

General Meeting 2005

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



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Deutsche Bank 

Good morning, Ladies and Gentlemen,

I would like to cordially welcome you, on behalf of my colleagues on the Board of Managing Directors and myself, to today's General Meeting.

I have the pleasure of being able to announce several pieces of good news to you this morning:

- First: Deutsche Bank clearly improved its operating strength in 2004.
- Secondly: Like last year, today we will again be proposing to you an increased dividend.
- And thirdly: In the first quarter, we made a very good start into the year 2005.

But first, allow me to present the development of our bank's business over the course of last year and during the first quarter of this year.

Slide – Clear progress

The transformation of the bank which we launched in 2002 has again increased our operating performance. In 2004, our pretax income increased by 46% to EUR 4 billion, and net income by even 81% to EUR 2.5 billion. In the first quarter of this year, we earned pretax income of EUR 1.8 billion and net income of EUR 1.1 billion.

In 2004 we were able to increase our pretax return on equity by 6 percentage points to 16%. During the first quarter of this year, this figure once again rose to 30%, and before restructuring expenses even to 33%. But here it's important to keep in mind that the first quarter, due to seasonal effects, is usually the strongest quarter of each year. Especially for a bank like ours, high profitability is important so that we can absorb risks as well as keep our credit rating stable and our capital costs low.

These good figures are the result of our successful efforts. They underline the leading position we have in Germany and internationally, and they encourage us to become even better. This is why we are determined to continue on the path we have taken. We are convinced that we have the right strategy, that our business divisions are in good shape, and that we have highly capable employees.

In our two Group Divisions, Corporate and Investment Bank (CIB) and Private Clients and Asset Management, (PCAM) we saw a number of very positive developments.

Slide – Corporate and Investment Bank

In our corporate and investment banking business, we strengthened our position as one of the world's leading providers. In 2004, we earned an underlying pretax profit of EUR 3 billion. The first three months of this year were also very satisfying. At EUR 1.6 billion, underlying pretax profit was 40% above the same previous-year quarter. Here, we benefited from the first positive effects from combining our equity and debt sales and trading units.

Slide – CIB, positions of global leadership

Our sales and trading in debt and other products produced record revenues. We are particularly pleased that we are now the world's No. 1 in sales and trading. Our origination and advisory businesses also experienced solid revenue growth. Measured by our market share of fee pool, we currently hold fifth place in the world.

Slide – Private Clients and Asset Management

In our business with private clients and asset management, we earned an underlying pretax profit of EUR 1.5 billion in 2004 - a 35% increase over the previous year. The results of the first quarter of 2005 reached the same high level as the first quarter of 2004. The performance of the Private & Business Clients Corporate Division was especially satisfying: It achieved its ambitious target, a pretax profit of EUR 1 billion, in the first full financial year after its restructuring. Two years ago, few would have thought we could do it. This now makes us the most successful bank for private and business clients in Germany. But also the Private Wealth Management Corporate Division has continued to expand its market position. Net inflows of assets under management in 2004 came to more than EUR 6 billion and, in the first three months of this year, we added another EUR 2 billion.

Slide – PCAM, a world leading asset manager with a strong brand: DWS

Our Asset Management Corporate Division is one of the world's leading asset managers. Here, we have reversed the trend and recorded net inflows of investments in the first quarter of 2005 totalling EUR 24 billion. DWS defended its position as the market leader in Europe and in Germany was awarded the title "The Best Mutual Fund Company of the Year" for the eleventh time in a row. Not least because of this success, we integrated our global mutual fund business under the management of DWS in Frankfurt.

Deutsche Bank has a globally balanced business portfolio with a strong home market in Germany. Our activities in this country represent a key pillar of our business, and we earn one third of our revenues here. Our expansion abroad

does not in any way detract from our business in Germany. On the contrary, over the last few years we have experienced strong growth in Germany, too.

Slide – Risks further reduced

We continue to make progress in improving the bank's risk profile, and we again improved the quality of our loan book. Thanks to effective risk management processes and a more favorable lending environment, we were able to reduce problem loans in 2004 by 27% to EUR 4.8 billion. Provision for loan losses went down to EUR 372 million. This is 67% less than in the year before. For the first quarter of this year, provision for loan losses was again below the previous year's figure.

The Corporate Investments Group Division continued to reduce its shareholdings and risks consistently throughout the financial year 2004 and the first quarter of 2005. Through the sale of industrial shareholdings, private equity investments and real estate assets, we achieved a sustained reduction of the capital tied up in this area.

Slide – Shareholders participate in the success

Ladies and Gentlemen,

Our success is also your success. Today, the Board of Managing Directors and Supervisory Board therefore propose to disburse to you a dividend of EUR 1.70 per share, an increase of 20 cents compared to the preceding year. Together with the rise in 2003, your dividend has increased by more than 30% within only two years. Here, we are continuing a tradition: for almost half a century we have been disbursing an annual dividend which has either increased or at least remained stable, but which has never gone down. Compared to our German competitors, this is certainly a remarkable achievement.

In addition, over the last three years, as part of our share buyback program, we have returned excess capital amounting to EUR 4.5 billion to you. This has involved capital that was previously tied up in non-core activities and our industrial shareholdings. This has not, in any way, compromised our opportunities to grow.

Specifically, since the last General Meeting, we repurchased a total of 54,385,424 shares at an average price of EUR 62.84, representing a total value of EUR 3.417 billion. This corresponds to 9.9% of the outstanding share capital. The buybacks were funded by current earnings. The bank now holds approximately 33.3 million shares in treasury, which corresponds to approximately 6.1% of the shares issued. This figure is derived from the total of 29.5 million shares in treasury as of last year's General Meeting plus the 54.4 million shares repurchased less 38 million retired shares as well as about 12.6 million shares used to fulfil our share-based compensation programs.

Ladies and Gentlemen,

In general, last year was a very satisfying year for Deutsche Bank, for your bank. The transformation of the bank has paid off. We have come a great deal closer to our objective, to operate one of the world's leading banks out of Germany. In order to achieve this objective, there are no alternatives to the course we have taken. This becomes clear when we take a look at the developments in our environment.

Shaping change

We live in times of deep-rooted political, economic and social change. The world is changing, Europe is changing, and we, too, in Germany must change ourselves – much more than has already taken place, and much more than many realize. According to forecasts by the EU Commission and the IMF, Germany will again this year come in last place in the EU in terms of growth. “Business as usual” will not be sufficient if we want to secure our lasting prosperity. My desire is that we not only accept change, but also develop the ambition to actively shape this change.

Our society is ageing, taxes and expenses are restricting investments and consumer spending, and unemployment is persistently high. Budget deficits have reached new peaks, and social security systems are reaching the limits of their capacity. So it is only a logical consequence that the relationship between the state and its citizens is being redefined. Public services are being re-examined. Responsibility is being returned to the citizens. This is good, considering that with more civic freedom and “less government”, new opportunities are created. But this also means individuals have more responsibility for their own destinies. Personal pension planning and independent initiative are becoming increasingly important.

This is the situation, but unfortunately a lot of people in Germany do not see this as increased freedom, but rather as a loss of security and stability. The consequences are uncertainty and low consumer spending. The economy and the state are now suffering from this situation. We must take care that the country does not paralyze itself – the result would be stagnation or even regression. However, what everyone needs to recognize is that Germany is a country with high costs and that Germany will remain a high-cost country by international comparison. But Germany is also capable of the highest achievements. We should display more self-confidence, and we should be optimistic, because we have a lot of strengths. Germany has a very powerful economy and is highly skilled in innovation. If we persevere on the path of reform, we will be able to overcome our difficulties – I am convinced of this. But we must all be aware: whoever wants to leave everything as it is will also lose what he seeks to preserve.

For globalization is continuing. We cannot escape it. As a world-leading exporter, we cannot cut ourselves off. We are in competition with other nations. And the competition is not going to wait for Germany to get into shape. In this

competition, the behavior among the competitors is as if they were running away from a bear. Those that want to survive do not necessarily have to be able to outrun the bear, but they do need to outrun the other competitors.

It is clear: The opening-up of markets globally is not entirely without risks, but above all, it offers opportunities. And we should seize them. Not just Deutsche Bank, but also Germany must act as a global player. And Germany can become a global winner!

Our vision to master the challenges

Ladies and Gentlemen,
Deutsche Bank operates in 74 countries across the world, and we experience the changes which I just mentioned much earlier than a lot of other companies. For this reason we are called upon to introduce change much earlier than others. And we must also do just that if we want to continue to be among the world's leaders in banking. But what is our answer to these challenges?

Our vision is clear and simple: We want to establish ourselves as one of the world's top banks from within Germany – nothing more, but also nothing less than that.

In order to achieve this goal, we must measure up to our global competitors. Here it's apparent that there is still a distance between us and the world's premier league. We must continue to increase revenues and keep risks under control. Furthermore, we need to work on our cost efficiency – in those areas where this is necessary. Unfortunately, we will not be able to avoid, in certain areas, a reduction in the number of employees, as we have already announced. As you know, on balance 1.920 jobs in Germany will be affected by this. These measures are painful. Reducing jobs is a task that neither I nor my colleagues on the Board of Managing Directors take lightly. We are very much aware of the importance that employment has for each individual and his or her family. We therefore take great care to carry out these measures in a socially responsible and fair manner. In this context, our stated objective continues to be to avoid redundancies. Nonetheless, Deutsche Bank must become even more efficient to sustainably strengthen its competitiveness. We are not taking these measures for their own sake. This is the only way we can secure our future as an internationally successful and independent bank, and maintain a leading role in the global markets.

Customer focus

In all this change, however, one thing remains constant: our customers are at the center of what we do. We want to be our customers' first choice, everywhere we do business. Whether in Wiesbaden or Sao Paulo, be it in Bangalore or New York: our clients want expert advice and high quality products. Our staff

members offer this to our customers every day, at every one of our locations. This is what Deutsche Bank stands for. It is the cornerstone of our success.

We offer our clients tailored products and integrated solutions “from a single source” – in investment banking as well as in our business with companies and private clients, in Germany just like in other countries. We want all of our customers to profit from our global market knowledge and the product expertise of our investment bank. In this, we must remain flexible and continually question the status quo to offer our clients first-class solutions. And this approach is reflected in our strategic alignment.

Deutsche Bank is very well positioned with its five core businesses within the two Group Divisions Corporate and Investment Bank and Private Clients and Asset Management. In our investment bank, we are among the three largest institutions based on revenues. Here we intend to build on our global leadership position with our wide range of services. In our Private Clients and Asset Management division, we will continue on our path of profitable growth. In Asset Management we are already positioned globally. What is important now is to improve structures to increase earnings potential. In Private Wealth Management, we are continuing the accelerated expansion of business. We intend to leverage our strengths in investment products and advisory services more intensively to benefit our private and business clients.

In our business with private clients, we have proven that we have a successful business model in Germany, Italy and Spain. And in Poland we are also making good progress in the further expansion of our position. Now, it is important to see how we can use our strengths in other regions and markets with high growth potential. We have a long and well-established tradition in retail banking, we have mastered this business, and we intend to expand it.

Let me highlight the key features of Deutsche Bank that make it unique:

- We have outstanding core competencies in all the areas we work in and, thanks to our ability to innovate, are at the forefront in all of our markets.
- Our business portfolio provides substantial synergies between the corporate divisions and is solidly structured with an attractive range of products and a large spectrum of services.
- In addition, our customer base is broadly diversified and comprised of private clients, family and small businesses, mid-cap clients, large corporations, financial institutions, the public sector and international institutions.

We will deploy our specific strengths to achieve our strategic targets. We are convinced that, with our global reach, our financial strengths and the expertise of our employees, we are capable of securing and expanding our position among the leading global financial services providers. To achieve this, we will strengthen our leading role in Europe and intensify our activities in the USA and Asia.

Generating growth

In the markets that are relevant to us, we want to grow more rapidly than the market, and thus accelerate the bank's profitable growth. We intend to do this primarily through organic growth. We see that there is further growth potential, in particular, in high margin products - for example, trading in loans and the sales of complex derivatives.

Furthermore, we want to actively participate in the booming emerging markets, such as China, Russia and India. In the Asia-Pacific region we have already established a significant position and will expand our business there. Ultimately, we will make even better use of the opportunities presented by cross-selling, and intensify cross-divisional client contacts. For example, we will make the know-how of our investment bank more available to our private clients, in such areas as hedging interest and currency risks, or investing with structured equity products.

Where it makes economic sense, we will supplement organic growth with targeted acquisitions. We won't do this at any price, but instead will proceed in a very disciplined manner. We are not under pressure, but we will take advantage of good opportunities. This is something we have demonstrated over the last few years. In Germany we acquired the asset manager Wilhelm von Finck AG, in Switzerland the private bank Rüd, Blass & Co. and in the U.S.A. Berkshire Mortgage, one of the leading financers of multiple-family dwellings. In Russia we have shareholdings in the investment bank UFG; in Turkey we acquired the brokerage house Bender Securities; and in China we entered into a joint venture with Harvest Asset Management, one of the leading national asset managers in this important and fast-growing market.

Germany – our home market

Ladies and Gentlemen,
Deutsche Bank is an international group. But Germany is and will remain our home market. We have our roots here, and we want to continue to grow here. Only with a strong position in our home country can we be successful in competing globally. A strong Deutsche Bank is good for our country. Germany, the largest economy in Europe, the third-largest in the world and the largest export nation, needs a strong German bank, and conversely: Deutsche Bank needs a prosperous Germany.

We want to be a strong partner for German mid-caps. Let me state it clearly on behalf of the bank: German mid-caps are the backbone of our economy. And we use our expertise and experience on behalf of our mid-cap clients – whether it be for their transactions in Germany or their international business. We want to be there to assist family firms in all aspects of their finances. We are their partners in business matters. And we also handle their private investments and arrange security for the future of their businesses and their families' finances.

Especially in our business with private customers, too, we see enormous potential in Germany, for example, in private pension planning and consumer loans. In order to take advantage of these opportunities in our home market in a more targeted manner and to further expand our national leadership position, we established a dedicated management committee for Germany. We did this to further intensify our relationships with our clients and to gain new clients. In this context, we will be creating approximately 450 new jobs in client-facing areas, as we announced back in December. In our Private & Business Clients Business Division, we will also be hiring another 450 mobile financial advisors. This shows that we recruit personnel in attractive lines of business. As you can see, we believe in our home market in Germany, and we are continuing to invest in growth.

Employees

Ladies and Gentlemen,

We can only accomplish our objectives when we are an employer of choice worldwide for the best people. For this reason, we invest in training our staff. We are permanently working on improving the entire knowledge base at Deutsche Bank.

Deutsche Bank is a team of high-performance people. And all of us in the bank share the same strong desire to provide outstanding services to our clients. That is our passion. This desire, this élan is something I've noticed in our employees – whether they be in investment banking or Private & Business Clients, from New York, Frankfurt, or Sydney.

It is the diversity of our staff members from more than 120 countries that makes us successful in our teamwork. Performance, motivation, teamwork skills, creativity and good ideas: These are what counts. Not a person's origins, gender or skin color. It is the dedication, the confidence and the high expectations we set for ourselves – these are the real strengths of our bank, and these are what make Deutsche Bank special to all of us – to our customers, to our shareholders, and to our country.

I am proud of our employees and apprentices. They turn in an outstanding performance and have not allowed themselves to become misled by the public debate over the last few weeks. I would therefore like to expressly thank all of our staff members for their work, for their dedication, for their industriousness and for their loyalty.

Corporate social responsibility

Ladies and Gentlemen,

You certainly will expect me to comment on the “capitalism critique in Germany” – criticism that ultimately calls our market economy into question. What troubles me in this is not so much that it is partly directed at Deutsche Bank, or at me personally. But I also think it is a shame, because it draws attention away from the real problem.

Ultimately, this is about something much more important. It’s about the fundamental economic and political stance of our country towards the future. No one – at least no one I know – wants “pure capitalism”, and certainly not “predatory capitalism”. These are catch phrases from the period of true socialism, and where this led to is well known.

The anti-capitalism debate in Germany over the past weeks has kept the entire country in suspense – but unfortunately, it has not created any jobs. Here, I would just like to say: The upturn that all of us and this country need urgently will not be brought about like this!

On the contrary: Abroad, the debate in Germany is being watched closely, and the observers are shaking their heads in amazement. People abroad are asking: What does Germany have against foreign investors? Against successful companies? Against companies that bring new capital into the country, and thus create new jobs? Should they steer well clear of our country?

I am convinced that we can bring about an upturn in this country. But only if we all pull in the same direction – politics, business and trade unions as well as each individual. Considering the current discussion in our country, I would like to make three important points:

- First: Prosperity, growth and employment are only to be achieved in harmony with the forces of the market. The founding fathers of the social market economy never left any doubt that the market is pre-eminent. In our market-oriented democracy, the individual person and the individual company each play a central role. Employees, depositors, consumers and private companies – they all pursue first and foremost their individual objectives. This is the basic pre-condition for a functioning market economy, especially for a social market economy.
- Secondly: Our economic future lies in successful German companies. Value creation, prosperity and growth are only possible when companies can earn satisfactory profits – in Germany, as anywhere else. Only if we are successful, here and abroad, only if we are profitable by international standards and only if we produce stable earnings can we invest in our financial center. Only then can we, over the long term, create secure jobs, pay taxes and perform our corporate social responsibilities. A robust economy in turn strengthens our democracy!

Please do not misunderstand me: success and profits are by no means ends in themselves. What is important to us is not a short-term maximization of profits. Rather, we care about providing the appropriate and best possible services to our clients. It is important for us to position ourselves today so

that we can master the challenges of tomorrow. We cannot afford to take action only when we have already gone into the red. In open markets, this is simply running the risk that the company will go under against the competition. To me and the entire Board of Managing Directors, responsible corporate management therefore means taking forward-looking steps and setting the course for tomorrow! This is the duty of every prudent businessman.

Taking forward-looking steps is the basis for long-term economic success and high profitability.

High profitability first and foremost is for the benefit of our shareholders. And let me emphasize something here: behind our institutional shareholders, that is to say insurance companies, capital investment companies and pension funds, there are ultimately private investors and depositors. In the public discussion, it is frequently overlooked whose money is actually being invested.

- Behind every insurance company are its private customers.
- Behind every capital investment company are the individual fund investors.
- And behind every pension fund are workers and employees who are saving for their pensions.

These are investors like you! And we owe all of you the best possible return on your capital. Because this may also be a matter of your retirement pension.

- Thirdly: we, all of us here in Germany, should display more confidence and, above all, give young people in our country a clear perspective for the future. They are the ones who will decide the development of this country in the future, with their knowledge and their creativity. One of our most urgent tasks is to provide young people in Germany with the opportunity for a high-quality education. Here, politics and business have a responsibility. Much more must be invested in our schools and universities. And companies must contribute, too. We, Deutsche Bank, are doing this on a large scale. Many of our employees make a commitment as teachers and lecturers. In addition, Deutsche Bank provides support for the training of young people with donations to numerous schools and universities. Furthermore, we are currently training approximately 1,600 apprentices in Germany. In some areas we have a training ratio of up to 11%, compared with an average throughout Germany of all companies of around 6%.

Our commitment to society

We are aware that we as a company are part of society, and that this means we have a special responsibility. We make that commitment everywhere we do business. Last year we disbursed nearly EUR 70 million to cultural and social causes, for example, to support the Berlin Philharmonic Orchestra and to assist German Olympic athletes. This is – so to speak – a “second dividend”. When

necessary, we also help quickly and without being hampered by bureaucracy, as our donations for the victims of the Tsunami catastrophe in Asia have shown. Our commitment to our corporate and social responsibilities is not primarily a question of money. Our main objective is to help people to help themselves. For example, with micro-credits we help people in developing countries to establish their own businesses. And we assist young people through projects for a better education. In many of these projects, our staff members do volunteer work, and we support them in this as a matter of course.

Our commitment to our cultural and social activities is not something we do “only when times are good”. But we can only make this commitment permanently if we have the financial strength and profitability which is competitive by international standards. Otherwise, these activities would not be justifiable – neither to our employees, nor to our shareholders.

Conclusion

Ladies and Gentlemen, let me conclude by saying:

Our vision is clear and simple: We want to establish ourselves as one of the world’s leading banks from within Germany.

We made a great deal of progress along this path last year. Deutsche Bank clearly improved its operating strength, and it is well positioned for the future. But we are not yet where we need to be.

In order to be at the forefront of global competition, we must become even better. We must increase our revenues and keep costs and risks under control. We must consolidate our leading position in Europe, and further expand our activities in the USA and Asia. Also, we must stake our place among the world’s leading banks in terms of profitability, and thereby secure Deutsche Bank’s independence and strengthen our strategic autonomy.

Only in this way can we be a steadfast partner for the German economy – be it in Germany or abroad.

Thank you very much for your attention.