Investments Fund Managers Directive’ (“AIFMD”) or the ‘Undertakings for Collective Investments in Transferable Securities’ (“UCITS”) Directive and are subject to their respective remuneration provisions. One notable difference to CRD 4 and its implementation in German law is that AIFMD/UCITS Material Risk Takers are not subject to the fixed to variable ratio stipulated in CRD 4. The Bank identifies

Material Risk Takers in AIFMD/UCITS regulated subsidiaries in accordance with the respective regulation and applies the remuneration provisions for InstVV MRTs also to AIFMD/UCITS MRTs except for the 1:2 ratio with regard to fixed to variable components.

The Bank is also cognizant of the guidelines under the 'Markets in Financial Instruments Directive' (MiFID) targeted at employees who engage directly or indirectly with the Bank's clients. The amended MaComp Circular published in January 2014 by the BaFin outlines compensation aspects of MiFID, and requires implementation of a specific compensation policy addressing general requirements, a review of compensation plans and identification of populations of employees deemed to be "Relevant Persons". All InstVV requirements apply to this population to the same extent.

The Bank also adheres 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").

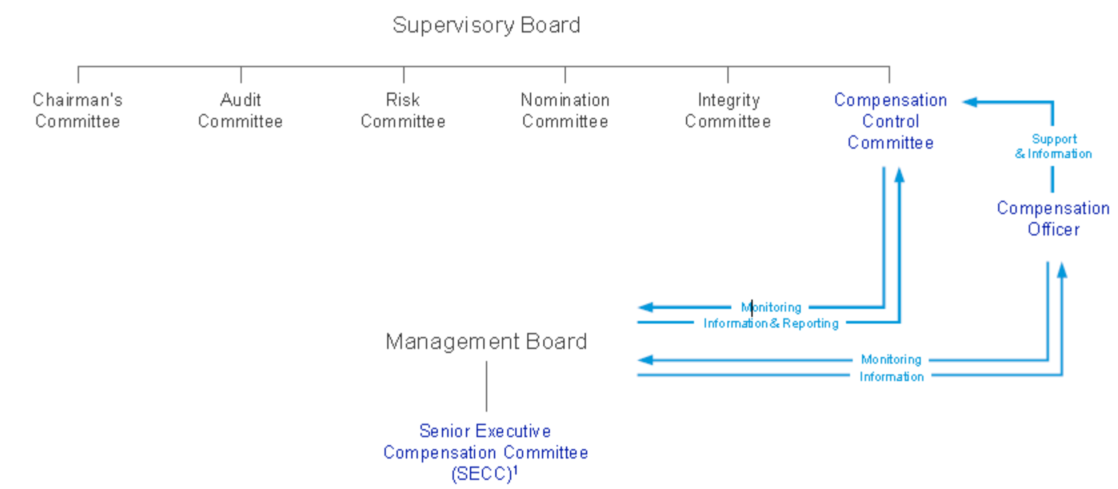
In addition to the foregoing, the Bank is also subject to specific rules and regulations implemented by certain local regulators. Many of these requirements are aligned with the InstVV, however, where variations are apparent, pro-active and open discussions with regulators have enabled the Bank to follow 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, the Bank applies the InstVV requirements as minimum standards globally.

The Bank will continue to closely monitor the regulatory environment. For 2017, the Bank believes the most significant impact will result from the adoption of the new InstVV by the BaFin. Thorough analysis shows that the Bank's compensation system is already aligned to the new provisions to a large extent. However, there will be some notable changes to the remuneration system, such as the introduction of so-called "clawback" provisions.

Compensation Governance

The Bank has established 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).

Reward Governance structure



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

Compensation Control Committee

The Supervisory Board has established the CCC 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 twelve meetings in the calendar year 2016, four of them being joint meetings with the Risk Committee and one of them being a joint meeting with the Chairman's Committee.

The responsibilities of the CCC include 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 control functions and the other relevant areas are properly involved in the structuring of the compensation systems.

<u>Compensation Officer</u>

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 the 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 design and practices of the compensation systems for employees at least annually.

Senior Executive Compensation Committee

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 annual VC pool 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 2016, 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 and an additional Finance representative as Voting Members. The Compensation Officer, the Deputy Compensation Officer and one of the Global Co-Heads of HR Manage & Reward Performance were Non-Voting Members. The SECC generally meets on a monthly basis and it had 13 meetings with regard to the performance year 2016 compensation process.

Compensation Strategy

Deutsche Bank recognizes that its compensation system plays a vital role in supporting its strategic objectives. It enables the Bank to attract and retain the individuals required to achieve the Bank's objectives. It also encourages employees to reach their full potential. The Group Compensation Strategy is aligned to the 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 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 documented 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.

Total Compensation Structure

As part of the Compensation Strategy, the Bank employs a so-called "Total Compensation philosophy", which comprises Fixed Pay and VC. Total Compensation provides an equitable basis for differentiating competitive pay outcomes while reinforcing the Bank's overall strategy within a sound risk management and governance framework, giving due consideration to market factors and regulatory requirements.

In 2016, the Bank introduced a new compensation framework to align employee compensation even more closely with the strategic and business objectives of the Bank, while reducing complexity at the same time. The new compensation framework also puts a stronger emphasis on Fixed Pay over VC and aims to ensure that these components are appropriately balanced.

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 the Bank to meet its strategic objectives by attracting and retaining the right talent. For the majority of employees, Fixed Pay is the primary compensation component, and the share of fixed compensation within Total Compensation is far greater than 50 %. This is appropriate to many businesses and will continue to be a significant feature of Total Compensation going forward.

VC has the advantage of being able to differentiate between individual performance and drive behavior through appropriate incentive systems that can positively influence culture. It also allows for flexibility in the cost base. Under the new compensation framework, VC generally consists of two elements – the “Group Component” and the “Individual Component”.

In particular, one of the overarching goals of the new compensation framework is to strengthen the link between VC and the performance of the Group. To that end, the Management Board decided to align the “Group Component” directly and in a manner comprehensible for the employees to the Bank’s achievements in reaching strategic targets. To assess progress towards the strategic aspirations, the Management Board has decided to utilize four Key Performance Indicators (KPIs) that are significant metrics for the capital, risk, cost and revenue profile of the Bank: Common Equity Tier 1 (CET 1) capital ratio (fully loaded), Leverage ratio, Adjusted cost base (without Postbank and NCOU) and Posttax return on tangible equity (RoTE). These four KPIs are relevant for regulators, investors and other external stakeholders as they show the progress on the implementation of the strategy and thereby recognize that every employee contributes to the Bank’s success.

Depending on eligibility, the “Individual Component” is delivered either in the form of Individual VC or a Recognition Award.

Whereas the “Group Component” links to Group performance, Individual VC takes into consideration a number of financial and non-financial factors. These include the applicable divisional performance, the employee’s individual performance and conduct, relativities within the employee’s peer group and retention considerations.

The Recognition Award program is targeted at non-tariff employees at the lower hierarchy levels. It provides the opportunity to acknowledge and reward outstanding contributions made by the target population in a transparent and timely manner. Generally, there are two nomination cycles per year.
Under the new compensation framework, there continues to be no guarantee of VC in an existing employment relationship.

Overview on compensation elements

Fixed Pay[1]

Used to compensate employees for their skills, experience and competencies

Linked to requirements, size and scope of the role

Variable Compensation

Group Component

KPIs	Weighting
CET1 ratio	25%
Leverage ratio	25%
Adjusted cost base (without Postbank and NCOU)	25%
Post-tax return on tangible equity	25%

Individual Component

Individual Variable Compensation	Component for more senior employees based on - individual objectives and expectations - financial and non-financial factors - divisional success
Recognition Award	Acknowledges outstanding contributions of employees of lower hierarchical levels with generally two nomination cycles per year

Benefits

Granted in accordance with respective local market practice, requirements and demands (including company pension schemes)

May be linked to certain seniority or to certain length of service without direct link to performance

[1] Fixed Pay may include an Additional Fixed Pay Supplement, regional allowances, or other non-salary elements or allowances where applicable.

Determination of Variable Compensation – Methodology

The Bank has a robust methodology in place, aimed at ensuring that the determination of variable compensation (VC) reflects the risk-adjusted performance as well as the capital position of the Bank and its divisions. The 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). In 2016, the Bank has revised the methodology to reflect the new compensation framework and its compensation elements.

Determination of Variable Compensation

Parameter	Description
Group affordability assessment	Group affordability is assessed, as a first step, to determine if the Bank is in a position to award VC. This includes conducting the so-called 'Net Results Test' and reviewing the outcome in the context of the defined Group affordability parameters. The affordability parameters used are fully aligned to the Bank's Risk Appetite Framework and include: CET 1 Ratio, Economic Capital Adequacy Ratio, Leverage Ratio, Stressed Net Liquidity Position and Liquidity Coverage Ratio. The Group VC pool is considered affordable if aligned with these key parameters and if consistent with the projected fulfilment of future regulatory and strategic goals.
Group Component	The Group Component aligns a portion of all employees' compensation with the performance of the Bank vis-à-vis strategic targets. The Group Component is determined based upon the performance of four equally weighted Key Performance Indicators (KPIs): CET 1 ratio (fully loaded), Leverage ratio, Adjusted cost base (without Postbank and NCOU) and Post-tax Return on Tangible Equity. These four KPIs represent important metrics for the capital, risk, cost and the revenue profile of the Bank and provide a good indication of the sustainable performance of the Bank.
Individual VC	The Bank references a range of considerations as part of its Individual VC determination methodology. For the Business Divisions, the starting point of any pool determination is their financial performance. This is assessed in context of divisional targets and appropriately risk-adjusted, in particular by referencing the degree of future potential risks to which the 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 achievement of cost performance & control targets. While Infrastructure VC pools depend on the overall performance of the Bank, they are not dependent on the performance of the division(s) they oversee in line with regulatory requirements. In addition, the Bank retains the ability to adjust the total amount of Individual VC on the basis of a discretionary decision with due consideration given to key quantitative and qualitative factors, including strategic qualitative factors, e.g. progress on strategic objectives, balance of employee protection and shareholder return, strategic importance of the division to the Group, future business strategy needs such as franchise protection and growth, relative performance vs. peers and market position / trends.
Recognition Award	The purpose of the Recognition Award is to recognize outstanding contributions from the Bank's population on lower hierarchical levels. The size of the Recognition Award Program is directly linked to a set percentage of Fixed Pay for the in scope employee population and it is generally paid out twice a year.

Compensation Decisions for 2016

Given the current operating environment, the Management Board decided that a limited VC pool for 2016 is in the best long-term interest of the franchise and is required to appropriately balance the interests of shareholders and employees.

Specifically, the Management Board decided that the Bank's senior employees (Corporate Titles 'Vice President', 'Director' and 'Managing Director') would only receive a "Group Component" but no "Individual Component". To protect junior employees, employees up to the 'Assistant Vice President' level who were not eligible for a Recognition Award remained eligible to receive a limited Individual VC. For the same reason, the two nomination cycles for the Recognition Awards for the financial year 2016 were carried out as planned. Binding contractual agreements, such as bonuses covered by collective labor agreements, were also fulfilled. Those subsidiaries which have not introduced the new compensation framework in 2016 yet, only granted limited VC pools as well. The respective VC pools were then distributed according to the relevant frameworks.

The "Group Component" was awarded to all eligible employees in line with the assessment of the defined four KPIs, as outlined on the previous pages. Based on the fact that solid progress was made during 2016 in improving three of the four KPIs against the Bank's public targets, the Management Board determined a target achievement rate of 50 %. This rate formed the basis for determining employees' specific "Group Component" payout.

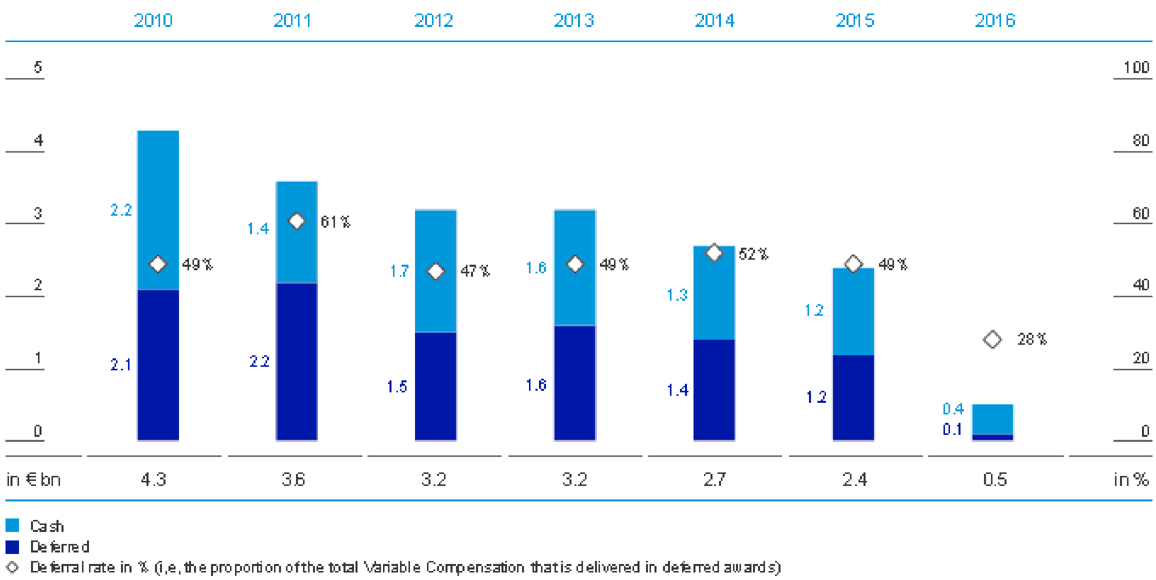
In total, these decisions resulted in an overall VC pool for 2016 amounting to € 0.5 billion which represents a decrease of approximately 77 % compared to the VC for performance year 2015, granted in March 2016[2].

Compared to 2015, Fixed Pay for 2016 increased slightly by approximately 3 % from € 8.1 billion to € 8.3 billion[3]. The main reason for this increase was a rebalancing of the fixed and variable remuneration elements in context of the introduction of the new compensation framework.

In addition, a number of employees in crucial positions for the further success of the Bank were granted so-called "Retention Awards" as a special long-term incentive in early 2017, partly in the form of shares, which is fully deferred for up to five years with an additional retention period of twelve months. This incentive is not designed to compensate the recipients for their performance in 2016 and therefore does not form part of 2016 compensation. It has been granted in order to foster retention of the recipients. Further information can be found in the chapter "2017 Retention Award Program".

[2] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.
[3] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.

Variable Compensation and deferral rates



Compensation expenses 2016

in €m. (unless stated otherwise)[1]	GM	CIB	PW&CC	Deutsche AM	NCOU	Independent Control Functions[2]	Corporate Functions[3]	2016 Group Total[4]	2015 Group Total
Number of employees (full-time equivalent) at period end	4,737	7,116	24,514	2,547	116	6,084	36,518	99,744	101,104
Total Compensation	1,203	1,208	1,826	400	28	622	2,534	8,887	10,528
thereof:									
Fixed	1,054	1,068	1,739	356	26	598	2,435	8,341	8,122
Variable	149	140	87	44	2	24	99	546	2,406

[1] The table may contain marginal rounding differences.
[2] In accordance with regulatory guidance, "Independent Control Functions" for the purposes of this table include the areas of the Chief Risk Officer, the Chief Regulatory Officer as well as Group Audit. Internally, the Bank has identified further Infrastructure Functions as "Independent Control Functions" to which the Bank also applies the fixed to variable remuneration ratio of 1:1.
[3] "Corporate Functions" comprise any Infrastructure Function that is not captured as an Independent Control Function for the purposes of this table.
[4] In addition to the information included on divisional level, the 2016 Group Total also includes employees of Postbank Group (18,112 employees) as well as Postbank Total Fixed Pay figures (€ 1,065 million). Variable remuneration granted by Postbank Group is not included in the above variable amount. For Postbank Group, a total amount of variable remuneration of € 85.6 million is envisaged.

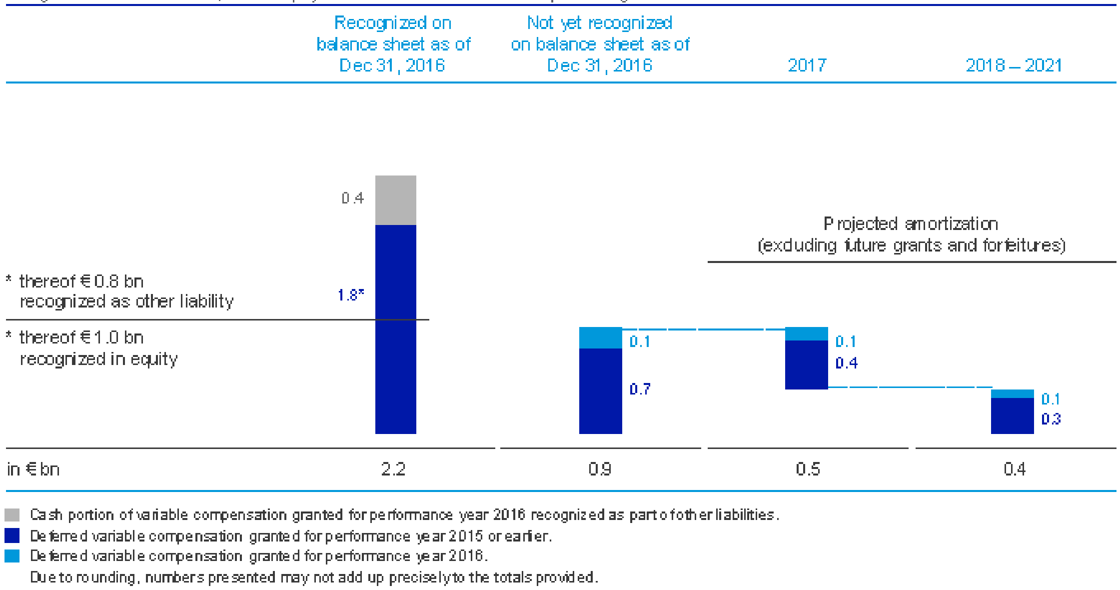
Recognition and Amortization of Variable Compensation

As of December 31, 2016, including awards granted in early March 2017 for financial year 2016, unamortized deferred VC expenses amount to approximately € 0.9 billion[4]. The following graph visualizes the amount of VC recognized on the balance sheet for 2016 and the projected future amortization of outstanding VC over the next financial years (future grants and forfeitures excluded).

[4] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.

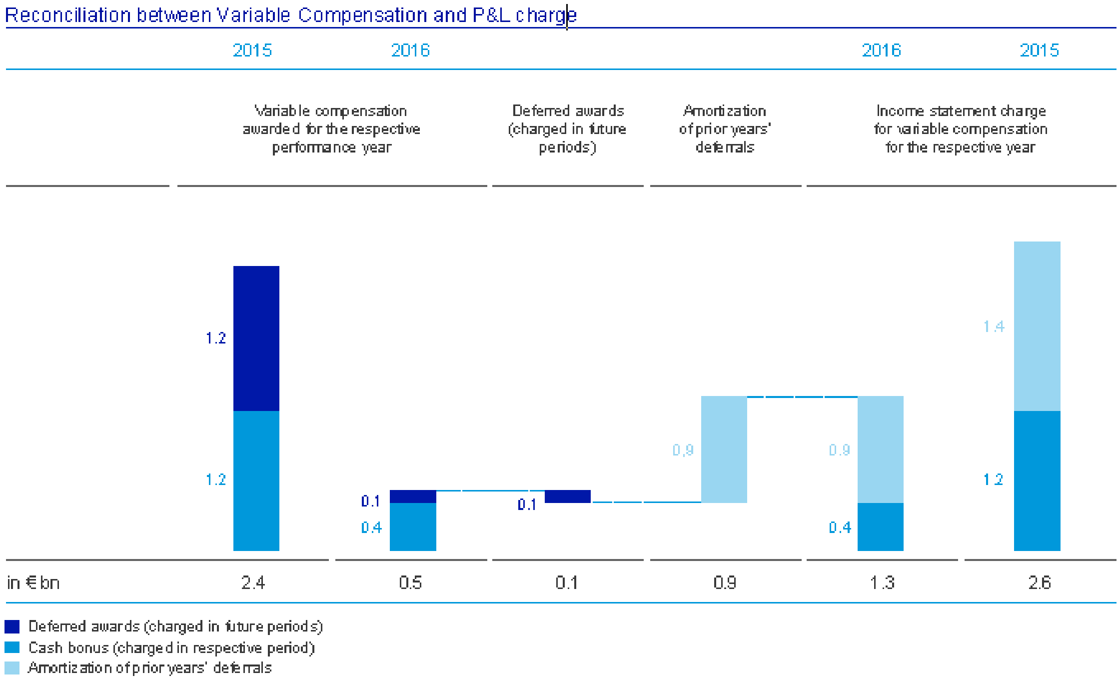
Variable Compensation

Recognition as of December 31, 2016 and projected amortization of deferred compensation granted



Of the VC for 2016, € 0.4 billion are charged to the income statement for 2016 and € 0.1 billion will be charged to future years. In addition, the income statement for 2016 was charged with a VC of € 0.9 billion stemming from prior years' deferrals.

Reconciliation between Variable Compensation and P&L charge



Variable Compensation Structure and Vehicles

The Bank's compensation structures are designed not to provide any incentive to engage in excessive risk-taking. They 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 amount of compensation awarded. In this context, the Bank continues to believe that the use of shares or share-based instruments for remuneration purposes is an effective way to align the compensation with the Bank's long-term performance and the interests of shareholders. By using Deutsche Bank shares, the value of the individual's remuneration is linked to the Bank's share price over the vesting and retention period, if applicable, and is therefore tied to the long-term performance of the Bank.

As in previous years, the Bank has decided to exceed certain regulatory restrictions regarding VC, meaning that the Bank is putting structures and restrictions in place that are stricter than certain regulatory requirements. 40 % of VC (60 % for Executive Directors) for material risk takers (MRT) is deferred for four years on a pro rata vesting schedule. Additionally, the Bank identified a so-called "Senior Leadership Cadre" (SLC) consisting of the Bank's most senior employees who are the significant influencers and stewards of the Bank's long-term health and performance. To further align the compensation of this group with the sustained performance of the Bank, their deferred equity awards are subject to four and a half years cliff vesting. As for Executive Directors, their deferral rate is 60 %.

All MRTs receive 50 % of their Deferred Awards in Restricted Equity and 50 % in Restricted Cash. In addition, 50 % of the upfront VC award is also granted as equity. All equity awards for MRTs are subject to an additional retention period upon the vesting of each tranche, during which employees are not permitted to sell their shares. In accordance with respective guidance provided by the BaFin, these requirements do not apply for MRTs whose VC is less than € 50,000. Due to the limited VC pool for 2016, 1,947 MRTs were below this threshold and therefore received their entire VC award in cash[5].

The Bank chose to apply the MRT remuneration structures consistently to all other senior employees (Corporate Titles 'Vice President', 'Director' and 'Managing Director') who have not been identified as MRT, with the exception of the upfront VC proportion which is awarded 100 % in cash. Any deferred equity proportion is also not subject to an additional retention period.

[5] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.

Overview on award structure

Award Type	Weighting	Proportion	Deferral Period	Retention Period
Upfront Compensation	60% of VC [1]	50% cash (Cash Bonus)[2]	N/A	N/A
		50% equity (Equity Upfront Award ("EUA"))[2]	N/A	12 months[3]
Deferred Compensation	40% of VC [1]	50% cash (Restricted Incentive Award ("RIA"))	Pro rata over 4 years	N/A
		50% equity (Restricted Equity Award ("REA"))	Pro rata over 4 years; 4.5 year cliff vesting for SLC	6 months[3]

N/A – Not applicable
[1] 40 % deferral for awards ≥ € 50,000 (60 % for Executive Directors and Senior Leadership Cadre); employees with a Variable Compensation of < € 50,000 receive 100 % cash.
[2] Non-MRTs receive 100 % of their upfront compensation in cash.
[3] Only applies to MRTs.

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 employee conduct and performance while also allowing for an appropriate back-testing of the initial performance assessment. While all deferred awards are subject to numerous performance conditions and forfeiture provisions, the specific applicability depends on the award component, the employees’ division and any identification as an MRT. An overview on the performance conditions and forfeiture provisions can be found below.

Overview on performance conditions and forfeiture provisions of Variable Compensation

Provision	Description	Forfeiture
Group's CET 1 Ratio	If at the quarter end prior to vesting and delivery the Group's 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 NCOU MRTs)[2]
Impairment	If any award 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	Up to 100% of undelivered awards
Policy / Regulatory Breach	In the event of an internal policy or procedure breach, or breach of any applicable laws or regulations	Up to 100% of undelivered awards
Material Control Failure	If a Material Control Failure occurs which is considered to be attributable to the employee	Up to 100% of undelivered awards
Regulatory Requirements	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's CET 1 ratio is below the threshold.
[2] For award types subject to cliff-vesting, a certain award proportion (20 % for REA of the SLC) will be forfeited in respect of a year, if the IBIT is negative for that year.

With respect to deferred awards from prior financial years scheduled to be delivered in the first quarter of 2017, the Management Board has confirmed that the performance conditions relating to Group-wide and divisional IBIT for the financial year 2016 have been met.

2017 Retention Award Program

A limited number of employees have been 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 decided to grant these Retention Awards to employees who are key contributors to the Bank's future success in crucial roles, who are in high demand in the market and who would be very difficult to replace.

These Retention Awards are not designed to compensate the recipients for their performance in 2016 and therefore do not form part of 2016 compensation. The awards were granted in order to foster retention of the recipients. As opposed to annual VC, the awards are 100 % deferred, without any upfront compensation elements, 50 % in the form of equity and 50 % as cash. The awards are deferred for three to five years and are subject to the same measures of ex-post risk-adjustment as described on the previous page. The earliest payout date for parts of these awards is therefore early 2018 for non-Material Risk Takers and 2020 for MRTs respectively. The equity proportions for MRTs are subject to an additional retention period, meaning that the respective award portions are only delivered after up to six years. To benefit from these awards, Retention Award recipients need to stay at Deutsche Bank. If they leave for a competitor, any undelivered portion of an award will be forfeited.

Overall, Retention Awards were awarded to 5,522 employees or approximately 5 % of Deutsche Bank's global workforce[6]. € 554 million were granted in deferred cash, deferred for up to three to five years, and € 554 million were granted in deferred equity[7]. To further align the awards with the long-term health of the Bank and the interests of shareholders, this equity portion will not vest, meaning that this portion will lapse, if the Bank's share price does not reach a certain share price target. If the share price target is met, the equity portion is paid out after three years for non-MRTs, and after five to six years for MRTs.

Overview of structure of Retention Awards

Population	Weighting	Proportion	Deferral Period	Retention Period
Material Risk Takers	100% deferred	50% cash (RIA)	50% in year 4, 50% in year 5	N/A
		50% equity (REA)	50% in year 4, 50% in year 5	12 months
Non-Material Risk Takers	100% deferred	50% cash (RIA)	3 year pro rata vesting with annual tranches	N/A
		50% equity (REA)	Cliff vesting after 3 years	N/A

N/A – Not applicable

[6] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.
[7] Representing the overall Deutsche Bank Group figures as reported in the Group financial statements for 2016.

Senior Managements & Material Risk Takers' Remuneration

		Senior Management		Material Risk Takers[8]		Total
		RM'000	No	RM'000	No	RM'000
<u>Fixed Remuneration</u>						
Cash		3,172	7	4,011	3	7,184
Other		539	7	682	3	1,221
<u>Variable</u>						
- Non Deferred	Cash	167	7	390	3	557
- Deferred	Cash	0	-	1,286	3	1,286
	Shares	1	2	720	3	720
Guaranteed bonus		0	-	0	-	0
Sign On bonus		30	1	0	-	30
Severance Payments		216	1	0	-	216
Others		173	7	285	3	458
Outstanding deferred remuneration						
- Non Deferred	Cash	0	-	0	-	0
- Deferred	Cash	0	-	1,916	3	1,916
	Shares			2,522	3	2,522
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

[8] 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 (BANZ), 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 (SID) to prepare disadvantaged youth to be workforce-ready and ensure gainful employment under the *LifeSkills4Youth* Work Readiness Now (WRN) 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 (Nan Kai 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 (MNS) 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.