

2002

General Meeting

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of Deutsche Bank AG

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– check against delivery –

Deutsche Bank



Dear shareholders,
dear guests,
honoured representatives of the media,

Welcome to this year's General Meeting. I'm delighted that so many of you have joined us and I would also like to bid a special welcome to those of our shareholders who are following our General Meeting in the Internet.

Introduction

This year's General Meeting is one of change in general and specifically one of personal changes.

- My time as Spokesman of the bank is ending today and Dr. Ackermann's office as the new Spokesman of the Board of Managing Directors is beginning.
- And today Mr. Kopper is leaving his office as Chairman of the Supervisory Board.

In other words, a strength that has long been a feature of Deutsche Bank is occurring again today: continuity in change.

Continuity is not only the title of the sculpture by Max Bill that has stood since 1986 outside Deutsche Bank's towers in Frankfurt. Continuity and change – they sound like a contradiction in terms, but together they are the basic condition for ongoing success – have always been characteristic of the past years and typical of today's change in leadership.

Ladies and Gentlemen, in my presentation this morning, let me answer three questions.

- I. What do we want to be?
- II. Where do we stand?
- III. Where are we heading?

First, a few words about the environment in which we conduct our business.

2001 was an "annus horribilis" for the world economy in general and for the banking sector in particular. This also impacted on Deutsche Bank as a globally operating financial services provider.

The cumulation of diverse negative developments brought business activity and world trade almost to a halt in the course of the year and relentlessly uncovered structural problems in all quarters. Despite growing signs of a picking-up in the later part of this year this did not improve much in the first months of this year..

Something which also became more and more apparent, unfortunately, in this connection was the fragility of the German financial sector due to homework not being done in the past. Structural weaknesses came to light in all sectors of the banking industry. One cause of this was in particular the surplus capacity in our market. Market shares which are too low and banks with sizes that are inefficient lead to

- excessive costs,
- unsatisfactory returns on equity and
- low market capitalization.

There has to be consolidation. Besides measures to contain costs, possibilities and methods of cross-sector cooperation must be reconsidered.

All this is part of a fundamental process of breaking up what is known as "Deutschland AG".

- Industrial companies, banks and insurance firms grew up together in the years of reconstruction after the war, but today are rightly going their separate ways.
- The close personal and capital interrelationships are giving way to more rational structures. The logic behind business enterprise must today be found in corporate strategy, in prices, costs and the prospects for adding value . The focus is on value creation and that calls for adjustments also in the field of corporate governance.

In this reform process, Deutsche Bank is both subject and object, at the same time driving force and at the receiving end:

- On the one hand, we are the object of change, and have continuously adapted our business model to the changing needs of our customers, to changes in the market and in competition.
- But we are also the subject of and driving force behind change. As an international bank with strong roots in Germany, we are side by side with German business as it crosses new borders every day.

We play this role deliberately to the benefit of our shareholders and customers.

I. What do we want to be?

Where do we stand in this process?

Our traditional business model of a comprehensive universal bank offering all its products and services everywhere has changed strongly over the years. If we compare the profiles of some of our better-known competitors, the picture looks as follows:

- On the one hand, we have multi-country universal banks operating in many regions and in many business lines (e.g. Citibank).
- Secondly, there are globally operating "pure" securities houses (e.g. Goldman Sachs or Morgan Stanley).
- We furthermore see asset gatherers (such as the big Swiss banks).
- We see national powerhouses in their core fields of retail and small business banking.
- And finally the integrated bancassurers.

We have deliberately taken a different approach: our goal is not to simply imitate one of these business models, but to pursue a profile that leverages our strengths and our origins:

What we want to be is a new-style universal bank, i.e. a mixture of of

- A globally successful corporate and investment bank,
- A global leader in asset gathering, and

- A European bank for private and small business clients with a special strength in its home market Germany.

This also explains the geographical focus of our activities. In the past, it was often wrongly assumed that we were trying to offer all our activities worldwide. This is not the case.

- Global in their orientation are the Corporate and Investment Bank, Asset Management and Private Wealth Management.
- Strongly local, with the focus on Germany and selected European countries, are our business lines relating to private and small business clients (Personal, Private and Business Banking as well as maxblue).
- In this context, I would like to emphasize again that we never intended and do not intend to relocate our head office. We are as proud of the level of internationality we have achieved as we are of our strong roots in our home market Germany. This will not change. We are convinced that our German roots and our home base in Europe's biggest economy are a strong competitive advantage.

Our aspiration is to be among the top three providers in the disciplines I mentioned in the respective markets. This, in our opinion, is the basic precondition to staying competitive and creating sustainable added value for you, our shareholders.

We have made much progress along this path during the past few years. As an old-style German universal bank we would be in a different and certainly less favourable position today. It's thanks to this change of business model that we have left many competitors – especially within Germany – far behind.

II. Where do we stand today?

Results 2001 and 1Q 2002

Our results reflect the increasingly difficult economic situation especially towards the end of the year. Last year, we did not achieve our targets or meet our expectations, but in view of the overall conditions we turned in what we think was a respectable result.

Following the listing of the Deutsche Bank share on the New York Stock Exchange last October, we changed our Group accounting to American standards (U.S. GAAP) and gained in comparability with our global competitors.

- Further examples of our efforts to achieve greater transparency are the Corporate Governance Report which appeared for the first time this year and the very informative 20-F Report to be filed annually with the U.S. authorities.
- You, our shareholders, now have more information available than ever before.
- At the same time as changing our accounting, we also brought forward our reporting dates and while doing so further increased the degree of detail in our reporting.

We commented in detail on our results for 2001 at the Press Conference end of January and in the Annual Report available since March. So let me take just a brief look at the results for the 2001 financial year and for the first quarter of 2002.

Results 2001

Here are last year's key figures in a three-year comparison, in each case according to U.S. GAAP. There are four messages we want to convey to you:

- 1) At € 28.6 billion, **revenues** remained relatively stable in the given market environment compared with the record year 2000 (which profited more strongly by comparison from net gains on securities available for sale).
- 2) **Costs** remained largely unchanged at the pre-year level owing to our cost containment measures introduced in the course of the financial year. According to U.S. GAAP, the decrease in noninterest expenses compared with 2000 was roughly 1% or € 338 million. We have successfully achieved the turnaround, but are still only at the start of our cost containment efforts.
- 3) The reported **net income** according to U.S. GAAP for the year 2001 is € 1.4 billion before the effects of tax rate changes and the cumulative effect of accounting changes compared with a comparable surplus of € 4.2 billion in the record year 2000.

- 4) This decrease in results is primarily due to higher write-downs of € 1.4 billion on our investments in private equity and real estate and to loan loss provision raised by € 549 million to a total of € 994 million. The risk profile in the banking sector deteriorated continuously in 2001 due to the increasingly tight economic situation. Default ratios rose strongly, especially in the fourth quarter. The development of our loan loss provisions thus reflects the general macro-economic situation, but we also fell victim to one or two striking individual cases.

Results Q1 2002

In the first few months of 2002, Deutsche Bank held up well in what continued to be a difficult environment for the financial markets, in fact we achieved a substantial improvement on the two preceding quarters.

- Revenues failed to match the good 1st quarter of the previous year, but rose strongly compared with the two preceding quarters (by roughly € 1 billion).
- Our cost containment efforts are showing increasing effect. Noninterest expenses fell by € 944 million compared with the first quarter of 2001 to € 6 billion, a decrease of 14%. The fall compared with the fourth quarter was even more pronounced at 16%.
- Income before tax expense and the cumulative effect of accounting changes was € 1.3 billion compared with € 912 million in the first quarter of the previous year. This corresponds to an increase of 39%. Included in this figure is the sale of industrial shareholdings for € 1 billion, mainly to reduce our stakes in Allianz and Munich Re.
- Loan loss provisioning in the first quarter of this year, at € 384 million, was already well below the figure for the preceding fourth quarter, even though the economic conditions are still uncertain. Our active and experienced risk management is clearly proving its worth in this difficult market environment.

Taken in total we think that we did a respectable job last year and in the first few months of 2002 proving the strength of our core businesses. Even though, we cannot be satisfied with the overall result.

We are confident that the difficult overall conditions will lead into a better environment in the second half of 2002 and that we will resume the positive trend of the preceding years. 2001 was not a lost year for Deutsche Bank, quite the contrary: we started and implemented many initiatives and gained market share, which should enable us to profit once the markets recover.

Against this background, Ladies and Gentlemen, we propose to you today to pay an unchanged dividend of € 1.30 per share for the 2001 financial year. We are thus underlining both the stability of Deutsche Bank's earning power and our confidence in the future development of business.

III. Strengths/Weaknesses

What, in our view, are Deutsche Bank's strengths and weaknesses today? Let me share with you some brief observations.

- Our specific strengths are the successful development of our Corporate and Investment Bank, our modern, flexible management structure, and our extremely capable employees.
- We consider our weaknesses to be excessive costs, inadequate profitability levels and market capitalization, and the structural imbalance of our results.

Let me make a few short remarks on these six points.

Strengths / CIB

First, the Corporate and Investment Bank: a few years ago, we started out with the vision of establishing a global leader in investment banking that would join the bulge bracket of industry leaders. Thanks to the successful integration of Bankers Trust, we achieved this faster and more impressively than many had expected.

The strong build-up work in the past few years has been worthwhile. Last year, CIB (with roughly € 2.7 billion) contributed roughly 80% to the results of all business divisions and, with a good result given the overall conditions – both in 2001 and in

the first quarter of this year – again impressively underpinned its status as one of the world's leading integrated corporate and investment banks.

In this connection, the Global Markets and Global Equities divisions deserve special mention as well as Transaction Banking as a stable source of revenue. In the M&A business, we increased market shares and volumes as the only adviser to do so worldwide both in 2001 and in the first quarter of this year. Our job now is to leverage this position we have built up and expanded consistently to increase profitability.

The environment for corporate and investment banking is still characterized by change. The success of our integrated model underlines our ability to actively shape this process of change and to be successful with and for our customers.

Strengths / Management structure

We are also satisfied with our management structure, effective since February of this year. With the creation of a Group Executive Committee - to which the members of the Group Board and the Global Business Heads of the business divisions belong - we have integrated the executives with operational responsibility more closely into the management of the Group. At the same time, the clear segregation [?] of strategic management, on the one hand, and operational management, on the other, leads to clear allocation of functional and personal responsibilities. The cooperation between CIB, PCAM and Corporate Investments is personified in the Group Executive Committee and underlines our strategic realignment since February of last year. This enables us to more effectively satisfy our customers' needs and, through intensified participation in future growth trends, to increase the profitability and ultimately the value of our company.

Strengths / Employees

Thirdly, we are proud of our employees. Deutsche Bank's success is due to the exceptional dedication and qualification of its work force. Let me, also on your behalf Ladies and Gentlemen, thank all our employees for their contributions. In many respects, the bank has become a melting pot of people from many cultural backgrounds and origins. It is the combination of this diversity of experience, local characteristics and global know-how that makes up the strength of our bank and

guarantees business success. It's all the more important to retain this valuable asset and to align the interests of employees to your interests, Ladies and Gentlemen, as our shareholders through share-based compensation models. In this connection, I would like to refer specifically to item 12 of today's agenda.

That brings me to the points where we see a special need for action.

Weaknesses / Imbalance of results

Let me mention first and foremost the present structural imbalance of our results. PCAM has not yet become, in adequate measure, the equal-ranking second pillar of our business.

The quality and consistency of this Group Division's results do not match our expectations or its inherent potential. We made it clear at the beginning of last year that we want to and must change this.

Since then we have, in a first step at the beginning of 2001, combined Personal Banking, Private Banking and Asset Management on a uniform platform and in this way created the basis for future growth.

- With the acquisitions of Scudder Investments and RREEF, with both transactions being largely completed in April of this year, Deutsche Bank has become the world's fourth-largest asset manager with leading positions in Europe, Asia and America. Assets under management rose to roughly € 1,000 billion. Our Asset Management division has become the Group's second genuinely global player alongside the Corporate and Investment Bank.
- Scudder's retail fund business in the U.S.A. complements the leading position in fund business in Europe that we have occupied for several years with DWS. Over and above that, we have become the leading real estate asset manager worldwide with the integration of RREEF. The Scudder and RREEF business with both, institutional investors and high-net-worth private individuals, is an excellent supplement to our existing offering, specifically in the U.S.A..

In Germany, we have considerably increased our distribution strength through the cooperation agreement with very successful Deutsche Vermögensberatung (DVAG).

This cooperation has been live since the beginning of March and already shows initial successes. In our business with private customers, we can now reach a larger number of clients with our banking and investment products. The distribution agreement not only documents our readiness and ability to innovate in this area, but also proves the excellent quality of the mutual fund products of our subsidiary DWS.

The foundations for making PCAM the second strong pillar of our business have been laid. What we now have to do is to integrate the new parts and continue with our consistent build-up work in order to successfully boost profitability.

Weaknesses / Costs, profitability

Our main problem, namely, lies in our high costs. They are the main reason for inadequate profitability:

- our return on equity – with the exception of the record year 2000 – is much too low, and
- our cost/income ratio is much too high.

This is reflected in the valuation of our share, and consequently leads to our unsatisfactory market capitalization.

Weakness / Market capitalization

We have more than doubled our market value since the beginning of 1997 and especially left our local competitors way behind. But in relative terms our share price has not increased strongly enough, and consequently we have fallen behind many of our international competitors.

The result is that we have lost in terms of flexibility and manoeuvrability and are unable to take market opportunities as we would wish.

III. Where are we heading?

The Board of Managing Directors and the Group Executive Committee have together carried out a detailed review of our business strategy with the aim of strongly increasing our market capitalization.

The result consists of the following measures which are to be implemented rapidly in the coming months:

1. Performance management and current earnings focus
2. Further improvement in capital and balance sheet management
3. Focus on core businesses
4. Optimization of PCAM franchise

What does this mean in detail?

1. Performance management / Current earnings focus

Our cost problem is not just a matter of doing business more economically at all levels or of rediscovering modesty. It's more a question of reducing unnecessary complexity and re-engineering entire processes. In many respects, Deutsche Bank has to reinvent itself if it wants to survive.

- Unfortunately, this cannot be done in many cases without job cuts. We shall continue to do all we can – as in the past – to make the necessary measures as tolerable as possible for those concerned.

Our target is still to reduce the operating cost base by € 2 billion by the end of 2003, of which € 800 million are to be achieved this year.

2. Further improvement in capital and balance sheet management

In the last few years, we have consistently strengthened our capital base and took a big step towards reaching our goal with a core capital ratio of 8.9% at the end of the first quarter.

At the same time, we are preparing the accelerated divestment of our remaining industrial shareholdings and of those investments which are not part of our core business portfolio. We will continue with our well publicised strategy to reduce our industrial shareholdings gradually, but as rapidly as possible. The capital this will free up is intended for a possible share buy-back, for which we ask your approval today in agenda item 7. Whenever we come to the conclusion that our share is the better

investment at the respective price level, we shall exchange it for our industrial holdings.

3. Focus on core businesses

After the successful expansion of our Corporate and Investment Bank and the strategic acquisitions in PCAM, we have by and large satisfactorily covered, in acquisition terms, all of the areas important to us.

We shall concentrate increasingly on our core businesses:

- in CIB on Corporate Banking & Securities and Cash Management & Trade Finance;
- in PCAM on Private and Business Clients, Private Wealth Management and Asset Management;
- and, finally, on Corporate Investments.

Our goal is to be among the three leading providers in our chosen core businesses and to generate an appropriate return on capital employed. Should this not be achievable over a reasonable period, we will divest the respective units.

We will continue in 2002 with the exit process begun in 2001 from several insufficiently profitable or non-core business lines.

- Last year, we already withdrew from numerous business lines and from subsidiaries in the field of IT.
- We have placed our mortgage bank business in Europe on a broader footing by combining our subsidiary Eurohypo AG with the mortgage banks of Commerzbank and Dresdner Bank to form the new Eurohypo.
- By divesting our shareholdings in Nürnberger Versicherung and selling Deutscher Herold to Zurich Financial Services, we have disposed of our insurance business.

With this ongoing process of concentration, we are making sure that investment outlays will flow into the growth of our core business and that capital will not be tied up in non-core or inadequately profitable areas.

- We are therefore presently examining, among other things, possible strategic alternatives for part of our securities services and passive asset management activities.
- Outsourcing remains also on the agenda. One possibility we are discussing in this connection is the hive-down of data-processing centres to further reduce the vertical integration of our infrastructure.

One business line which is not available for divestment, and I would like to emphasize this once again explicitly, is business with the German Mittelstand. The traditionally strong links between German small and medium-sized enterprises and Deutsche Bank is stable, despite all comments to the contrary by our competitors: more than 99% of German corporate customers are "mid-caps" with which we transact more than 90% of our credit and deposit volume.

Again: we are committed to our exposure in the market segment of demanding small and medium-sized corporate clients in Germany, provided we can generate an appropriate risk-adjusted return for our shareholders. This means that we continue to lend on the basis of creditworthiness and a company's business profitability at risk-adequate prices and in conjunction with other products.

That brings me to my next point:

4. Optimization of the PCAM franchise

We made good progress with the structural realignment of PCAM Group Division in 2001 and will make further substantial progress in 2002 as well.

- Besides the integration of Scudder and RREEF, which I mentioned before, we are planning a strong initiative to expand our Private Wealth Management; the focus here is on Germany, the U.S.A. and global offshore business.
- We will furthermore continue to combine our business with private and small business clients throughout Europe. What have hitherto been independent and successful offerings (Deutsche Bank 24, Private Banking, maxblue and business banking) will develop into a strong and integrated unit working under the uniform direction and the umbrella brand of Deutsche Bank.

With the set of measures I have described, we document our intention to boost profitability and thus the market value of Deutsche Bank. In the coming 18 months, we shall deliberately not look outside, but inside: reducing costs, increasing efficiency.

We are convinced that this is the right way to achieve our ambitious target of positioning Deutsche Bank as a leading global provider of integrated financial solutions for demanding clients and the pre-eminent bank in Germany creating exceptional value for its shareholders and people.

Let me now conclude my remarks.

Outlook

2002, without any doubt, will be another difficult year. It is increasingly becoming clearer that the bottom in world business activity has been passed and that the economic environment is improving in many parts of the world – especially in the US. Nevertheless: it is still difficult to make predictions, risks as well as political and economic problems still live on .

This makes it all the more important to make ourselves fit for the future. We are convinced that Deutsche Bank - thanks to its structure and the measures initiated - is well equipped for the present and future challenges. Deutsche Bank , despite the work that remains to be done, today is the only German financial services provider that plays a leading part on the international stage.

This makes me somewhat proud, also personally. My thanks go to those who made possible the changes of the last few years and our success : Deutsche Bank's employees and executives. I would also like to thank you, Ladies and Gentlemen, for your confidence in our bank.

Allow me, at this point, to say a word to Mr. Kopper, also on behalf of my colleagues on the Board of Managing Directors:

Dear Hilmar Kopper, 48 years ago you decided that this bank was to be your future when you began your bank training at one of Deutsche Bank's predecessor institutions in 1954. That was the start of a truly unique career: from trainee to Spokesman of the Board and finally to Chairman of the Supervisory Board. 48 years

of uninterrupted service at and for Deutsche Bank, for its shareholders, customers and employees. I would like to express to you, also on behalf of the shareholders, our warmest thanks and great respect. We are all extremely grateful for your valuable, prudent and constructive advice during the last years. I know you will retain your close ties with Deutsche Bank, and I wish you all the best for the future.

For me, too, my active service is coming to an end today after more than 35 years with Deutsche Bank, 17 of them on its Board and 5 as its Spokesman. I would like to thank you for interesting, exciting and challenging times, not only as Spokesman of this bank, in which I was so privileged to play my part in shaping and developing our company.

We have achieved a lot in the past few years, but there is still much to be done. I am sure that Dr. Ackermann and his colleagues will take the right steps to ensure results and market value increases for you, our shareholders.

The sails are set, the crew is strong and in position. The new captain is on board, so now it's weigh anchor, cast off and bon voyage!