

Kopper steers Deutsche east

David Marsh and Katharine Campbell on changes in the bank's strategy

The clearest indication that Mr Hilmar Kopper, chief executive of Deutsche Bank, has stepped out of the shadow of his murdered predecessor, Mr Alfred Herrhausen, comes when he is asked about Deutsche's ambitions in global banking. "Global" used to be one of Mr Herrhausen's favourite words. "I do not like the expression 'global players'," snaps Mr Kopper.

He explains that Deutsche's goals vary depending on which of the "playing fields" - Germany, Europe, and the rest of the world - the bank is performing.

His arrival as head of the bank in December 1989, however, has brought more than just a change of management tone. Yesterday, Deutsche put into effect a new management structure designed to boost cohesiveness by streamlining and centralising board members' areas of responsibility.

The system is a less radical overhaul than the revolutionary plans put forward by Mr Herrhausen two years ago. But, in a move to reduce the power traditionally enjoyed over their fiefdoms by the bank's regional management, board members are now in charge of one set of financial products throughout the bank.

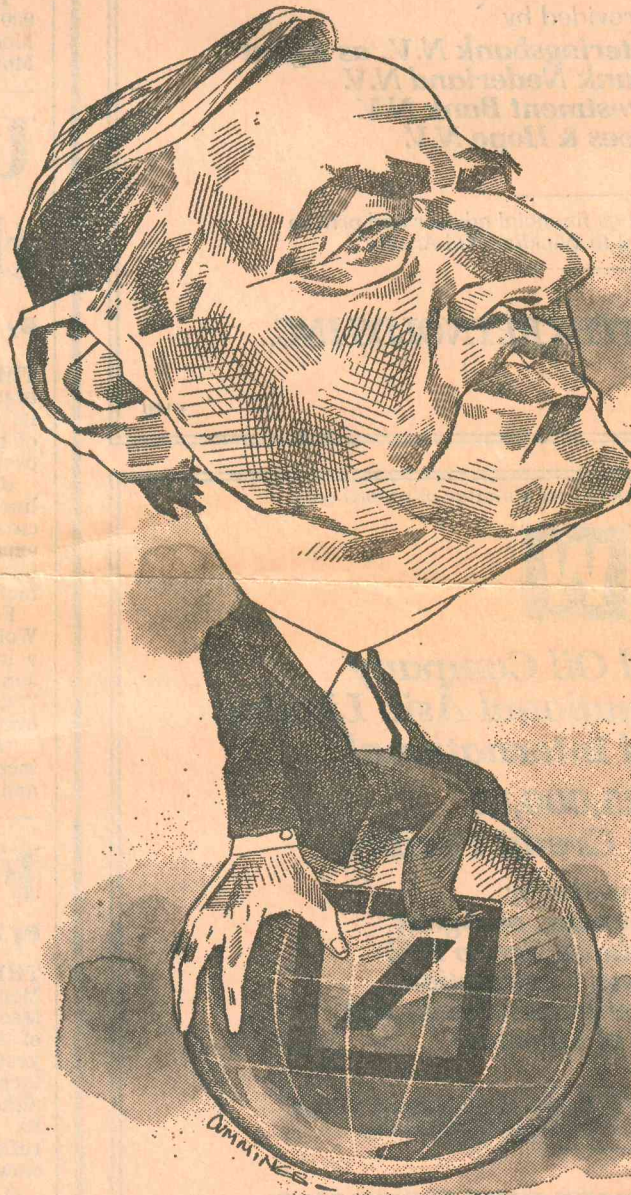
Mr Kopper likes to project a self-effacing image. Nevertheless, this does not stop him from being outspoken on important issues. From his sensitive observation post, 30 floors up in Deutsche Bank's Frankfurt headquarters, he does not disguise his concern over political and economic rumblings from the Soviet Union.

During the last few years, Deutsche Bank has played a central part in Germany's drive to help the Soviet Union modernise its Stalinist economic structures. Now, amid signs of Soviet disintegration, the German honeymoon with perestroika is over.

Deutsche Bank, one of the west's heaviest lenders to Moscow, is downgrading the Soviet Union's previous first-class credit standing by putting Moscow on its list of "problem" debtors. And Mr Kopper, a heavy-set 55-year-old, says his bank is refusing to take part in any more credits for Moscow unless they are 100 per cent guaranteed by the Bonn government.

Mr Kopper calls the west "remarkably torn" in its views about what it wants to happen in the Soviet Union. With an eye on Lithuania, he says: "On the one hand, we want to see the (Soviet) economy stronger, on the other, for political reasons, we support separatist aspirations in individual republics."

While he is clearly pessimistic about business prospects in the Soviet Union, he does not disguise his optimism about what was east Germany. He says the bank is concentrating on building up its expanded home base in



Down-to-earth Hilmar Kopper: 'My ambition is the bank'

post-unity Germany. Because of the rush to unity, Mr Kopper's first 12 months in the job were busier than he could ever have imagined. He says the bank is already making clear operating profits in east Germany - even after considerable investment in which the cost of computers alone amounted to DM100m (\$65m).

German unity has coincided with an inevitable shift in the bank's preoccupations. The past stream of foreign acquisitions - culminating in the £950m (\$1.8bn) takeover of London merchant bank Morgan Grenfell 14 months ago - has slowed to a trickle.

Mr Kopper says the bank would like to take advantage of opportunities to acquire banks around Europe when they complement present activities. But, in the main, he says foreign expansion plans are "concluded". Instead, the emphasis has shifted

towards a steady policy of improving German market share.

If the elegant Mr Herrhausen was a highly-polished jewel, craggy Mr Kopper is hewn from rougher stone.

He says he has tried to become more extrovert. "I have astonishingly little ambition. My ambition is the bank." None the less, he reveals that he had an unsuspected role in behind-the-scenes German reunification diplomacy. He says he spent "many hours" last year discussing German unity with Soviet President Mikhail Gorbachev. He helped Chancellor Helmut Kohl convince Moscow that unification would work in its favour.

Through unification, Deutsche Bank is closing a cycle in corporate history. It has re-occupied many of the east German banking buildings it owned before 1945. So far in 1991 it has opened a further eight branches in east-

ern Germany, adding to the 156 it had there last year.

Of economic restructuring in the east, Mr Kopper says: "It is painful, and will remain painful for several months." He reveals that the bank has lent DM400m to clients starting new businesses in eastern Germany. It also has on its books DM7bn-DM8bn of "liquidity" loans to east German enterprises, guaranteed by the state Treuhand holding company.

For the economic future east of the Elbe, he puts his faith in retail banking and help for business start-ups. "People talk about business with east German enterprises. I couldn't care less. I am interested in the 17m people (in east Germany) as customers. I want more market share. I don't want corporate business."

In the UK, Mr Kopper played an important part in preparing the Morgan Grenfell takeover, sealed just days before Mr Herrhausen's assassination by terrorists. Last summer, Morgan Grenfell took over responsibility for all Deutsche Bank's mergers and acquisition (M&A) business, including in Germany. Mr Kopper says that Germany can learn from the different Anglo-Saxon "chemistry" in M&A. German companies traditionally do not shop around for external M&A advice. If they turn to outsiders at all, they tend to rely on their house bank, he says.

In some of his first statements after taking over, Mr Kopper gained a reputation for criticising some aspects of well-protected German capitalism. Last year he urged a law against insider trading and spoke out against restrictions on shareholder voting rights. Mr Kopper admits that in one or two areas, the German economy can do with more "pep". But the recent experience of much faster German economic growth (at least in the west) than the rest of Europe seems to have made him less critical.

Asked about the contrast between long-term company-shareholder relationships in Germany and the "short-termism" in the UK, Mr Kopper becomes the spokesman of corporate Germany: "It was good for German industry that management was able to think over the medium and long term, and concentrated on building up its industrial structures and capacity. It did not concentrate its time and most of its grey cells on financial acrobatics."

He interrupts the flow of German to pronounce "financial acrobatics" - by which he means, above all, contested takeovers - in English, with a distinct curl of his lip. "What has that got to do with *Unternehmer-tum* (entrepreneurialism)?" Mr Kopper asks scornfully - signalling his belief that Britain can learn a lot more from Germany than the other way around.