Understanding Structured Notes & CDs

DWS Structured Products Americas

DWS INVESTMENTS
Deutsche Bank Group

What we will cover

- About DWS Investments & Deutsche Bank
- The Asset Allocation Challenge
- Structured Products overview
- Types of Structured Notes & CDs
- Considerations

About Deutsche Bank

Deutsche Bank

Tier 1 capital ratio of 11.3%

More than 81,000 employees in 72 countries worldwide

Corporate and Investment Bank		Corporate Investments	Private Clients and Asset Management		
Global Banking	Global Markets	Corporate Investments	Asset Management	Private & Business Clients	Private Wealth Management

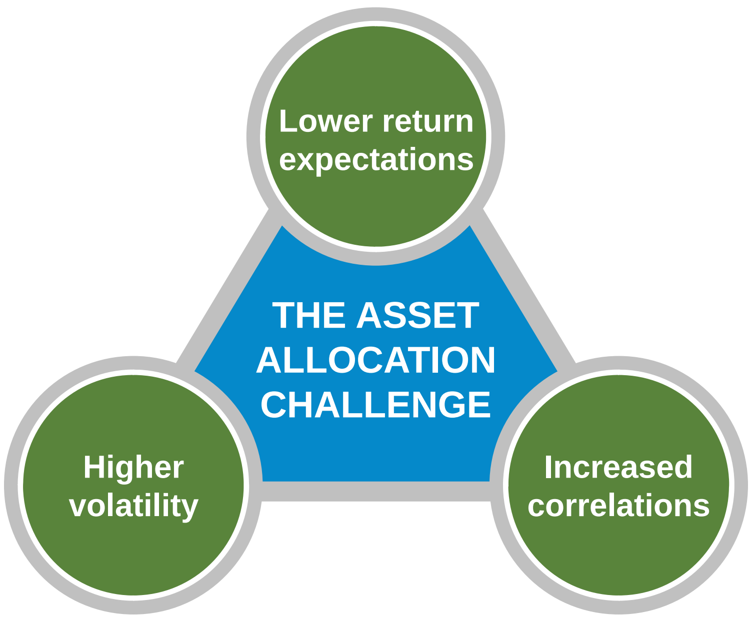
Deutsche Asset Management
$675 Billion

Retail	Insurance	Alternatives	Institutional
DWS	Deutsche Insurance Asset Management Deutsche Bank Group	RREEF	DB Advisors Deutsche Bank Group
$213B	$189B	$56B	$217B

All data as of June 30, 2010.

The Asset Allocation Challenge

- Recent market events have presented three problems that have challenged the way we approach investing
- Forces us to rethink what it means to build a “well diversified” portfolio



Lower return expectations

Focus changing from generating high returns to protecting assets

Higher volatility

Large market moves are becoming increasingly common

Increased correlations

Asset classes within “well diversified” portfolios increasingly move in lock-step

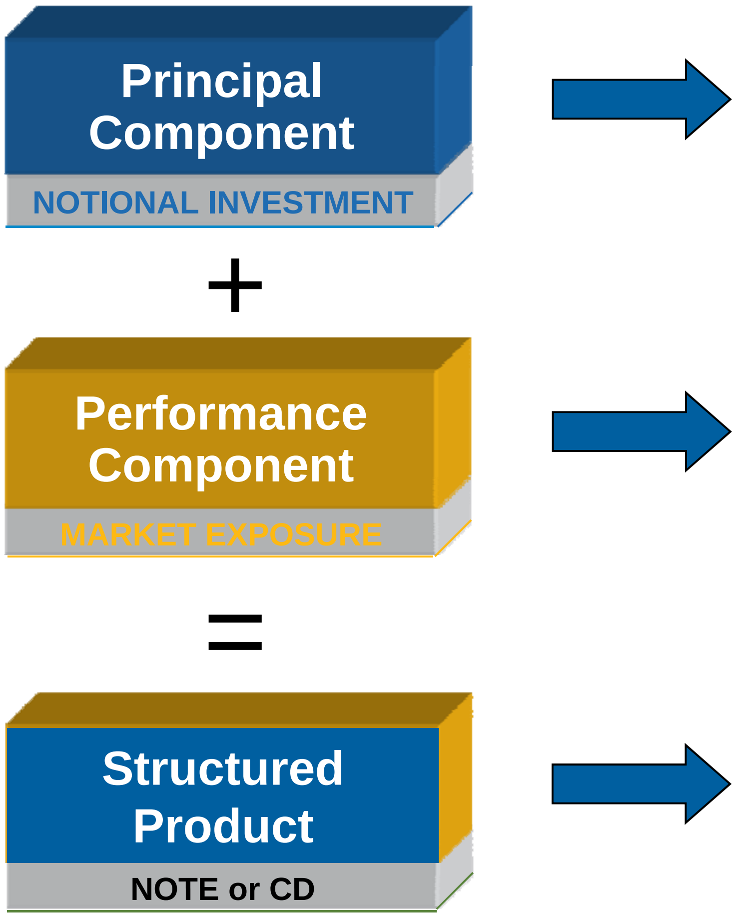
Structured Products overview

- **Structured Product:** a bond or CD that pays out a *variable* rate of return based on the performance of an underlying asset, typically at maturity
- May be linked to different underlying assets, such as equities (large/mid/small cap, international, emerging), commodities, interest rates or currencies

Market Linked Note	Market Linked CD
▪ A variable rate corporate bond ▪ Principal and market return are subject to the issuer's creditworthiness for payment of all amounts	▪ FDIC insured variable rate certificates of deposit ▪ Principal is fully protected by the FDIC up to applicable limits[1]

1. Does not insure any performance returns.

The anatomy of Structured Notes & CDs



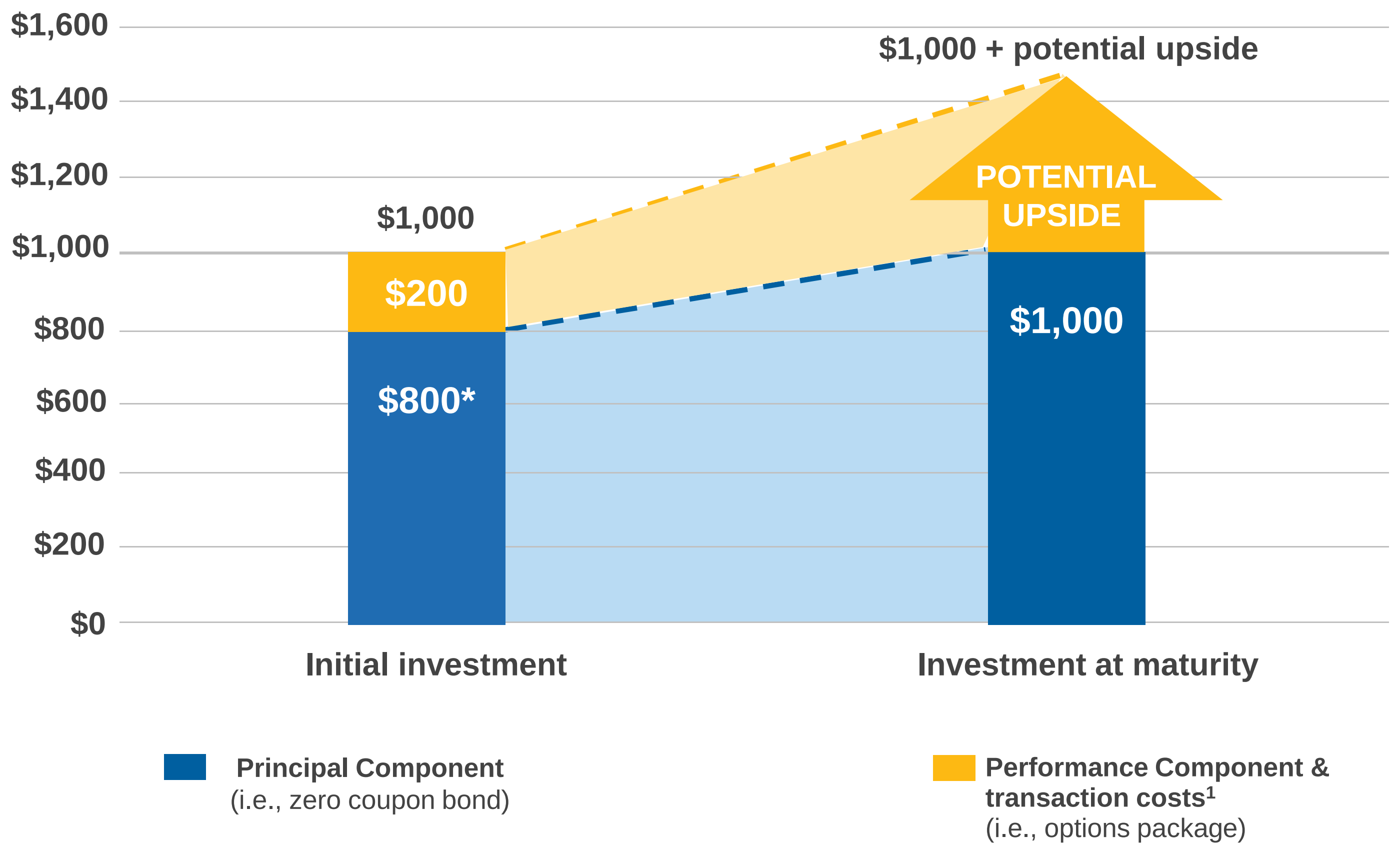
- Acts like a zero coupon bond that accretes to par at maturity
- Offers a range of principal protection, from full principal protection[1] to fully at risk

- Linked to the performance of an underlying asset(s)
- Produces a variable payout based on the performance of the underlying assets, generally paid at maturity

- **Note:** Senior, unsecured debt obligations of the issuer
- **CD:** Certificate of deposit, FDIC insured up to applicable limit

1. Principal protected if held to maturity, subject to the credit of the issuer. See pages 23-24 for a full risk disclosure.

Mechanics of Principal Protected Notes & CDs



- $800 represents the present value (PV) of $1000 at maturity
- $800 accretes to $1,000 at the imputed interest rate that is determined on trade date (similar to a zero coupon bond)
- The higher the interest rate, the less of your initial investment is needed for principal protection and therefore more is available for the Performance Component

*In this hypothetical illustration, we assume a 5 year maturity and thus an imputed interest rate of 4.56% p.a.
This is illustrated by the following equation: $\$800 \times (1.0456)^5 = \$1,000$

1. Transaction costs or fees include hedging, distribution and legal costs.
Note: Example is for illustrative purposes only and does not represent any actual issuance.

Potential features

Structured Notes and CDs are designed to achieve a particular investment objective or return profile and can therefore offer features often unavailable with traditional investments, such as:

Risk mitigation	Investment returns or profiles – such as full or limited principal protection[1] – not typically accessible through mutual funds or ETFs
Enhanced returns	Potential to enhance returns across and within different asset classes
Access	Ability to access hard to reach asset classes such as commodities or currencies
Yield generating	Provides an opportunity to earn enhanced periodic, contingent coupon payments

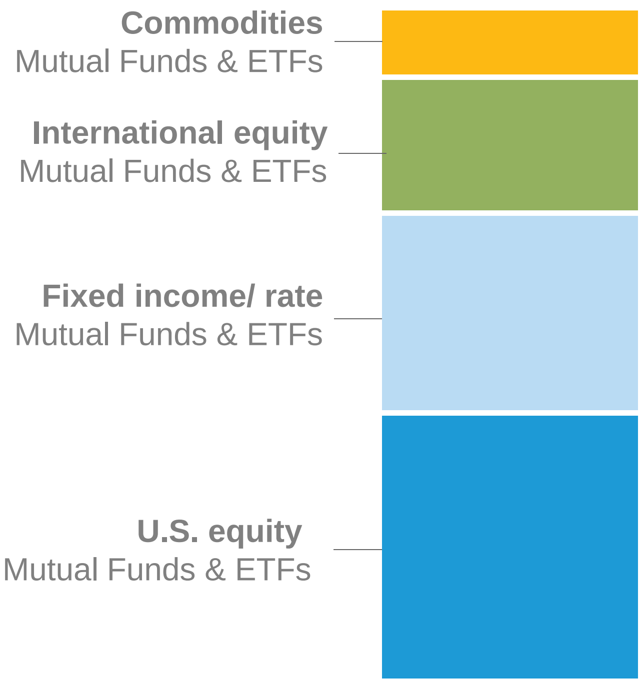
Combats the Asset Allocation Challenge through the use of
Structural Diversification℠

1. Principal protected if held to maturity, subject to the credit of the issuer.

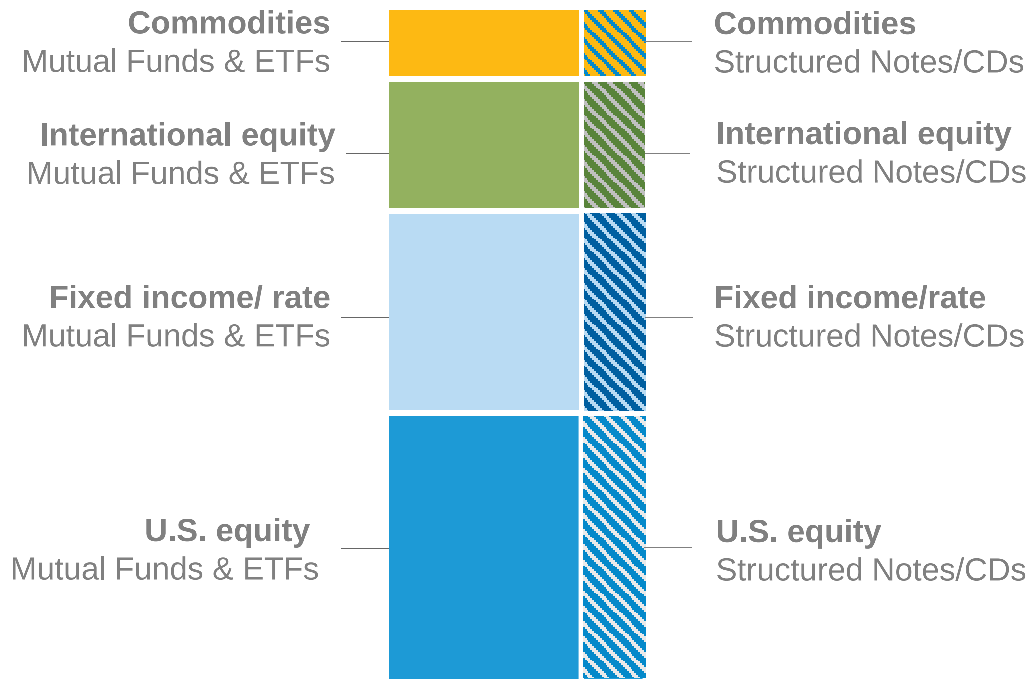
Structural Diversification℠

Complementing traditional diversified portfolios with outcome oriented investments

Diversified portfolio
By asset class



Diversified portfolio
By asset class & structure

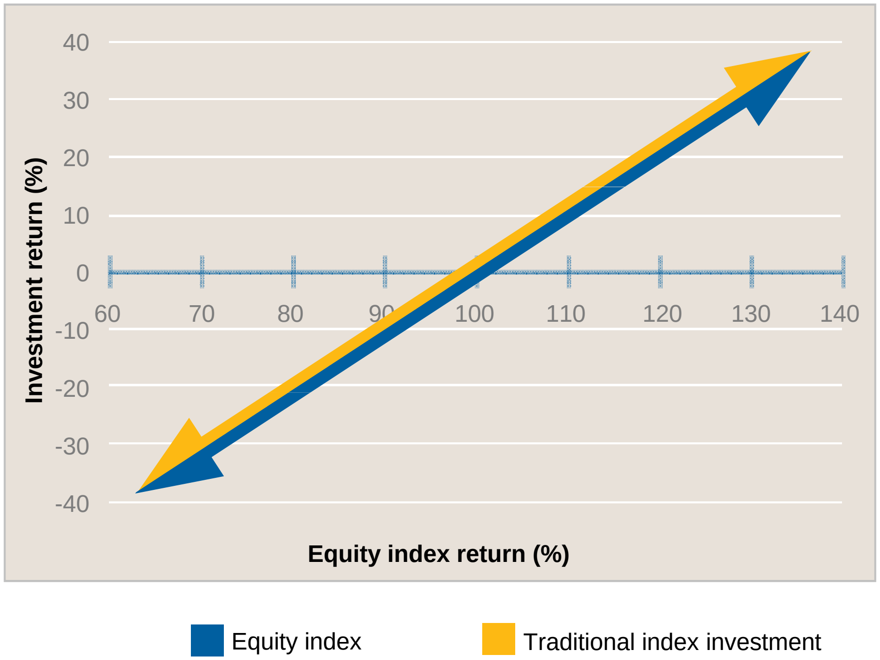


Note: Sample asset allocation is for illustrative purposes only and should not be considered a recommendation of any investment strategy or issuance.

Shaped versus linear returns

Linear return: As the value of the index increases (or decreases), the return of the investment moves up (or down) by the same amount

Linear return investment



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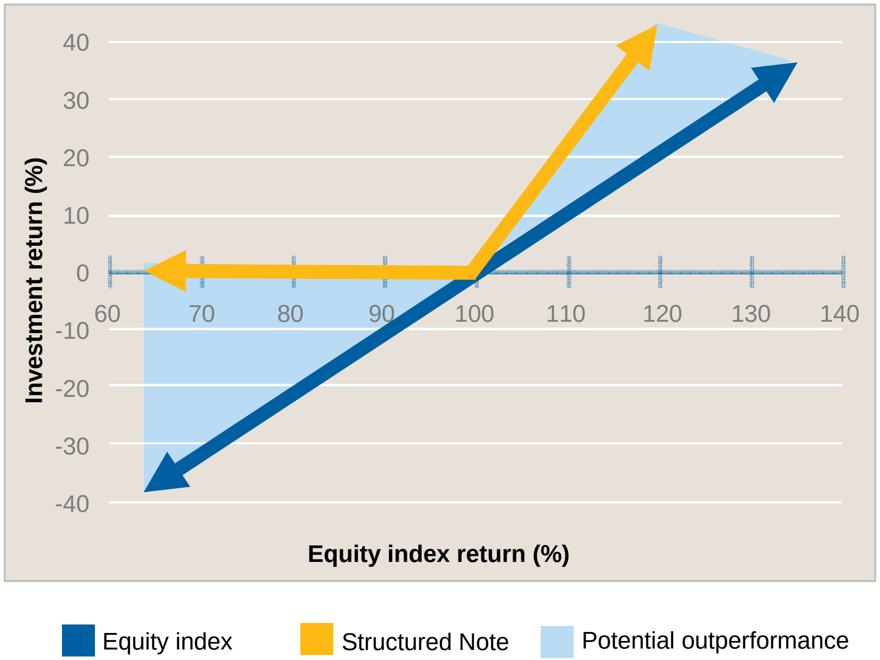
Shaped versus linear returns (con't)

This hypothetical Structured Note's asymmetrical return creates the potential to earn **enhanced returns** relative to the underlying's performance

Shaped return investment



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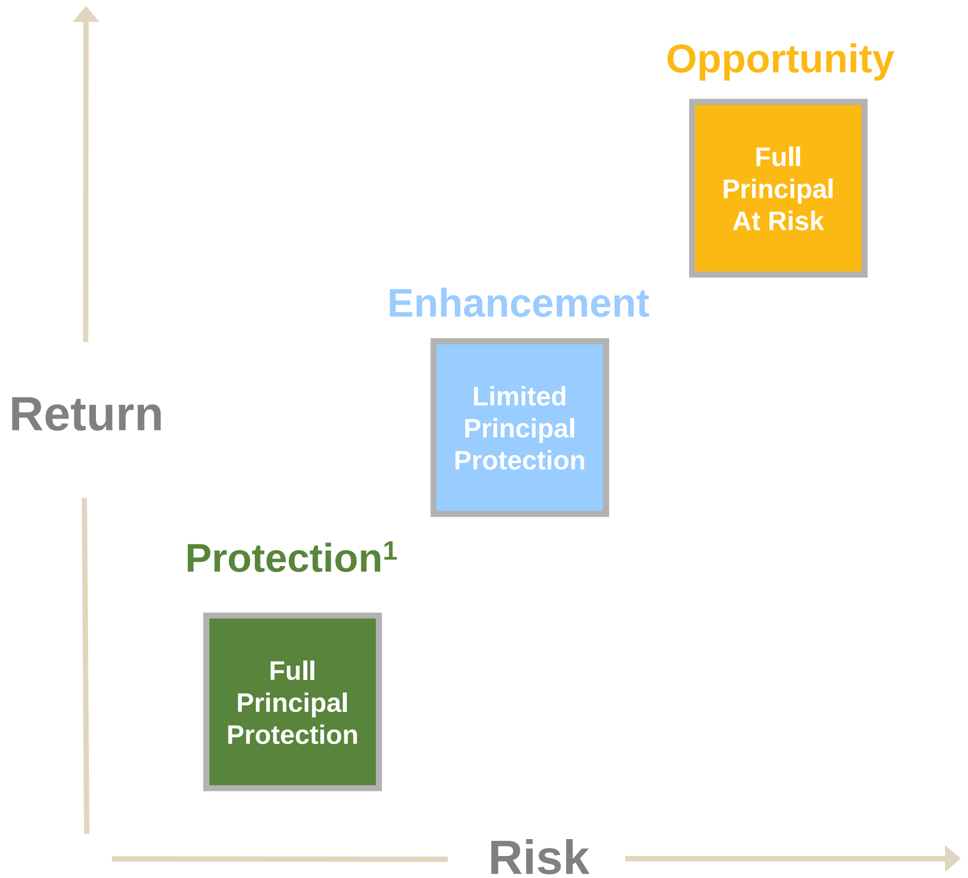
Types of Structured Notes and CDs

Generally, the greater the potential return of a Structured Note or CD, the greater the associated risks



1. Principal protected if held to maturity, subject to the credit of the issuer.

Protection

Principal protection:
- Full (100%) at maturity[1]

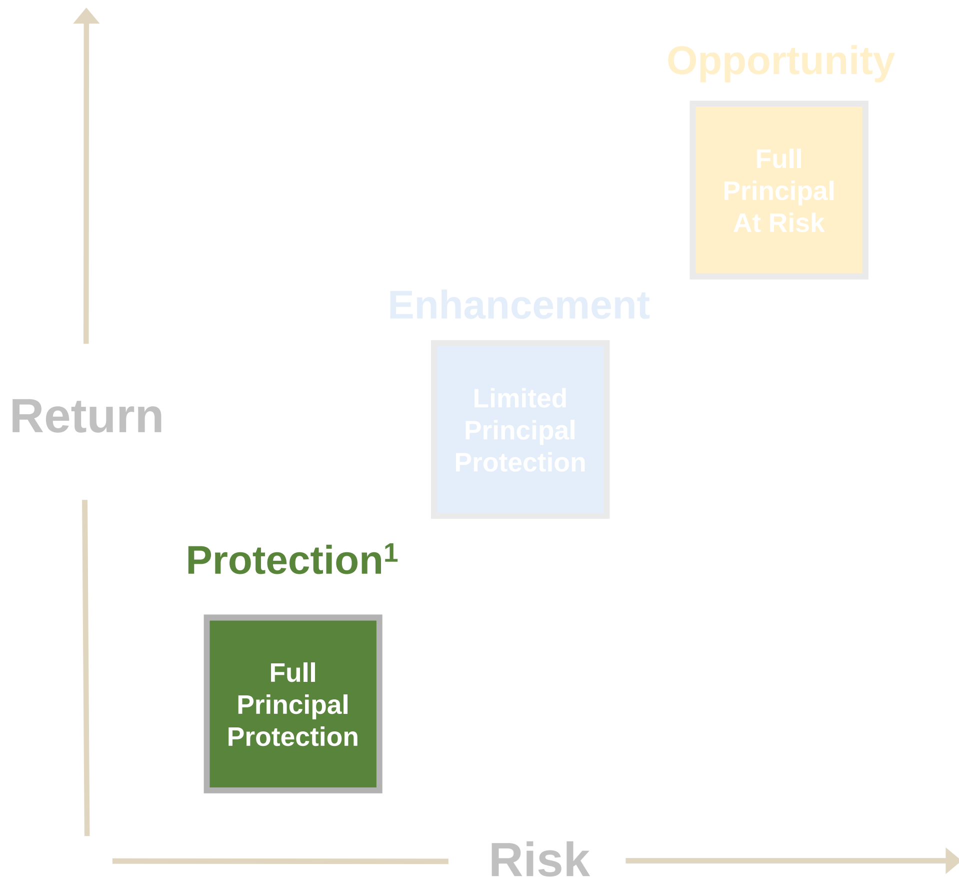
Term:
- 3 – 6 years

Wrapper:
- Note or CD

FDIC insured:
- CD: Yes[2]
- Note: No

Benefits:
- 100% return of principal at maturity[1]
- Potential for capital appreciation

Select considerations[3]:
- Credit exposure to the issuer for all amounts due, including the return of principal at maturity
- Opportunity cost of giving up a fixed for a variable rate of return



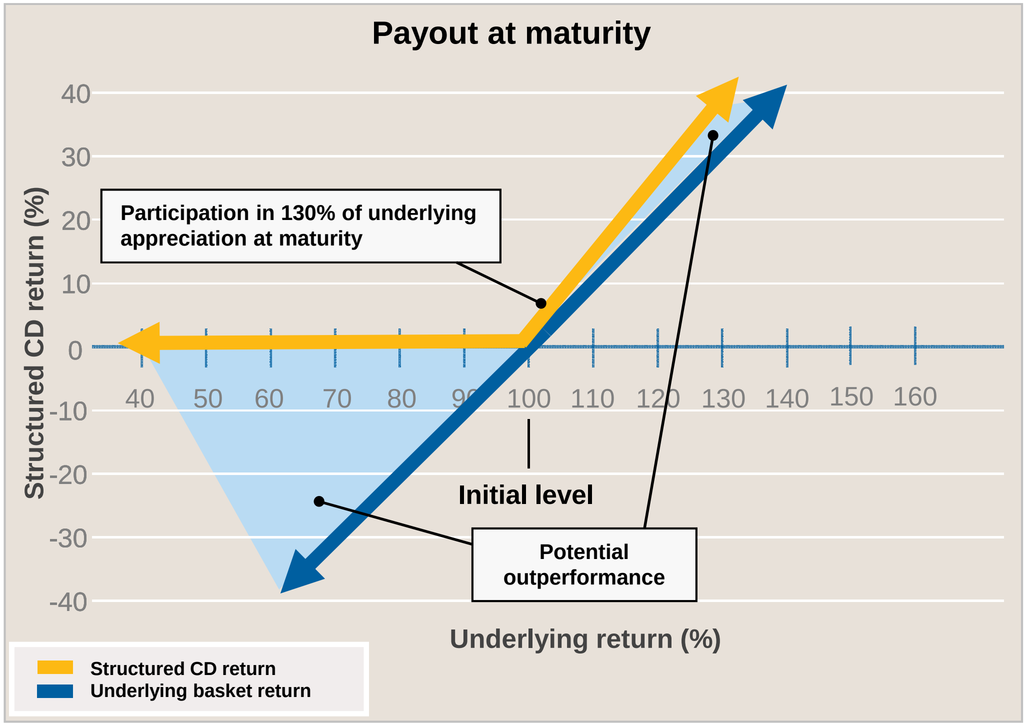
1. Principal protected if held to maturity, subject to the credit of the issuer.
2. Subject to applicable FDIC insurance limits.
3. See pages 23-24 for a full risk disclosure.

Protection example: Currency linked uncapped CD

Investor profile:

- Bearish on the USD
- Concerned about inflation
- Wants direct access to a theme that might be difficult or impossible to access through other types of investments such as mutual funds or ETFs
- Loss averse – wants full protection from loss of principal[1]

ILLUSTRATIVE TERMS			
Underlying:	Basket of currencies	**Participation:**	130%
Principal protection:	Full (100%)[1]	**Cap:**	Uncapped
FDIC insured:	Yes [2]	**Max return:**	Unlimited
Maturity:	3 Years		



1. Principal protected if held to maturity, subject to the credit of the issuer.
2. Subject to applicable FDIC insurance limits.

Note: Example is for illustrative purposes only and does not represent any actual issuance.

Example: Index linked capped CD

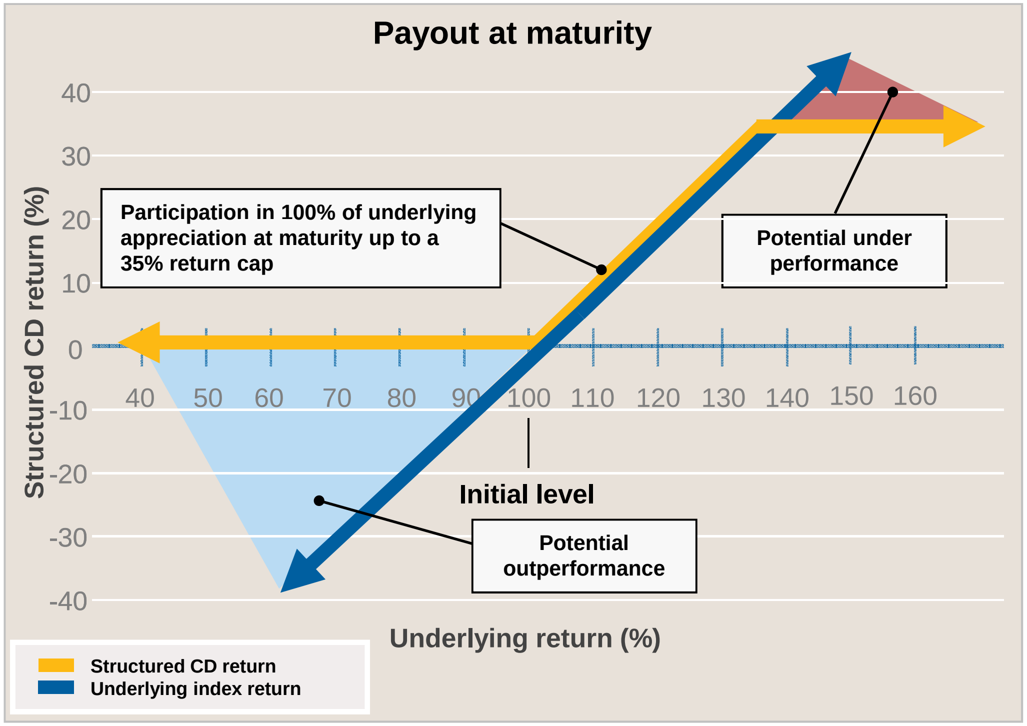
Description:

- Seeks to offer return performance linked the Underlying, subject to a cap and full downside principal protection[1]

Investor profile:

- Moderately bullish
- Over-allocated to cash
- Wants to reenter the market, but concerned about losing capital
- Loss averse - willing to possibly forgo returns on the upside in exchange for full protection if the underlying were to go down

ILLUSTRATIVE TERMS			
Underlying:	US large cap index	**Participation:**	100%
Principal protection:	Full (100%)[1]	**Return cap:**	35%
FDIC insured:	Yes [2]	**Max return:**	35%
Maturity:	5 years		



1. Principal protected if held to maturity, subject to the credit of the issuer.
2. Subject to applicable FDIC insurance limits.

Note: Example is for illustrative purposes only and does not represent any actual issuance.

Enhancement

Principal protection: ■ Limited at maturity[1]

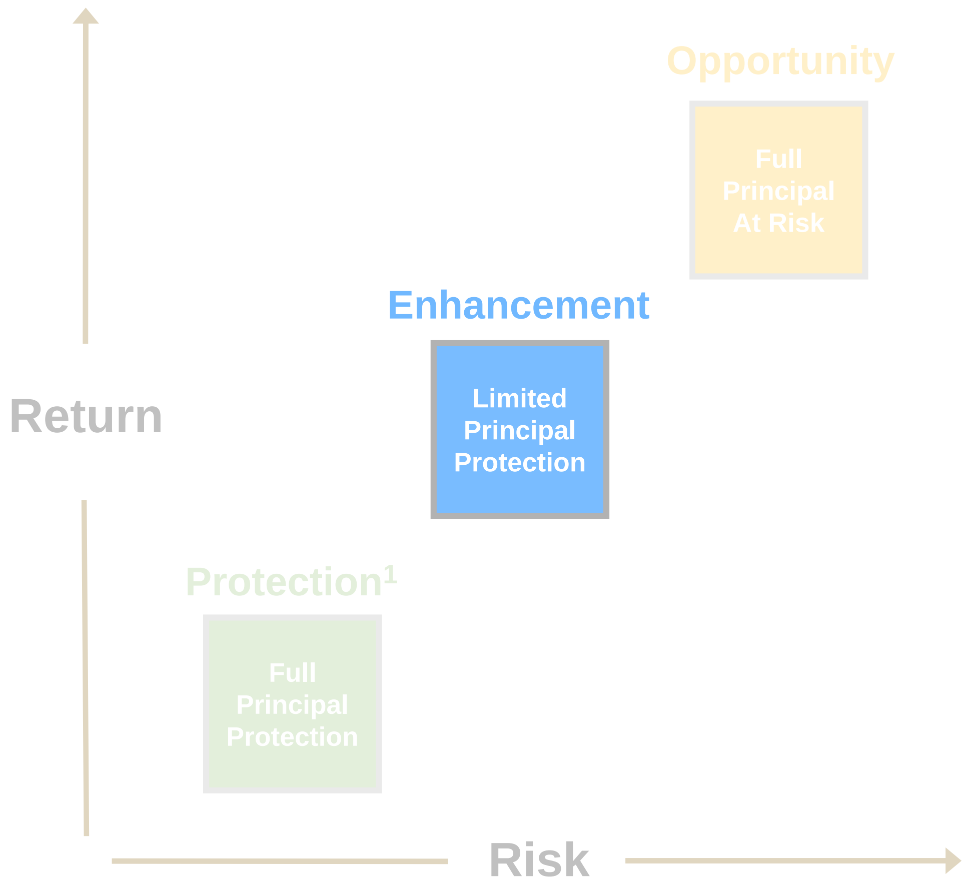
Term: ■ 1.5 – 3 years

Wrapper: ■ Note

FDIC insured: ■ No

Benefits: ■ Potential for enhanced participation on the upside and outperformance on the downside

Select considerations[2]:
- Possible loss of part of principal at maturity if underlying return declines below a specified amount
- Credit exposure to the issuer for all amounts due, including the return of principal at maturity
- Opportunity cost of giving up a fixed for a variable rate of return



1. Principal protected if held to maturity, subject to the credit of the issuer.
2. See pages 23-24 for a full risk disclosure.

Example: Buffered Underlying Securities ("BUyS")

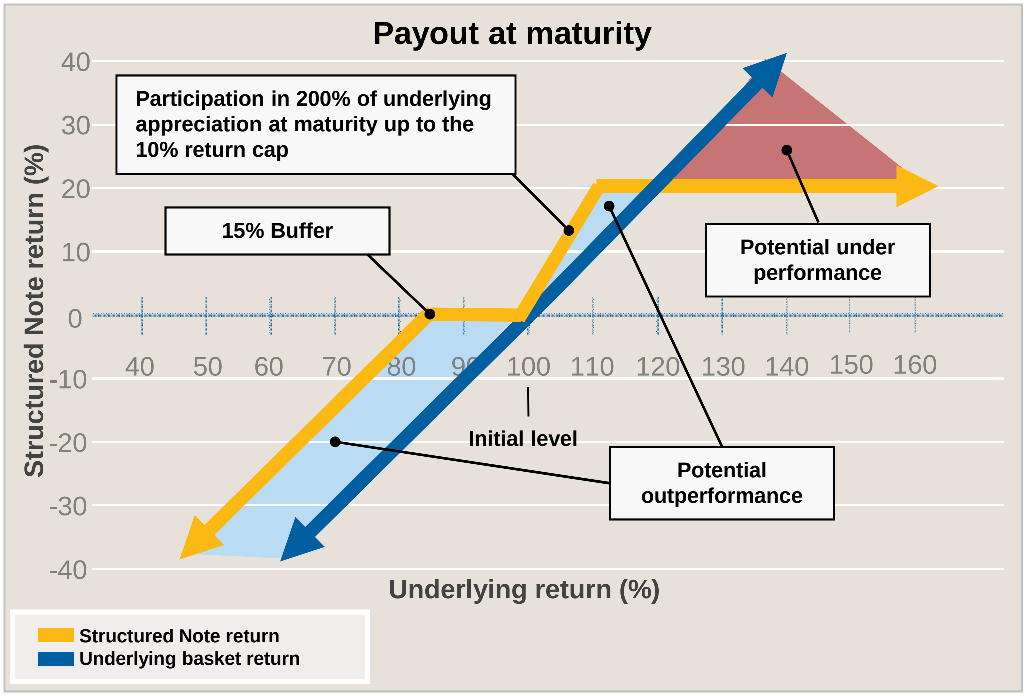
Description:

- Seeks to outperform the Underlying with enhanced participation, subject to a cap and some downside protection[1]

Investor profile:

- Moderately bullish - cautiously optimistic on equity markets
- Believes there will be moderate market volatility
- Looking for enhanced participation on the upside and relative outperformance on the downside
- Willing to possibly forgo returns on the upside in exchange for downside protection if the Underlying were to decline

ILLUSTRATIVE TERMS			
Underlying:	Equity index basket	**Participation:**	200%
Principal protection:	Limited (15%)[1]	**Return cap:**	10%
FDIC insured:	No	**Max return:**	20%
Maturity:	2 years	**Buffer:**	15%



1. Partial downside protection if held to maturity, subject to the credit of the issuer.

Note: Example is for illustrative purposes only and does not represent any actual issuance.

Opportunity

Principal protection: ■ None

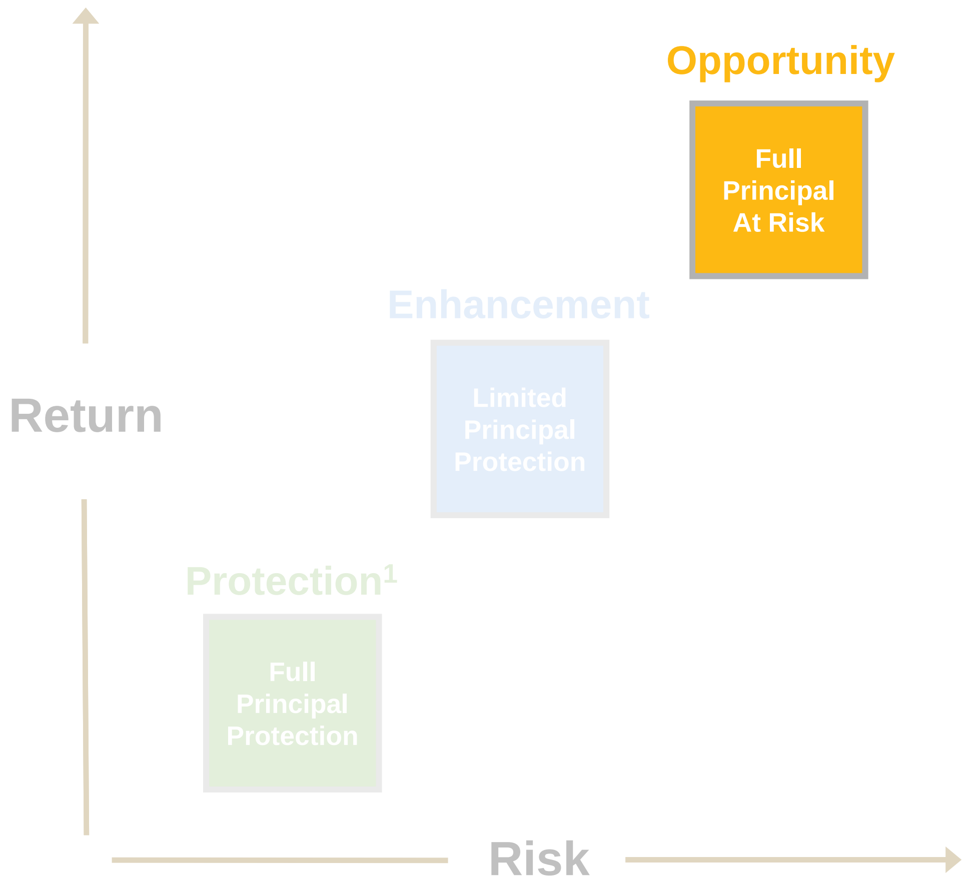
Term: ■ Typically short maturities

Wrapper: ■ Note

FDIC insured: ■ No

Benefits:
- Potential for significant enhanced return participation on the upside

Select considerations[1]:
- Possible loss of part or all principal at maturity if underlying declines below a specified amount
- Credit exposure to the issuer for all amounts due, including the return of principal at maturity
- Opportunity cost of giving up a fixed for a variable rate of return



1. See pages 23-24 for a full risk disclosure.

Example: Enhanced Participation Note

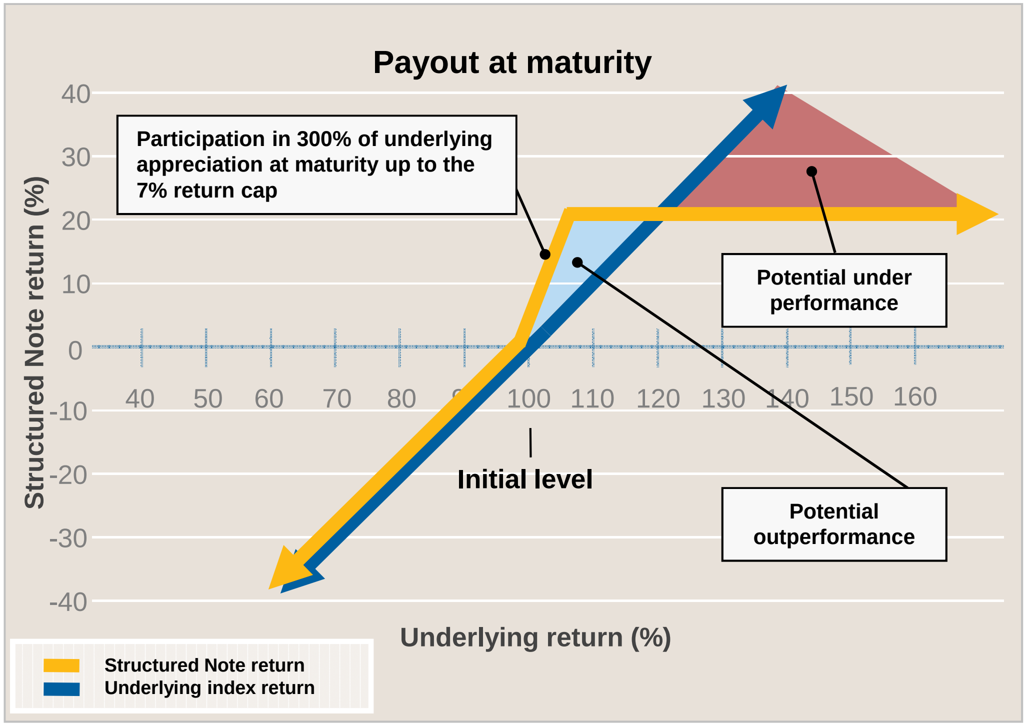
Description:

- Seeks to significantly outperform the Underlying with enhanced participation, subject to a cap, with no downside protection

Investor profile:

- Bullish - optimistic on equity markets
- Believes there will be low market volatility
- Seeking significant enhanced participation on the upside, but willing to possibly forgo returns above a certain level in exchange for increased participation potential
- Comfortable taking on full downside risk
- Short term time horizon

ILLUSTRATIVE TERMS			
Underlying:	US large cap index	**Participation:**	300%
Principal protection:	Fully at risk	**Return cap:**	7%
FDIC insured:	No	**Max return:**	21%
Maturity:	13 months	**Buffer:**	0%



Note: Example is for illustrative purposes only and does not represent any actual issuance.

Additional considerations

Credit risk:	**All payments, including any return of the original invested amount, are subject to the creditworthiness of the issuer**
	→ <u>If the issuer defaults, investors may lose their entire investment</u>
Opportunity cost:	Forgo fixed rate of return for variable returns
FDIC insurance:	Subject to applicable limits; amounts in excess of the initial deposit amount, including investment returns, are not insured and therefore are subject to the credit risk of the issuer
Distributions:	Investor forgoes all dividends on the underlying
Secondary market:	Issuer may provide a secondary market in the event an investor requests to liquidate the investment, but is not obligated to do so
	If provided, the investment may trade at a discount or premium prior to maturity
	→ <u>Buy and hold investments</u>
Taxation:	Investors must consider the tax implications of different Structured Products

Note: For additional considerations, see pages 23-24.

Recap

- **The Asset Allocation Challenge**
  - Lower returns
  - Higher volatility
  - Increased correlation

- **Structured Products overview:**
  Outcome oriented investments, designed to achieve a particular investment objective or return.
  - Structural Diversification[SM]
  - Shaped returns
  - Features: Risk mitigation, enhanced returns, access and yield generating
  - Anatomy of Structured Products: Performance + Principal Components

- **Types of Structured Notes & CDs**
  - Protection[1]: Full principal protection
  - Enhancement: Limited principal protected
  - Opportunity: Full principal at risk

- **Considerations**

1. Principal protected if held to maturity, subject to the credit of the issuer.

Important information

Before purchasing a Structured Note or CD, investors should carefully consider the risks associated with an investment in the Structured Note or CD and whether the Structured Note or CD is a suitable investment for them. Before investing, prospective investors should read the prospectus or disclosure statement, as applicable, relating to the particular Structured Note or CD. In addition, investors are encouraged to consult with their investment, legal, accounting, tax and other advisers in connection with any investment in a Structured Note or CD.

The content of this DWS Investments presentation is intended for informational and educational purposes only. Before committing to any investment, investors should seek the advice of an independent financial advisor.

Selected risk considerations

Structured notes and CDs are complicated investments that may offer investors some protection from downside risk in exchange for foregoing some upside potential to achieve that protection and are intended as “buy and hold” investments. Investing in Structured notes and CDs is not the equivalent to investing directly in the underlying(s) and involve significant risks such as:

Market risk — The return on a Structured Note or CD at maturity, if any, is linked to the performance of the underlying(s) and will depend on various features that are specific to a particular Structured Note or CD, including, among others any applicable barriers or caps. Depending on the particular structure of the Structured Note or CD, the Structured Note or CD may not guarantee any return of your investment and may result in a partial or complete loss.

Structured Notes or CDs may not pay more than the principal amount and may pay substantially less than the principal amount — You may receive a lower payment at maturity than you would have received if you had invested in the underlying(s). Certain Structured Notes or CDs may not return more than the principal amount and certain Structured Notes or CDs may return substantially less than the principal amount.

Principal protection only at maturity — If applicable, a principal protection feature applies only if the securities or instruments are held to maturity and is subject to the issuer’s creditworthiness.

Certain built-in costs are likely to adversely affect the value of the Structured Notes or CDs prior to maturity — Certain built-in costs, such as the agent’s commission and the Issuer’s estimated cost of hedging, are likely to adversely affect the value of the Structured Notes or CDs prior to maturity. You should be willing and able to hold your Structured Notes or CDs to maturity.

No interest or dividend payments or voting rights — You will not receive interest payments on the Structured Notes or CDs or have voting rights or rights to receive cash dividends or other distributions on the Structured Notes, CDs or the underlying(s).

Lack of liquidity — There may be little or no secondary market for the Structured Notes or CDs. The Structured Notes or CDs will not be listed on any securities exchange.

Selected risk considerations (cont.)

The Issuer's research, opinions or recommendations could affect the level of the underlying(s) or the market value of the Structured Notes or CDs — The Issuer and its affiliates and agents may publish research, express opinions or provide recommendations that are inconsistent with investing in or holding the Structured Notes or CDs, which could affect the level or price of the underlying(s) or the value of the Structured Notes or CDs.

Potential conflicts — Because the Issuer and its affiliates play a variety of roles in connection with the issuance of the Structured Notes or CDs, including acting as calculation agent and hedging its obligations under the Structured Notes or CDs, the economic interests of the calculation agent and other affiliates of the Issuer are potentially adverse to your interests as an investor in Structured Notes or CDs.

Many economic and market factors will affect the value of the Structured Notes or CDs — In addition to the level of the underlying(s) on any day, the value of the Structured Notes or CDs will be affected by a number of complex and interrelated economic and market factors that may either offset or magnify each other. These can include interest rate level, implied volatility and time remaining to maturity

The Structured Notes and CDs are subject to the Issuer's creditworthiness — An actual or anticipated downgrade in the Issuer's credit rating will likely have an adverse effect on the market value of the Structured Notes and CDs. The Issuer's creditworthiness will not enhance the likely performance of the investment but may affect the ability of the Issuer to meet its obligations. The payment at maturity on the Structured Notes and CDs, including the return of principal at maturity if applicable, is subject to the Issuer's creditworthiness. CDs also have the feature of FDIC insurance up to applicable FDIC insurance limits. The credit worthiness of an issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations.

Additional Considerations — Other risks may apply to a particular Structured Note or CD. You should read the risk factors in the offering document for a particular Structured Note or CD prior to making any investment.

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The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling 1-800-311-4409.

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