



European Bank
for Reconstruction and Development

Corporate Governance of Banks in Eurasia

Mr Andrew Procter

Global Head of Compliance, Deutsche Bank Group

Controlling risks through compliance, function and governing structure

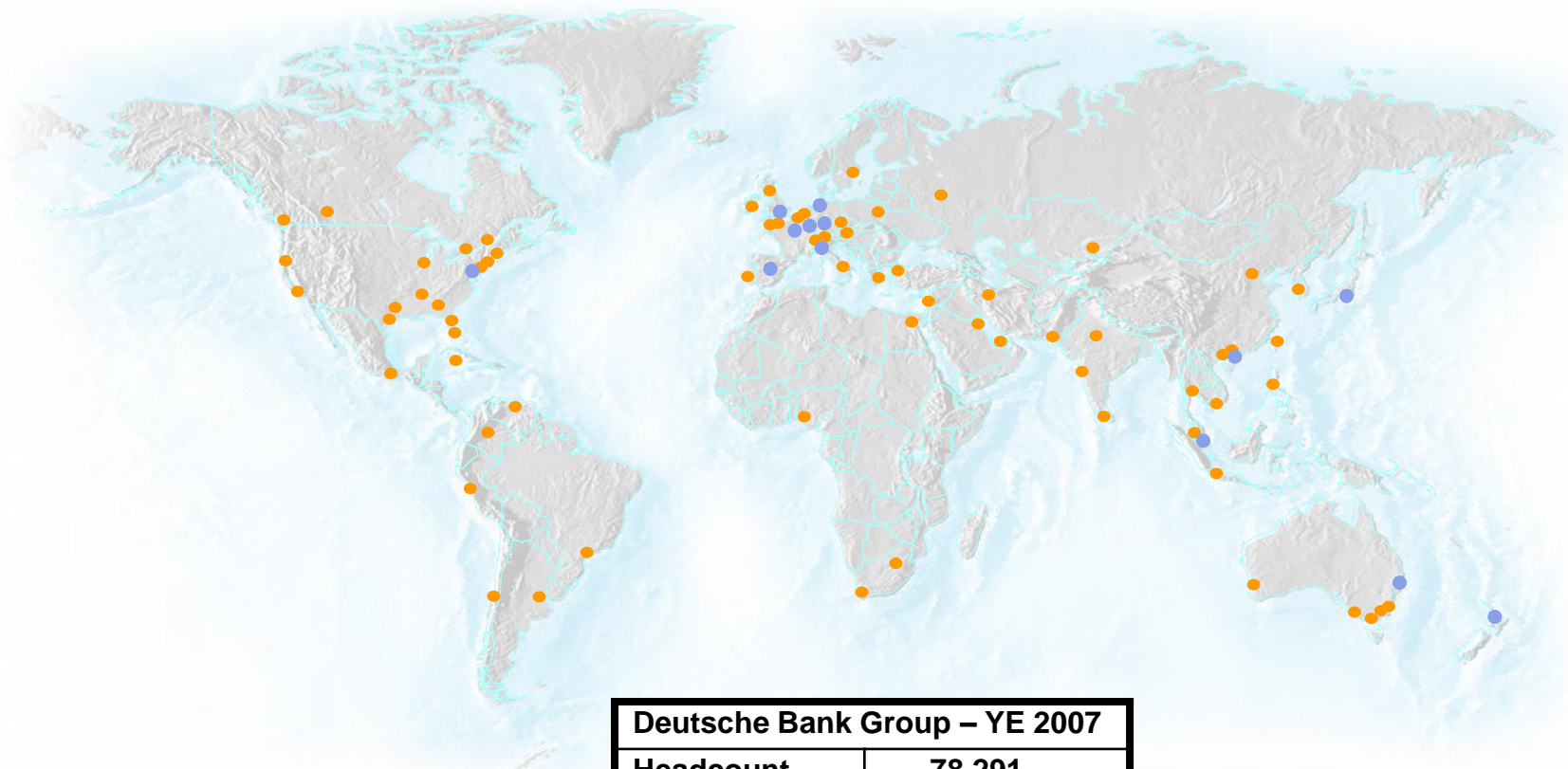
London, United Kingdom

30 April 2008

*The views expressed in this paper are those of the author and do not necessarily represent the opinions of the OECD
or its Member countries or the European Bank for Reconstruction and Development*

Deutsche Bank

76 countries, 1,889 branches



Deutsche Bank Group – YE 2007	
Headcount	78,291
Assets	€ 2,027bn
Loan Book	€ 203bn
RWA	€ 328bn
Net Revenues	€ 30.7bn
Net Income	€ 6.5bn

Group Executive Committee



Hugo Banziger
CRO



Anthony Di Iorio
CFO



Stefan Krause*
Board Member since
1st April 2008



**Hermann-Josef
Lamberti**
COO



Anshu Jain
Head of
Global Markets



Josef Ackermann
Chairman of the
Management Board
and the
Group Executive
Committee



Rainer Neske
Head of
Private & Business
Clients



Michael Cohrs
Head of
Global Banking



Kevin Parker
Head of
Asset Management



Jürgen Fitschen
Head of
Regional
Management
worldwide



Pierre de Weck
Head of
Private Wealth
Management

 **Management Board**

 **CIB**

 **PCAM**

 **Regions**

*From 1st October 2008, Stefan Krause will assume the position of CFO as Anthony Di Iorio's successor



DB's Legal, Risk & Capital Principles

- Our Management Board provides overall risk & capital management supervision for our consolidated Group as a whole. Our Supervisory Board regularly monitors our risk and capital profile
- We manage credit, market, liquidity, operational, business, legal and reputational risks as well as our capital in a co-ordinated manner at all relevant levels within our organisation
- The structure of our function is closely aligned with the structure of our Group Divisions
- The Legal, Risk & Capital function is independent of our Group Divisions

Legal, Risk & Capital - Goals aligned with DB's Values

Customer Focus	Create risk-structures that fit the needs of our clients
Teamwork	Incentivise businesses to implement better risk management practices
Innovation	Developing innovative risk management solutions
Performance	Enhance shareholder value
Trust	Safeguard Deutsche Bank's Capital & ensure compliance with all in- and external standards

Legal, Risk & Capital - Tasks at DB

Building Blocks

Organisation
&
Process

People
&
Culture

Methodology
&
Tools

Systems
&
Infrastructure

Tasks

Research

To research and develop better risk methodologies

Independence

To exercise independent monitoring of all risks

Limits

To set appropriate limits for risk taking across the firm

Policies

To establish a coherent framework of relevant policies

Training

To develop and implement internal & compliance risk training

Standards

To set standards for risk information and reporting


Communication with regulators

To dialogue with regulators, rating agencies and external equity analysts to improve external perception




Legal, Risk & Capital Management Team


Nick Fries
Global Head
Investment Risk
Management



Richard Walker
General Counsel
Legal



Stuart Lewis
Deputy CRO
Chief Credit Officer




Mick Wood
Senior Risk Adviser




Neil Smith
LRC Chief
Operating Officer




Chris Whitman
Group Treasurer
Treasury



Hugo Banziger
Chief Risk Officer



Victor Meyer
Corporate Security
& Business
Continuity




Yves Dermaux
Market Risk
Management



**Andreas
Gottschling**
Operational Risk
Management



Andrew Procter
Global Head
Compliance



Risk Executive Committee

Hugo Banziger
Chief Risk Officer

**Functional Committee:
Risk Executive
Committee**

Chair: Hugo Banziger
Deputy Chief Risk Officers
And other senior LRC
personnel

**Key Functions within the parameter
set by the Management Board**

- Risk Strategy preparation, Guiding Principles
- Risk Policy / Methodologies
- Processes, Organisational Structure
- Appointment of Senior Credit Executives
- Risk Portfolio Analysis/Management
- Risk Costs
- Monitors the adherence to guidelines and standards of the Deutsche Bank Group

Capital and Risk Committee

Capital and Risk Committee (CAR)

Composition:

- Chair: Hugo Banziger
- Vice-Chair: Anthony Di Iorio
- Members: Deputy CRO, Group Treasurer
- Non-voting Members: GEC business heads

Responsibilities:

- Risk profile and capital planning
- Capital capacity monitoring
- Regular review of risk parameters driving capital
- Capital stress testing and scenario analysis
- Optimisation of funding
- Contingent capital¹⁾ requirements
- Earnings retention strategy
- Performance review of acquisitions and investments
- Performance review of share buyback programs

Responsibilities for Capital Investment

Group Investment Committee
(Functional Committee)
Chair: Anthony Di Iorio
Responsibilities: Investments
in strategic assets

**Capital and Risk
Committee**
(Functional Committee)

**Principal Investments
Commitment Committee**
Responsibilities: Business line Investments

CIB / CI

- Principal Inv.
- Private Equity Funds
- Industrial Holdings
- Hedge Funds

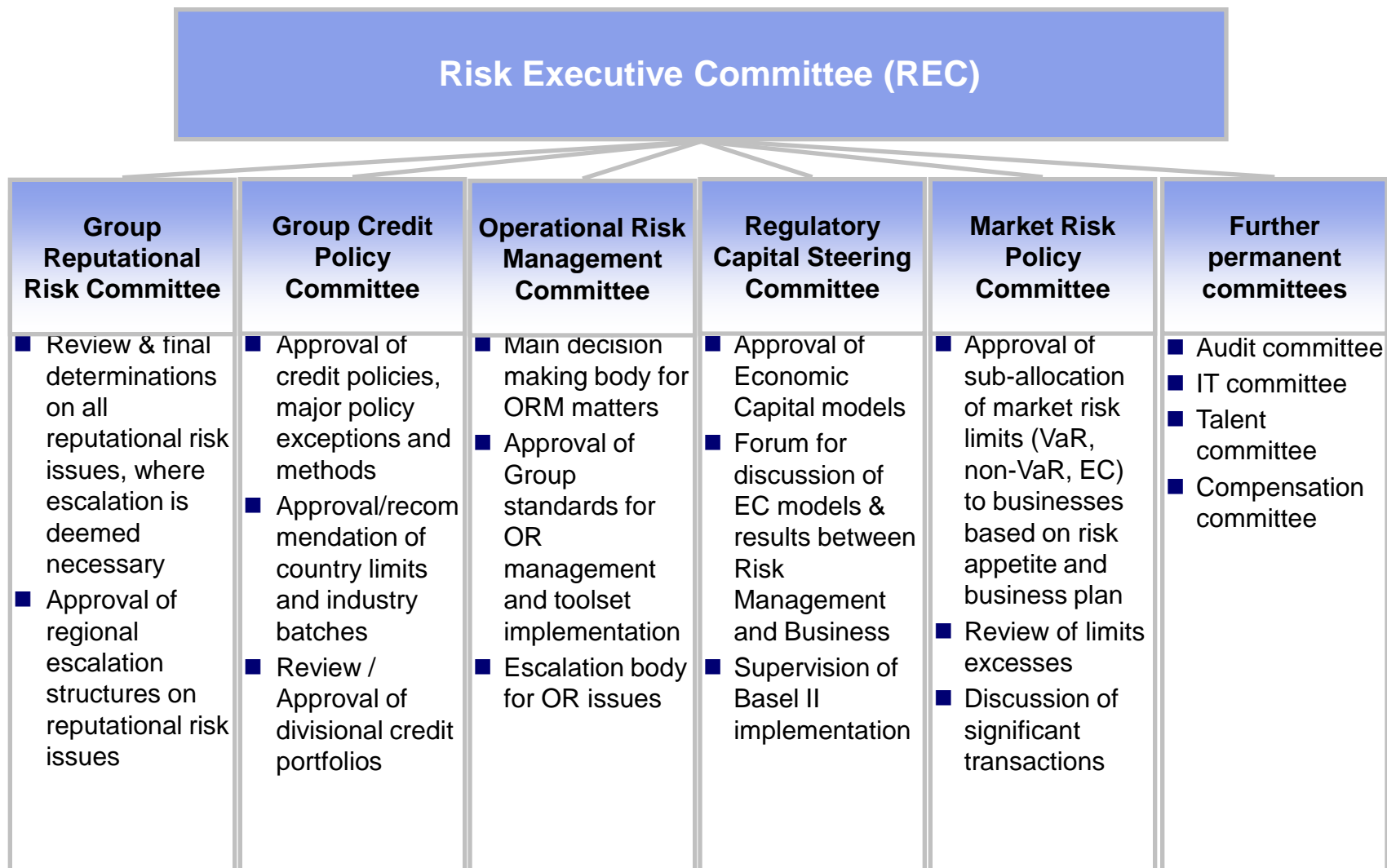
PCAM

- Principal Inv.
- Mutual Funds
- Hedge Funds

Real Estate

1) Financial Instruments for Capital creation under adverse credit conditions

Additional major global risk-related Committees



Categories of Risk

■ **Specific Banking Risks**

- *Credit risk* arises from all transactions that give rise to actual, contingent or potential claims against any counterparty. We distinguish among three kinds of credit risk:
 - *Default risk*: counterparties fail to meet contractual obligations
 - *Country risk*: suffering a loss from a possible deterioration of economic conditions, political and social upheaval, expropriation of assets etc.
 - *Settlement risk*: clearance of transactions fail
- *Market Risk* arises from the uncertainty concerning changes in market prices and rates
- *Liquidity Risk* is the risk from a potential inability of DB to meet all payment obligations when they come due
- *Operational risk* is the loss potential in relation to employees, infrastructure failure, documentation etc.

■ **Reputational Risk** is the threat that publicity concerning a transaction, counterparty or business practice involving a client will negatively impact the public's trust in Deutsche Bank

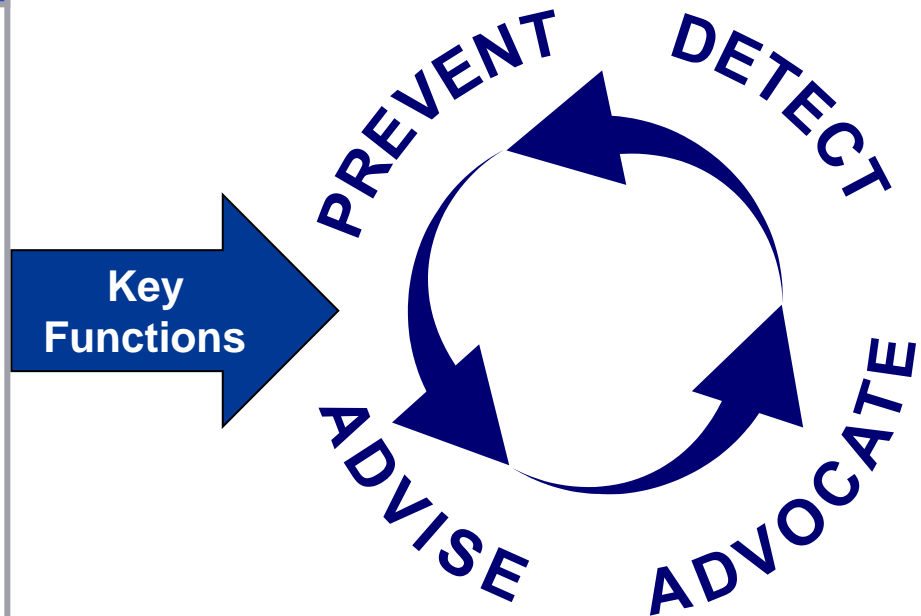
■ **Business Risk** describes the risk from potential changes in business conditions such as market environment, client behaviour and technological process

Compliance Department

Statement of Purpose

We protect the Bank's integrity and reputation as the leading provider of financial solutions by:

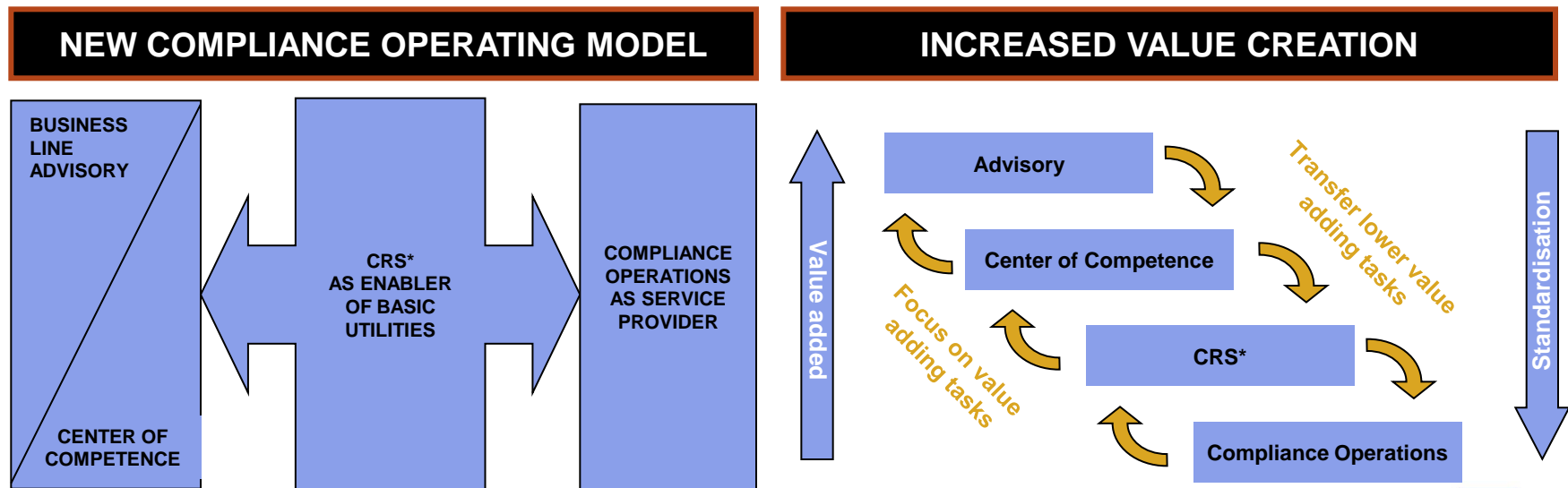
- Advancing lawful and ethical business conduct in the interest of our clients, shareholders and people; and
- Preventing and detecting violations of law through identifying and managing financial services regulatory risk.



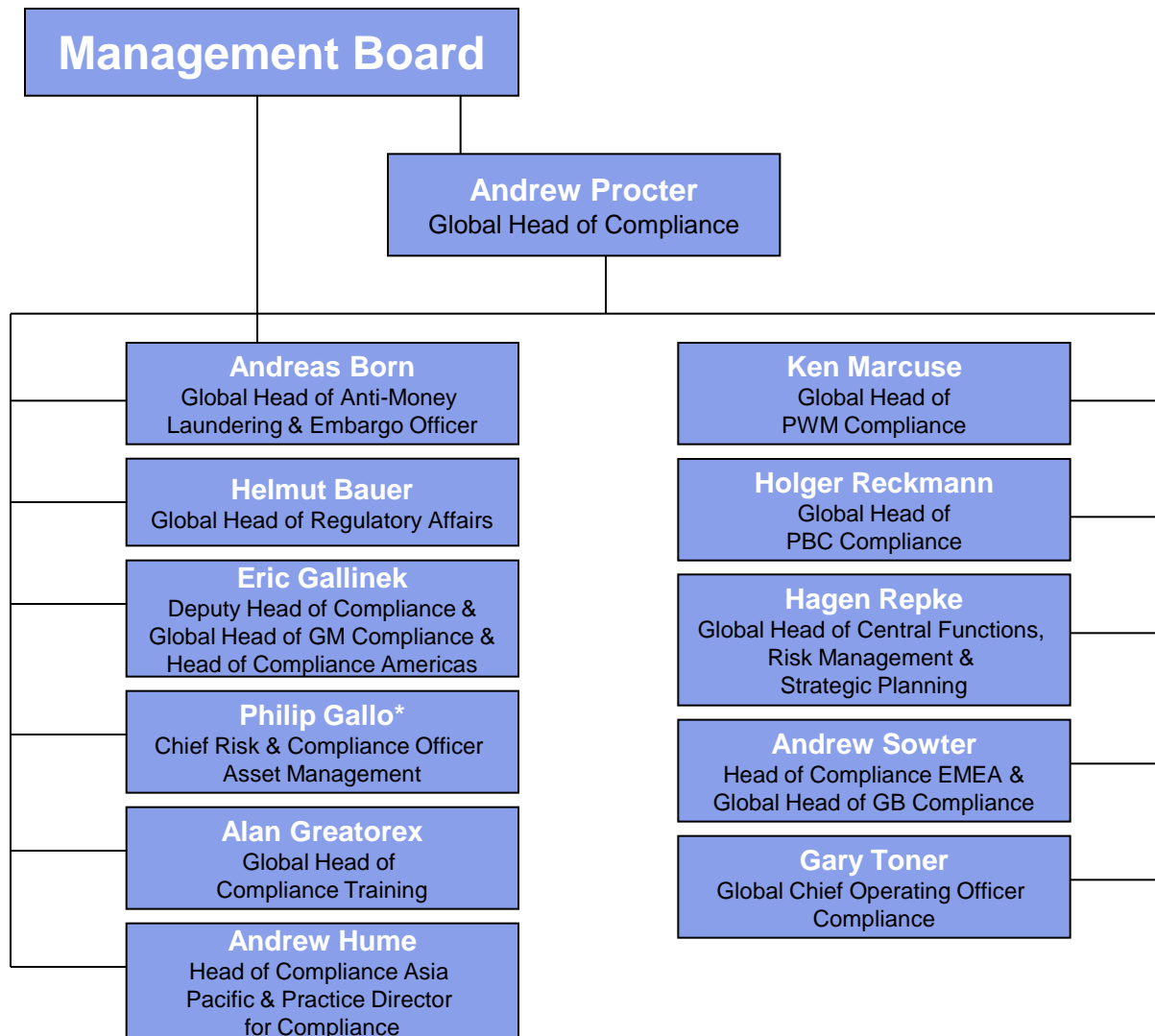
- **ADVISOR** to the Business
- **ADVOCATE** for the Bank with external stakeholders
- **PREVENTS** and ...
- **DETECTS** violations of law and Bank policy

New Operating Model for Compliance provides strategic opportunity to re-focus on core capabilities

- Compliance Advisory professionals focus on advisory and regulatory relationship management
- Cross regional and divisional CRS* team focuses on consistent regulatory risk management methods, Compliance intelligence and specialist functional knowledge
- LRC Operations focuses on data and intelligence as well as scalable processes



Compliance Global Structure



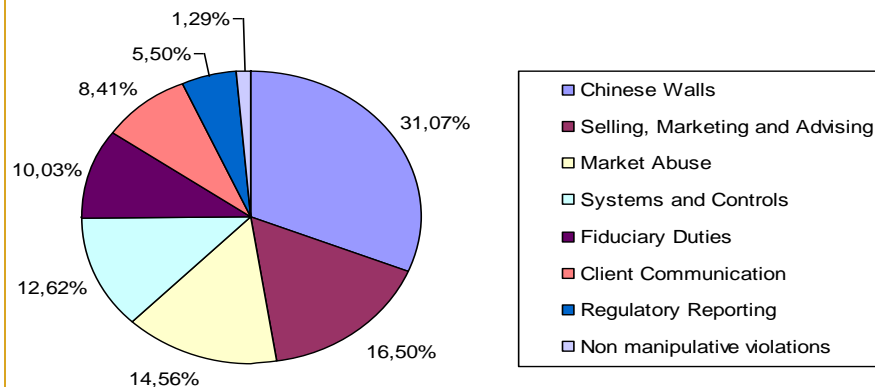
Compliance Risk Assessment Methodology (CRAM)

- Compliance has developed and adopted a Global Compliance Risk Assessment Methodology (CRAM) covering more than 50 countries across all business lines
- Critical and significant risks increased by 22% from 2006, 75% of all high risks in Global Markets and Corporate Finance
- Drivers behind increased numbers of high risks are
 - increased regulatory focus, e.g., on Chinese walls,
 - increased cross-border and cross divisional business, and
 - tightening market conditions requiring more robust control environment

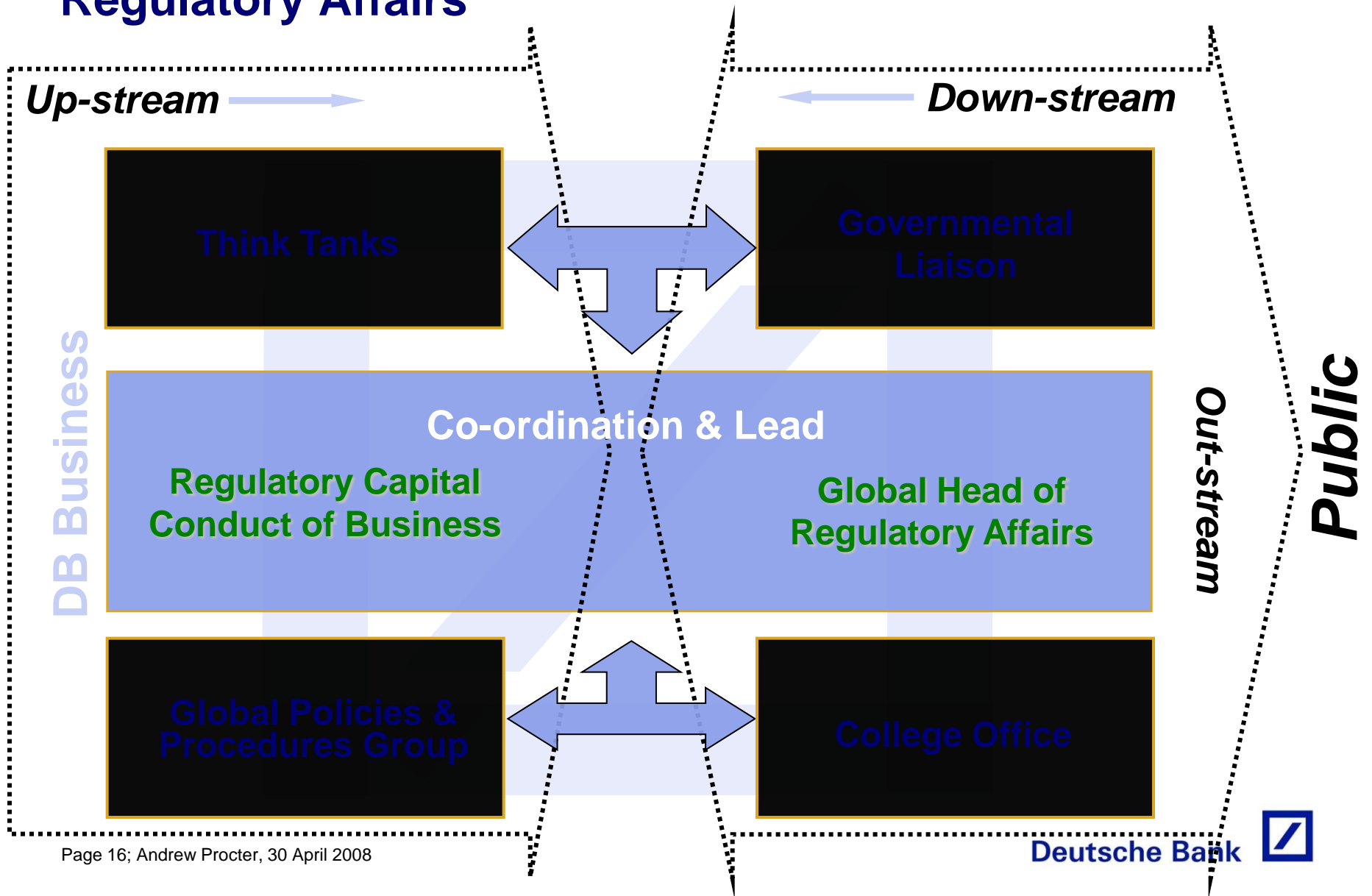
DISTRIBUTION OF RATINGS BY RISK AND SCORE*

	Selling, Marketing and Advising	Fiduciary Duties	Client Communication	Chinese Walls	Systems and Controls	Regulatory Reporting	Market Abuse	Non manipulative violations	TOTAL
CRITICAL	7	0	0	0	0	0	0	0	7
SIGNIFICANT	44	31	26	96	39	17	45	4	302
IMPORTANT	450	415	473	389	466	309	255	255	3012
UNRATED	248	122	259	197	282	244	222	183	1757
# of scores	749	568	758	682	787	570	522	442	5078

RISK RANKING (critical and significant risks)*



Regulatory Affairs



Compliance Training

INFRASTRUCTURE IMPROVEMENTS

Learning Content Management System

- Acts as a library of training content
- Allows rapid re-purposing of training content
- Reduces the need for custom courseware development

Training E-Evaluation Tool

- Automated evaluation of training
- Measures training quality and impact
- Identifies areas for improvement

MAJOR PROGRAMS IN 2008 - NEW OR SIGNIFICANT REVISION

- Supervision
- Anti-Money Laundering
- Chinese Walls
- Research
- Market Abuse
- Reputational Risk
- Client Communications
- AM Global Ethics
- Anti-Corruption
- Code of Conduct
- Suspicion Reporting
- Compliance Essentials
- New Client Adoption
- Embargo/NCA