

General Meeting 2006

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



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Deutsche Bank



Good morning, Ladies and Gentlemen,

On behalf of my Management Board colleagues and myself, I would like to bid you a warm welcome to our Annual General Meeting today. We had an eventful year, with a number of very impressive achievements, despite a few bumps along the road. Overall, however, I can say without exaggeration that our company had an exceptionally good year. I would like to start off with three pieces of good news:

- First: 2005 was a very good year for Deutsche Bank. We achieved strong profit growth and delivered on our targets.
- Second: the figures for the first quarter of 2006 are also very good.
- And third: Deutsche Bank's success is also a success for you, our shareholders. Accordingly, we are proposing to you a significantly increased dividend of 2 euros 50 per share.

I would now like to discuss in more detail the most significant developments for the bank during the past year and the first quarter of this year.

In 2005, revenues increased by 17% compared with the previous year, to almost 26 billion euros. We operated cost-consciously and kept our risk provisions low, and as a result, we were able to turn revenue growth into a significant increase in bottom-line performance. Pre-tax profit rose by 52% to 6.1 billion euros, while net income rose 43% to 3.5 billion euros. Earnings per share rose 53% to 6 euros 95.

Never before has Deutsche Bank been able to present such good operating results. And we are sustaining this success. In the first quarter of this year, we generated total revenues of 8 billion euros, 21% more than in the same period last year. We succeeded in reducing the cost/income ratio to 67%. This, together with our prudent approach to risk, led to a substantial rise in pre-tax profit to 2.6 billion euros, up by 46% compared with the same quarter last year.

These achievements demonstrate three things: we have the right strategy; we have the right business model; and we have the right people. It is our people who deliver first-class performance for our customers, each and every day, with their expertise, their energy and their creativity. They are the guarantee for the bank's outstanding results. My very special thanks go to all our staff for their untiring commitment.

In addition, I would like to take this opportunity to address a special word of thanks to Dr. Breuer. My colleagues on the Management Board and I have always greatly appreciated the consistently good-natured, collaborative spirit in which he worked with us. Dr. Breuer: we thank you very much!

Ladies and Gentlemen,

All of the bank's divisions contributed to these exceptional operating results. The Corporate & Investment Bank, or **CIB**, delivered both record revenues and record profits last year. Revenues grew by 19% to 15.9 billion euros, while underlying pre-tax profit rose 57% to 4.8 billion euros. And the first three months of this year were also very gratifying. At 2.1 billion euros, pre-tax profit was up 33% versus the same quarter last year. This reflects the success of our business model, which focuses on creating structured products and tailored solutions for demanding corporate and institutional clients. We command high market shares, above all in high-value products, and we hold strong positions in all our key businesses and regions. CIB's success, however, is also the result of a thorough continued development of our organizational structure. We integrated corporate finance with our traditional corporate banking business. This was the right move, and allows us to win additional mandates, as clients increasingly want products and solutions delivered through a single point of contact. Furthermore, of course, it is quite simply more efficient when the client is contacted by a single advisor rather than by several staff members from different divisions.

Our Private Clients and Asset Management Group Division, or **PCAM**, increased its underlying revenues by 6% to 8.5 billion euros in the financial year 2005. Underlying pre-tax profit also registered a solid improvement, rising 16%

to 1.7 billion euros. In the first quarter of 2006, pre-tax profit grew by an impressive 37% to 558 million euros – a record result for PCAM.

These results were boosted by sustained strength in our business with wealth-accumulating private clients and small businesses. In our Private and Business Clients franchise, last year's operating results once again reached the record level of 2004, thanks to a strong increase in our lending and deposit business, and this despite very modest economic growth in our core markets of Germany and Italy.

PCAM's positive development also reflects the results of a thorough reorganization in the Asset Management Business Division, and the significant net inflow of funds to our investment management business lines. Invested assets grew in total by 15% to 866 billion euros by the end of 2005. Business with private clients was somewhat stronger than with institutional clients, and in the first three months of this year, invested assets grew by an additional 19 billion euros to 885 billion euros. Our mutual funds business also progressed very successfully in Europe and Asia. DWS consolidated its position as the best mutual fund company in Europe and was acclaimed for the twelfth consecutive time as the "Best Mutual Fund Company in Germany". This is an unprecedented success story!

Ladies and Gentlemen,

As shareholders, you profit directly from Deutsche Bank's success. Our share price performed very well during the last few months and, at the beginning of May, rose close to its previous all-time highs. And, as you can see, the share price clearly developed better than the DAX.

Furthermore, we continued our share buyback program, in accordance with the authorization we received at last year's General Meeting. Since then, we have repurchased a total of 35,846,000 common shares. This corresponds to 91,765,760 euros or 6.5% of the share capital as of the last AGM. On average,

we paid 87 euros for each repurchased share, for a total consideration of approximately 3.12 billion euros.

At the time of last year's General Meeting, we held around 33.3 million common shares in treasury as a result of our share buyback program. Out of these, and out of the 35.8 million subsequently repurchased which I just alluded to, we used a total of 40 million shares to reduce our equity capital. In addition, we allocated approximately 10.3 million for share awards to staff members within the framework of our performance-based compensation policy. The balance, totaling 18.9 million shares, is being held until further notice in treasury. We are also proposing to today's AGM that the Management Board be authorized to conduct another share buyback program, and we request your approval for this. This authorization would be precautionary. The program is an important component of our capital management strategy and gives us flexibility with regard to shareholders' equity.

Furthermore, the Management Board and Supervisory Board today proposes to disburse to you a **dividend** of Euro 2.50 per share, an increase of 80 cents compared to last year. Over three years, our dividend has thus nearly doubled. This also reflects our confidence in our ability not only to maintain, but also to increase, Deutsche Bank's strong profitability.

Ladies and Gentlemen,

This success is no coincidence. Our results are the fruits of the dedicated, performance-oriented, hard work we have carried out over the last few years.

The bank's successful financial performance is based to a significant extent on our **business model**, which – supported by intelligent information technology – is designed for the continuous development and commercialization of innovative products. These products are tailored to the needs of our clients, from large multinational corporations to normal consumers, from institutional investors to private investors. We want to be the provider of choice for all our clients. We aim to justify their confidence in Deutsche Bank, and we want to win their busi-

ness by superior performance. We offer expert advisory services, needs-based products and integrated solutions “from a single source” – in our investment banking business as in our private and business clients franchise, in Germany as in other countries. This is what Deutsche Bank stands for. This is the foundation of our success.

Of course, a business model alone is not a guarantee of success; what matters most is how this model is implemented. Deutsche Bank is not a factory or an industrial manufacturer; we are a services company. And, as I said earlier, **our staff members** are our most important capital. They are the ones who put our business model into practice. They are the ones who optimally fulfil our clients' requests and who, perhaps even today, have an intuition for what our clients will expect from us as a bank in the future. Why do I come back to our staff once again?

Our staff members work in an organization which aspires to be at the forefront in the world of money and finance. We can only fulfil our aspirations if we employ the most talented people in the world. Of course, these talented individuals are rare and highly sought after. If we want to recruit them and retain their loyalty for Deutsche Bank, we must be attractive as an employer. Naturally, this means compensating them appropriately.

However, money isn't everything. For exceptionally talented people, interesting and challenging responsibilities, first-rate training programs, and promising career prospects are equally if not more important. We offer good career development opportunities – and specifically global opportunities, through prospects for international deployment. Furthermore, we invest heavily in qualifications and training for our staff members. And we assign them tasks that give them opportunities to compete, and win, against the best in the business. This is a good motivator, and encourages our employees to give of their best and deliver top performance. Winning the race to attract top talent pays off – for our clients, for the bank, and as a result for you, our shareholders.

For our vision is to be the leading global provider of financial solutions for demanding clients creating exceptional value for our shareholders and people.

Any vision requires a clear and convincing **strategy**. Deutsche Bank's strategic approach reflects our strengths and history – in other words: our **identity**. With firm roots in our home market, Germany, Deutsche Bank is a leading global investment bank with a strong and profitable private clients franchise. This strategy is sometimes seen as being focused too one-sidedly on the capital markets business and lacking emphasis on the retail business. Anyone who says so is mistaken, as the figures show. We have successfully implemented numerous growth initiatives in our business with private clients and thus increased the underlying profitability of this business by 88% since 2002.

This shows that we are one bank! We believe it is important that our activities in all our lines of businesses complement and reinforce each other. We are established as a leader in Europe, and we are well-positioned for expansion in North America, Asia and other growth markets.

Ladies and Gentlemen,

We all know that a bank with global operations must be strong above all in its **home market**. Axel Springer once said: "With home in your heart, embrace the world." To us, this means: only from a strong competitive position in our home country can we be successful around the globe. And we have a strong position in our home market: revenues in Germany in 2005 represented nearly 30% of our total revenues and thus form an important pillar of our business. In absolute terms, revenues here increased last year by 4% to 7 billion euros. Thus, in Germany – I am proud to say – our growth was significantly stronger than the overall German economy and the market in general.

Our objective can only be to further strengthen and build on our position in Germany. To achieve this, targeted acquisitions can contribute to the growth of our private client franchise. Our interest in Berliner Bank underlines our intention to expand our branch network in Germany.

Today, we already offer our private clients a comprehensive spectrum of financial products tailored to meet the client's respective stage in life. When it comes to personal wealth, everyone wants to be sure they receive the best services. In competitive analyses last year, Deutsche Bank's range of services received top scores three times over. Our advisory package is based on a comprehensive financing and wealth planning system that helps to make the right decisions for our clients' finances and, as a result, to further improve their financial situation and secure their future financially with predictable income. This is particularly relevant for individual retirement planning, which is becoming ever more important.

But we are also working on new solutions to help our mid-cap clients secure their future. Here, for example, we expanded our capital market financing and developed new, innovative products to improve companies' capital funding. With our EquiNotes product, we help mid-cap companies to overcome constraints on their equity capital and finance their investment projects more easily.

We are pleased about every satisfied customer, and every new customer. Accordingly, we are expanding our range of products and services to reach new target customer groups - for example, university students. We provide student loans of up to 30,000 euros, and specially trained advisors offer students a comprehensive service package, for example, as they commence their studies or careers. Since last October, we have already acquired 40,000 students as new customers. These are valued clients of the future. Our objective is to convince them of the value of our services and to win their long-term loyalty.

From a bank like Deutsche Bank, clients expect that service, advice and products are properly aligned, and this is something we must ensure. But we must also continually ask ourselves: how can we best reach out to our clients? What is the fastest and the most effective way? And: which channel would our clients actually prefer to use to do business with us? The answer is clear: we must offer **intelligent choice**. Direct sales, mobile sales as well as online and branch banking must result in a co-ordinated and successful package.

To do this, we also rely on selected partners such as DVAG and, from last year, ADAC. The partnership with DVAG has proven to be very successful, with 380,000 new clients and invested assets of 3.1 billion euros. With ADAC, Europe's largest automobile club, we entered into an exclusive partnership agreement and have already gained 40,000 new clients through this channel. But that is not enough. We are also investing in our own organization. Already last year, we strengthened our sales force by hiring 750 new advisors. This year, an additional 1,000 new jobs will be created in total at Deutsche Bank in Germany alone.

As you can see, we are rising to the task. We are developing, expanding, building on and investing in our organization, for example, in our branch network in Germany, where 100 Investment & Finance Centers were modernized and 50 new financial advisor offices were opened. In addition, we are testing a fully new branch concept. With the Q110 branch in the center of Berlin, we intend to make banking of the future something our clients can already experience today. Here, we have taken inspiration from unusual ideas. Just drop by our branch in the Friedrichstrasse next time you're in Germany's capital city. Make the time for it – I can assure you, it is worth it.

Nonetheless, business is never entirely free of problems, and Deutsche Bank's business is no exception. In December 2005, DB Real Estate Investment GmbH found it necessary to commission an independent revaluation of the properties in the grundbesitz-invest real estate fund. The subsequent, unavoidable decision to close the fund for the period of the revaluation was taken in the interests of both the fund's investors and our shareholders. This was the only way to determine reliably the correct unit price and ensure equal treatment of all investors. Once the revaluation was concluded, the fund was immediately reopened – as you know – at the beginning of March 2006. Let me just say in summary: we correctly kept our promise, despite some public acrimony, which I do not want to go into here, and provided fair compensation to the private investors who experienced a reduction in the value of their investment as a result of the revaluation, taking into account the accrued dividend payments.

Ladies and Gentlemen,

We are a bank with international operations and seek to use the opportunities globalization offers us. For this reason, we are concentrating on attractive markets with high growth potential. In these locations, we differentiate ourselves from our competitors and build powerful strategic positions. In this process, we combine organic investments in interesting lines of business with appropriate acquisitions whose business potential we can leverage to the full. Acquisitions, however, cannot be an end in themselves; on the contrary, their financial rationale must also be convincing. This is in the fundamental interests of our shareholders – in other words, your fundamental interests.

Where do we go from here?

In **Corporate & Investment Banking**, we have a leading position in Europe – and we intend to expand on it, for we still see enormous potential for the capital markets business. This is borne out by the fact that the corporate finance business in the first quarter of this year was bigger in Europe than in the USA. The announced transaction volume in mergers and acquisitions increased, compared to the same quarter last year, in the USA by 29% to 403 billion U.S. dollars, whereas in Europe, it rose by 114% to 443 billion U.S. dollars. We are well positioned to participate in this positive development and to seize the opportunities it offers.

What else are we doing? We are strengthening our presence in international growth regions. In Turkey, we bought out the remaining 60% in the brokerage house Bender Securities, and in Russia, we purchased the remaining 60% in the investment bank United Financial Group. In these two countries, we now rank among the market leaders in investment banking. In Saudi Arabia, we concluded a joint venture with Al Azizia Commercial Investment Company, and in Mexico, we reached an agreement on the acquisition of a 49% shareholding in the mortgage bank Fincasa Hipotecaria. In Australia, we entered into a partnership with Wilson HTM, one of the country's leading investment advisory companies.

We are also pursuing a worldwide strategy in asset management and in our business with wealthy private clients. Here, we intend to expand further and establish ourselves as one of the world's best asset managers. To do so, we have introduced a global product-oriented business model in **Asset Management** that enables us to make better use of our resources around the world. Given the outstanding success of DWS in Germany and Europe, we decided that our entire mutual fund business for private clients worldwide will now be operated under the DWS brand. Consequently, we integrated Scudder Investments in the U.S. into DWS and launched the new brand "DWS Scudder" onto the market. In China, we entered into a joint venture with Harvest Asset Management, one of the leading national asset managers in this important growth market.

In our **Private Wealth Management business**, we want to expand our market share in the more developed markets in Western Europe and North America. At the same time, we aim to win new customers in the emerging markets of Asia, the Middle East, Eastern Europe and Latin America. In order to ensure a high-quality client advisory service, we are continuing our staff training programs, but we will also hire selected, experienced advisors.

Growth is also high priority in our business with asset-accumulating private clients and smaller companies. Here, we intend to expand our consumer finance business, which is already very successful in Italy, in our other core markets in Europe. We will nearly double our branch network in Poland, where we have opened 26 new branches since the middle of last year. In addition, we expanded in emerging markets in Asia. In India, we established eight branches in seven of the country's largest cities. We have nearly 500 staff members based in India, 270 of whom are financial advisors. We got off to a very promising start: we acquired nearly 20,000 new clients in India within the space of just a few months. I believe this is an impressive figure and points the way for the future. In China, too, we gained access to the enormous potential of that country's private client market through our shareholding in, and extensive cooperation with, Hua Xia Bank.

Ladies and Gentlemen,

We intend to continue to grow. Of course, we would like to win new business and gain new clients. But not at any price! Nowadays, a company is not judged solely on the financial success it achieves, but also on how it achieves that success. This applies in particular to banks. We are able to handle volatile markets very professionally, but we cannot, and will not, allow our reputation and integrity to be damaged.

In the past, some incidents occurred in connection with the internationalization and expansion of our business and with companies we acquired. At that time, business practices were judged differently than today. Also, the scope and complexity of regulation have increased dramatically since then.

We have responded and taken precautionary measures to deal with these risks as well. We have an effective compliance organization that is intended to ensure global observance of all relevant laws and guidelines. Our risk management and our control systems are state of the art. We do not tolerate any conduct that breaches statutory or regulatory requirements. Here, there can be no excuses; we have a zero-tolerance policy. Furthermore, we believe that no business transaction in the world is worth risking the bank's reputation. Deutsche Bank has won an outstanding reputation in the financial sector. We intend to maintain this reputation. It provides a solid basis of trust and is a prerequisite for our success.

Ladies and Gentlemen,

Deutsche Bank is well equipped for the future. We are again well-placed to profit from what will probably be generally favourable economic conditions in 2006, and we are making every effort to do so. The **global economy** should continue to be robust this year, with growth of approximately 4.6%. Growth in the U.S. and Chinese economies will be sustained. In Europe, we expect growth to accelerate.

In **Germany**, too, things are looking up. For the first time in years, we can see more trust in the economy and increased confidence among consumers. The Ifo Business Climate Index for German industry and trade has reached its highest level in more than ten years. The companies surveyed assessed their current business situation more favourably for the fifth time in a row, and their expectations have remained consistently positive. At the same time, confidence among German consumers is also increasing. GfK, a market research institute, has found that optimism has reached levels comparable to the end of 2001, just before the introduction of the euro.

An environment like this with such confidence is naturally good for Deutsche Bank, given its commanding position in Germany. Thanks to our full range of products and services, and our expertise, not only in the traditional deposit and lending business, but above all in the capital markets business, which is gaining in importance, we are in a position to reap the full benefit of the anticipated economic upturn. On the capital markets, we operate as a transformer, connecting capital issuers with asset gatherers, and investors with companies. Thus, we are in the right place, at the right time, with the right business model.

If this recovery is to become permanent, and if Germany is to regain its status as the engine of economic progress in Europe, additional reforms are indispensable. The Grand Coalition under the leadership of Chancellor Merkel has made a good start, and I am confident the new German government has the will and the ability to tackle the big issues. We must think boldly and act boldly. Those who have the courage to take risks, and who have the courage to cope with setbacks, will succeed. We must be prepared to take the truly uncomfortable political measures. Our social security systems must be placed on a solid, long-term financial footing, and corporate taxation urgently needs to be reformed. In other words: taxes must be lowered; they are too high; they hinder progress. At the same time, consolidation of public-sector budgets must continue. We need less red tape and more freedom; we need increased flexibility on the job market.

If this approach goes hand in hand with social responsibility, it will lead to more growth, resulting in more jobs, leading to more orders, and bringing economic success back to the Federal Republic of Germany. In this context, let me emphasize, Germany is a high labour cost country, and will remain so. Ideas and innovations form the fundamental basis for the economic success of our nation, especially in times of globalization. For this reason, we must increase our commitment to education and research. The onus here is on political and business leaders.

At Deutsche Bank, we are stepping up to our responsibilities in this regard. At the moment, we are training 1,500 young people in Germany and preparing them for their careers. But we are also committed to the training and education of young people outside the bank, for example through our support for numerous schools and universities. Not only do we provide support for pioneering efforts in research and teaching, but we have also backed the pre-vocational training of young people for many years now. To mention just one small example among many: last year Deutsche Bank staff in and around Frankfurt provided assistance to secondary schoolchildren in the selection of their future vocational training programs – and their efforts were successful. As a result, the ratio of apprentices continuing in their chosen occupations increased significantly. For this reason, we will expand this cooperation to other regions.

Ever more frequently, we are asked to assist schoolchildren in learning how to handle money responsibly. Teachers and parents often lack the required skills. Therefore, we have launched the “General Financial Education” initiative at 250 schools throughout Germany. 60 of the bank’s customer advisors assist teachers in preparing and teaching financial topics and provide free teaching material.

We are constantly providing aid and support to those in need and people in emergency situations – and we do this around the globe. We, Deutsche Bank and our staff members, donated generously to the victims of the tsunami in Asia, Hurricane Katrina in the U.S. and the earthquake in Pakistan. The most recent example is our support for relief efforts for the survivors of the major

earthquake on the Island of Java amounting to 300,000 euros. And for years now, we have been helping people in developing countries to establish their livelihoods through microcredits.

These are only a few examples of how Deutsche Bank contributes to society. In total last year, we disbursed nearly 90 million euros around the world through our cultural and social commitments. This is a good 20% more than the year before.

We are glad to make this contribution because we are aware of our responsibility to society. But we can only fulfil this responsibility if we can afford it. And we can only afford it if we work efficiently and economically - that is, if we make profits. Only profitable companies can commit themselves to helping the communities around them.

Even if, as an international company, we are committed wherever we do business, the focus of our social activities nevertheless remains here in Germany. Our wish is that people here should once again identify themselves more strongly with our country, the Federal Republic of Germany; they should be more confident and accept responsibility. For this reason, we decided to lend our support as a partner to "**Germany – Land of Ideas**" campaign. This initiative clearly shows what Germany has to offer, what Germany is capable of, and how Germany can actively shape the future through ideas. We, Deutsche Bank and all its employees, are pleased to be able to play our part in this endeavour.

Thank you for your attention.