Deutsche Bank

General Meeting 2014

Compensation system for the Management Board members – Increase in the limit for variable compensation components

Passion to Perform

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Executive Summary

Last year the General Meeting of Deutsche Bank AG approved a new compensation system for the members of the Management Board by a large majority. This system is based in many ways on the recommendations of the "Independent Compensation Review Panel" and consists of the following three components:

- a fixed base salary payable monthly,
- a variable component aligned to quantitative and qualitative objectives that are agreed annually (Annual Performance Award), and
- a long-term variable component (Long-Term Performance Award) aligned to the relative Total Shareholder Return (TSR) as well as a Client & Culture factor.

This structure ensures that not only "what" is achieved, but also "how" the objectives are fulfilled, are adequately taken into account in the compensation of the Management Board members. Furthermore, the system provides for the entire Long Term Performance Award (in 2013 around 65% of the variable compensation) to be paid or delivered only after five years, subject to strict "malus" rules and forfeiture conditions. The corresponding target compensation amounts have been published, along with the maximum possible compensation amounts. The Compensation Report 2013 presents the compensation system and the compensation amounts determined by the Supervisory Board for the 2013 financial year transparently and in detail.

On January 1, 2014, statutory changes based on the provisions of the European Capital Requirements Directive IV (CRD IV) came into force that limit the ratio of fixed and variable compensation of a bank's employees to 1:1. The thought behind this is that excessively high variable compensation could create an increased incentive to enter into inappropriately high risks. Retaining the approved system under the new statutory requirements would make it necessary to increase the fixed compensation and thus to significantly raise the directly payable cash component. However, lawmakers have also stipulated that shareholders can resolve to soften the requirement by setting the ratio of fixed to variable compensation to 1:2.

To be able ensure competitive compensation, the bank's Supervisory Board is proposing that the General Meeting make use of this statutory possibility. As a result, the increase in fixed costs will be minimized and greater flexibility will be preserved in the composition of total compensation within the present system. In addition, the contributions to the company pension plan will be modified to be able to include them in the calculation of the 1:2 ratio (which can further reduce the need to increase fixed compensation) and thus to avoid undesirable cost increases relating to pension benefits.

We are convinced that this decision is in line with shareholders' interests in keeping fixed costs relatively low and therefore request the approval of the proposal under Agenda Item 8. Further details regarding the proposal are provided below.

New regulatory and statutory requirements

The Capital Requirements Directive IV creates new challenges for the design of compensation systems. These requirements were transposed into national law through amendments to the German Banking Act and the revised version of the Regulation on Remuneration in Financial Institutions ("InstitutsVergV", announced in the Federal Gazette (BGBl) on December 16, 2013). The changes became effective on January 1, 2014. On January 2, 2014, the Federal Financial Supervisory Authority (BaFin) also published interpretative guidance on the new InstitutsVergV on its website.

The regulatory provisions must be implemented by Deutsche Bank AG (hereinafter "DB" or the "Bank") globally, i.e. even outside of the European Union in the competition with local banks that are not subject to CRD IV requirements. The requirements apply for the first time to the Management Board compensation that is determined for the 2014 financial year.

A material element of the regulatory provisions of Articles 92-96 CRD IV is the limit on the ratio of fixed to variable compensation of 1:1 (cap regulation), i.e. the amount of variable compensation must not exceed that of fixed compensation.

Pursuant to section 25a (5) German Banking Act in conjunction with its related provision in section 6 (1) InstitutsVergV, variable compensation may come to a maximum of double the fixed compensation if the General

Meeting of the institution resolves to approve this (1:2 cap). The resolution must be approved by a majority of 66 percent of the votes cast, provided at least 50 percent of the voting rights are represented when taking the resolution. Otherwise, 75 percent of the votes cast are required. Without this approval, variable compensation may, at a maximum, equal the amount of fixed compensation (1:1 cap). As a matter concerning the compensation of the Management Board members, the Supervisory Board has sole responsibility for the proposal on taking this resolution.

Challenges in implementing the new regulatory provisions

The definition of the compensation cap as described above creates new challenges for the Bank's compensation management. The material aspects that play a role here include, for one, preserving the possibility to grant competitive compensation, in particular, in regions and markets that are not subject to such a cap rule by the regulatory authorities responsible there. The CRD IV requirements apply to banks domiciled in the European Union and to legal entities domiciled in the European Union of non-European banks, but not to foreign banks without a European parent company.

Secondly, it is important to preserve a certain amount of flexibility in compensation structures and elements and thus in the related cost structures and consequences to be able to react to possible volatility in revenues and earnings as well as other relevant aspects that are important for the management of the company's total expenses, risk position, liquidity position and capital funding.

Implementation for the Management Board members

The Supervisory Board is convinced that the Management Board members must be paid appropriate total compensation, comprising fixed and variable components with incentive features. The structural possibilities to react to the regulatory provisions are limited. Following a detailed analysis of the requirements, our measures are primarily focused on changes to the fixed compensation components, while preserving the greatest possible flexibility on costs. The key aspect is to be able to offer, within the regulatory requirements, overall compensation packages that continue to be in line with customary market practices and therefore competitive. This is flanked by measures that are suitable to prevent the undesirable and additional expenses from expanding benefits that are directly or indirectly linked to the amount of fixed compensation. In light of the

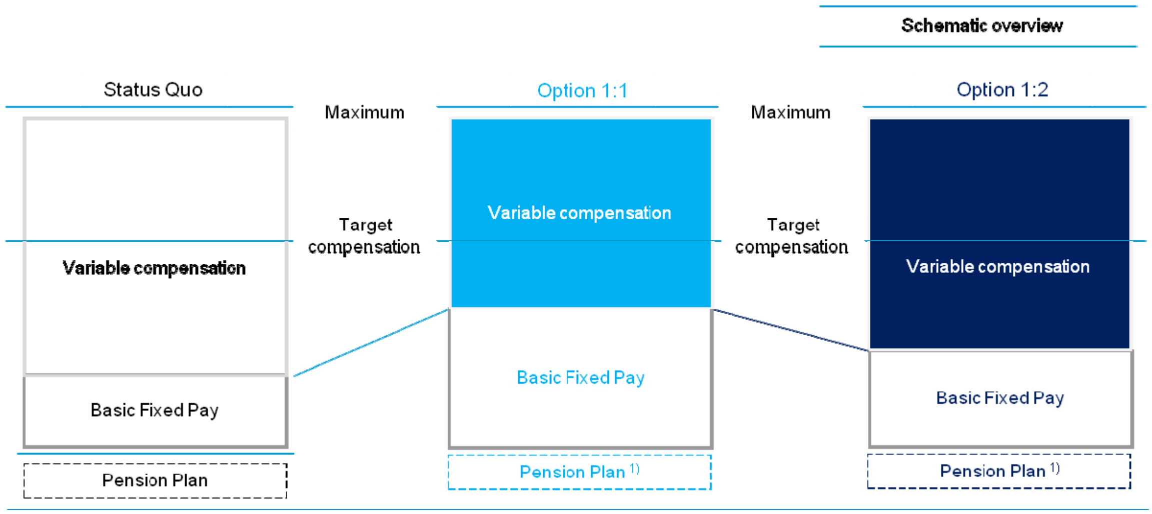
— previous compensation practice for the Bank's Management Board members,
— the compensation practices of other globally operating companies and DAX companies,
— the regulatory requirements and the objectives of the German Corporate Governance Code and
— the intended focus on performance and long-term incentive effect of the Management Board members' compensation,

the Supervisory Board considers preserving the greatest possible flexibility for the variable components of the Management Board members' compensation to be appropriate. Already through the parameters for determining the specific amount of variable compensation based on the realignment of the Management Board compensation system last year, the Supervisory Board has ensured that there is an appropriate balance between positive incentives and the avoidance of false incentives, in particular, with regard to entering into inappropriately high risks. The possibility of a higher variable compensation component (up to the maximum of double the fixed compensation) also complies with the regulatory intention of a stronger long-term focus and thus a compensation structure aligned to a sustainable development. These portions of compensation, in line with past practices, may be made subject to terms and conditions that can lead to a deferral of their disbursal over time as well as to the forfeiture of the compensation components if certain conditions arise within these periods. These restrictions are not possible for fixed compensation components pursuant to the requirements of the InstitutsVergV, as they would represent prohibited conditions pursuant to the regulatory provisions.

Restricting the possibility of granting variable compensation components to the ratio of 1:1 would entail a correspondingly large increase in fixed components.

The concrete approaches to implementation, depending on how the General Meeting votes, are presented in detail in the following and are based on the compensation structure resolved by the Supervisory Board and approved by the General Meeting last year with a large majority as well as the compensation amounts (target and maximum values) resolved in this context for the members of the Management Board. These have been retained, in principle, and have only been modified for the purposes of rounding and to facilitate the calculation of the amounts. The Supervisory Board has been guided here by the approach that a regulatory-induced increase in fixed compensation should predominantly be at the expense of the short-term component, in the form of the Annual Performance Awards (APA); and the value of the long-term, equity-based component, in the form of the Long Term Performance Awards (LTPA), should continue to be a significant part of variable compensation.

Within the framework of the legal and regulatory possibilities of the InstitutsVergV, the contributions to the company pension plans are to be redefined and, on this basis, in accordance with section 2 (1) No. 1 InstitutsVergV, included as a fixed compensation component in the basis for the calculation of the ratio of fixed to variable compensation in order to reduce the need to increase fixed compensation. The effects of the 1:1 and 1:2 options are illustrated in the following chart:



1) Part of Fixed Pay

The implementation of the structures presented above would concretely lead to the following adjustments, depending on how the General Meeting votes:

Non-performance related components (fixed compensation)

Fixed compensation is not linked to performance. Section 2 (1) No. 1 (5) InstitutsVergV provides for the possibility to define contributions to the company pension as fixed compensation and thus to include these in the basis for calculating the ratio between fixed and variable compensation components. The respective new base salary amounts for the two presented options have therefore been set while taking into account the basis of measurement that includes the contributions to the company pension plan amounting to € 650,000 (option 1:2) or € 700,000 (option 1:1) for the two Co-Chairmen and € 400,000 (option 1:2) or € 450,000 (option 1:1) for the ordinary Management Board members. This expanded basis of measurement then serves for the calculation of the 1:1 or 1:2 ratio and thus of the related maximum values for the variable compensation components.

in €	Base Salary Status Quo	Base Salary new Option 1:1	Base Salary new Option 1:2
Co-Chairmen	2,300,000	5,900,000	3,800,000
Ordinary Board members	1,150,000	3,750,000	2,400,000

Other benefits in connection with non-cash benefits or reimbursements of expenses are not included in the calculation to determine the ratio between fixed and variable compensation.

Performance-related components (variable compensation)

The variable compensation is performance-related and as presented consists of the two components Annual Performance Award (APA) and Long-Term Performance Award (LTPA):

Annual Performance Award (APA)

in €	Minimum	Target	Maximum
Co-Chairmen			
APA total Status Quo	0	2,300,000	4,600,000
APA total new Option 1:1	0	1,000,000	2,000,000
APA total new Option 1:2	0	1,500,000	3,000,000
Ordinary Board members			
APA total Status Quo	0	1,500,000	3,000,000
APA total new Option 1:1	0	500,000	1,000,000
APA total new Option 1:2	0	1,000,000	2,000,000

Long Term Performance Award (LTPA)

in €	Minimum	Target	Maximum
Co-Chairmen			
LTPA total Status Quo	0	4,600,000	5,750,000
LTPA total new Option 1:1	0	2,300,000	4,600,000
LTPA total new Option 1:2	0	3,800,000	5,700,000
Ordinary Board members			
LTPA total Status Quo	0	3,000,000	3,750,000
LTPA total new Option 1:1	0	1,600,000	3,200,000
LTPA total new Option 1:2	0	2,400,000	3,600,000

Maximum Total Compensation

Even with the new structure following implementation of the regulatory requirements, the total compensation of a Management Board member for 2014 shall not exceed € 9.85 million (Cap), with the result that the calculated maximum total compensation in all of the presented variants does not apply to the Co-Chairmen.

in €	Base Salary [1)]	APA	LTPA	Total Compensation
Co-Chairmen				
Target Status Quo	2,300,000	2,300,000	4,600,000	9,200,000
Maximum Status Quo	2,300,000	4,600,000	5,750,000	12,650,000 [2)]
Target new Option 1:1	5,900,000	1,000,000	2,300,000	9,200,000
Maximum new Option 1:1	5,900,000	2,000,000	4,600,000	12,500,000 [2)]
Target new Option 1:2	3,800,000	1,500,000	3,800,000	9,100,000
Maximum new Option 1:2	3,800,000	3,000,000	5,700,000	12,500,000 [2)]
Ordinary Board members				
Target Status Quo	1,150,000	1,500,000	3,000,000	5,650,000
Maximum Status Quo	1,150,000	3,000,000	3,750,000	7,900,000
Target new Option 1:1	3,750,000	500,000	1,600,000	5,850,000
Maximum new Option 1:1	3,750,000	1,000,000	3,200,000	7,950,000
Target new Option 1:2	2,400,000	1,000,000	2,400,000	5,800,000
Maximum new Option 1:2	2,400,000	2,000,000	3,600,000	8,000,000

[1)] Options 1:1 and 1:2 each calculated while taking into account the defined contributions to the company pension plan
[2)] Calculated maximum: total compensation 2014 is capped at €9,850,000 (unchanged from 2013)

Note: the target and maximum variable compensation amounts can only be reached in case of a full target achievement or overachievement respectively.

Disbursal of variable compensation

In accordance with the respective regulatory and bank-specific requirements in effect, variable compensation is granted on a deferred basis and spread out over several years. This ensures a long-term incentive effect over a multi-year period.

The APA was previously granted, to some extent, as immediately payable variable components. With the new structure and the related increase in fixed salaries, this component will only be granted on a deferred basis from now on, although the APA is granted in principle in the form of deferred cash payments with a deferral over at least four years.

The Long-Term Performance Award is granted to 100% on a deferred basis and only in the form of equity-based compensation components ("Restricted Equity"). In accordance with currently applicable regulations, the Management Board member does not receive the corresponding shares until five years have passed ("five-year cliff plan"), if the entitlement has not been forfeited due to infringements of forfeiture conditions during this period. This ensures a long-term incentive effect and a link to the performance of the Deutsche Bank share.

Shareholding guidelines

The adjustment of fixed compensation and thus the related reduction in variable compensation components necessitate an adjustment to the shareholding guidelines newly introduced last year for the members of the Management Board. Based on the new base salary amounts, the Supervisory Board considers it appropriate to adjust the obligation to the following reference amounts.

	Shareholding obligation equivalent to x-times the base salary Status Quo	Shareholding obligation equivalent to x-times the base salary Option 1:1	Shareholding obligation equivalent to x-times the base salary Option 1:2
Co-Chairmen	3x	1x	2x
Ordinary Board members	2x	0,5x	1x

The Management Board members will have an obligation to hold the corresponding equivalent value in Deutsche Bank shares or deferred equity awards. Deferred equity awards may be taken into account at 75% towards fulfilment of this obligation. There is a grace period of 36 months for the Co-Chairmen and 24 months for ordinary Management Board members until this requirement must be fulfilled. Observance of the requirement is reviewed semi-annually as of June 30 and December 31. If the requirement is not met, the Management Board members have until the next review to correct this.

Conclusion

The new regulatory requirements on the ratio of fixed to variable compensation components will be implemented by the Bank within an orderly process conforming to the rules on the basis of how the shareholders vote. The total compensation amounts will only be adjusted slightly, as stated above, in the process and the compensation elements will be recalibrated to comply with the European and national requirements.