Deutsche Bank

Deutsche Bank: Interim Report as of March 31, 2002

Source: Deutsche Bank press release, Frankfurt am Main, 29 April 2002

- **Deutsche Bank reports pre-tax profit of € 1.3 billion for first quarter (+39 %)**
- **Cost reduction measures showing considerable results**
- **Cornerstones of future strategy agreed**

In the first quarter of 2002, Deutsche Bank achieved income before taxes and the cumulative effect of accounting changes of € 1,270 million, compared to € 912 million in the first quarter 2001, an increase of 39 %, according to U.S. GAAP. Net income was € 597 million, compared to € 382 million, an increase of 56 %. Commenting on this, Rolf-E. Breuer, Spokesman of the Board of Managing Directors of Deutsche Bank, said: "In an environment, which was difficult in general and for the financial markets in particular, Deutsche Bank held its ground comparatively well."

Net interest revenues totalled € 1.7 billion in the first quarter 2002, compared to € 1.9 billion in the first quarter 2001. This decrease is primarily the result of declining interest rates, lower dividend income and the sale of our European asset finance and leasing business in the second quarter 2001. Commissions and fee revenues were € 2.6 billion for the first quarter 2002, as compared to € 2.8 billion in the prior year. This development reflects the difficult market conditions which continued from the second half of 2001. "Trading performance" was € 1.5 billion, compared to € 2.2 billion. This development is due to a more difficult trading environment, the effect of a single block trade and lower hedge gains on the industrial holdings.

Net gains on securities available for sale were € 1.0 billion, compared to € 166 million in the first quarter 2001. This increase is primarily due to realised gains resulting from the further reduction of the holdings in Munich Re and to a lesser extent in Allianz.

Total provisions for credit losses were € 384 million in the first quarter 2002 (first quarter 2001: € 186 million). This amount included € 270 million for on-balance sheet risk and € 114 million for off-balance sheet exposure. The increase is primarily due to the impact of the continuing unfavourable economic environment which in the first quarter led to increases in specific loan loss provisions particularly within German, Latin American and leveraged finance portfolios.

Compensation and benefits were € 2.9 billion in the first quarter 2002, a decrease of 20 % compared with the first quarter 2001. This decrease is primarily due to the reduction in bonus accruals, but also in non-bonus compensation expenses, reflecting the reduction in headcount as a result of the restructuring activities carried out to date. Other non-interest expenses (excluding policyholder benefits and claims as well as restructuring activities) were € 2.1 billion or € 146 million lower than in the first quarter 2001 (excluding goodwill amortisation). Contributing to this decrease were, among other items, lower professional service fees, communication costs and depreciation which more than offset the increase in provisions for off-balance sheet exposures. "We have made substantial progress in cost reduction and stay firm in our intention to reduce run-rate expenses via creating an efficient and cost-effective operating infrastructure," writes Rolf-E. Breuer in the interim report.

Corporate and Investment Bank

In the Corporate and Investment Bank (CIB) Group Division, Deutsche Bank further strengthened its competitive position in major businesses. In the strategically important M&A business, for instance, Deutsche Bank was the only leading investment bank to increase market share in the first quarter of 2002. The bank moved to number one in the league tables for Germany and the U.K., taking third and seventh position in Europe and the U.S., respectively.

Private Clients and Asset Management
Deutsche Bank strongly expanded its Private Clients and Asset Management (PCAM) Group Division according to plan. With the acquisition of U.S. asset managers Scudder Investments and RREEF successfully completed in April, Deutsche Bank took a major step forward in globalising its core activities, asset management and private wealth management. This has bolstered its market position, particularly in the U.S. retail fund segment and in business with high-net-worth individuals. Worldwide, Deutsche Bank has now firmly established itself in the top league of asset managers.

Cornerstones of future strategy
The newly established Group Executive Committee has undertaken a comprehensive review of the bank's strategy. In the context of its commitment to deliver superior shareholder value, the Group Board has agreed to implement the following programme:

Focus on current earnings:
Cost and performance management is the bank's top priority and will be aggressively pursued. Deutsche Bank will protect its stable revenue base and eliminate substantial costs in the current year thereby maximising current earnings. It is the bank's plan to have reduced its non-interest cost base (2001 U.S. GAAP basis) by € 2 billion by the end of 2003. This reduction will be achieved before accounting for the impact of the Deutsche Herold disposal and of the Scudder and RREEF acquisitions.

Further improvement of capital and balance sheet management:
Having taken its Tier 1 capital ratio above 8%, Deutsche Bank is now preparing an accelerated divestment programme in respect of its remaining industrial holdings and non-core alternative investments. The freed-up capital will be earmarked for a potential share buy-back programme. Deutsche Bank will seek the necessary authorisation at the Annual General Meeting on 22 May.

Focus on core businesses:
Deutsche Bank is in the process of increasing its focus on its core businesses: Corporate Banking & Securities, Cash Management & Trade Finance, Private & Business Clients, Private Wealth Management, Asset Management and Corporate Investments. The exit from a number of business areas, commenced in 2001, is continuing in 2002 in order to prevent non-core businesses consuming investment spend at the expense of growth in its core business portfolio. Deutsche Bank is currently exploring strategic alternatives with regard to major parts of its Securities Services and its Passive Asset Management businesses. Deutsche Bank is also investigating the outsourcing of data centres to further reduce the degree of vertical integration in its infrastructure. In the context of its increased focus and given recent public speculation, Deutsche Bank wishes to reiterate the fact that its core businesses remain committed to their demanding German mid-cap clients where a fair risk adjusted return can be generated for its shareholders.

Optimisation of the PCAM franchise:
The structural realignment within PCAM will advance considerably in 2002. The integration of the Scudder and RREEF businesses will cement its place in the active asset management bulge bracket. Deutsche Bank has launched a major initiative designed to grow its Private Wealth Management franchise with emphasis on Germany, the U.S. and the global off-shore market. Deutsche Bank will bundle its business with private and business clients (Deutsche Bank 24, Private Banking, maxblue, and small-cap corporate banking) under the brand umbrella Deutsche Bank with a single management team. The focus of this business unit will be on those European countries where Deutsche Bank is benefiting from an established franchise.

These measures will further enable Deutsche Bank to achieve its aspiration to be a leading global provider of integrated financial solutions for demanding clients and to remain the preeminent bank in Germany generating exceptional value for its shareholders and people.

At the time of the release of its second quarter 2002 Interim Report on 1 August 2002, Deutsche Bank will report in detail about the implementation of the measures, progress made, and discernible effects on performance.

Here you can find the Interim Report as of March 31, 2002
Dr. Clemens Börsig, Chief Financial Officer, will discuss the financial results in a conference call for financial analysts on April 29, 2002 at 1.30 p.m. (CET). The conference call will be transmitted via the internet: www.deutsche-bank.com/ir