Credit Risk Overview

Stuart Lewis
Deputy Chief Risk Officer

Passion to Perform
Financial crisis evolution

Phase 1:
Start of crisis

Phase 2:
Escalation

Phase 3:
Recovery

3m Euribor – 3m Eonia swap rate, in bps (lhs)

iTraxx XO(1) S11/10/9/8/7 5y spread, in bps (lhs)

VIX implied volatility index S&P 500, in % (rhs)

Fed rate cuts

IKB warning and bailout

Fed approves takeover of Bear Stearns by JPM

UK bank capital injections

Hypo Real Estate rescue

Fortis state support announced

Takeover of AIG & Merrill Lynch, Lehman files for Chapter 11

Start series 11, structural break

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(1) iTraxx Europe Crossover, 5-year, series 11 (index of CDS credit derivatives on 50 companies rated at the threshold of investment and speculative grade; before March 2009: series 10/9/8/7)

Source: Bloomberg, DB Research
Strong recovery seen across global industries ...

... but sovereign risks remain

Strong recovery in industrial production ...

... but sovereign risks remain

### Industrial production

— Strong recovery in Asia, but also in US, less pronounced in Europe
— **Chemicals**: Major chemical companies (BASF, DuPont, Dow Chem) reported double-digit volume growth (driven by APAC) and sound results in 1Q2010
— **Semiconductors**: Strong order volumes over past 2 quarters, driving utilisation rate up to 87% in 1Q2010 (vs. 57% in 1Q2009)

### Sovereign risk

— S&P and Fitch downgraded Greece to BBB+, lowest level in Eurozone
— Significant market reaction driven by heightened awareness of potential for m/t sovereign default
— Deutsche Bank faces limited primary / secondary order risks but potentially significant tertiary impact from contagion effect

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Source: DB Research

Source: OECD, DB Research

Source: OECD, DB Research

Source: OECD, DB Research

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Deutsche Bank
Investor Relations
Investor Meetings, 11 May 2010
Stuart Lewis, Deputy Chief Risk Officer
Agenda

1 Loan book overview

2 Assets under IAS39 reclassification

3 Monolines

4 Sovereign risk
Loan book and provisions by category
In EUR bn, as of 31 Mar 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total loan book, gross</td>
<td>262</td>
<td></td>
</tr>
<tr>
<td>PBC mortgages</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>Inv grade / German mid-cap</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>GTB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PWM(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBC small corporates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Investments(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structured transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collateralised by Govts, cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and own debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Finance (DB sponsored</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conduits)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leveraged Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Real Estate(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1Q2010 LLPs(1), in EUR m
Thereof IAS 39 LLPs, in EUR m
IAS 39 reclassified assets, in EUR bn

Loan book up by EUR 9 bn (3.5%) vs. 31 Dec 2009 driven primarily by:
- Inclusion of Sal Oppenheim (PWM)
- Strong growth in Trade Finance / Structured Trade Export Finance volumes (GTB)

(1) Includes provisions for off-balance sheet positions
(2) Includes loans of EUR 3.2 bn in PWM and EUR 1.8 bn in CI related to Sal. Oppenheim acquisition
(3) Includes loans from CMBS securitizations
LLPs stabilising as market shows signs of recovery

Loan loss provisions development: 2003 – 1Q2010

Favourable LLP development, particularly with IAS39 assets

— 1Q2010 LLPs almost halved to EUR 262 m vs. 1Q2009 (LLPs on IAS39 <50% of 1Q2009)
— Despite encouraging outcome, we leave full-year forecast unchanged given market uncertainties in a fragile economic recovery

(1) All bps annualised
(2) 31 Dec 2009 loan book used to calculate bps
(3) Forecast based on 2010 base case
1 Loan book overview

2 Assets under IAS39 reclassification

3 Monolines

4 Sovereign risk
Positive trends continue across the portfolio  
As of 31 March 2010

Positive rating development …  
… also with CV / FV delta reduction

<table>
<thead>
<tr>
<th>PD Up/Downgrade Ratio (internal data)</th>
<th>In EUR bn, as of 31 Mar 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DM</strong></td>
<td><strong>EM</strong></td>
</tr>
<tr>
<td>Mar-09</td>
<td>May-09</td>
</tr>
<tr>
<td>0.5</td>
<td>1</td>
</tr>
</tbody>
</table>

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Favorable rating migration  
& CV / FV delta development …

- Mar 2010 overall up/downgrade ratio of 0.85x from 0.12x (Mar 2009)
- CV / FV delta also continues to decrease with market recovery and DB’s proactive restructuring efforts (down 51% since Mar 09)

... as well as continued reduction of LF sub debt

- DB significantly reduced IAS39 Lev Fin subordinated debt since 3Q2009
  - Sold 5 positions, resulting in 40% reduction in CV of sub debt
  - Remaining sub debt is EUR 1.6 bn, attributable to 3 names (99% is one name)

Note: CV = Carrying Value; FV = Fair Value

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Stuart Lewis, Deputy Chief Risk Officer
### IAS39 reclassified assets overview

**As of 31 March 2010**

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Carrying value</th>
<th># of assets</th>
<th>% inv grade</th>
<th>Impaired loans (EUR bn)</th>
<th># of impaired loans</th>
<th>LLP run rate (annualised)</th>
<th>LLP run rate vs. Dec 09</th>
<th>CV / FV delta (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leveraged Finance</strong></td>
<td>6.6</td>
<td>205</td>
<td>0%</td>
<td>2.1 (32%)</td>
<td>10 (4.9%)</td>
<td>377bps</td>
<td></td>
<td>0.3 bn (10%)</td>
</tr>
<tr>
<td><strong>Commercial Real Estate</strong></td>
<td>8.8</td>
<td>438</td>
<td>48%</td>
<td>0.2 (2%)</td>
<td>7 (1.6%)</td>
<td>126bps</td>
<td></td>
<td>0.4 bn (12%)</td>
</tr>
<tr>
<td><strong>Asset Finance</strong></td>
<td>8.0</td>
<td>123</td>
<td>76%</td>
<td>0.4 (4%)</td>
<td>3 2.4%</td>
<td>–</td>
<td>–</td>
<td>1.0 bn (31%)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>5.4</td>
<td>279(1)</td>
<td>63%</td>
<td>0.4 (7%)</td>
<td>5(1) (1.8%)</td>
<td>21bps</td>
<td>–</td>
<td>1.3 bn (40%)</td>
</tr>
<tr>
<td><strong>Coll. / hedged transactions</strong></td>
<td>5.2</td>
<td>340</td>
<td>94%</td>
<td>–</td>
<td>1 (0.3%)</td>
<td>15bps(2)</td>
<td>–</td>
<td>0.2 bn (6%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34.0 bn</td>
<td>1,385</td>
<td>58%</td>
<td>2.9 (9%)</td>
<td>26 (1.9%)</td>
<td>109bps</td>
<td></td>
<td>3.3 bn</td>
</tr>
</tbody>
</table>

(1) Excludes European mortgage loan portfolio with 7,964 and student loan portfolio with 8,893 collectively assessed assets

(2) Increase in LLP run rate refers to a single name EUR 2 m facility

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Continued reduction of CV / FV delta across most asset classes

Largest CV / FV differences by asset classes:\(^{(1)}\) Total \(\Delta\) EUR 3.3 bn as of 31 March 2010

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Total Difference (EUR m)</th>
<th>Top 10: EUR m</th>
<th>Delta vs. Dec 09:</th>
</tr>
</thead>
<tbody>
<tr>
<td>LF</td>
<td>332</td>
<td>324 (98%)</td>
<td></td>
</tr>
<tr>
<td>CRE</td>
<td>414</td>
<td>310 (75%)</td>
<td></td>
</tr>
<tr>
<td>Asset Finance</td>
<td>1,034</td>
<td>502 (49%)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,298</td>
<td>535 (41%)</td>
<td></td>
</tr>
<tr>
<td>Coll/Hedged</td>
<td>184</td>
<td>187 (101%)</td>
<td></td>
</tr>
</tbody>
</table>

- Over 55% of EUR 3.3 bn delta from 50 names (out of 1,135 assets)
- Delta continues to decline driven primarily by reduction in LF subordinated debt (over EUR 1 bn reduction since Sep 2009)

\(^{(1)}\) Top 10 names for each of the 5 asset classes
\(^{(2)}\) UK homogeneous mortgage portfolio acquired on liquidation of mortgage warehouse facilities
Agenda

1  Loan book overview

2  Assets under IAS39 reclassification

3  Monolines

4  Sovereign risk
Monoline update
Exposure materially reduced, reserve levels remain adequate

Substantial reduction since 1Q2009 peak … … and exposure adequately reserved

In EUR bn\(^{(1)}\)

<table>
<thead>
<tr>
<th>Period</th>
<th>Tier 1/Inv. grade</th>
<th>Tier 2</th>
<th>Tier 3</th>
<th>Tier 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q2009</td>
<td>6.8</td>
<td>4.7</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>2Q2009</td>
<td>5.5</td>
<td>4.0</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>3Q2009</td>
<td>4.7</td>
<td>3.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>4Q2009</td>
<td>5.2</td>
<td>3.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>1Q2010</td>
<td>5.1</td>
<td>3.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Note: Tiering is an internal Credit Risk Management designation (Tier 1 = strongest / Tier 4 = weakest); CVA = Credit valuation adjustment

(1) Excludes counterparty exposure to monoline insurers that relates to wrapped bonds
## Monoline exposure by asset classes

In EUR bn, as of 31 Mar 2010

<table>
<thead>
<tr>
<th>Product</th>
<th>Fair value prior to CVA(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tier 1</td>
</tr>
<tr>
<td>Other Subprime</td>
<td>0.1</td>
</tr>
<tr>
<td>Alt-A</td>
<td>0.8</td>
</tr>
<tr>
<td>Trups / CLOs</td>
<td>0.1</td>
</tr>
<tr>
<td>CMBS</td>
<td>0.6</td>
</tr>
<tr>
<td>Student loans</td>
<td>0.3</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;90% 2007 vintages</td>
</tr>
<tr>
<td>More than 20% subordination</td>
</tr>
<tr>
<td>Majority on super senior tranches with high subordination</td>
</tr>
<tr>
<td>50% 2007 &amp; 50% 2006 vintages</td>
</tr>
</tbody>
</table>

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**Exposure profile**

- No exposure to ABS CDO or RMBS with Tier 2, 3 & 4 players
- ~50% reserve level for direct exposure to Tier 2, 3 & 4 payers

\(^{(1)}\) Credit valuation adjustments
1 Loan book overview

2 Assets under IAS39 reclassification

3 Monolines

4 Sovereign risk
Sovereign risk – Hot spots in Southern Europe
Concerns about sovereign risk – potential tertiary effect through contagion

CDS spreads by country (in bps)

Limited primary/secondary portfolio concerns...

- **Sovereign**: Overall relatively small, except Italy
- **CIB**: Focus on better rated clients; corporates / FIs with satisfactory diversification & risk mitigation
- **PBC**: Large presence in Spain and Italy, mitigated by low concentration risk and collateral

...but potential risk of tertiary market impact due to contagion

- Significant spread widening could lead to losses on our illiquid GM/GB legacy positions
- Temporarily reduced liquidity in EU debt and equity markets
- European banks with significant cross border funding would exhibit renewed stress

(1) Includes exposure for CIB, PBC and PWM, excludes traded credit positions (TCP)
# Sovereign risk: Greece
## Stress contagion scenario impact analysis

<table>
<thead>
<tr>
<th>Impact</th>
<th>Market scenarios</th>
<th>Potential impact on DB</th>
<th>Risk</th>
</tr>
</thead>
</table>
| Primary| — Hair cut on Greek sovereign debt  
— Shipping : Greek ship owners wealth largely held in domestic assets (e.g. stakes in banks); losses and tighter liquidity with negative impact on CAPEX, future earnings  
— HF and HNWI impacted by direct losses on Greek Sovereign/FI holdings | — Limited losses from sovereign debt exposure  
— Greek FI/Sovereign exposure driven by FX and Rates derivatives to double  
— Immediate liquidity and P&L impact negligible as very small local DB franchise  
— PWM exposure to Greek clients manageable given large AuM; overall HF portfolio net short | ● |
| Secondary| — Greek sov debt restructuring results in ~EUR 50-75bn losses for European banks  
— FIs with larger sovereign holdings and/or exposure to Greek banking sector come under pressure | — Funding cost increase  
— Share price under pressure  
— Collateral (Greek govt) held negligible; Prime Finance exposure limited after collateral | ● ● ● |
| Tertiary| — Credit spreads rise sharply as financials widen & liquidity dries up for riskier assets  
— Severe contagion globally, initially with spill over into weak EU and some CEE  
— Equities fall, financials underperform  
— USD, Treasuries, precious metals benefit from “flight to safety”; USD strengthening leads to currency volatility in EMs (e.g. LatAM, less impact on Asia) | — Further loss potential on illiquid legacy assets  
— Aggregate short TCP position in Spain, Portugal and Ireland  
— However, contagion impact beyond PIIGS countries could be material  
— Derivative exposure MTM to rise, driven by falling EUR, spread widening  
— Capital hedged against EUR depreciation | ● ● ● ● ● |

Note: Scenario based on holistic overview (tertiary risks over 10 day period); effects may not necessary be sequential or in described order. Traffic lights denote overall downside scenario impact on Deutsche Bank. TCP = Traded credit positions.
Process of managing country risk

Country risk management

**Responsible for:**
- Managing the Bank’s global country risk portfolios by setting country limits
- Coordinating and managing the country risk process

**Country limits are set by:**
- Management Board or Cross Risk Review Committee

**DB specifically limits and monitors its exposure to Emerging Markets:**
- Non-Japan Asia, EEMEA and Latin America

**Exposures are monitored through a framework of limits:**
- Total counterparty, transfer risk and event risk scenario limits

**Country limits are reviewed:**
- At least annually, in conjunction with the review of country risk ratings

Country risk rating

**Key tool in management of country risk**

**Established by an independent country risk research function within Credit Risk Management and include:**
- Sovereign rating
- Transfer risk rating
- Event risk rating

**All sovereign and transfer risk ratings are reviewed, at least annually, by:**
- Cross Risk Review Committee
- Sub-committee of Risk ExCo

**Country risk research group reviews:**
- Quarterly: Ratings for the major Emerging Markets countries
- Continuous review: Ratings for countries that we view as particularly volatile, as well as all event risk ratings
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