Managing Risk in a Bull Market

Dr. Hugo Banziger

Chief Risk Officer

Goldman Sachs European Financials Conference

Lisbon, 14 June 2007

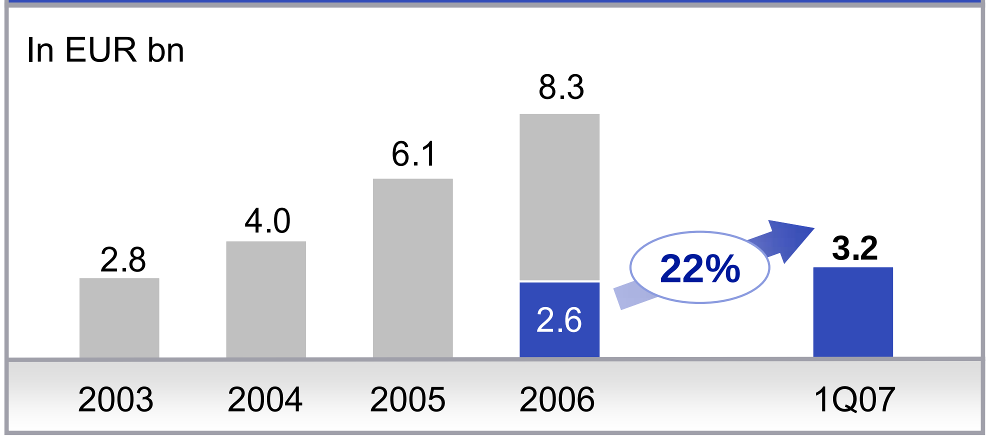
A Passion to Perform. Deutsche Bank

Agenda

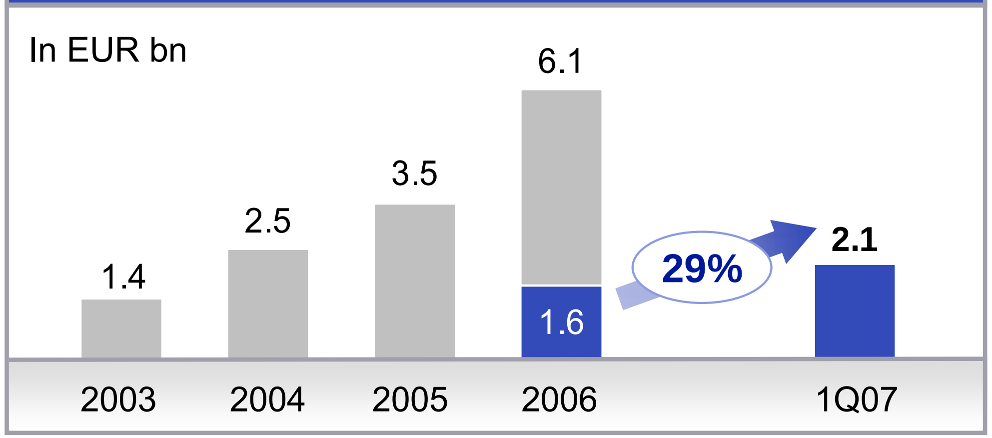
First quarter 2007 results

Strong profit growth and outperformance against key targets

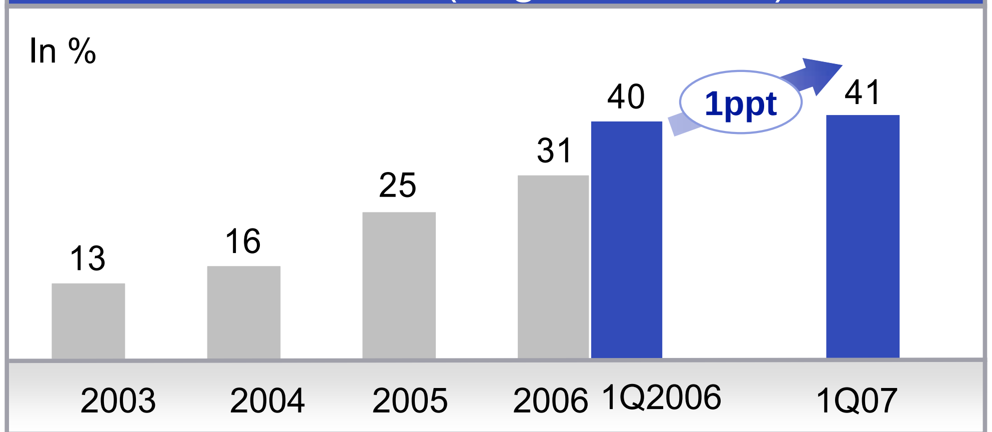
Income before income taxes



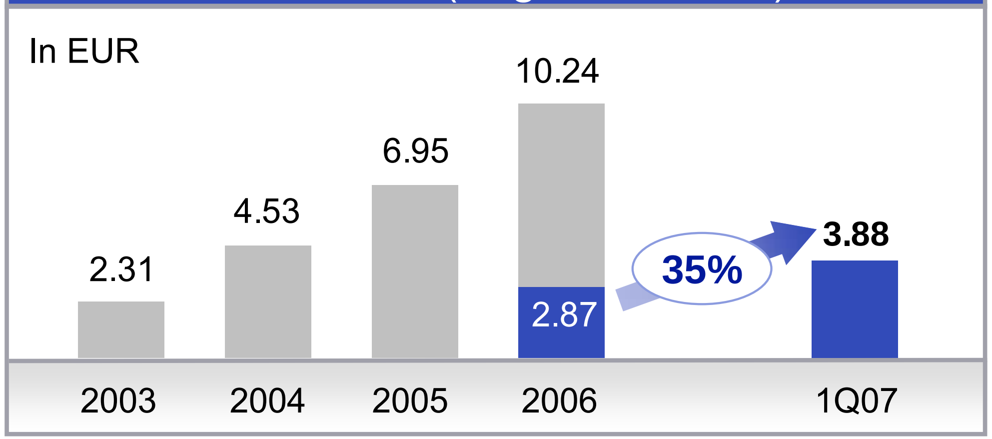
Net income



Pre-tax RoE (target definition)(1)



Diluted EPS (target definition)(2)

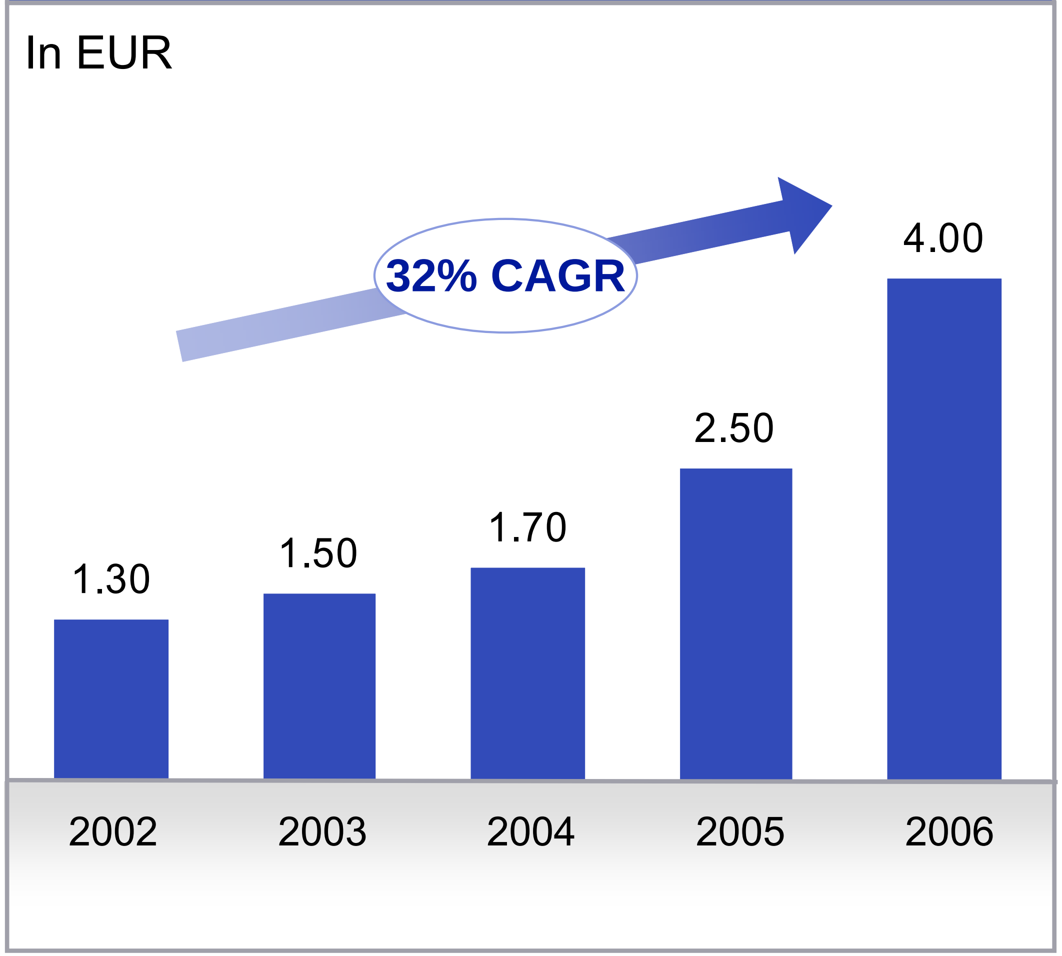


(1) 2003-2004 underlying; 2005 as per target definition: excludes restructuring activities and substantial gains from industrial holdings; from 2006 as per revised target definition: excludes significant gains (net of related expenses) / charges
(2) 2003-2005 reported; from 2006 as per revised target definition: excludes significant gains (net of related expenses) / charges
Note: 2003-2005 based on U.S. GAAP, 2006 onwards based on IFRS

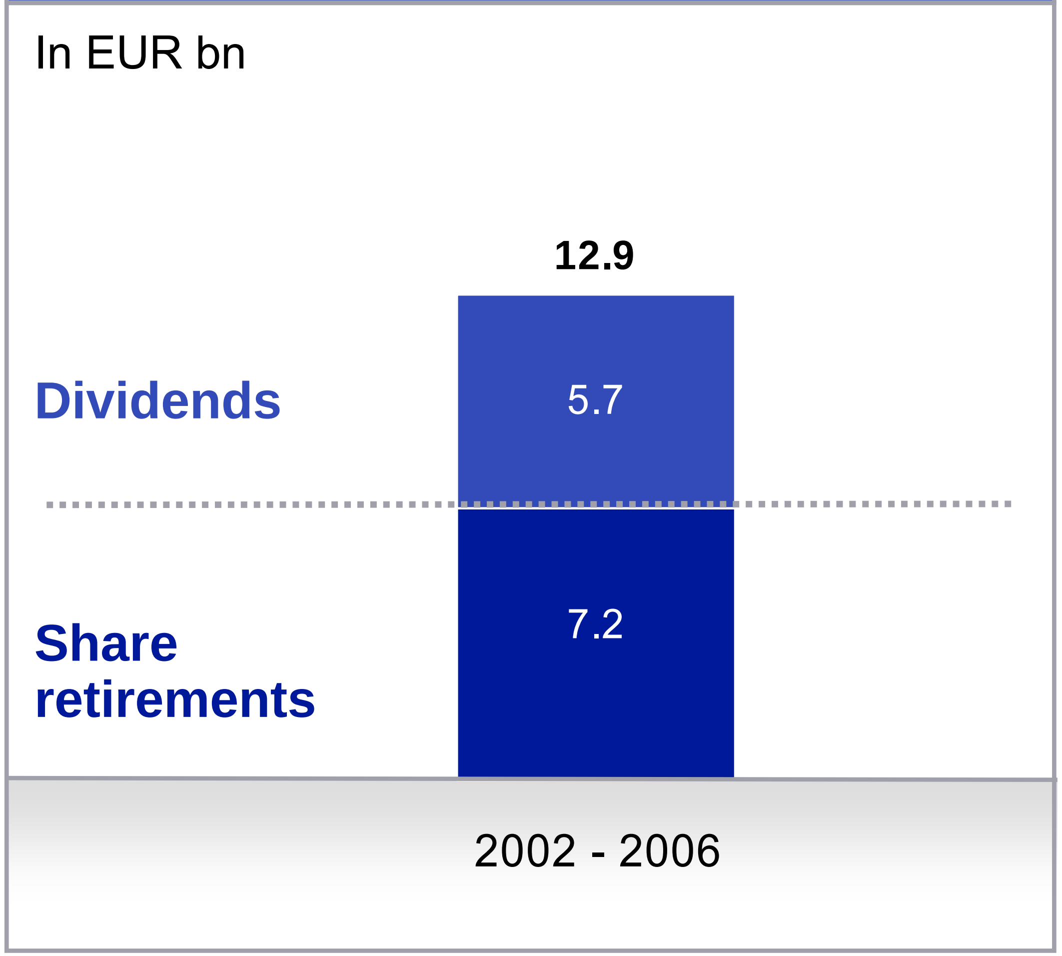
Deutsche Bank

Delivery to shareholders

Dividend per share



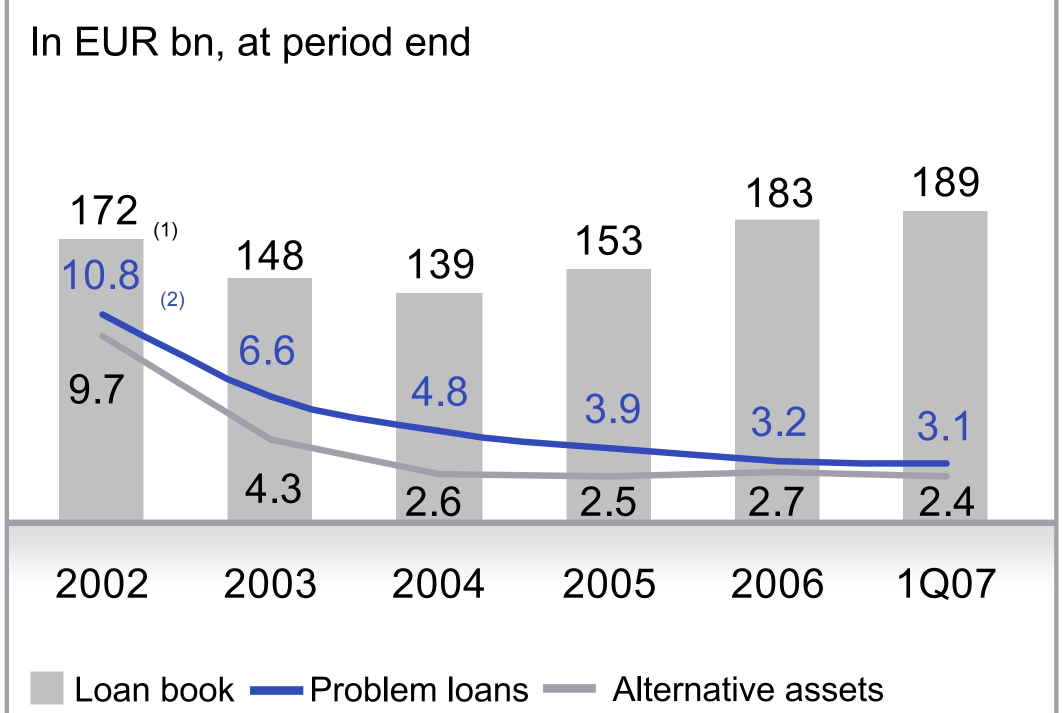
Cash returned to shareholders



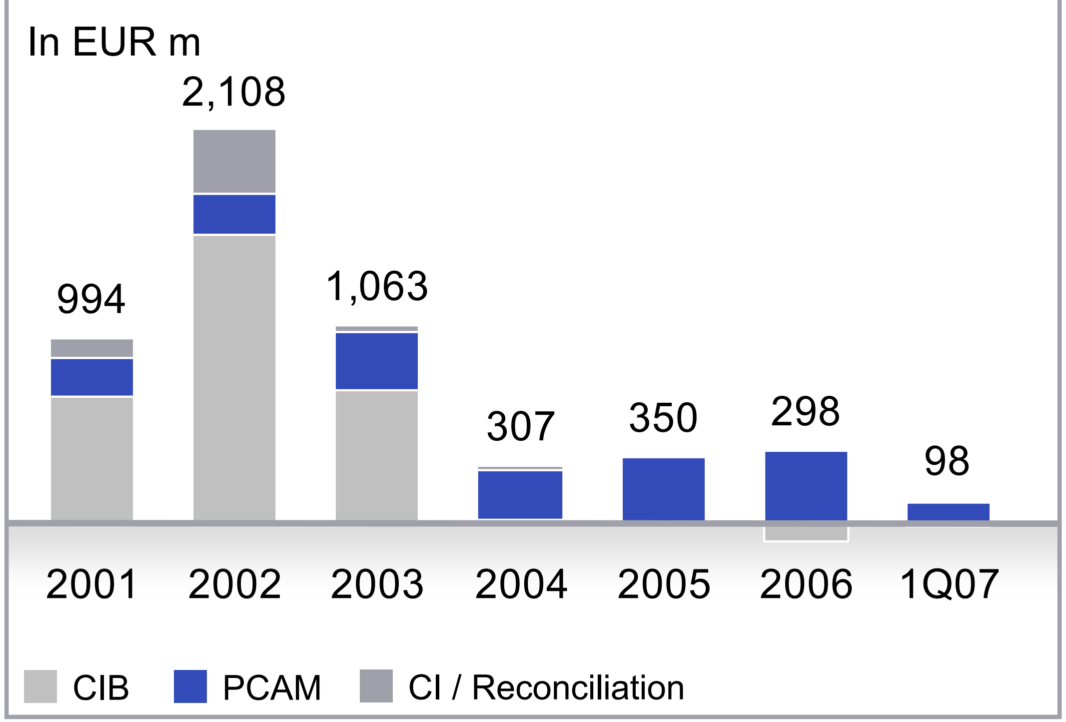
De-risked the bank…

Significant reduction in credit losses

Loan book development



Provision for credit losses



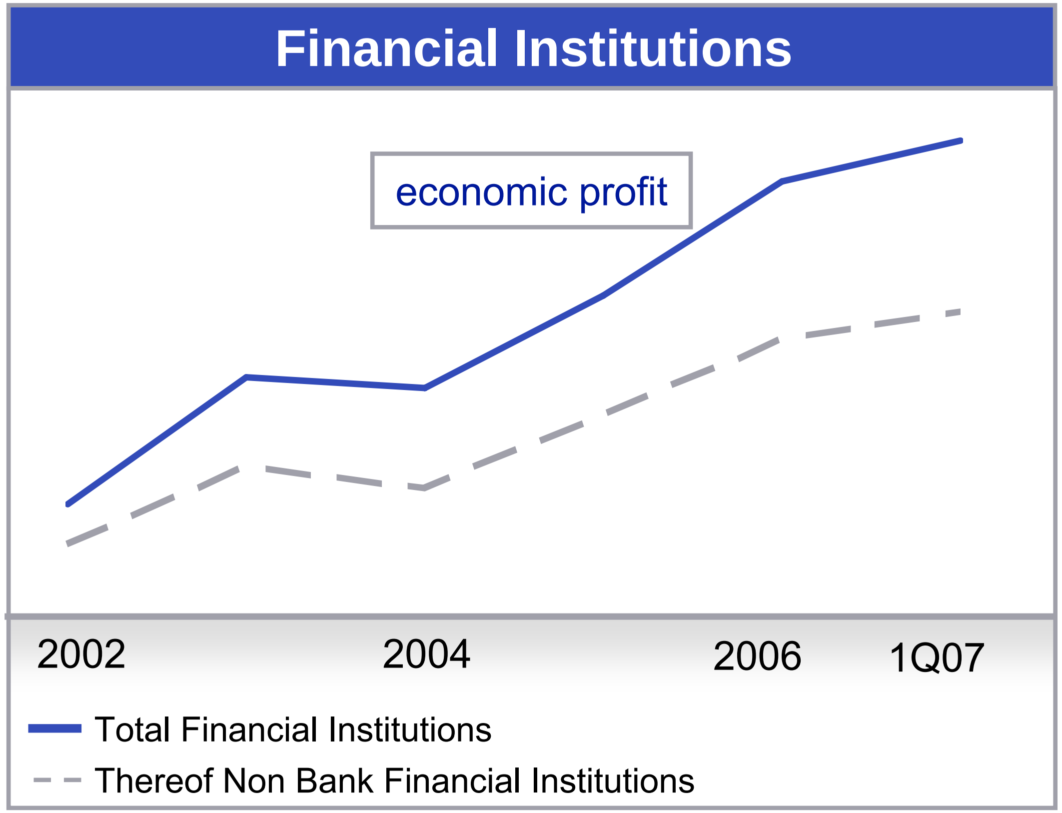
- Deleveraged the bank, reduced alternative assets
- Streamlined risk management
- Reduced LLPs and costs, loan losses now retail-driven

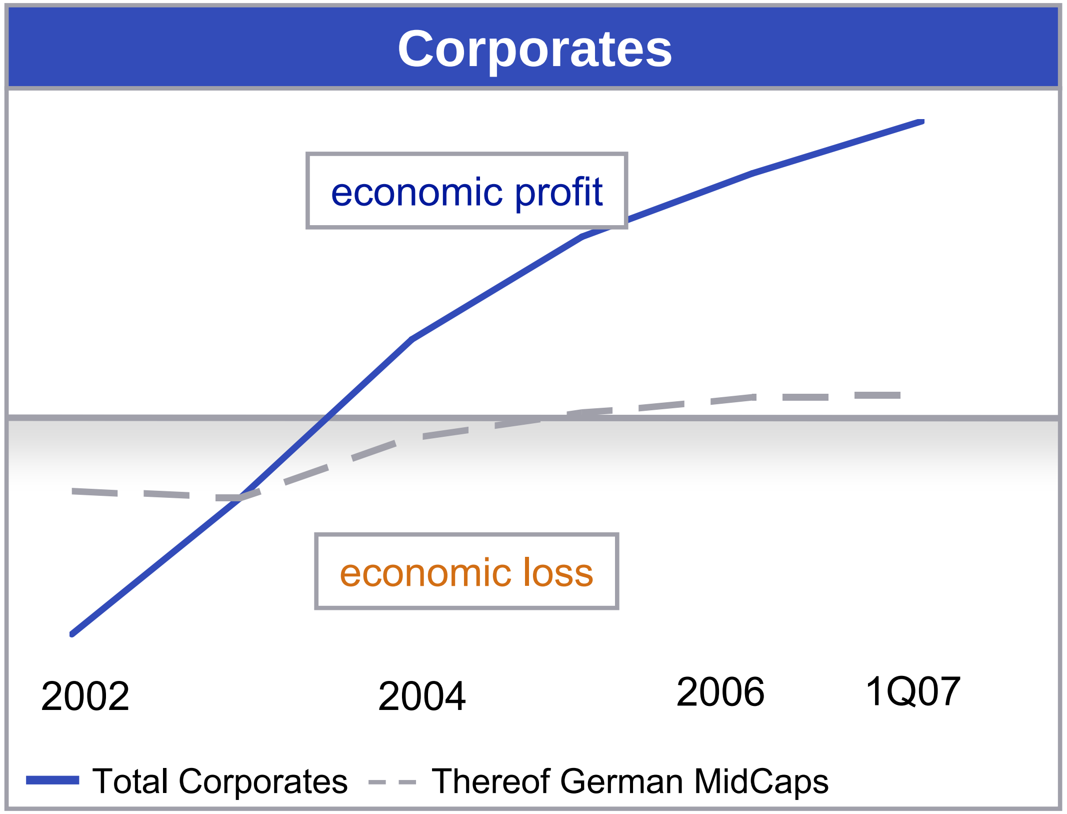
(1) After deconsolidation of EUROHYPO (EUR 56 bn) and DFS (EUR 6 bn)
(2) Deconsolidation of EUROHYPO (EUR 1.3 bn)
Note: 2006 & 2007 figures according to IFRS

Deutsche Bank

…and focussed on strict balance sheet discipline

Economic profit development 2002 – 1Q2007





- Loan Screening Committees introduced more disciplined approach to loan origination, pricing and distribution and helped to achieve RoE targets

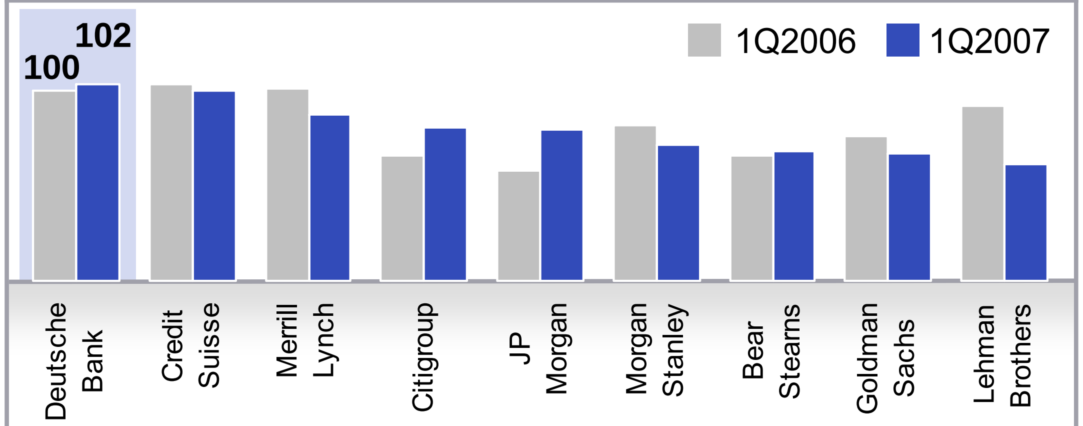
Deutsche Bank

Disciplined approach in market risk management…

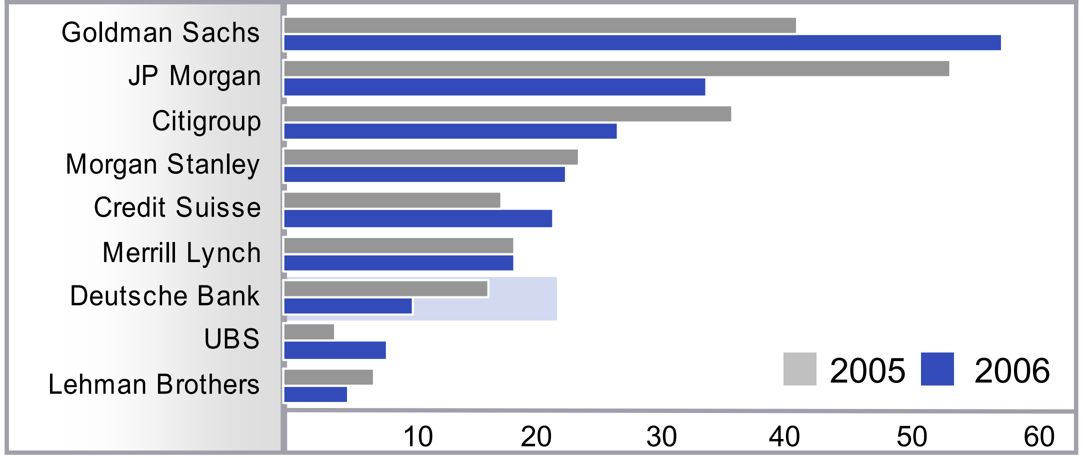
Efficiency further improved and loss-making days down

- VaR & EC levels only moderately up despite significant volume increase
- Risk efficiency measured in sales & trading revenues/Ø VaR further improved and well above peers
- Trading day losses at DB down compared to 2005 and below peer average
- High rate of new product approvals well managed
- Several new product types integrated (structured, Emerging Markets, credit)

Sales & Trading revenues / Ø VaR(1)



Loss-making days 2005 & 2006(2)



(1) Company information; Sales & Trading revenues / VaR per trading day in %; converted to 99% confidence level, 1-day holding period
(2) Company information

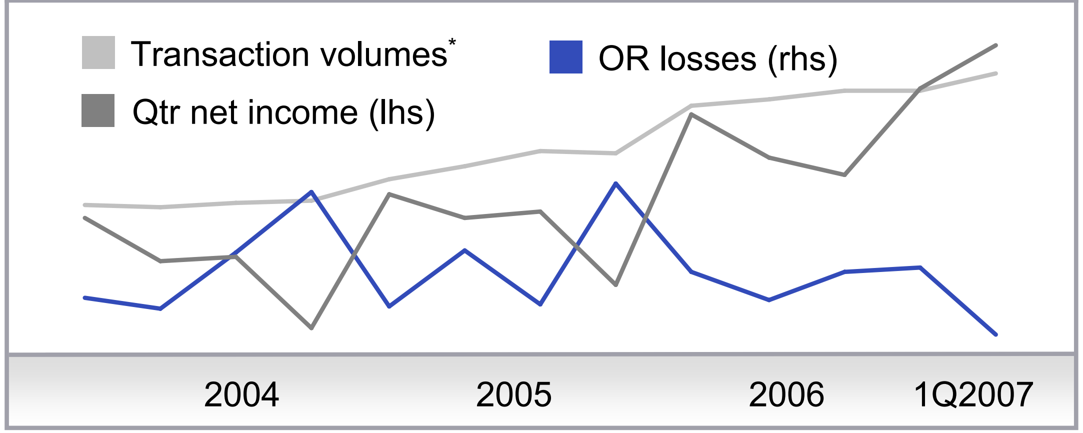
Deutsche Bank

…and strict management of operational risks

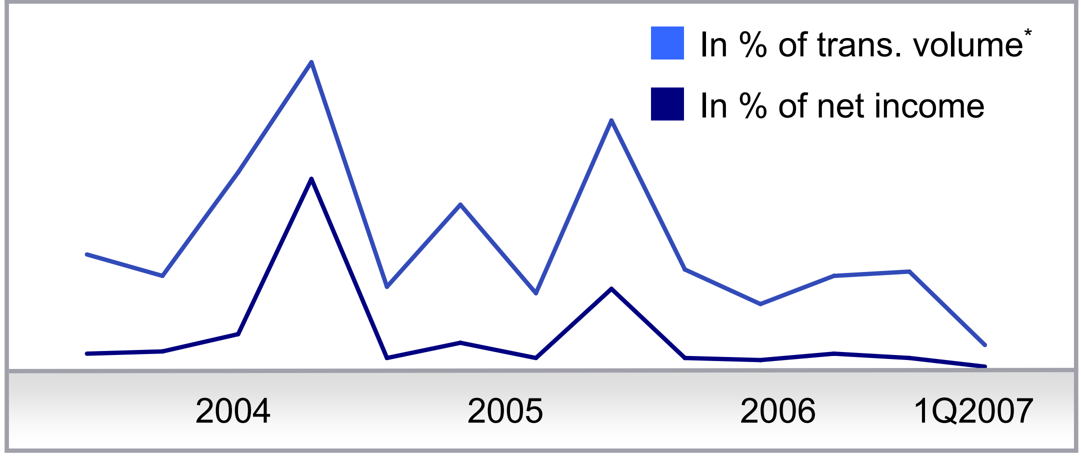
Overall level of losses contained in growth phase

- Strong growth in net income & transaction volumes since 2004…..
- …however, Operational Risk losses have been contained
- Result of strengthened "top level" control culture
  - Increased risk transparency & governance
  - Implementation of lessons learned & low impact loss targets
  - Invigorated risk monitoring techniques
- Focused on-going targeted initiatives include
  - IT capacity forecasting & modelling
  - Operations process simulation
  - Refinement & consolidation of Group Polices & Procedures

Net income, transaction volumes* and losses



Losses in % of net income & transaction volumes*



* Transactions indexed to 1Q2004; based on CIB average daily trades, PCB Online Banking Transactions and PCB Securities & Custody Trades

Deutsche Bank

Pandemic & cyber risk management

Preparedness & prevention through strategy & governance

Preparation for pandemic event

- Four-phased corporate action plan aligned with international SOS and WHO
- Regional planning groups with strong business representation since 1Q2006
- Supervised by tight governance structure

Pandemic risk strategy

Phases 1 to 3

- Plan business strategy
- Order cleaning supplies & PPE
- Assess vendor readiness
- Educate staff
- Maintain Intelligence sources

Phases 4 to 6

- Invoke crisis management
- Invoke Asian Influenza plan
- Review business strategy
- Communicate to staff

Prevention of cyber attacks

- Pro-active network intelligence collection
- Continuous vulnerability probes, pre-empting new exploits & penetration techniques
- Anomaly detection, root cause determination, remediation
- Fraud detection, close liaison with criminal investigators globally

Cyber risk strategy

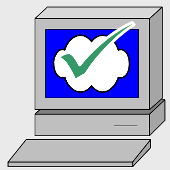
Assymetric Amorphous Threats

- Port Scans
- DDOS
- Viruses/Worms
- Trojans/Bots
- SPAM/Phishing
- E-mail Wiretapping
- Spyware
- Social Engineering

Integrated Defense Toolkit

- Hidden web analysis
- Vulnerability probes
- Deep incident analysis
- Firewalls
- Patch management
- Staff education

DB IT Infrastructure & Framework



- Impenetrable
- Secure
- Fully Functional

Integrated risk profile and capital management

Newly formed CaR committee ensures proper capital control

Integrated planning

Business targets

- Revenue growth
- Cost-Income ratio
- Technology
- Headcount

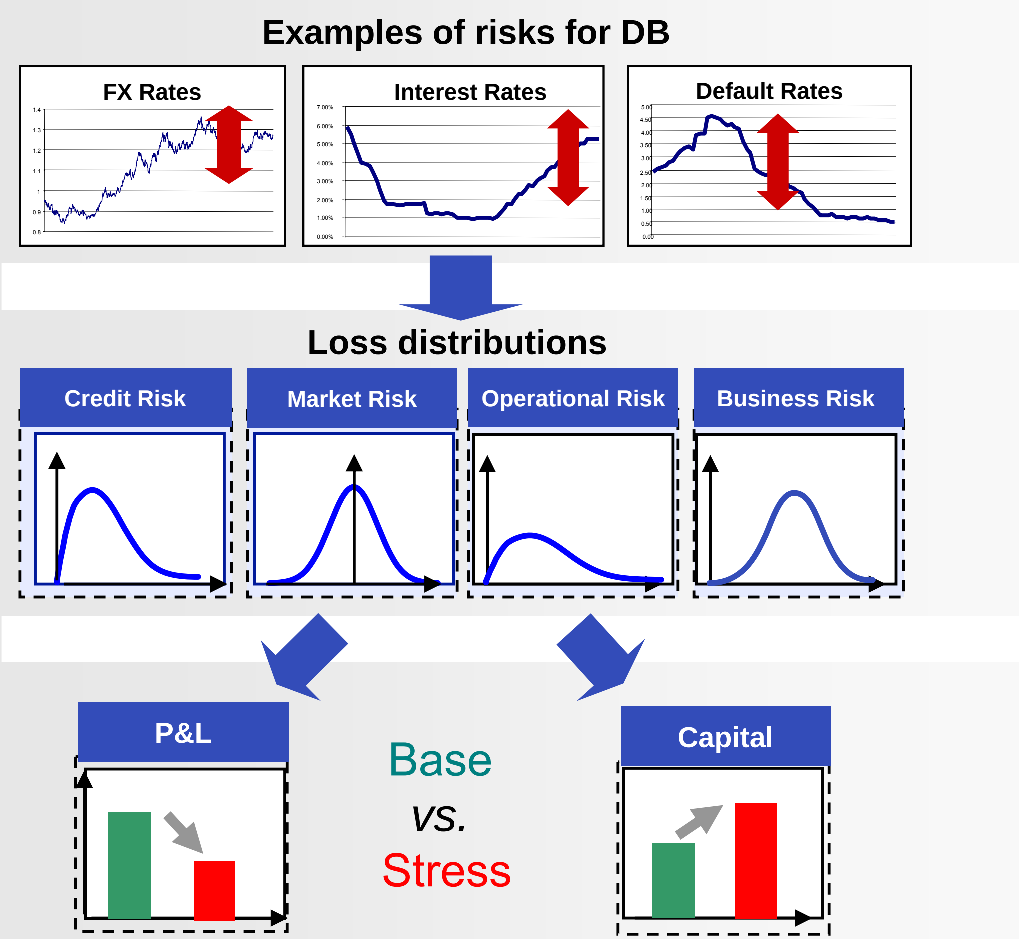
Risk appetite

- Economic Capital usage
- Stress testing
- Limits, e,g,
  - VaR
  - Credit holds
  - Alternative Assets portfolio

Capital efficiency

- RWA consumption
- RoE & Value Creation

Comprehensive stress testing



Deutsche Bank

Maintaining discipline is pre-condition for successful Phase 3

Management Agenda Phase 3
2006 – 2008: **Leveraging our global platform for accelerated growth**

Maintain our cost, risk, capital and regulatory discipline	Continue to invest in organic growth and 'bolt-on' acquisitions
Further grow our 'stable' businesses in PCAM and GTB	Build on our competitive edge in CIB

Agenda

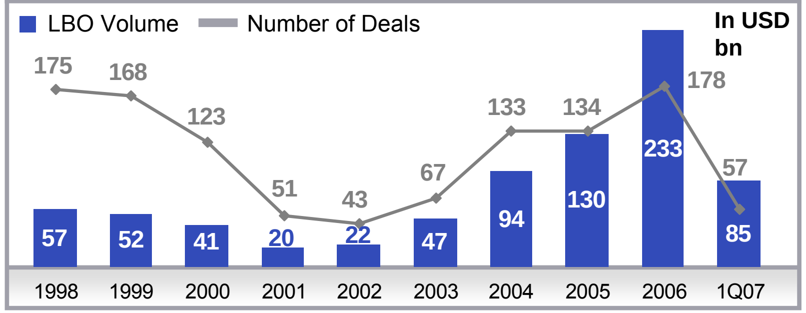
Deutsche Bank

Leveraged Finance: Fundamentals underpin market ‘euphoria‘...

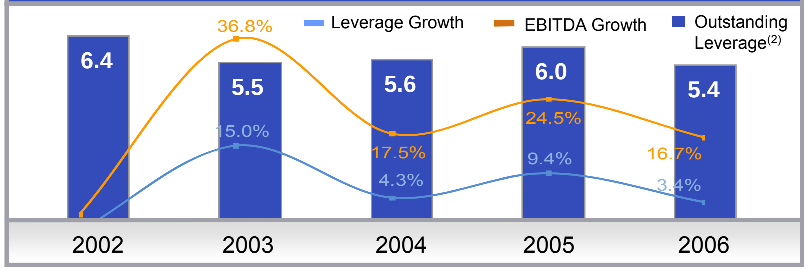
Despite aggressive leverage, balance sheets remain sound

- Aggressive deal structures have generated a slew of cautionary press articles
  - “Junk Bonds May Repeat Crash of 2002 on LBO Credits?” (Bloomberg)
  - “The era of cheap credit goes the way of all bubbles ” (Financial Times)
- LBO markets show no signs of slowing with record transaction volumes
- Aggressive leverage fuelled by rising valuations and liquidity
- Competitive conditions introduce weaker structures (e.g. covenant lite) and higher demand for equity bridges
- However, EBITDA growth has outpaced leverage
- New institutional investors seeking yield are driving unprecedented flows into asset class
- Private Equity firms have large reserves of capital
- Market resiliency tested with February equity sell-off and sub prime correction

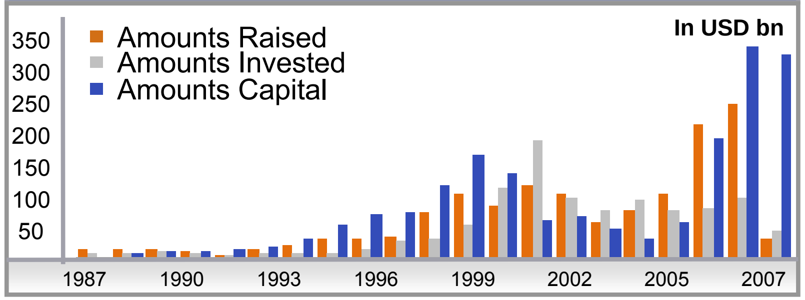
LBO Transaction Volumes



EBITDA Growth(1)



Private Equity Fund Raising and Unutilized Capital



(1) Quarter on Quarter EBITDA growth of public filing issuers of leveraged loans
(2) Average Current Debt/EBITDA Ratio of Outstanding Institutional Loans

Chart Sources: S&P – Leveraged Commentary & Data/Thomson Venture Economics/NVCA/DB

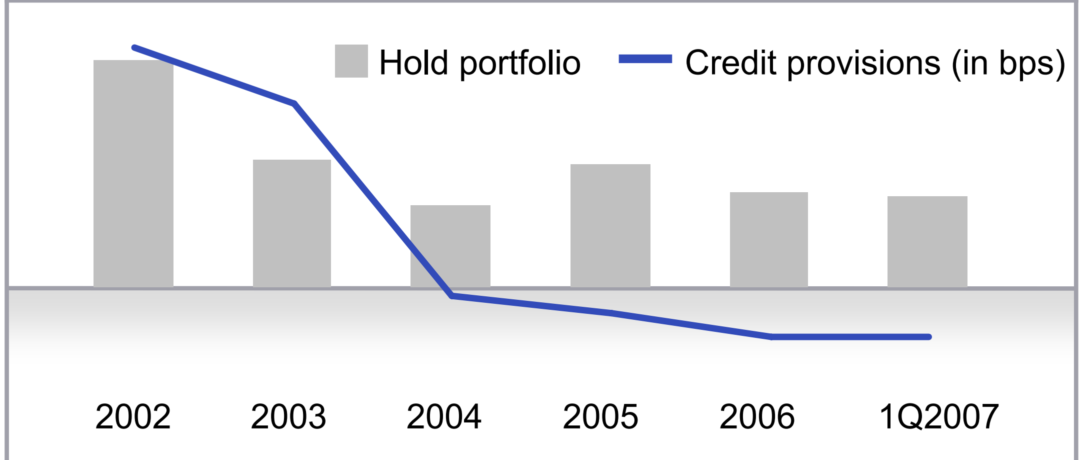
Deutsche Bank

…and we continue to focus on de-risking

Prudent risk management addresses market challenges

- High underwriting standards - most loans above par after syndication
- Expanded scope of hedging program for larger “final holds"
- Focus on concentration risk drives 20% reduction in hold portfolio since 2005 despite record volume
- Hold risk limited to senior secured loans with low historical Loss Given Default rate (<15%)
- Macro hedges on the portfolio to mitigate losses on underwriting risk
- Equity bridges limited to top tier sponsors, subject to strict portfolio limits
- Hedge funds:
  - Maintenance of proper collateral and strong documentation standards
  - Sophisticated stress testing tools in place

Hold portfolio(1) and provision development(2)



Adjusted annual default rates by underwriter(3)

	Underwriter	Actual	Expected	Difference
1	Lehman Brothers	3.31%	5.06%	(1.75)%
2	Banc of Amerika	3.61%	4.39%	(0.78)%
3	**Deutsche Bank**	**3.95%**	**4.68%**	**(0.74)%**
4	CIBC	3.95%	5.38%	(1.43)%
5	JP Morgan	4.17%	4.70%	(0.53)%
6	Citigroup	4.21%	4.63%	(0.41)%
7	Merrill Lynch	4.82%	4.49%	0.33%
8	Goldman Sachs	4.82%	4.47%	0.35%

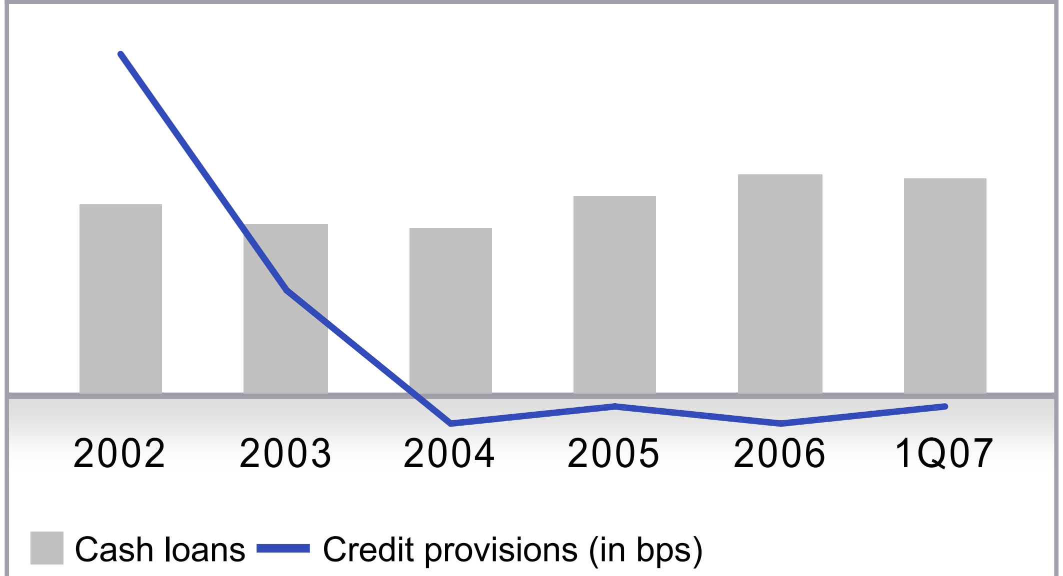
(1) Reflects Risk Management’s view at respective point in time; changes in composition are not reflected / restated
(2) Credit provisions over loans and guarantees, Q1 2007 annualised
(3) Fridson Vision LLC, defaults of new issuances from 1997-2003, actual and expected, average, three-year, cumulative, default rate

Deutsche Bank

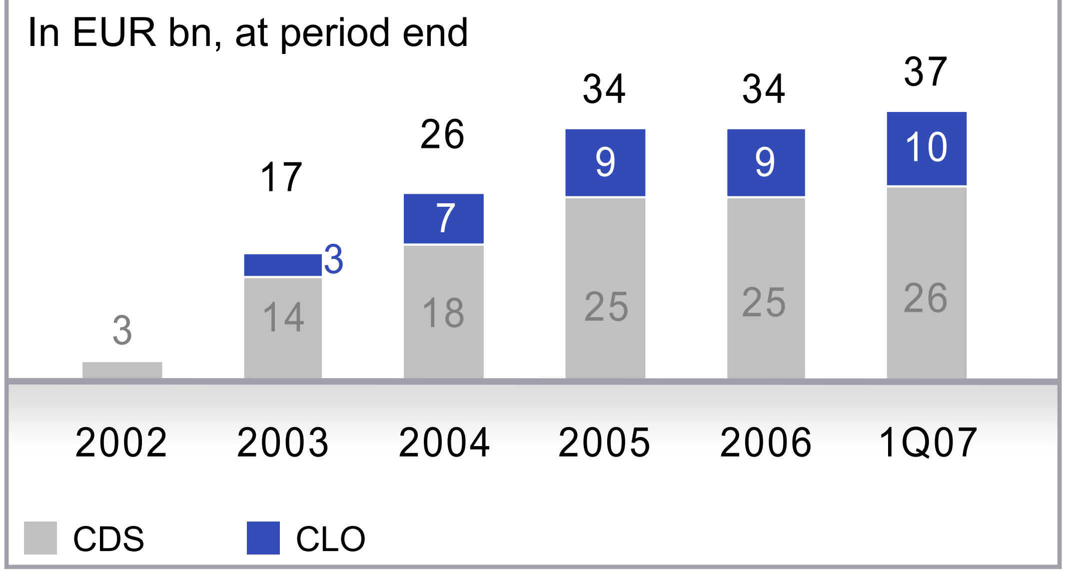
Preparing for next downturn

International loan book

Loan book[1] and provision development[2]



LEMG hedges (international book)[3]



- Book better diversified than in the past with concentration risk substantially reduced
- In 2007, moved a portion of loan book to Fair Value under IFRS to neutralize marked-to-market volatility on hedge book
- ~45% hedge ratio (CDS / CLO hedges over mid/l-term committed limits)

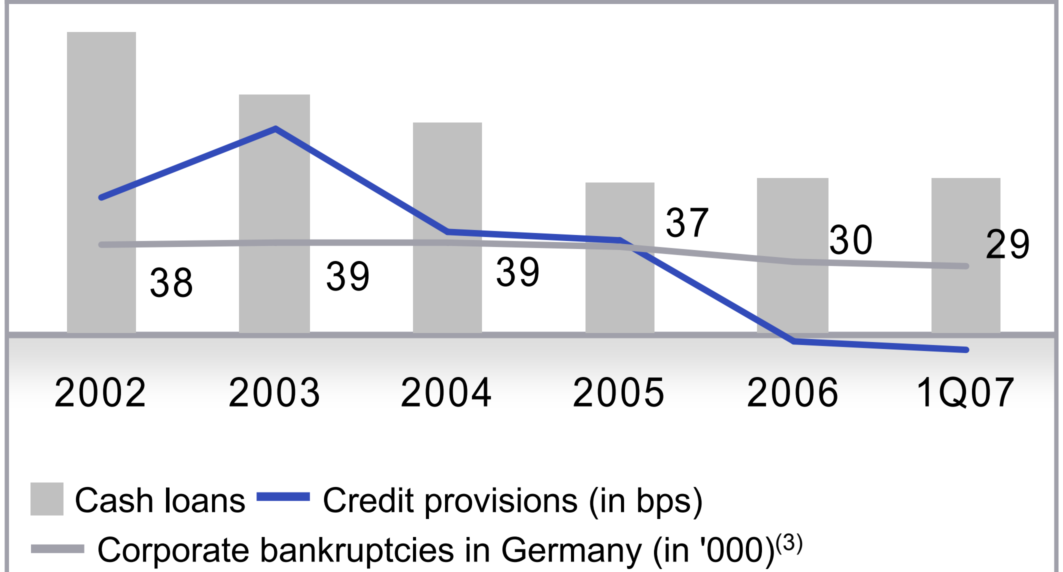
(1) Reflects Risk Management's view at respective point in time; changes in composition are not reflected / restated
(2) Credit provisions over loans and guarantees; 1Q2007 annualised
(3) Figures may not add up due to rounding

Deutsche Bank

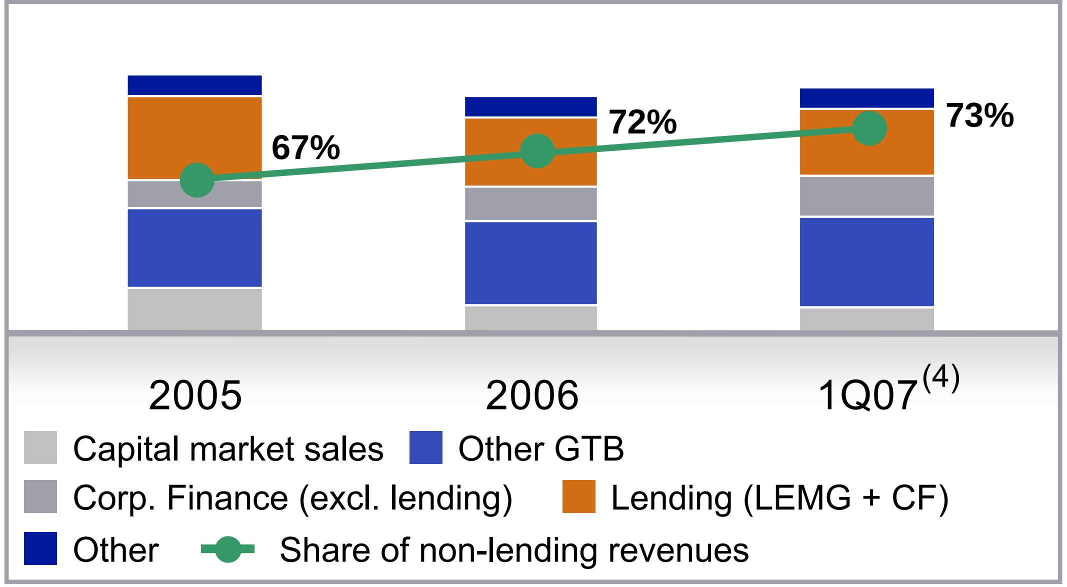
Above the hurdle rate!

German MidCaps loan book

Loan book(1) and provision development(2)



Revenue development



- 2001-2005: Streamlined lending policy, introduction of LEMG, sharp cut of production costs
- Book well diversified, only limited sector risk; risk costs currently significantly below PBC's
- Increased cross-selling: Cash lending important, but only one of many products
- ~40% hedge ratio achieved with further CLOs under way
  (CLO hedges vs. mid/l-term committed limits)
- GATE program (currently EUR ~4.9 bn): New market for investors seeking diversification

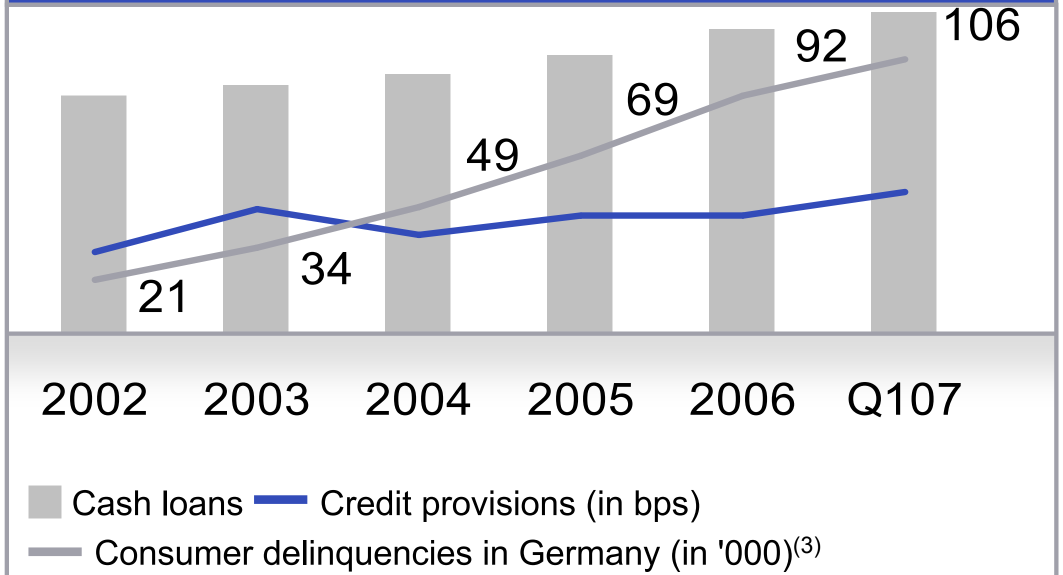
(1) Reflects Risk Management's view at respective point in time; changes in composition are not reflected / restated
(2) Credit provisions over loans and guarantees, 1Q2007 annualised
(3) Source: Statistisches Bundesamt, "Insolvenzen in Deutschland"; 1Q2007 annualised
(4) Annualised

Deutsche Bank

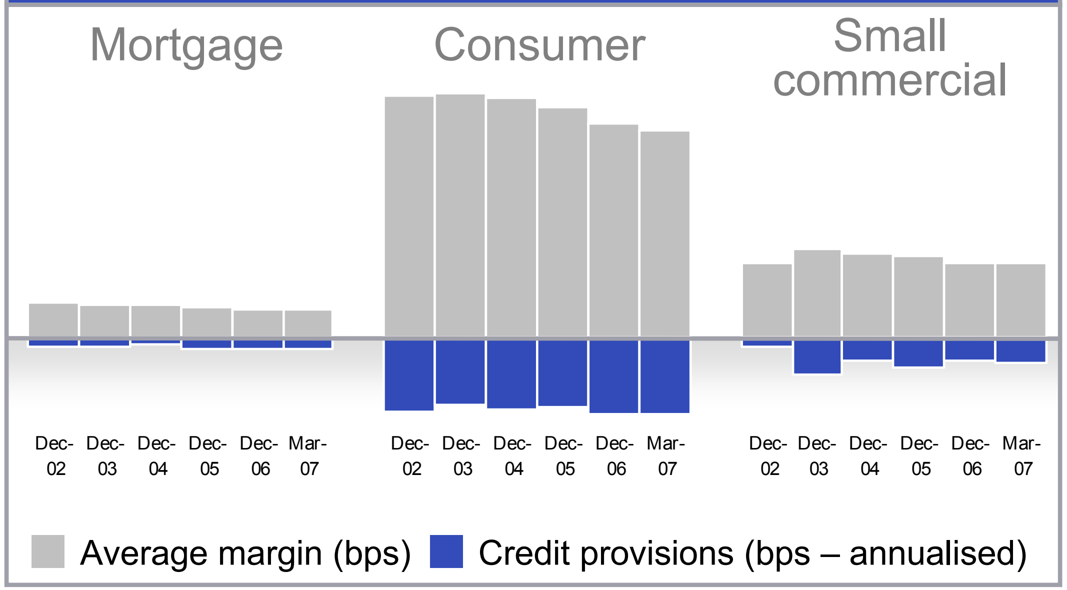
PBC loan losses increased, but covered by high margins

Continued improvement through technology and innovative collection tools

Loan book[1] and provision development[2]



Margin development PBC



- Credit engines accurately predicting credit losses
- Innovative collection tools and technology have shown further reduction of delinquency ratio
- Loan losses in PBC now a function of volume, sufficiently covered by margins
- Margins are shrinking – focus on higher return consumer products and improvement of pricing costs
- Platform allowed further growth in Germany (Berliner Bank / Norisbank) and abroad (new markets)

(1) Reflects Risk Management's view at respective point in time; changes in composition are not reflected / restated. norisbank included as of Dec 2006, Berliner Bank as of 1Q2007

(2) Credit provisions over loans and guarantees, 1Q2007 annualised

(3) Source: Statistisches Bundesamt, "Insolvenzen in Deutschland"; 1Q2007 annualised

Disciplined risk management limits downturn risk

Risk bucket summary

	Loan book (EUR bn)[1] 31 Mar 2007		Provisioning level (bps)	
			Current	Downturn scenario
International	44	Well diversified; actively managed	<0	<20
German MidCaps	18	Well diversified, strong pricing & balance sheet discipline (GATEs)	<0	<50
Leveraged Finance	4[2]	Strict underwriting and sell-down discipline; hedging started	<0	<200
PBC	82	Volume driven credit losses	~50-60	<80
Private Wealth Management	12	Strict collateral management	~0	~0

(1) Excl. EUR ~19bn variable interest entities (mainly commercial paper conduits), EUR ~5bn Real Estate Investment Banking and EUR ~5bn other

(2) Hold Portfolio

Agenda

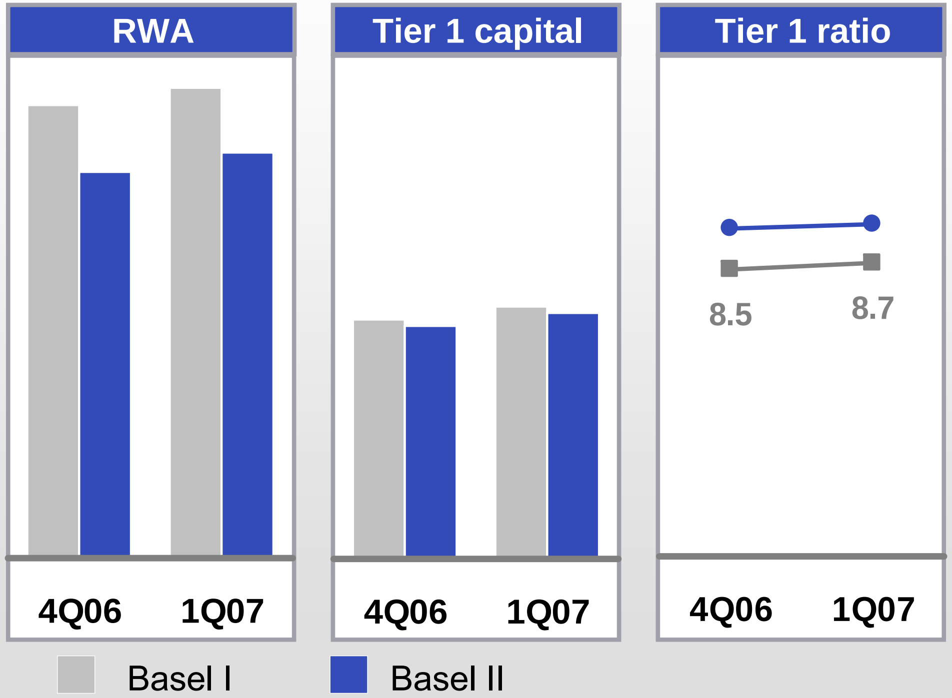
Deutsche Bank

Update on Basel II

Based on 1Q2007 figures, positive impact on Tier 1 ratio expected

Tier 1 ratio expected to benefit

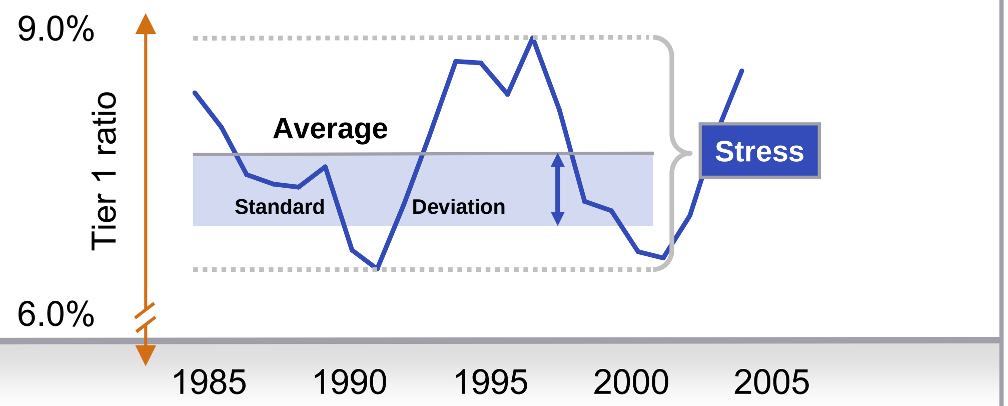
- Bulk of expected capital relief under Basel II derives from PBC division, while CIB capital demand more or less unchanged



Through the cycle, Basel II capital will fluctuate

- Under Basel II, capital is a function of business volume and risk profile
- As a result, dynamic capital management required:
  - Increased hybrid issuance
  - Development of contingent capital[1]

Unmanaged Tier 1 ratio (historical simulation)



(1) Financial instruments for capital creation under adverse credit conditions

Deutsche Bank

First contingent capital issues successfully placed

Contributing to capital buffer to mitigate Basel II volatility

- Successful issuance of first contingent capital note (EUR 200m) in March, followed by another issue (USD 800m) in May
- Both notes can be exchanged into Tier 1 capital at the sole discretion of the bank
  - Note I starts as 5-year senior Floating Rate
  - Note II starts as Perpetual non-call 10-year Upper Tier 2
- While the Tier 1 pricing for the first contingent capital note is subject to the market level on conversion day, the pricing for the second contingent capital note is fixed at issue date

DB Contingent Capital Trust I

Structure:	5-year senior FRN with conversion right into Tier 1 (inside 15% hybrid limit)
Format:	Private placement
Size:	EUR 200m
Conversion:	At DB's sole discretion during 5y, only constraint by a minimum senior rating of BBB+/Baa1
Tier 1:	Perpetual non-call 10-year hybrid with step up
Tier 1 pricing:	Market pricing on conversion day via dealer poll
Investors:	European credit funds

DB Contingent Capital Trust II

Structure:	Perpetual non-call 10-year Upper Tier II with conversion right into Tier 1 (outside 15% hybrid limit)
Format:	SEC registered
Size:	USD 800m
Conversion:	At DB's sole discretion during first 5y (subject to no arrears in coupon)
Tier 1:	Perpetual non-call 10-year without step up
Tier 1 pricing:	6.55% fixed for life (as Upper Tier 2)
Investors:	US institutional investors (mainly preferred funds)

Deutsche Bank

Agenda

Summary

2006/07 onwards: By maintaining discipline, Deutsche Bank will be able to:

- Keep credit provisions low and retail-driven
- Support organic growth initiatives and make them successful
- Deploy acquisition capital wisely and profitably
- Preserve strong BIS Tier 1 capital ratio

2004 - 2005

- Strict balance sheet discipline helped achieve RoE targets ✓

2000 - 2003

- De-leverage the Bank and reduce costs ✓

Deutsche Bank

Cautionary statements

Unless otherwise indicated, the information provided herein has been prepared under International Financial Reporting Standards (IFRS). It may be subject to adjustments based on the preparation of the full set of financial statements for 2007. The segment information is based on IFRS 8: ‘Operating Segments’. IFRS 8, whilst approved by the International Accounting Standards Board (IASB), has yet to be endorsed by the European Union.

This presentation also contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Deutsche Bank. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our trading revenues, potential defaults of borrowers or trading counterparties, the implementation of our management agenda, the reliability of our risk management policies, procedures and methods, and other risks referenced in our filings with the U.S. Securities and Exchange Commission. Such factors are described in detail in our SEC Form 20-F of 27 March 2007 on pages 9 through 15 under the heading "Risk Factors." Copies of this document are readily available upon request or can be downloaded from www.deutsche-bank.com/ir.

This presentation contains non-IFRS financial measures. For a reconciliation to directly comparable figures reported under IFRS refer to the 1Q2007 Financial Data Supplement, which is accompanying this presentation and available on our Investor Relations website at www.deutsche-bank.com/ir.