General Meeting 2003

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

Frankfurt am Main, June 10, 2003
– Check against delivery –
Speech held in German language.

Deutsche Bank

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Beginning of speech Dr. Ackermann

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Ladies and Gentlemen,

On behalf of the whole Board of Managing Directors and myself, let me bid you a warm welcome here today. We are delighted that so many of our shareholders, shareholder representatives, representatives of the press and guests, have once again joined us for this year's general meeting in the Frankfurt Festhalle. Your interest in the development of Deutsche Bank is our motivation to offer you another informative general meeting today.

At the end of last year's general meeting, Dr. Breuer wished our bank "fair winds at all times". I shall update you on the winds we encountered and look in particular at three topics:

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First, I would like to comment on the results of the last financial year and talk briefly about the first quarter of 2003. Then, I shall talk about the measures that have led to the bank's transformation. Finally, and for me this is very important, I shall make some comments on the future of our bank. Please bear in mind, though, that forward-looking statements are of course always subject to uncertainty.

Let me look first at the market environment.

Course held in tough conditions

We all know that the 2002 financial year was severely impacted by difficult political and economic conditions. Weak worldwide business activity coupled with negative record figures for corporate insolvencies caused major problems for the financial industry. The fear of terrorist acts and the threat of military action in Iraq spread further uncertainty. Finally, investors' confidence was shaken by a series of financial scandals. These factors weighed heavily on the capital markets. So the climate for our industry was anything but good.

This all made 2002 a challenging year for us at Deutsche Bank. But this also helped us to prove our ability to master challenges. Generally speaking, our business developed well:

- our bank's earning power proved robust;
- we comprehensively reduced our operating cost base;
- risk-weighted positions were reduced, capital ratios increased and thus the quality of our balance sheet was further improved.

With that, Deutsche Bank has become much stronger operationally. While competitors retreated from certain regions wholly or in part, Deutsche Bank has been able to fill the gaps and capture market share in important target markets and business segments. This is a positive development and confirms that we have taken the right course.

Let's take a look at the key results for 2002.

Results 2002

- In 2002 Deutsche Bank reported income before income tax of EUR 3.5 billion. That was almost double the previous year's figure. It's true that this includes special effects stemming in particular from gains on sales of shareholdings. But still, the underlying pre-tax profit was a substantial EUR 1.9 billion. So, despite all adverse conditions, we almost matched the underlying pre-tax profit of EUR 2.2 billion. Net income rose from EUR 0.2 billion to EUR 0.4 billion.
- Revenues in the global financial services industry suffered directly from investors' and companies' economic difficulties and reticence. But Deutsche Bank's revenues in 2002 fell by only 10% to EUR 26.5 billion – the result stands comparison with our competitors.
- However, the strong fall in our costs of 22% more than made up for the 10% revenue fall. We reduced our total non-interest expenses from EUR 26.7 billion in 2001 to EUR 20.9 billion.
- Weak business activity required us to take charges of EUR 2.1 billion in credit risk provisioning in the past financial year, although these charges have been reducing since their peak in the 3rd quarter of 2002.

Segmental results of operations

What do our segmental results look like?

- CIB's results reflect the decreasing revenues and especially the higher risk provisioning.

- However, it is becoming clear that, in addition to the Corporate and Investment Bank (CIB), we have a second strong pillar in Private Clients and Asset Management (PCAM). This gives us a more broadly diversified revenue base and can realize substantial synergy effects from cooperation between the two Group Divisions. This distinguishes us from pure investment banks.
- On the revenue side, PCAM was a stabilizing element last year. Results in this segment were supported by the sale of our insurance business. But even allowing for this special effect, there was a gratifying increase in profit.
- Our third Group Division, Corporate Investments, combines the most part of our industrial holdings and our private equity portfolio. The figures for this division show clearly that we went forward with the announced sale of industrial holdings in 2002 and booked important gains in the process. The timing of divestments was determined by economic considerations - much lower current valuations confirm our view that we acted at the right time and in the interests of our shareholders. Our family silver, as people often like to call it, would be worth much less today.

Profitable business in Germany

As to the regional structure of our business, let me emphasize two things:

- Firstly: we have a globally diversified business portfolio with a good balance between our home market Germany, the rest of Europe (including the Near East and Africa), the Americas and a promising position in Asia Pacific. Our German business, therefore, is an important pillar of our business and …
- … this is my second message, it is profitable. We are increasingly successful in our retail business. In retail funds, we are the leaders in Germany with our subsidiary DWS. On the lending side, we have substantially increased the quality of our loan book in Germany. Therefore, there were no surprises in loan loss provisioning in Germany.

Ladies and Gentlemen, we proved our strength again in the 2002 financial year. But we know, too, that we must continue to work intensively on the revenue side.

Let me say a few words on two subjects which are naturally close to your hearts as shareholders: the dividend and our share price.

Stable dividend

The Board of Managing Directors and the Supervisory Board are proposing to the General Meeting today, as in the two preceding years, the payment of a dividend of EUR 1.30 per share. This reflects our conviction that dividends have a special importance in difficult times. At the same time, we are also expressing our confidence in the bank's future business development. Our share thus has a dividend yield of 3%. As you know, the dividend is to be paid by Deutsche Bank AG which in 2002 earned a profit of EUR 808 million. In total, our shareholders are to receive a dividend appropriation of EUR 756 million. Our dividend policy and the share buyback program that I shall talk about later on, shows that we are a shareholder-friendly company.

Relative share price performance

The development of the Deutsche Bank share price last year was not satisfactory for any of us. Even though our share fared much better than the shares of our neighbouring banks in Germany, it could not escape the general trend of the index of the 30 German blue chips, and moved almost parallel to the DAX.

Deutsche Bank's share also suffered from the DAX's disproportionately weak performance compared with its international counterparts. While the Dow Jones and the FTSE fell by "only" 17% and 24%, respectively, the DAX shed 44%. But this was by no means a one-off development. In previous years, too, the German blue chip index had underperformed comparable indices in other countries. If the notion is right that capital markets are sensitive indicators of the quality of a country's general economic condition, then these index movements continue to signal the need for a fundamental renewal of the German economy. These signals must be recognized and responded to. We attach great importance to this and would like to make our contribution. We are a global bank, of course, but Germany is our home. This is where we are No. 1 and where we want to stay No. 1.

Since the beginning of the year, we have been pleased to note that our share has decoupled from the DAX. Our success in increasing our underlying revenue strength is apparently now being rewarded by the stock markets. This is also shown …

Market capitalizations of financial service providers worldwide

… by the development of our market capitalization since the last General Meeting. Compared internationally, we have stood our ground and even improved our position slightly. By contrast, the other major German financial services providers have in some cases fallen back substantially.

Clearly, we are still not where we want to be - which is within the Top 10. But the market is undisputably beginning to take account of the fact that we have substantial growth potential. This is confirmation of our work and shows that we are on the right course. At the same time, it encourages us to become even better, so that our performance can lead to corresponding price gains for you, our shareholders.

Underlying pre-tax profit in the 1st quarter of 2003

Let me conclude the first part of my remarks with a few words on the course of business in the first quarter of 2003. The climate on the financial markets did not improve much at the beginning of this year. Investors held back with larger-scale new investments and there was no tangible let-up in the lending environment. Nevertheless, our figures for the first quarter – as far as our core business is concerned – demonstrate that we continue to build on the progress we made last year.

- Our underlying pre-tax profit was roughly EUR 1 billion, which was EUR 0.8 billion higher than in the last quarter of 2002 and exceeded the corresponding quarter of the previous year by EUR 0.4 billion. This is a record figure for the bank. The underlying return on equity - an important figure for the share price - thus increased on an annualized basis from 4% to 13%.
- This very good underlying result was clouded by one-off value adjustments to our investments portfolio. There were largely net losses from investments accounted for under the equity method of approximately EUR 600 million, mainly relating to our stake in the insurance company Gerling. There were also additional write-downs of approximately the same amount on securities available for sale and on our private equity portfolio. On the opposite side, there were gains from the sale of a substantial part of our Global Securities Services business, the so-called "custody" business, and passive asset management, together totalling roughly EUR 500 million.

- Our CIB Group Division developed particularly well in the first quarter. Compared with the first quarter of 2002, we recorded growth of 157% in income before income taxes. Even adjusted for the sale of large part of custody business, there is still an increase of 43% in income before income taxes.

That's all I want to say about the figures for the 2002 financial year and for the first quarter of 2003. I am pleased to be able to report to you today that the strong underlying result in the first quarter has continued in the months of April and May.

Agenda

Let's look beyond the figures and consider what measures have led to this positive development. We have used the time since the beginning of last year to strengthen and transform the bank. In doing so, we have laid important foundations for our future business success. We have kept our promises and done exactly what we said we would.

Our management structure has proved its worth

The basis for our transformation, first of all, was the new management structure we presented to you at the last General Meeting. We are highly satisfied with the new model. Cooperation in the Group Board, in the Group Executive Committee and in the Management Committees was soon working efficiently and producing good results. In a smaller Board of Managing Directors, we can take strategic decisions faster and with better preparations. And the stronger integration of the Heads of our Business Divisions into the decision-making process increased our focus on the market and on our customers' wishes. In particular, the new model has strengthened the team spirit in our bank. The interaction between the two Group Divisions - CIB and PCAM - is a key factor in realizing synergy effects. With that, we can exploit one of the main advantages of our business model over competitors. The new management structure and the international quality of our management have proved their worth in a short time. We shall benefit from this in future, too.

I would also like to emphasize the achievements of our employees. Their work for our bank has been exemplary, and they have done great things in difficult times. At this point, therefore, I would like to thank them for their work. Their capabilities, their individuality with diverse backgrounds and life horizons, are one of our bank's key strengths. Our evolving and shared "one bank culture", which is committed to the motto "one bank - one team", makes me optimistic that we shall successfully master all challenges. We will be able to strengthen and expand our position as global leader among financial services providers.

Responsible and sustainable commitment

Just as we try to understand and develop diversity in our company as a type of "capital", we are also committed, as a corporate citizen, to the societies of those countries in which we work and live. We do not regard social commitment as something for good times only. We therefore decided to continue to demonstrate our responsibility to the community in present economically difficult times without major cuts. Particularly in exceptional situations, in moments when the need is greatest, we are there to provide help and assistance - whether in New York after the attacks of 9/11 in 2001 or in the eastern part of Germany after last year's catastrophic flooding.

Sustainability is the leitmotif of many of our projects and sponsorships. Whether in the field of society and social causes, in "Helping People to Help Themselves", or in the areas of ecology or education: our objective is always to find an integrative approach taking equal account of economic, social, community and environmental aspects.

We are also, and of course want to be, sustainably successful in business. The overriding principle behind our actions is therefore to create and maintain confidence. Success in business is only possible if you enjoy the confidence of investors and business partners, of staff and the public at large. A deeply rooted system of corporate ethics has therefore been an important element of our values for a long time.

Building on this, we consider a system of corporate management and control which is transparent, imbued with a sense of responsibility and oriented towards the long-term growth of company value to be a major precondition for creating confidence in our business policy. As you know, we were the first DAX 30 company to publish its own corporate governance principles, back in March 2001. And we live according to these principles. That's the important thing.

We also acted quickly in the face of the general loss of confidence on the capital markets. In light of the requirements under U.S. capital market law, especially the Sarbanes-Oxley Act, we have subjected our already sophisticated internal control and reporting systems to detailed scrutiny. We are in the process of implementing the necessary adjustments in good time, and will naturally make sure that in future, too, we justify high standards of confidence in our bank. The integrity of our actions is beyond all doubt, and must remain so in future.

Strategic initiatives 2002

At last year's General Meeting, we presented to you four strategic initiatives aimed at giving the bank a good positioning for the future. In detail, they were the focus on current earnings, the focus on core businesses, the improvement of capital and balance sheet management, and the optimization of the Private Clients and Asset Management Group Division. We have made very good progress with them, and in some cases we have actually achieved much more than we had announced.

Let me look at this in more detail.

Operating cost base clearly reduced

In spring of last year, we launched a cost containment offensive and can report to you that we have had great success since then. We have reduced our operating cost base massively and far exceeded the cost containment target we set ourselves. Last year alone, costs were almost EUR 4 billion lower, and this year, annualizing the cost savings in the first quarter, there may be a total reduction of about EUR 6 billion in the operating cost base compared with 2001.

This impressive result can be credited to a whole series of measures. They include clear cost discipline, the strong improvement of business processes and the sale and outsourcing of activities we no longer count as core businesses.

Unfortunately, it has not been possible without staff cuts. This is not easy for anyone, especially in times like these. We have therefore cooperated closely with the Staff Councils and done everything to make the job cuts as socially amenable as possible. Our decisions were always carefully considered and cautiously implemented. We did not want to shed capacities today that we would have to repurchase on the market tomorrow, and expensively. What we are really looking for is a sustainable cost reduction with long-term effect. Ultimately, the strong reduction of staff and other operating costs has led to an improvement in our underlying cost/income ratio since the beginning of last year from 89% to 77% today.

Successful execution of portfolio measures

As the second strategic initiative, we announced to you the focus on our core business. We wanted to separate from our non-core activities and also from our industrial shareholdings in order to concentrate in full on banking business. That's what we do best, and that's where we can generate most value.

With regard to the adjustment of our business portfolio, we can report enormous progress. We have completed the principal divestments. To mention just the main ones: we have sold most of our insurance activities in Germany, Spain, Italy and Portugal, our passive asset management and global custody business. Within the framework of a management buyout, we have disinvested a large part of our private equity portfolio. We have also used outsourcing opportunities. Large parts of our IT infrastructure and IT activities have been outsourced. This gives us greater flexibility in cost management. Overall, we are very satisfied with the implementation of these transactions. This ongoing focussing process helps us ensure that investment spend is goal-directed towards the growth of our core businesses.

Strengthening our tier 1 ratio

As the third strategic initiative, we promised you an improved balance sheet quality and a stronger tier 1 ratio. We set a target of 8-9% for the tier 1 ratio. We regarded the achievement of this target as absolutely necessary, especially in the present difficult environment. We not only reached this target, but actually exceeded it by a large margin with a core tier 1 ratio of 9.6%.

We did this by rigorous balance sheet management in all business divisions and by reducing the risks in our loan portfolio. We have reduced risk-weighted assets by 22% since the end of 2001.

We used part of the proceeds from sales of industrial holdings to buy back own shares. Last year's General Meeting gave us the authority to do so. From July 2002 to the middle of April 2003, we bought back a total of 62,146,423 shares. This corresponds to almost 10% or EUR 159.094.842,88 of our capital. For the repurchased shares, we paid an average price of EUR 48.32, i.e. a total of roughly EUR 3 billion. The shares were repurchased largely for the purpose of cancellation. The majority of these shares - a total of 40 million - were used to reduce our share capital. With this buy-back program, we have let you, our shareholders, participate directly in the gains from the sales I mentioned before. The remaining repurchased shares were utilized for staff within the scope of performance-related compensation. We are also proposing to today's General Meeting that the Board of Managing Directors be authorized to execute a further share buy-back, and we request your approval. This authorization is a precautionary measure. We want to retain the necessary scope for action on the capital side.

PCAM has turned the corner

The fourth strategic initiative was the optimization of the Private Clients & Asset Management Group Division, to increase its efficiency and profitability. Ladies and Gentlemen, I can report to you that in the meantime we have brought PCAM back on to the success path. The Group Division's profit contribution was more than doubled, thanks to substantial cost savings and stable revenues.

With the acquisition and the quick and smooth integration of Scudder, the asset management company, and RREEF, the real estate investment company, we have also gained a substantial position in North America and entered the top group of global asset managers. Furthermore, we have streamlined our European branch network, discontinued to a very large extent our activities with private clients in France, and created an integrated Private & Business Clients unit in Europe.

Significant transformation

The consistent and ultimately successful implementation of the four strategic initiatives has led to a significant transformation of the bank. Deutsche Bank is still <u>your</u> bank, dear shareholders, but it is no longer the same bank as at the beginning of last year.

To an increasing extent, Deutsche Bank is ...

- a company with pronounced cost discipline,
- a group focused on its core competences,
- a group with an improved risk and capital structure,
- and finally, with its two strong pillars CIB and PCAM, Deutsche Bank has a better, more balanced and thus more stable alignment than it used to have.

These Phase 1 initiatives have meanwhile become part of our corporate culture. We shall continue to pursue them with every effort.

Agenda

Thanks to the initiatives I have just described, we have now got a firm grip on three of the four factors behind our bank's economic success: costs, risk and capital. Our focus in future will therefore be on the fourth factor: revenues. The main target in the period ahead will be to generate sustainable revenue growth in all divisions. I shall now describe to you what measures are needed to do this.

Phase 2: focus on revenue growth

To improve our revenue, we shall focus even more strongly than we already do on our customers and their wishes. Our target is to be our customers' first choice in all of our core business lines. We shall only succeed in this if we offer tailored and innovative products and services. Beyond that, we shall intensify cooperation within and between the Group Divisions CIB and PCAM to realize maximum value from existing client relationships and increase penetration of our target client segments. In this process, we shall rely primarily on organic growth and only supplement it very selectively with acquisitions generating value. In our opinion, larger-scale acquisitions and mergers make no sense at the present time.

The successful transformation of the bank has given us an excellent starting position for profitable growth in both Group Divisions CIB and PCAM. We shall now build on it. We must leverage the potential available to us in all of the bank's businesses.

Strong starting position

In investment banking, we already have a very good position with our Corporate & Investment Bank. We have expanded it and captured additional market share in many business lines and regions.

- Measured by revenues, we are already No. 3 among global investment banks. In sales and trading with fixed-income products and equities, we are global leader.
- CIB is market leader in Europe, and can point to exceptional success with prestigious capital market products in the U.S.A., the world's biggest and thus

most attractive capital market: in business with mergers and acquisitions, we almost tripled our market share in the first quarter of 2003, and thus rose from 11th place to Rank 3. In high-yield fixed-bonds and asset-backed securities, we are among the three leading providers in the U.S. market and rank 7th with corporate bonds.

In our second Group Division, Private Clients & Asset Management, we have a globally unique combination of business activities and are well positioned regionally.

- A strong presence in our core markets Germany, Spain and Italy gives us access to 54% of Continental Europe's private assets.
- We are firmly established in business with private clients with strong brands like DWS. We have a comprehensive distribution network of our own with diverse access channels for customers. Over and above that, cooperation with external third-party providers such as DVAG has brought us additional distribution capacities, and with them over 100,000 new customers.
- In European asset management, we hold top ranks in both retail and institutional fund business. Worldwide, we are now among the Top 5 in our peer group. In total, assets under management in PCAM at the end of 2002 exceeded EUR 1 trillion.
- In wealth management, we are in the process of building up a leading global unit for the top segment of this business. A part will be played by our acquisition of Rüd, Blass & Cie AG, a small, sophisticated and highly reputed Swiss private bank with exceptional expertise in wealth management business with ultra high net worth clients.

Leader in innovative financial products

Our leadership role in the development and marketing of new products and services will prove to be an important driver for future revenue growth. We have excellent know-how and are thus in a position to respond more appropriately and faster to our customers' wishes, and to offer them tailored financial solutions and bespoke products. This has already paid off. In structured products and derivatives, both of them attractive product segments, we outperformed the market last year. At the same time, numerous awards prove our intellectual and technological leadership. Market leadership especially in these know-how-intensive and profitable business lines is the best indicator of our strong competitiveness.

Phase 2: strategic initiatives

To achieve our goal of sustainably increasing revenues across all business divisions, we have given ourselves a new management agenda. Four new strategic initiatives will serve us as maxims for our future activities. Ladies and Gentlemen, let me present them to you briefly.

- Firstly, we shall exploit even more effectively the strength and reputation of our Deutsche bank brand and initiate a worldwide marketing campaign to reinforce it across the globe. We want to ensure that people worldwide associate our strengths, which are customer focus, teamwork, innovation, performance and trust, with Deutsche Bank's name and logo. That will help us to be our customers' provider of choice for products and financial solutions, and employer of choice for talents.
- Secondly, we intend to further exploit our leading global position in investment banking and transform it primarily into higher shareholder value. We have created an outstanding platform and built up the necessary critical mass in all business lines and in all relevant regions of the world. We now want maximum value from the given potential.
- Thirdly, in order to generate profitable growth in our PCAM Group Division, we want to further expand our worldwide position as asset manager. We shall continue to increase our efficiency and optimize our product and service range.
- Fourthly, and lastly, we shall continue to demonstrate strict cost, capital and risk discipline. We shall not make do with what we have achieved, but keep a close watch on costs going forward. We shall always invest our capital in businesses which, allowing for the respective risk, promise the highest return.

Our mission

Ladies and Gentlemen, our goal is a leading position in all our core businesses. All our activities are directed towards offering our customers optimal financial solutions. The yardstick for us is that only the best is good enough for the customer. Only if we live up to these two maxims we will achieve our third goal: to create exceptional value for you, our shareholders, and at the same time for our staff.

A passion to perform

Deutsche Bank is strong: we have a unique business model, excellent know-how and outstanding people to offer our demanding customers tailored and integrated financial solutions. All of us in the bank, executives and staff, are motivated to give our best at all times and to achieve maximum performance. In other words, we have a passion to perform.