

# General Meeting 2004

The speech of Dr. Josef Ackermann,  
Spokesman of the Board of Managing Directors and  
Chairman of the Group Executive Committee  
of Deutsche Bank AG



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– Check against delivery –  
Speech held in German language.

**Deutsche Bank**



Ladies and Gentlemen: on behalf of my colleagues on the Board of Managing Directors and myself: welcome to Deutsche Bank's Annual General Meeting. We are delighted to see so many shareholders, shareholders' representatives, members of the media and other guests. Your interest in our progress is much appreciated, and we will do our utmost to ensure that today's meeting is as informative as possible.

Last year, I reviewed the main points of the first phase of our management agenda. Today, it gives me great pleasure to tell you that, thanks to a tremendous effort on the part of our staff, we have successfully completed this phase of our strategy.

Deutsche Bank is now very well positioned to deliver continued, profitable growth. We have improved our operating strength, and reached new levels of cost efficiency. Asset quality is good. Our capital strength is outstanding.

### **Slide – Bank of the Year 2003**

At the beginning of this year, the success of our transformation strategy earned us the title of Bank of the Year from the prestigious industry publication, International Financing Review (IFR). In making this award, IFR commented: *'Transformation is an over-used word. For one firm, however, the word perfectly describes the shift...to a lean, aggressive, focused universal bank with a global bulge bracket pedigree.'* Naturally, we were delighted to receive this award.

### **Slide – Agenda**

Today, I would like to talk with you about four principal topics: creating value for our shareholders; our results in 2003 and in the first quarter of 2004; our business in Germany; and our strategy for continued growth.

**Slide – Transformation recognised by the market**

Ladies and Gentlemen: the success of our transformation strategy led to a re-rating of Deutsche Bank in the eyes of the capital markets. Since the beginning of last year, Deutsche Bank's share price has appreciated by 46%, clearly outperforming the sector. Over the same period, an index of our leading North American and Swiss peers rose by 22%, and an index of German financial institutions by only 18%. The message is clear. Our strategy of the last two years has paid off. We have delivered for our shareholders.

**Slide – creating value for our shareholders**

A strong share price is not the only way in which we seek to create value for our shareholders. We also seek to give you a direct stake in our success, by returning capital to you. As a result, the Group Board and Supervisory Board propose a dividend increase of 20 cents per share, or 15%, to 1.50 Euros per share. This dividend increase reflects not only our strong results, but also our confidence that our momentum can be maintained. We have faith in our strategy; faith in our business model; and faith, above all, in our employees.

In addition, since the middle of 2002, we have also returned capital to investors by the means of our share buyback programs. In the current program, based on the approval at last year's AGM, we repurchased a total of 49,313,988 shares, either for capital reduction or for equity-based compensation programs. This represents approximately 8.5% or 126,243,809 Euros of core capital. Average purchase price per share was 64.47 Euros, giving a total consideration of approximately 3.2 billion Euros, funded out of current earnings and reduction in risk-weighted assets. We currently hold approximately 29.8 million shares, or approximately 5.1% of our issued share capital. The difference between our repurchase volume and our current inventory mainly results from the use of treasury shares to hedge equity-based compensation plans granted to our employees.

The total value of shares either cancelled or earmarked for cancellation has reached approximately 3.9 billion Euros. In other words, we have already returned to our shareholders 600 million Euros more capital than we raised for the acquisition of Bankers Trust in 1999.

The 3.9 billion Euros which we have returned to our shareholders also compares to over 12 billion Euros of additional equity which has been raised by other private-sector financial institutions in Germany, primarily in order to strengthen their balance sheets. The total capital returned to our shareholders comes to 5.5 billion Euros in the last two years, comprising both share buybacks and dividend payouts, if you include the dividend payout proposed for tomorrow.

### **Slide – Agenda**

Now, Ladies and Gentlemen, let me give you some of the highlights of our 2003 results. This year, for the first time, we provided you with details of these in both an Annual Report and a separate Financial Report at the end of March. Copies of both documents are available here in the Festhalle.

### **Slide – Revenue growth in 2003**

In 2003, we produced revenues of 21.3 billion Euros. A direct comparison with the prior year is not meaningful due to one-time effects such as the disposal of industrial holdings or non-core activities. Adjusted for deconsolidations and exchange rate movements, revenues grew by 9% compared to the prior year. Once again, we proved our ability to grow our business in a challenging business environment.

### **Slide – Costs reduced by 6 billion Euros since 2001**

Our operating costs fell to 17.3 billion Euros, and our underlying cost-income ratio further improved to 79%. In this, we significantly exceeded the original

targets of the transformation strategy. Our original objective was for cost reductions of 2 billion Euros; by the end of 2003, we had delivered savings of 6 billion Euros. Of course, disposals of non-core activities and exchange rate contributed to this success, but the primary driver of this achievement was the success of our cost containment program.

### **Slide – Strong improvement in profitability in 2003**

Overall, underlying profits rose by 163% to 3.6 billion Euros – and this figure includes severance costs of approximately 700 million Euros, as part of our reengineering of our platform. The improvement in pre-tax underlying return on equity, from 4% in 2002, to 13% in 2003, was equally substantial.

### **Slide – Successful risk management**

Risk reduction was another, critically important element of our transformation strategy. Thanks to effective, state-of-the-art risk management capabilities, our efforts in this area were highly successful. Problem loans declined by 4 billion Euros, to 6.6 billion Euros; the quality of the loan book improved appreciably; and provisions for credit losses declined by half, or a billion Euros, to 1.1 billion Euros. Over and above this, we reduced our exposure to investments in alternative assets, including unquoted investments, real estate and private equity holdings, by 56% to 4.3 billion Euros.

Let me now turn from our results in 2003, to our results in the first three months of the current year.

### **Slide – Revenue growth in the 1<sup>st</sup> quarter 2004**

A month ago, we reported on a very strong first quarter of 2004. This reflects the success of our transformation efforts, and new levels of operating strength. We generated revenues of 6.2 billion Euros – adjusted for exchange rate movements, an increase of 13% compared to the first quarter of 2003.

**Slide – Significant improvement in profitability in the 1<sup>st</sup> quarter**

Underlying pre-tax profits were 1.4 billion Euros in the first quarter this year – growth of 45% compared to the same period last year. As market conditions improved, our underlying pre-tax return on equity grew from 13% to 22% on an annualised basis – close to our objective of 25%.

Let me now say a few words about our two Group Divisions: the Corporate and Investment Bank (CIB), and Private Clients and Asset Management (PCAM).

**Slide – CIB performance in the 1<sup>st</sup> quarter**

Our investment banking business again performed strongly. Total revenues were 4 billion Euros – an increase of 17% adjusted for exchange rate movements. Pre-tax profits were 1.2 billion Euros, an increase of 24% compared to the same period last year. Last year's result also reflects the sale of our international custody business.

Sales and trading performed strongly, despite margin pressure on commodity products across the world.

In Debt Sales and Trading, we are the world leader. We focus on excellence in high-growth, high-value product areas such as derivatives and structured products. We have also leveraged opportunities to cross-sell our products to private investors, in particular within Private and Business Clients.

We were also very pleased with the performance of our equities business. Our cash equities platforms both in Europe and in the U.S.A. showed a significant improvement. Our focus on derivatives has been rewarded by continued growth. In addition, we took advantage of growth opportunities in high-growth markets in Asia, and in emerging European markets. In Russia, we took a stake in a leading local investment bank.

Our origination business also showed its strength, with record quarters in Equity Origination in Asia and North America. In Debt Underwriting, we captured the number one position in Europe in both the investment grade and high yield categories.

**Slide – PCAM - performance in the 1<sup>st</sup> quarter**

Now let me turn to PCAM. One of our primary objectives was to place this business on a firm footing for profitability and future growth. In the first quarter of this year we generated revenues of 2.1 billion Euros, an increase of 7%. Pre-tax profits grew by 51% compared to the same period last year, to 410 million Euros.

We were particularly pleased by the strong performance in Private and Business Clients, which recorded pre-tax profits of 255 million Euros – proof that our transformation efforts have paid off. This business is now on track to reach our target of 1 billion Euros in pre-tax profits in 2004.

Asset Management also performed strongly in the first quarter, with expansion of our European activities and further progress in the successful integration of Scudder in North America. In Private Wealth Management, which advises wealthy individuals and their families, progress was good in the first quarter, with net inflows of 3 billion Euros of invested assets.

Ladies and Gentlemen, from this overview of our results, let me now say a few words about our business in Germany. Let me be clear on a few points at the outset. First, Germany is our home market. Our roots are here. Second, our business in Germany is one of the cornerstones of the Deutsche Bank Group. Third – we are the leading bank in Germany.

**Slide: Our business in Germany.**

Let me give you some key figures from last year, which demonstrate our presence in Germany:

- We generated 7.3 billion Euros of revenues in Germany – a third of the Group's total revenues;
- Loans in Germany were 84 billion Euros, or 57% of our global total;
- We held deposits in Germany of 105 billion Euros, or 34% of our total;
- Invested Assets in Germany were 389 billion Euros or 41% of our total;
- We have 11.5 million private customers and 26,000 business customers in Germany; and
- We have approximately 30,000 employees, or 44% of our total staff, in Germany.

**Slide – Leading provider for private clients in Germany**

Our Private and Business Client business is of fundamental importance to us in Germany. These customers are particularly important to us. I want to be clear on three points. First, we want to maintain and deepen our relationships with our current customers, and additionally acquire new ones. We welcome every customer who is interested in our services. Second, we have now successfully completed the reengineering of our branch network. Thanks to a tremendous effort on the part of our staff, we have built an efficient and profitable business platform. Third, we can now use this platform to offer the best possible advice and service, together with cost-effectiveness, to our private customers.

We are a full-service provider to our clients. We offer a complete product range, from current accounts, to consumer and mortgage loans, to investment and retirement products; and we also offer an outstanding array of distribution channels. Our customers can choose their preferred way of doing business with us – from our 770 Investment and Financial Centers, to our telephone and online banking services, to our network of 1200 mobile advisors. 2.4 million customers already do business with us online.

Building up our retail business is one of our uppermost priorities – first and foremost, via organic growth. However, we are always alert to potential acquisitions. In this context, there has been some speculation regarding ourselves and Deutsche Postbank. As you know, we never comment on our business with specific clients, and therefore I hope you will understand if I cannot comment on this issue. However, in the light of some of the speculation which has occurred, I would like to clarify one point: neither Deutsche Bank, nor the Group Board, have ever, at any time, been under political pressure of any sort.

### **Slide – Full range of products for the German ‘Mittelstand’**

In addition to our business with private customers, our business with medium-sized enterprises – the so-called *‘Mittelstand’* - also forms a vitally important part of our business in our home market. In this context, four points are particularly important. First, we are, and have always been, Germany’s leading bank for medium-sized enterprises. Second, in addition to our services on the ground in Germany, we can serve the interests of our medium-sized business customers all over the world. Third, we can execute the daily business of our medium-sized business customers thanks to first-class efficiency and cost-effectiveness in transaction banking services, cash management, trade and payment services. Fourth, with a world-leading investment banking platform, we possess an unrivalled range of products. With our powerful balance sheet, and an array of financing and capital market

products, we are able to tailor the best possible solutions to our customers' needs.

Of course, our range of financing services includes credit. And in respect of credit, we are in the same situation as any business person: we cannot offer the product at below cost to us. With regard to our *operating* costs, we have achieved a 25% reduction in three years. With regard to *risk* costs, we must ensure that the price of credit properly reflects the market for any given risk. Under Basle II, forthcoming capital requirements will stipulate that the pricing of credit must take adequate account of the corresponding credit risk. This should not be misconstrued as any unwillingness, on our part, to grant credit to medium-sized enterprises in Germany.

Let me turn briefly to the topic of our disposal of industrial holdings. Some observers have referred to this as 'selling the family silver' – nevertheless, we are convinced that our disposal strategy is right. Firstly, because these holdings expose us to market risks which can result in – indeed, have on occasion already resulted in – a negative effect on our P&L. Second, the capital which is tied up in these holdings can be freed up – to invest in our core businesses, for the good of our clients, or to make further share buybacks, for the good of our shareholders. For this reason, we seek your approval for a third share buyback program. For Deutsche Bank, satisfied customers and satisfied shareholders are the real 'family silver'.

### **Slide – Agenda**

Ladies and Gentlemen, in order to protect our long-term position, we need to continue to strengthen Deutsche Bank. Continued profitable growth is essential for that. We have a goal of 25% pre-tax return on equity by 2005. Thanks to the successful completion of Phase 1, we are well positioned to achieve this goal.

**Slide – Phase 2: strategic initiatives for further growth**

Phase 2 of our management agenda consists of four additional key initiatives. First of all is *continued strict cost, risk and capital discipline*. It goes without saying that this remains a key part of our future agenda.

Secondly, we aim to *capitalise on the global leadership position of CIB*. By way of background, it is worth taking a few moments to explain the position we have reached in this business. As many of you know, Deutsche Bank made the decision to build up a world-class investment bank in 1995 – barely ten years ago. Our intention was to secure our existing, primarily German business, and develop new areas for growth. This path was not always easy, and was not without controversy. However, today, we can confirm – with some satisfaction – that Deutsche Bank is one of the top three houses in the world in this business.

**Slide – CIB - ‘top 3’ global position**

As you can see we are the only bank from the European Union among the leading investment banks. In fact, in sales and trading we were world number one last year. If you add ‘classic’ investment banking (origination and advisory) products, we were number 2. Our focus is on quality: demanding, high-value products and services, where we can take full advantage of our intellectual leadership as we develop individually customised solutions for our clients.

**Slide – CIB - the path to market leadership**

Our success is based on a steady improvement in our competitive position, since 1995, until we reached global leadership in a number of key products. In Forex, we have come from 22<sup>nd</sup> position to number 2; in International Bond issuance we have climbed from seventh position to number 2. In Equity Derivatives, we were not even in the top 20, but have now reached the

number one position, and in Equity Capital Market business we have climbed from 17<sup>th</sup> position to seventh, while at the same time achieving a five-fold increase in our market share, from 1.3% to 7.2%.

For further growth, two regions are particularly important to us: the United States and Asia-Pacific.

- The United States in particular, because it is by far the world's largest capital market, and we aim for a prominent position in this market. Thanks to our acquisition of Bankers Trust in 1999 we already possess a powerful platform for further market share gains.
- Asia is currently the fastest-growing region of the world. We are already actively committed to both of the key high-growth markets, China and India, backed up by our long-established local presence in 17 other markets in the region. It is no accident that in the last few months we were Lead Manager for all Asian Government Bonds.

At the same time we are by no means neglecting our European business – on the contrary. We are not only taking steps to consolidate our leadership position, but also working on further growth.

As you can see, Ladies and Gentlemen, we are pursuing a truly global investment banking strategy in all the world's major regions. This is in the interests of our clients, and of our shareholders. We are also aware of the growing importance of marketing investment banking products to private customers. Our Private Clients and Asset Management Division, PCAM, offers a strong platform for increased cross-selling.

### **Slide – PCAM - a leading asset gatherer**

This brings me to the third of the four strategic initiatives that make up Phase 2 of our management agenda: *profitable growth in PCAM*. In this business,

competitive position is frequently measured by invested assets. As you can see, we are one of the leading houses in the world, with close to 900 billion euros in invested assets.

- In Asset Management we possess one of the finest business platforms in the world – not only by breadth of product range, but also by global presence. DWS was recently named Best Performing German Mutual Fund Company of the Year for a remarkable tenth year in succession. We are actively leveraging this ‘success story’ to develop our third party business in other European markets.
- In Private Wealth Management, a relatively new activity, we see excellent prospects for growth. In 2003 we rose to worldwide number 4 as measured by invested assets. We continue to leverage our core strengths: product excellence, access to multiple segments of the market, and highly qualified advisors. Collaboration with CIB, and with Asset Management is yielding significant value for our clients and is a key source of competitive advantage for us.
- In Private and Business Clients, our platform for further profitable growth is based on several factors: a broad product range; multiple channels of distribution; an efficient, highly automated back office for the execution of customer business, ranging from consumer credit applications to investment advisory services; – and last but not least: highly motivated staff.

Our priority going forward is to take full advantage of these opportunities. Improved cross-selling ratios will be a key indicator of success in the future. In Germany today, we average two products per client. For UK banks, the corresponding figure is four products per client; for French banks, seven products per client. This gives an idea of the potential we have.

The fourth initiative of our Phase 2 agenda is to *establish Deutsche Bank as the most reputable brand*. Deutsche Bank is already one of the strongest brands in the industry, worldwide. This helps us implement our growth initiatives, while at the same time, growing our business further increases the position of our brand in the eyes of our clients. For this reason, the motto of our campaign is 'Passion to Perform' - or, if I might add, 'Passion to Create Value!'

Finally, let me turn briefly to the topic of *industry consolidation*. Since we last met, we have witnessed two mergers in the United States involving leading houses – JP Morgan Chase, and Bank of America. European houses have also been involved in acquisition activity. It was hardly surprising that there was some speculation about Deutsche Bank in this context.

Our position is quite clear. In recent years, we have made major efforts to create a state-of-the-art German platform and build up our international business. These two complete and complement each other, and offer a solid basis for continued profitable growth. We cannot, and must not, compromise the platform we have built, and the investments we have made. At the same time, we anticipate further consolidation trends in our industry, and we want to respond to these trends from a position of strength. We believe that this is the best way to prepare Deutsche Bank for the future. For that reason, we seek to concentrate on organic growth. And for that reason, in the past months, we have not initiated any merger discussions – despite some press speculation to the contrary. On the other hand, the Board of Managing Directors is legally bound to evaluate proposals which are made to us, of any sort, which may potentially be in the interests of you, our shareholders. It is our fiduciary duty to give these proposals serious and unprejudiced consideration.

Regardless of the form that any future developments may take, I can assure you that we will do nothing that is not in the interests of our shareholders, in the interests of our clients, in the interests of our staff, and in the interests of Germany.

Before I close, let me say a few words about the Mannesmann case and the lawsuit brought by Dr. Kirch.

As you know, I have been a defendant, along with others, in a case involving charges of Breach of Trust brought by state prosecutors in Duesseldorf. These charges relate to the payment of appreciation and pension awards at Mannesmann AG, now part of Vodafone plc. Despite the distraction of this case, I can assure you that these proceedings do not lessen my commitment to Deutsche Bank, nor do they prevent me in any way from carrying out my duties as Board Spokesman. I am hopeful that the proceedings will soon be concluded.

The Mannesmann case has been challenging for me and my family. Let me take this opportunity to say thank you to my colleagues on the Group Board and the Group Executive Committee, who have remained absolutely focused on our management agenda. Let me also say a word of special thanks to all Deutsche Bank staff, across the world, for their outstanding efforts and for the results they have achieved. I also want to record my thanks to our shareholders, and last but by no means least, to our clients – old and new – for the many encouraging messages of support I have received, and which I very much appreciated.

Turning to the suit brought by Dr. Kirch, and his claim for compensation in respect of comments made by Dr. Breuer during a television interview: the Court of Appeal in Munich rejected a complaint against Dr Breuer personally, but allowed a complaint against Deutsche Bank. However, the decision has not yet come into effect legally since both Deutsche Bank and Dr. Kirch have lodged appeals. Even if the Court of Appeal's judgment against Deutsche Bank is upheld, this does not mean that Deutsche Bank is liable for damages to Dr. Kirch. For this, Dr. Kirch would next be obliged to prove that the insolvency and over-indebtedness of the Kirch Group was brought about by the television interview.

Last year, Dr. Kirch already filed a suit for unspecified damages against Deutsche Bank and Dr. Breuer. In January this year, this suit was extended to include claims against Liberty Media Corporation and Mr. John Malone. Dr. Kirch bases his suit on the allegation of a conspiracy amongst those accused. In this case, too, he has not specified details of the alleged damages.

Since this case is still ongoing, I am sure you will understand if I do not go into further details of our defence, since doing so might compromise the outcome for our organisation.

### **Slide – Our mission**

Ladies and Gentlemen; my dear shareholders; let me conclude my remarks. Deutsche Bank's position and prospects are excellent. Back in 1870, Deutsche Bank was founded with the aim of supporting the internationalisation of German business. This founding purpose continues to guide our strategy. We are the leading bank in Germany, because we are one of the leading banks in the world. This is the only way we can remain true to our mission. We aim to compete to be the leading provider of financial solutions for demanding clients, creating exceptional value for our shareholders and people.

As we look forward to the coming months, challenges will face us: the markets foresee a tightening by the Federal Reserve in response to the rapid economic upturn in the United States. As you know, the oil price has also risen sharply. However, we face these challenges, and all our challenges, from a position of strength and confidence.

Thank you.

This speech contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations. Any statement in this speech that states our intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. 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 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 March 25, 2004 in the section "Risk Factors." Copies of this document are readily available upon request or can be downloaded from [www.deutsche-bank.com/ir](http://www.deutsche-bank.com/ir).

This speech contains non-U.S. GAAP financial measures. For a reconciliation to directly comparable figures reported under U.S. GAAP refer to the 1Q2004 Financial Data Supplement, which is accompanying this speech and available on our Investor Relations website at [www.deutsche-bank.com/ir](http://www.deutsche-bank.com/ir).