Annual Report 2005

Deutsche Bank Luxembourg

Our identity

We are a leading global investment bank with a strong and profitable private clients franchise and mutually reinforcing businesses. A leader in Germany and Europe, we are powerful and growing in North America, Asia and key emerging markets.

Our Mission

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

A Passion to Perform

This is the way we do business. We pursue excellence, leverage unique insights, deliver innovative solutions and build long-term relationships.

Board of Directors

Dr. Tessen von Heydebreck Chairman
Member of the Management Board and
Member of the Group Executive Committee of Deutsche Bank AG

Ernst Wilhelm Contzen
Chief Executive Officer

Detlef Bindert
Group Treasurer of Deutsche Bank AG

Dr. Hans Jürgen Koch
Chief Executive Officer of Deutsche Bank (Suisse) S.A. and
Head of Private Wealth Management International of Deutsche Bank AG

Werner Helmut Steinmüller
Head of Global Transaction Banking of Deutsche Bank AG

Management Board

Ernst Wilhelm Contzen
Chief Executive Officer

Klaus-Michael Vogel
Treasury & Global Markets, International Loans

Thilo H. Wendenburg
Private Wealth Management

You can reach us online at **www.deutsche-bank.lu**, where the Annual Report 2005 is also available.

Annual Report 2005

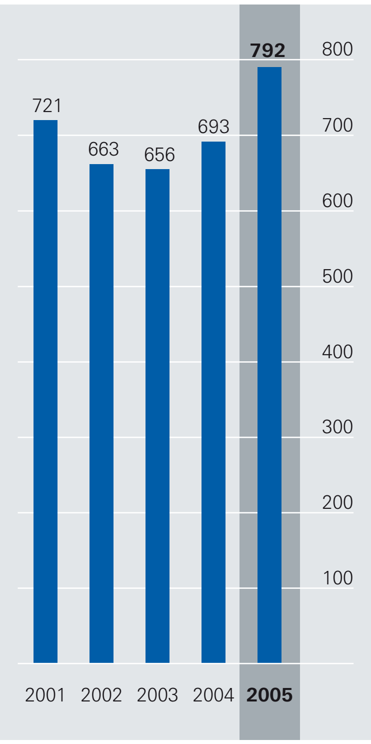
An English-language version of the German original

Deutsche Bank Luxembourg

Management's Report

European politics. In the first half of 2005, the focus in Luxembourg was on the European Union: specifically, on the EU Council Presidency and EU interest taxation. With the reform of the stability pact and the revision and reorientation of the Lisbon strategy in order to boost growth in the European Union, Luxembourg's EU Council Presidency was instrumental for the Community's economic development.

Development of the total assets of the Luxembourg banks
in € billion



The introduction of EU interest taxation as of July 1, 2005, called for a great effort on the part of Luxembourg's financial institutions, which now had the role of paying agents for the European fiscal authorities. The solution chosen by Luxembourg, namely to apply a withholding tax on interest revenues received by EU citizens not resident in Luxembourg, will ensure that bank secrecy remains intact in the Grand-Duchy in future, too.

On the basis of EU interest taxation, a further tax change came into force on January 1, 2006, for Luxembourg tax residents. A 10% advance withholding tax will now be applied to interest revenues. At the same time, wealth tax for private persons has been abolished.

On this tax basis, the financial centre expects futher growth impulses in the coming years.

The national economy is continuing to make the pace in an EU comparison. After the Grand-Duchy of Luxembourg achieved growth of roughly 4.5% in its gross domestic product in 2005, estimates by STATEC, the Luxembourg Statistical Office, call for GDP expansion of 4.0% in 2006.

Impulses from the financial centre. The financial industry has outstanding importance for the labour market. The recovery in the personnel situation that began in 2004 continued on a stronger note in 2005. At the present time, 23,000 people are employed in the Luxembourg banking industry and a total of almost 31,000 at the financial centre. This is a substantial figure for a country with a population of 450,000 and roughly 290,000 people in employment.

The banking sector continues to be the backbone of the Luxembourg economy. At the turn of the year, 155 institutions operated in Luxembourg. The German banks, numbering 43 firms, still make up the largest national contingent.

There was strong growth both in the banks' results and their aggregate total assets, with the latter rising by € 100 billion to almost € 800 billion. This gives some indication of the increase in the on-balance-sheet activities of the banks in Luxembourg.

The banks' net commission income in particular improved significantly in a year-on-year comparison. For net interest income, CSSF, the financial regulator, expects only slight changes compared with the previous year.

The Luxembourg banks continued to benefit from their considerable efforts on the cost side in the preceding years, even though their staff expenses in particular increased again. This was due, on the one hand, to the higher number of employees and, on the other, to the renewed index-linked adjustment of salaries.

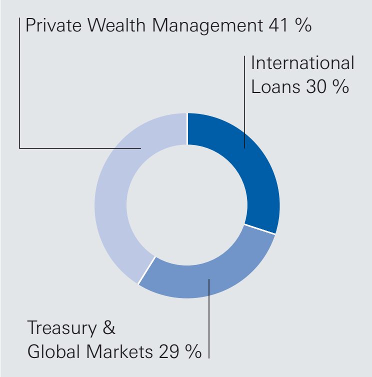
Nevertheless, revenue growth was much stronger than the rise in costs. The Luxembourg banks' provisional profit before risk provisioning and taxes, at € 4.6 billion, was 15% higher than in the previous year.

Operational strength. Deutsche Bank Luxembourg gave proof of its operational strength in the financial year ended. Compared with the previous year, our operating profit gained 7% to roughly € 150 million. Taking into account the reduced current income from participating interests and special revenues in a year on year comparison, the profit for the financial year, at € 127 million, can be regarded as a satisfactory result.

Furthermore, strict cost control enabled us to keep administrative expenses at the prior year level. More than half of the total of almost € 60 million is attributable to staff expenses, which were burdened by the renewed index-linked salary adjustment. The number of staff is unchanged on 2004 at 336.

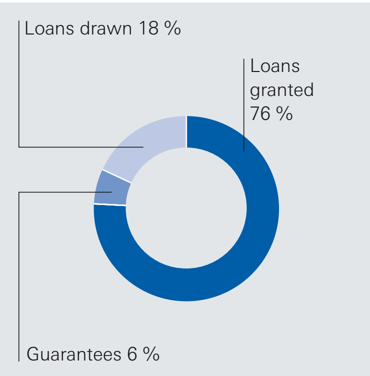
Outlook. Deutsche Bank Luxembourg looks forward with optimism to the 2006 financial year. Growth or consolidation at a high level are the objectives for our business divisions. We have already installed the lean structures and efficient processes needed to achieve them. The customer is at the heart of our thoughts and actions. Innovative and tailored solutions coupled with continuous cooperation in a spirit of trust are the order of the day.

Distribution of the three core businesses' operating revenues



Business Divisions

International Loans
total credit volume covered: € 26 bn.



International Loans

In our new lending in 2005, we concentrated on selected financings with a high proportion of advisory components. Our competence in this field and Deutsche Bank Group's competitive position, especially in advisory-intensive M&A business and in structured and leveraged financings, had a positive effect.

We continued to develop the strong position enjoyed by Deutsche Bank Luxembourg as one of the four remaining credit centres worldwide in large loan business. Despite an unchanged brisk level of credit trading, the volume of credit lines granted rose by 11%, compared with the previous year, to roughly € 26 billion. We increased the average number of booked loans by more than 5%.

As before, the main lending currency is the euro.

Spreads for big international clients are at a very low level. Against this background, the operating result achieved in the previous year came under further pressure in 2005, but was over plan.

After conclusion of the Continental European Loan Concentration project, the cooperation with loan clients of Deutsche Bank's European offices was further deepened and intensified in a spirit of mutual trust.

The development of risk in our loan portfolio is monitored in accordance with Group policy in close coordination with Deutsche Bank Group's central risk units. Adequate provision was made for all discernible risks; the volume of newly formed specific value adjustments was below the prior year level.

Agency Services. In 2005, we strongly expanded our activities as agent for syndicated loans. A positive feature was the growth in business with small and medium-sized corporate borrowers from Germany.

Outlook. We assume that we will further strengthen our position as central loan administration hub. In this respect, we will focus on complex loans in bilateral and syndicated business with small and medium-sized corporate clients and large international customers.

Private Wealth Management

Private Wealth Management delivers individual advisory services to up-market private customers. Our clients profit from the advantages of a private bank coupled with the expertise and know-how of an internationally aligned banking corporation.

With its 117 members of staff, the Private Wealth Management Business Division serves 14,000 customers who have entrusted our bank with investment assets totalling € 6.4 billion.

Our advisory strategy comprises two main areas: individual coverage and a broad range of innovative products.

The close links between our product development units and the advisory side enable us to react quickly and very flexibly to changing capital market situations. We offer our customers suitable financial products from our own bank and from selected external providers. In the 2005 financial year, there was particularly strong demand for structured products and certificates.

In mandate business, we recorded significant growth: both investment volume and the number of acquired mandates increased strongly. These inflows were realized in classical portfolio management and in the discretionary segment using innovative investment forms.

We further developed the international focus of our client coverage activities in the 2005 financial year. We increased our coverage volume mainly in Eastern Europe, where we also see further potential.

The organizational measures for the introduction of the EU Directive on interest taxation on July 1, 2005, were successfully completed.

All the measures taken led to a further substantial and gratifying increase in our results in the financial year ended compared with the previous year.

At the centre of our policy thinking is a consistent focus on the needs of our customers. On the sound basis of personal and established client relationships, we will further expand our discretionary business above all with innovative solutions for our customers.

Treasury & Global Markets

Operating profit expectation clearly surpassed. In the financial year ended, Treasury & Global Markets generated an operating profit far in excess of expectations.

Deutsche Bank Luxembourg's again higher business volume reflects not only the division's important position in Deutsche Bank Group's liquidity management operations, but also underlines, with a large number of individual transactions, its special position in Deutsche Bank Group and the expert capabilities of its staff.

One of the key tasks of the trading and sales units is the acquisition of bank deposits as an important source of funding, also for the Group.

The success of this activity was optimized by a correct assessment of the development of interest rates within the scope of asset/liability management.

Besides these activities, the individual services provided in the interest rate and currency product categories, both for external clients and the bank's internal units, constitute the basis for the division's successful contribution to profits.

Other business activities

Trust & Securities Services. By continuously broadening its platform for domiciliation, management and accounting services, the Corporate Services Division (CSD) substantially increased its business volume and profit contribution in 2005.

CSD offers its services to Group-internal and external clients. Both product divisions, Capital Markets as well as Structured Investments and Products, are now available for the administration of property companies, fund management companies and other alternative investment structures. The precondition is that they should be covered by the Securitization Law of March 22, 2004, the Law concerning Undertakings for Collective Investments or the Law concerning Companies for Investments in Risk Capital.

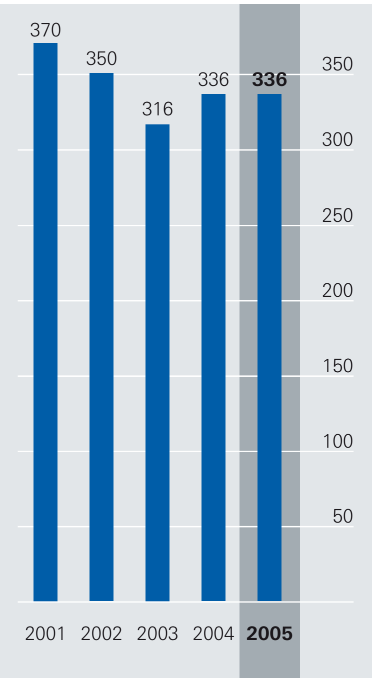
After the Securitization Law of March 22, 2004, came into force, CSD was a pioneer in the foundation of Luxembourg's first securitization company overseen by the Luxembourg financial regulator (CSSF).

Trust & Securities Services (TSS) Operations offers paying agency services for transactions in which Deutsche Bank AG (London and Frankfurt) acts as principal paying agent. TSS Operations also provides agency services for initial public offerings. In absolute figures, TSS Operations ranked third with initial public offerings on the Luxembourg Stock Exchange in 2005. With this agency service TSS is also an important player on the Irish Stock Exchange in Dublin.

In addition, TSS Operations also supports business divisions in Frankfurt, London, New York and Hong Kong in the fields of registrar and fiduciary agencies as well as in safe administration.

Divisional Functions

Development of total staff



Human Resources

In 2005, Deutsche Bank Luxembourg employed 336 members of staff (previous year: 336).

In terms of strategic focus, the bank set its sights last year on increasing its attractiveness as an employer. An important part of this process was a multi-bank staff poll on the equal standing of men and women. This survey was carried out in cooperation with the Luxembourg Ministry for Equal Opportunity and with the support of an opinion research institution. The emphasis was on topics such as vocational development, career prospects, compatibility of job and family, work stress and job satisfaction. The evaluation shows Deutsche Bank Luxembourg to be a modern and forward-looking firm that practices equal opportunity for both sexes. This can be seen above all in the field of advanced training with a high degree of vocational qualification across the board and balanced participation by all members of staff in internal and external seminars. A gratifying outcome of the poll was that it confirmed a high level of employee satisfaction.

The "Info Market 2005" was another important component of a series of events aimed at strengthening team culture in the bank. This opportunity for each division to present itself to the others deepened cross-departmental awareness and promoted Deutsche Bank's "One Bank Culture" philosophy.

To enhance vocational prospects above all from the perspective of equal standing – 52 % of all employees are female, with 12 per cent in the non-tariff bracket – Deutsche Bank Luxembourg took part, along with other Luxembourg companies, in a cross-mentoring project for women in management functions. The fact that the firms involved in the project have different nationalities and come from different industries adds a social and cultural element to the mentoring theme.

In 2006, we will again put the emphasis on advanced training. People are our most important asset. By investing in their and our future, we are protecting our competitiveness in an increasingly demanding and challenging environment.

IT

The IT Department was responsible for the smooth and punctual realization, across all relevant systems, of the EU Directive on interest taxation and the implementation of Luxembourg withholding tax on interest revenues received by Luxembourg residents.

A new version of the operating system (Windows XP) came on stream throughout the bank, creating a modern, uniform and stable PC platform for all members of staff.

The extensive IT preparations for the planned transfer of the depositary bank function to State Street Corporation were completed punctually.

Operations

The main task of the Operations Department is the settlement of securities transactions and money market activities of Deutsche Bank Luxembourg.

This unit's employees guarantee the smooth flow of internal processes connected with our business activity.

Using the "Smart Stream" reconciliation system, Neutral Control monitors payment flows and bookings on nostro accounts and nostro securities accounts (storage centres).

As before, the neutral reconciliation of all balances and transactions with our customers is performed as at year's end.

Audit

Audit's inspection activities are defined by Deutsche Bank Group's audit standards. All audits of business divisions, settlement functions and service units are based on a risk-oriented analysis of the internal control system and are performed at intervals of one to three years.

The audit mandate of the bank's management as well as the tasks imposed by the bank regulator include the control of compliance with valid statutory and supervisory regulations. Furthermore, the operability, effectiveness, economic efficiency and appropriateness of the internal control system as well as the regularity of the audited operating and business processes are also inspected and assessed.

In the 2005 financial year, all units audited received a positive rating.

Legal

Deutsche Bank Luxembourg's Legal Department is an integral part of Deutsche Bank Group's Legal Services. Due to Deutsche Bank Luxembourg's business structure, its work is characterized primarily by support for International Loans and Agency Services, the coverage of structured transactions and counselling for the Private Wealth Management Business Division. It specializes in particular in coverage for complex financings and all related legal aspects.

This includes coordinating and monitoring the use of external lawyers in many jurisdictions.

The department's international character is attributable to the bank's importance as lending office and centre of competence in Continental European lending business and to the large number of cross-border transactions.

Compliance

The neutral Compliance function oversees compliance with supervisory regulations and ethical principles at Deutsche Bank Luxembourg. For this purpose, Compliance develops policies and processes, trains employees and, with the help of its monitoring systems, ensures that the regulations and standards of behaviour imposed by capital markets law are complied with at Deutsche Bank Luxembourg.

Compliance is integrated into the new client adoption and new product approval processes. The prevention of money laundering has special importance.

The Compliance Department employs three members of staff.

Controlling and Taxes

The Controlling unit consists of Legal Entity Controlling and Business Area Controlling. Legal Entity Controlling comprises the Financial Accounting, Cost Controlling and Taxes units. Business Area Controlling covers the business divisions' controlling requirements as well as Risk Controlling. The unit's functional competence covers all operating companies of Deutsche Bank Group at the Luxembourg location. Regional Controlling Luxembourg employs 29 people.

Financial Accounting's tasks cover all regulatory aspects. Prime importance attaches to producing financial statements and reports, coordinating annual and audit reports, the tax return and the bank's entire communication with regulators, tax authorities, audit companies and consultants.

For the Group, the annual financial statements and divisional management information are prepared according to U.S. GAAP standards.

Cross-divisional compliance with the requirements of the Sarbanes-Oxley Act is monitored as part of the monthly management review process.

Business Development

Profit and Loss Account

For the 2005 financial year, Deutsche Bank Luxembourg generated a profit of € 127 million (2004: € 141 million).

Special effects had hardly any influence on the results for the 2005 financial year.

The key figures are as follows:

Net results in T €	2005	2004
Net interest income	147,702	141,893
Net commission income	56,834	53,948
Net profit on financial operations	5,073	2,548
Administrative expenses	−59,545	−58,328
Operating profit	**150,064**	**140,061**
Other income/expenses including dividends	6,788	62,276
Net addition to provision for risk	−8,263	−31,294
Taxes	−21,589	−30,043
Profit for the financial year	**127,000**	**141,000**

Net interest income increased by 4.1 % compared with 2004. The main reason for this was the improved result in the Treasury & Global Markets Division. The lower interest revenues in the International Loans Division had a negative impact. This development was due to a further decrease in lendings in this division.

Net commission income was almost € 3 million above the prior year figure. A definitive part was played here by the strong improvement in commissions received in Private Wealth Management and by special revenues in the Global Markets Division. The activities of the Corporate Services unit continued to expand, which led to growth in the unit’s revenues. Due to the decrease in lendings, as already discussed, and changed transfer pricing agreements, another fall in net commission income in the International Loans Division could not be avoided.

Administrative expenses rose by € 1.2 million (+ 2.1 %) compared with the previous year. The main cost factor was staff expenses, which rose by € 2.0 million due to the growth in our effective head count and to the index-linked increase in salaries. Other administrative expenses (including depreciation and value adjustments) were reduced by € 0.8 million due to strict cost management.

There is adequate provision for all discernible risks in loan and securities business and for operational risks. Strict standards were applied for the measurement of credit risks.

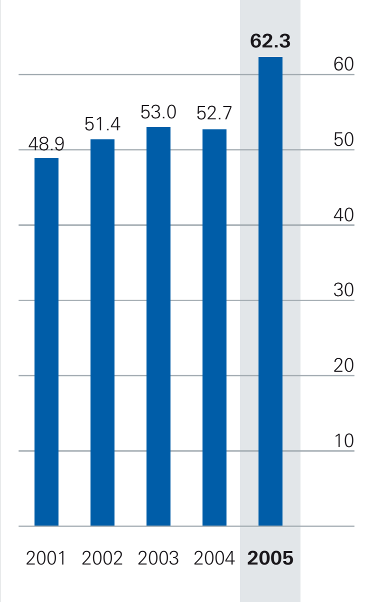
In agreement with Deutsche Bank Group Treasury, the retention of the entire profit for the financial year of € 127 million will be recommended to the Ordinary General Meeting.

Balance Sheet

Total assets increased compared with the previous year by € 9.6 billion (= + 18.2 %) to € 62.3 billion.

The activities of the Treasury & Global Markets Division were the main factor behind this strong increase. In the second half of the year, for example, several structured transactions of the global units Structured Capital Markets and Global Equities with a total volume of € 6 billion were booked at Deutsche Bank Luxembourg. The bank's definitive role in Deutsche Bank Group's liquidity management operations is documented by volume growth of € 3 billion. These two factors increased Loans and advances to credit institutions to € 49.8 billion (+ € 4.2 billion) and Loans and advances to customers to € 11.0 billion (+ € 5.2 billion).

Development of total assets
in € billion



Exchange rate movements, especially the development of the U.S. dollar, also had a positive effect on total assets.

International lending business continues to progress at a high level. The total credit volume covered by the International Loans Division (loans drawn and granted, contingent liabilities) is roughly € 26 billion (end of 2004: € 23 billion). The share of loans granted rose again, representing about 76 % of total volume at the end of 2005.

Deutsche Bank Luxembourg has the following substantial participating interests and shares in affiliated undertakings as at balance sheet date:

Participating interests and shares in affiliated undertakings

Deutsche Investments (Schweiz) AG, Zurich	100 %
DB Finance International GmbH, Eschborn	100 %
DWS Investment S.A., Luxembourg	50 %

The capital and reserves of Deutsche Bank Luxembourg amount to € 2,098 million. The increase of € 31 million compared with the end of 2004 results from the retention of part of the profit for the 2004 financial year and from differences in the valuation of the $-denominated equity investment of silent partners; the reduced imputability of subordinated funds had a negative effect.

The EU solvency ratio was 8.7 % (2004: 10.8 %) on balance sheet reporting date.

Credit risk is the principal component of Deutsche Bank Luxembourg's risk position. Market risks play a subordinate role. This situation is taken into account by our regulatory status as non-trading institution. Our comprehensive risk controlling is described in detail in Section D of the Notes.

Outlook for 2006

We are confident that we shall report a solid result again for the current financial year. The development of business in the first few months confirms our assessment.

Since the end of the 2005 financial year, there have been no events of special importance to be reported.

Balance Sheet

as at December 31, 2005
Deutsche Bank Luxembourg S.A.

Assets

in T €	[Notes]	31.12.2005	31.12.2004
Cash in hand, balances with central banks and post office banks	[B2]	8,993	11,441
Loans and advances to credit institutions	[B1, 2, 6]	49,810,528	45,563,680
Repayable on demand		6,246,928	9,095,052
other loans and advances		43,563,600	36,468,628
Loans and advances to customers	[B1, 2, 6]	11,013,265	5,760,441
Debt securities and other fixed-income securities	[B1, 2, 3]	537,881	524,393
of public issuers		16,144	16,744
of other issuers		521,737	507,649
Shares and other variable-yield securities	[B2, 3]	0	1,659
Participating interests	[B4, 5]	149	17,773
Shares in affiliated undertakings	[B4, 5]	65,687	58,213
Tangible assets	[B5]	2,906	2,910
Other assets	[B8]	279,453	48,431
Prepayments and accrued income		539,913	701,985
Total Assets		**62,258,775**	**52,690,926**

Liabilities

in T €	[Notes]	31.12.2005	31.12.2004
Amounts owed to credit institutions	[B1, 2, 15]	37,488,966	33,820,185
repayable on demand		15,334,716	16,316,764
with agreed maturity dates or periods of notice		22,154,250	17,503,421
Amounts owed to customers	[B1, 2, 15]	18,891,027	14,381,971
other debts		18,891,027	14,381,971
repayable on demand		1,385,863	1,216,257
with agreed maturity dates		17,505,164	13,165,714
Debts evidenced by certificates	[B1, 9]	2,554,157	1,168,813
debt securities in issue		1,826,844	678,852
other debts		727,313	489,961
Other liabilities	[B8]	12,056	126,136
Accruals and deferred income		725,353	800,206
Provisions for liabilities and charges		173,902	187,476
provisions for pensions and similar obligations		0	22,345
provisions for taxation		4,844	5,208
other provisions		169,058	159,923
Subordinated liabilities	[B1, 11]	349,579	349,579
Special items with a reserve quota portion	[B12]	126,847	126,847
Silent participation	[B1, 10]	604,830	524,655
Subscribed capital	[B13]	215,000	215,000
Share premium account		55,600	55,600
Reserves	[B14]	934,458	913,458
Profit for the financial year		127,000	141,000
Interim dividend		0	– 120,000
Total liabilities		**62,258,775**	**52,690,926**
Off balance sheet items			
Contingent liabilities	[B2, 17]	1,884,839	3,310,944
of which:			
guarantees and assets pledged as collateral security		1,884,839	3,310,944
Commitments	[B2, 18]	19,212,176	15,189,190
Fiduciary operations	[B2]	7,904,923	5,653,515

Profit and Loss Account

for the period from January 1 to December 31, 2005
Deutsche Bank Luxembourg S.A.

Profit and Loss Account

in T €	[Notes]	01.01.–31.12. 2005	01.01.–31.12. 2004
Interest receivable and similar income		1,884,106	1,289,078
of which:			
that arising from fixed-income securities		1,221	1,246
Interest payable and similar charges		1,736,404	1,147,185
Current income		5,835	29,272
from participating interests		722	113
from shares in affiliated undertakings		5,113	29,159
Commissions receivable		105,172	83,870
Commissions payable		48,338	29,922
Net profit on financial operations		5,073	2,548
Other operating income	[C2]	4,761	35,923
General administrative expenses		59,190	57,850
Staff expenses		33,550	31,512
of which			
– wages and salaries		26,536	25,015
– social security expenses		5,819	5,261
of which: pensions		3,201	3,201
Other administrative expenses		25,640	26,338
Depreciation of and value adjustments to intangible and tangible assets		355	478
Other operating charges	[C3]	3,808	2,919
Depreciation of and value adjustments in respect of loans and advances and securities which are neither included in the investment portfolio nor included in the trading portfolio together with provisions for contingent liabilities and for commitments		8,263	31,294
Charges in respect of special items with a reserve quota portion		0	0
Income from the writing back of special items with a reserve quota portion		0	0
Taxes on profit on ordinary activities		21,283	29,923
Profit on ordinary activities after taxes		**127,306**	**141,120**
Other taxes not shown under the preceding items		306	120
Profit for the financial year		**127,000**	**141,000**

Notes to the Accounts

Deutsche Bank Luxembourg S.A.

A. Principles and methods

Corporate matters

The bank was founded on August 12, 1970, in Luxembourg in the legal form of Société Anonyme. The bank is a 100 % Group subsidiary of Deutsche Bank AG, Frankfurt am Main.

The bank's business policy and valuation principles, unless prescribed by Luxembourg rules and regulations, are established and monitored by the Board of Directors.

Business object of the bank

The object of the bank, in accordance with the Articles of Association, is to transact banking and financial business for its own account and for the account of third parties and all activities directly or indirectly connected thereto.

Annual accounts

The basis for preparation of the annual accounts is the law of June 17, 1992 on the accounts of banks.

In accordance with Article 80 of the law on the accounts of banks, the bank is released from the obligation to draw up consolidated accounts and a consolidated management report. The annual accounts of the bank are consolidated in the accounts of Deutsche Bank AG, Frankfurt am Main.

The financial year is co-terminous with the calendar year.

The reporting currency is the euro.

Accounting and valuation principles

The bank draws up its annual accounts in accordance with the laws and regulations of the Grand-Duchy of Luxembourg under the historical cost principle and on the basis of accounting principles generally accepted in the banking sector in the Grand-Duchy of Luxembourg.

In particular, the following accounting principles and valuation methods are applied:

– Foreign currencies

Transactions are accounted for in their respective currencies on the day they are concluded.

Expenses and income in foreign currency are recorded daily in the profit and loss account at the prevailing exchange rates.

Assets and liabilities in foreign currency are valued at the foreign exchange mid-market rate at balance sheet date. Historical exchange rates are used for hedged deals. Open forward exchange contracts are converted at the forward rate for the remaining term at balance sheet date. For pending losses, a provision is formed which is reported in the Balance Sheet under "other provisions".

– Derivative financial instruments

Derivative financial instruments such as currency interest rate swaps, interest rate swaps and FRAs are used for the purposes of managing the interest rate and currency risk within the framework of asset/liability management. The bank's obligations arising from such transactions are accounted for on the transaction date. The counterparties in such transactions are companies which are members of Deutsche Bank Group.

Currency-related transactions are concluded to hedge exchange rate risks for our own account and on behalf of customers.

The derivative financial instruments form, to a very large extent, economic unities with asset or liability exposures. In view of the economic objectives of such operations, year-end revaluation or provisioning is not considered necessary.

– Value adjustments in respect of debts

The bank establishes specific value adjustments in respect of doubtful and irrecoverable debts for country and creditworthiness risks in accordance with strict valuation standards.

Value adjustments are deducted from the assets to which they relate. Risk provisions for contingent liabilities are reported under "other provisions".

– Lump-sum provision for inherent risks

In accordance with Luxembourg tax legislation, the bank establishes a lump-sum provision for inherent risks in average risk-bearing assets weighted pursuant to regulatory law and for the credit risk equivalent from derivatives.

Pursuant to the instructions issued by the Tax Authority on December 16, 1997, a maximum rate of 1.25% may be applied for the establishment of the tax-deductible lump-sum provision.

The lump-sum provision is to be allocated in proportion to the underlying elements to

– a value adjustment deducted from the respective risk-weighted asset positions, and
– a provision reported under "other provisions".

– Value adjustment in accordance with Article 62 of the law on the accounts of banks

The bank, at the discretion of the Board of Directors, has established a value adjustment, which is not tax-deductible, to take account of the specific risks associated with banking in accordance with Article 62 of the law on the accounts of banks.

This value adjustment is deducted from "Debt securities and other fixed-income securities".

– Securities

Securities are booked at cost using the weighted average method.

– Debt securities and other fixed-income securities

The bank holds a portfolio designated "other securities" which includes, in particular, securities held as a source of liquidity.

Securities are valued at the lower of cost and market value in conjunction with the principle of maintaining previous value adjustments (Beibehaltungsprinzip) (see below).

Securities linked to interest rate swaps in order to provide cover against market movements are regarded as forming an economic unity with the underlying interest rate swap and are valued in the same way as financial fixed assets. Value adjustments are established where necessary to take account of any impairment in the creditworthiness of the issuer.

– Securities issued on a discounted basis

Such securities are accounted for at cost plus the proportionate difference between issue value and par value.

– Equity shares and other variable-yield securities

As at reporting date, equity shares and other variable-yield securities are valued at the lower of cost and market value.

– Participating interests/shares in affiliated undertakings

Participating interests/shares in affiliated undertakings held as financial fixed assets are valued at cost or, if lower, at their market value. Write-downs are made for declines in value which are other than temporary.

– Principle of maintaining previous value adjustments (Beibehaltungsprinzip)

Value adjustments made in earlier years in respect of specific assets are maintained in accordance with Articles 56 (2) (f), 58 (2) (e) and Article 62 (2) of the law on the accounts of banks even in cases where the market value of the assets has increased.

– Intangible assets

The bank's policy is to write off intangible assets in full in the year of acquisition.

– Tangible assets

Office furniture and equipment is reported at cost less depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the office furniture and equipment. If there is a permanent diminution in value, the bank may record exceptional value adjustments to value these assets at the impaired valuation attributable to them as at balance sheet date.

Low value assets are charged as operating expenses in the year of acquisition.

– Special item with a reserve quota portion

The special item with a reserve quota portion comprises realized gains which initially enjoy fiscal exemption. This exemption covers gains in value realized in accordance with Articles 53 and 54 of the Luxembourg income tax law.

– Income taxes

Income taxes are recorded using the accruals method based on the profit and loss account for the current financial year taking into account tax-exempt revenues and expenses with no tax effect.

B. Notes to the Balance Sheet

[1] Classification by remaining maturity

The table shows selected balance sheet positions classified by remaining maturities as at December 31, 2005.

in € m.	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	Total
Loans and advances					
Loans and advances at term to credit institutions	28,214	4,855	6,833	3,662	43,564
Loans and advances to customers	3,006	575	5,727	1,705	11,013
Debt securities and other fixed-income securities	14	4	158	362	538
Total	**31,234**	**5,434**	**12,718**	**5,729**	**55,115**
For comparison 31.12.2004:					
Total	**24,998**	**5,064**	**9,066**	**3,625**	**42,753**
Amounts owed					
Amounts owed at term to credit institutions	19,282	741	2,072	59	22,154
Amounts owed at term to customers	7,479	1,534	6,761	1,731	17,505
Debts evidenced by certificates	0	221	390	1,943	2,554
Subordinated liabilities	0	0	350	0	350
Silent participation	0	0	605	0	605
Total	**26,761**	**2,496**	**10,178**	**3,733**	**43,168**
For comparison 31.12.2004:					
Total	**22,201**	**1,077**	**7,692**	**1,742**	**32,712**

Of the loans and advances at term to credit institutions, € 195 million (2004: € 195 million) are subordinated. For liabilities where the repayable amount exceeds the amount received, there is a difference of € 4 million as at balance sheet date.

There are no netting agreements for balance sheet positions as at balance sheet date.

[2] Geographical distribution

The table shows the geographical distribution of selected positions as at December 31, 2005.

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other	Total
Loans and advances							
Cash in hand, balances with central banks and with post office banks	9	0	0	0	0	0	9
therein balances with central bank	1	0	0	0	0	0	1
Loans and advances to credit institutions	48,208	46	1,549	0	7	1	49,811
Loans and advances to customers	8,547	233	126	464	1,641	2	11,013
Debt securities and other fixed-income securities	534	0	0	4	0	0	538
Shares and other variable-yield securities	0	0	0	0	0	0	0
Total	**57,298**	**279**	**1,675**	**468**	**1,648**	**3**	**61,371**
For comparison 31.12.2004:							
Total	**49,251**	**259**	**1,581**	**373**	**364**	**33**	**51,861**
Amounts owed							
Amounts owed to credit institutions	23,324	11,664	67	71	2,321	42	37,489
Amounts owed to customers	13,155	288	5,019	119	300	10	18,891
Total	**36,479**	**11,952**	**5,086**	**190**	**2,621**	**52**	**56,380**
For comparison 31.12.2004:							
Total	**27,808**	**12,640**	**6,537**	**221**	**977**	**19**	**48,202**
Off balance sheet items							
Contingent liabilities	1,542	304	30	3	6	0	1,885
Commitments	14,735	950	659	99	2,758	11	19,212
Fiduciary operations	6,864	0	789	12	127	113	7,905
Total	**23,141**	**1,254**	**1,478**	**114**	**2,891**	**124**	**29,002**
For comparison 31.12.2004:							
Total	**20,302**	**920**	**1,809**	**73**	**942**	**108**	**24,154**
Financial instruments							
Interest rate instruments	17,989	0	1,135	0	0	0	19,124
Foreign exchange/gold instruments	7,274	59	0	0	24	0	7,357
Equity instruments	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0
Total	**25,263**	**59**	**1,135**	**0**	**24**	**0**	**26,481**
For comparison 31.12.2004:							
Total	**24,350**	**98**	**608**	**2**	**20**	**0**	**25,078**

[3] Securities

The securities included in the asset items listed below are classified as at balance sheet date as follows:

in € m.	Unlisted securities	Listed securities	Total
Debt securities and other fixed-income securities	503	35	538
Shares and other variable-yield securities	0	0	0

In accordance with the principle of maintaining previous value adjustments (Beibehaltungsprinzip), provisions amounting to € 9 million have been maintained.

The total amount of securities pledged is € 16 million; all of these pledged securities are eligible for refinancing at the ECB.

[4] Companies in which the bank has a participating interest of 20 % or more

Name of the company in € m.	Registered domicile	Holding	Share-holders' equity	Net profit for 2005*
DB Finance International GmbH	Eschborn	100 %	1,0	–0,1
Deutsche Funding Luxembourg S.à r.l.	Luxembourg	100 %	0,0	–24,6
Deutsche Investments (Schweiz) AG	Zürich	100 %	5,6	27,4**
DWS Investment S.A.	Luxembourg	50 %	196,3	106,0
Lux Leasing S.A.	Luxembourg	50 %	0,4	0,0
DB Vita S.A.	Luxembourg	25 %	6,0	0,2

* Preliminary net profit
** Profit for the financial year 2004

In November 2004, Deutsche Bank Luxembourg, with the involvement of Deutsche Funding Luxembourg S.à r.l., closed an income tax optimization transaction which will be continued in 2006 with a follow-on transaction.

There are no listed participating interests or shares in affiliated undertakings.

[5] Movements in fixed assets

in T €	Gross value at the beginning of financial year	Additions	Disposals	Gross value at end of financial year	Cumulative depreciation and value adjustments at end of financial year	Net value at end of financial year
Participating interests	17,773	0	17,624	149	0	149
Shares in affiliated undertakings	58,213	7,474*	0	65,687	0	65,687
Intangible assets	6,365	0	0	6,365	6,365	0
Tangible assets	11,792	352	2	12,142	9,236	2,906
of which: land and buildings	0	0	0	0	0	0
office furniture and equipment	11,792	352	2	12,142	9,236	2,906
Total	**94,143**	**7,826**	**17,626**	**84,343**	**15,601**	**68,742**

* thereof T € 7,138 due to currency effects

[6] Amounts due from affiliated undertakings and from participating interests

in € m.	Affiliated undertakings 31.12.2005	Participating interests 31.12.2005	Affiliated undertakings 31.12.2004	Participating interests 31.12.2004
Loans and advances to credit institutions	49,440	0	45,484	0
Loans and advances to customers	4,883	0	1,484	0
Debt securities and other fixed-income securities	520	0	507	0

[7] Assets denominated in foreign currencies

Assets denominated in foreign currencies amount in total to the equivalent of € 28,243 million as at balance sheet date.

[8] Other assets/Other liabilities

Other assets include € 248 million in option premiums resulting from the issuance of warrants reported in Note 9.

Social security contributions to be paid over and other payment obligations are reported as Other liabilities. No interim dividend was paid for the 2005 financial year in contrast to the previous year.

[9] Debts evidenced by certificates

The debts evidenced by certificates include the following positions:
- $ Fixed-Rate-Bond, reported value: € 782 million; due: May 1, 2012
- $ Zero Bond, reported value: € 248 million; due: May 26, 2010
- € Fixed-Rate-Bond, reported value: € 797 million; due: December 21, 2012, with a fixed interest rate and a variable bonus interest rate based on the performance of the CROCI Euro OptiVest Index
- warrants, reported value: € 506 million; due: November 7, 2007/September 7, 2017
- warrants, reported value: € 221 million; due: December 27, 2006

The debts are secured by loans, money market instruments and options.

[10] Silent participation

The silent participation (equity investment of silent partners) consists of two tranches with a total volume of $ 715 million:
- $ 340 million with a non-cumulative annual profit share of 6.825 % of par value ranking prior to the profit share attributable to shareholders. Redemption will be on December 28, 2007, subject to the stipulations on loss participation.
- $ 375 million with a variable profit share based on 12-month Libor plus 0.8 % related to par value. The non-cumulative profit share ranks prior to the profit share attributable to shareholders; redemption will be on December 28, 2007, subject to the stipulations on loss participation.

The silent participation qualifies as Tier I capital until its final maturity.

The interest expense for this silent participation amounted to € 32 million.

[11] Subordinated liabilities

There is
- a subordinated LUF Fixed-Rate-Bond, LUF 2 billion, 5 %, due 2008
- a subordinated € Fixed-Rate-Bond, € 200 million, 4.5 %, due 2009
- a subordinated € FRN loan, € 100 million, due 2009

The subordinated funds are to be regarded as Tier II capital for regulatory purposes. In the 2005 financial year, the interest expense for the subordinated liabilities was € 14 million.

The debt instruments (Notes 10 and 11) create unsecured, subordinated liabilities. The level of subordination cannot be amended and repayment cannot be effected before final maturity.

[12] Special item with a reserve quota portion

The special item with a reserve quota portion includes tax-exempt capital gains rolled over and fiscally-neutralized translation gains from the reinvestment of equity capital in DM for the years 1980 to 1998 in accordance with Article 54 of the Luxembourg income tax law. Reinvestment is not yet allowed for in the amount of € 93 million. The respective approval has been given by the tax authority.

[13] Subscribed capital

As at balance sheet date, the bank's subscribed and fully paid-up capital amounts to € 215 million, divided into 860,000 shares.

[14] Movements in reserves and profit brought forward

in € m.	Legal reserve	Other reserves	Profit brought forward
As at January 1, 2005	22	892	0
Addition to reserves from shareholders	0	0	0
Net profit for 2004	0	0	141
Appropriation:			
– Reserves	0	21	21
– Dividend	0	0	120
As at December 31, 2005	**22**	**913**	**0**

The Luxembourg law of August 10, 1915 on commercial companies prescribes a legal reserve of 10% of subscribed capital; this requirement has been fulfilled by the bank. The legal reserve may not be distributed.

The item "other reserves" includes an appropriation of € 87 million for the imputation of wealth tax.

[15] Amounts owed to affiliated undertakings and participating interests

in € m.	Affiliated undertakings 31.12.2005	Participating interests 31.12.2005	Affiliated undertakings 31.12.2004	Participating interests 31.12.2004
Amounts owed to credit institutions	30,179	0	25,978	0
Amounts owed to customers	12,854	0	7,878	0

[16] Liabilities in foreign currencies

The total amount of liabilities denominated in foreign currencies as at balance sheet date is the equivalent of € 27,416 million.

[17] Contingent liabilities

Contingent liabilities consist of:

in € m.	31.12.2005	of which: to affiliated undertakings
Guarantees and other direct substitutes for credit	1,885	336
Acceptances	0	0
Total	**1,885**	**336**

[18] Confirmed credits

Commitments consist of:

in € m.	31.12.2005	of which: to affiliated undertakings
Confirmed credits, not utilized	18,951	141
Facilities for the issuance of debt instruments	261	0
Total	**19,212**	**141**

C. Notes to the Profit and Loss Account

[1] Administration and agency services

The bank provides the following principal services for third parties:
safe custody account administration, asset management, paying agent services, agency function, commercial representation and institutional services.

[2] Other operating income

This position is made up as follows:

in T €	31.12.2005
Income from the sale of shares in participating interests	0
Income from commercial representation services	2,700
Sundry income	2,061
Total	**4,761**

[3] Other operating charges

This position is made up as follows:

in T €	31.12.2005
Addition to provisions for AGDL	2,400
Additions to provisions for advisory risks	1000
Sundry expenses	408
Total	**3,808**

D. Risk Report

Risk management

Deutsche Bank's risk management approach is based on the following principles:

- The Group Board bears overall responsibility for the risks in the Group. The Supervisory Board reviews the risk profile at regular intervals.

- The Group Risk Committee bears responsibility for the management and control of risks.

- The management of credit, market, liquidity, operational and business risks is effected in a coordinated process at all levels of the bank.

- The structure of the global risk management function is closely aligned with the structure of the Group Divisions.

- Risk management is functionally independent of the Group Divisions.

The risk management activities are supported by Controlling, Audit and the Legal Department. They operate independently of the Group Divisions and risk management. Controlling's role is to quantify the risk that we have assumed and to ensure the quality and integrity of risk-related data. Audit reviews the compliance of our internal control procedures with internal and regulatory standards. The Legal Department provides legal advice and support on a wide variety of topics.

Types of risk

The most important risks to which our business is exposed are specific banking risks and the risks from general business activity.

Specific banking risks

The risk management processes distinguish between four kinds of specific banking risk: credit risk, market risk, liquidity risk and operational risk.

- Credit risk arises from all transactions that create actual, contingent or potential claims against any counterparty or borrower. The credit risk is for us the biggest single risk. We distinguish between three types of credit risk:
  - default risk is the risk that our counterparties may fail to meet contractual payment obligations;
  - country risk is the risk that a loss may arise for the following reasons in any country: political and social upheaval, nationalizations and expropriation of assets, government repudiation of external debts, foreign exchange controls, the devaluation or depreciation of the national currency. The country risk includes the transfer risk. This arises when debtors are unable, owing to direct government intervention, to transfer assets in order to fulfil their matured obligations to non-residents;
  - settlement risk is the risk that the settlement or clearing of transactions may fail. A settlement risk always arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

– Market risk arises from uncertainty concerning changes in market prices and rates (including interest rates, share prices, exchange rates and commodities prices) as well as from the correlations among them and their levels of volatility.

– Liquidity risk is the risk that we are possibly not in a position to meet our payment obligations when they mature.

– Operational risk is the potential for incurring losses in relation to staff, project management, contractual specifications and their documentation, technology, infrastructural failure and disasters, external influences and customer relationships. This definition includes, among other things, legal and regulatory risks, but not the general business risk.

General business risks

– General business risks are the risks arising from changes in general business conditions; these include, for example, the market environment, client behaviour and technological progress. These risks can affect our earnings unless we adjust quickly to the changed conditions.

Credit risk makes up the largest part of the bank's risk exposure. The main principles of our credit risk management are:

– Every extension of credit to a counterparty and all material changes to a credit facility (e.g. maturity, collateral structure or important covenants) require approval at the appropriate, pre-established seniority level.

– All Group Divisions must apply consistent standards in arriving at their credit decisions.

– The approval of credit limits for our counterparties and the management of our individual credit exposures must fit within portfolio guidelines and credit strategies. Moreover, each decision is based on a risk-return analysis.

– Credit approval powers are conferred upon members of staff who have the appropriate qualifications, experience and training. Credit approval powers are regularly reviewed.

Credit risk rating

An important element of the credit approval process is a detailed risk assessment for each credit exposure to a borrower group. The risk assessment procedures applied uniformly throughout the Group take into account both the creditworthiness of the counterparty and the risks relevant to the specific credit facility or exposure.

Our internal 26-point rating scale for the assessment of credit allows comparison with market practice. This rating scale is calibrated with the range of default probabilities established on the basis of historical defaults in our portfolio. These default probabilities that a business partner will not fulfil his payment obligations are stated in per cent. They are subsequently split up into categories which we regard in principle as being comparable with those of the leading rating agencies.

Lending

Deutsche Bank Luxembourg operates on a large scale as lending office for loans extended by other European offices of Deutsche Bank Group. The risks are first examined by the respective branches in accordance with Group standards and guidelines. Deutsche Bank Luxembourg takes over the loans after a further review on the basis of its own credit guidelines coordinated within the Group.

Deutsche Bank Luxembourg regularly reviews the creditworthiness of its borrowers on the basis of submitted financial statements and annual reports as well as other current information obtained through the respective relationship managers of Deutsche Bank Group. Furthermore, compliance with covenants and ratios agreed in the loan contracts is also continuously monitored.

Management informs the Board of Directors at its regular meetings on current developments regarding specific risks and the credit portfolio risk, also with reference to specific industry and/or country risks.

The existing credit portfolio is broadly diversified from both an industry and a regional perspective; special concentrations of risk are not discernible. The creditworthiness of the portfolio of loans to the non-banking sector has improved again. More than 90% of the loans relates to investment grade borrowers. In 2005, there was a clear trend towards a lengthening of maturities for new credit facilities. With an overall increase in total credit extended, only credit commitments with maturities of up to two years saw a decrease.

Distribution of credit risk

The following tables analyze credit exposure under the respective balance sheet position by counterparty industry as well as by issuer and rating category. The gross amount of loan exposures was calculated without consideration of collateral.

Structure of credit profile by rating category as at December 31, 2005

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	Total
AAA/AA	48,380	4,627	534	806	3,588	57,935
A	979	670	0	509	5,094	7,252
BBB	37	1,503	0	313	9,080	10,933
BB	5	721	0	238	677	1,641
B	8	45	0	17	107	177
CCC or below	402	3,447	4	2	666	4,521
Total	**49,811**	**11,013**	**538**	**1,885**	**19,212**	**82,459**

Structure of credit profile by industry as at December 31, 2005

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	Total
Banks and insurance	49,811	6,243	534	1,349	3,070	61,007
Manufacturing	0	1,397	0	79	5,397	6,873
Households	0	42	0	1	3	46
Public sector	0	11	0	3	752	766
Wholesale and retail trade	0	473	0	0	1,031	1,504
Commercial real estate activities	0	200	0	0	86	286
Other	0	2,647	4	453	8,873	11,977
Total	**49,811**	**11,013**	**538**	**1,885**	**19,212**	**82,459**

Risk provisioning

Adequate provision has been made for individual risks. There are only minor country risks as at balance sheet date. In addition to that, Deutsche Bank Luxembourg also uses the possibility of setting up lump-sum provisions in accordance with Luxembourg regulations.

Market risk

Owing to its business alignment, Deutsche Bank Luxembourg has the regulatory status of non-trading institution in Luxembourg.

The market risks – in the form of interest rate, currency and liquidity risks – resulting from asset/liability management are managed by Treasury & Global Markets Business Division. Other types of market risk (e.g. share price and commodities price risks) do not exist at our bank. Within the framework of terms of reference for trading activities and their settlement, business policy has been determined on a binding basis by the Management Board in accordance with Deutsche Bank Group policies.

Deutsche Bank Luxembourg is integrated into Deutsche Bank Group's global limit system. Risks are calculated and monitored on a daily basis by neutral risk controlling. A risk and performance status report is produced daily and forwarded to management, the business division and the global risk controlling unit with functional responsibility.

Financial instruments

The derivative financial instruments are exclusively contracts forming part of our non-trading portfolio and concluded largely with counterparties inside the Group. The following figures represent the notional volume and market value of the derivative instruments according to remaining maturity. At the end of the year, there were neither traded deals nor netting agreements in derivative financial instruments.

Analysis of derivative financial instruments as of December 31, 2005

in € m.	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Classes of financial instrument							
Interest rate instruments	**15,036**	**1,871**	**2,217**	**19,124**	**49**	**103**	**–54**
Interest rate swaps	15,036	1,621	2,217	18,874	48	102	–54
Forward rate agreements	0	0	0	0	0	0	0
Options	0	250	0	250	1	1	0
Foreign exchange/gold instruments	**5,877**	**270**	**1,068**	**7,215**	**47**	**47**	**0**
Forward exchange contracts with customers	2,892	28	0	2,920	19	26	–7
Forward exchange contracts with banks	2,956	32	1,068	4,056	25	21	4
Cross-currency swaps	25	210	0	235	3	0	3
Options	4	0	0	4	0	0	0
Equity instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**20,913**	**2,141**	**3,285**	**26,339**	**96**	**150**	**–54**

Analysis of derivative financial instruments as of December 31, 2004

in € m.	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Classes of financial instrument							
Interest rate instruments	**12,704**	**4,220**	**1,947**	**18,871**	**49**	**103**	**–54**
Interest rate swaps	12,704	4,003	1,947	18,654	44	98	–54
Forward rate agreements	0	0	0	0	0	0	0
Options	0	217	0	217	5	5	0
Foreign exchange/gold instruments	**5,680**	**456**	**0**	**6,136**	**175**	**168**	**7**
Forward exchange contracts with customers	2,745	122	0	2,867	38	83	–45
Forward exchange contracts with banks	2,914	101	0	3,015	90	40	50
Cross-currency swaps	4	233	0	237	47	45	2
Options	17	0	0	17	0	0	0
Equity instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**18,384**	**4,676**	**1,947**	**25,007**	**224**	**271**	**–47**

Value-at-risk

To measure and manage market risks we use a value-at-risk model developed by the Group. The value-at-risk approach is used to derive a quantitative measure specifically for market risks under normal market conditions. For a given portfolio, value-at-risk measures the possible future loss (in terms of market value) which, under normal market conditions, will not be exceeded with a defined probability in a certain period.

The value-at-risk for market risks quantifies with a confidence level of 99% the maximum loss which can arise as a result of market price changes during a holding period of one trading day.

As at year's end, the value-at-risk from interest rate risks was € 0.1 million. The average value in 2005 was € 0.1 million. The limit allocated by global risk management is € 0.5 million.

In foreign exchange business, only relatively small positions in foreign currency arise from broken amounts in futures contracts and from balances out of the bank's net interest and commission income in foreign currencies. These positions are closed regularly.

Liquidity risk

The principal objective of liquidity management is to guarantee the bank's solvency at all times. The Treasury & Global Markets Division performs the management task. Risk Controlling ensures prompt availability of the data and informs the management of Deutsche Bank Luxembourg within the scope of the daily risk performance status.

At the same time, all data relevant to the Group are supplied to global risk controlling.

As at balance sheet reporting date, the Luxembourg liquidity figure was 68 %. This is well above the regulatory limit of 30 %.

Operational risk

A Group operational risk policy determines the tasks and responsibilities with regard to management and reporting. Divisional policies supplement the Group policy. The business divisions have primary responsibility for the management of operational risk.

There are instruments for the self-assessment of operational risk and for recording and monitoring qualitative and quantitative risk indicators.

Losses due to operational risks are identified by a Group-wide reporting system (db-irs) monitored at Deutsche Bank Luxembourg by Risk Controlling. Besides losses actually incurred due to defective processing, the system also covers pending transactions and potential risks. Reports from the database give an insight into the success of risk management and into the quality of the selected risk indicators. Further applications for the recording and monitoring of operational risk are being introduced successively.

Regulatory risk position

The bank, as a non-trading institution, calculates the simplified coefficient. The risk-weighted assets are made up as follows:

Composition of risk-weighted assets

in € m.	31.12.2005	31.12.2004
Loans and advances to credit institutions	9,862	9,173
Loans and advances to customers	6,972	3,834
Other assets	283	407
Contingent liabilities	1,328	1,802
Confirmed credits	4,594	3,294
Interest rate instruments	111	60
Currency instruments	170	57
Total	**23,320**	**18,627**

Regulatory capital and reserves amount to € 2,037 million (end of 2004: € 2,007 million), the risk coefficient is 109 % (end of 2004: 135 %). The minimum requirement of 100 % was fulfilled at all times during the financial year.

E. Other information

Deposit guarantee scheme

The bank is a member of the "Association pour la Garantie des Dépôts, Luxembourg" ("AGDL"), which was founded on September 25, 1989 and provides a deposit guarantee system for its members' customers.

The guarantee covers in particular all deposits by individuals, irrespective of nationality or country of residence. Each customer of a member of AGDL is covered up to a maximum of € 20,000 per deposit and € 20,000 per amount receivable under a securities transaction other than from a cash deposit.

The bank sets up a provision in recognition of the specific risk under the guarantee as a result of a member's default. The provision is shown under "other provisions".

Staff

Number of staff

	31.12.2005	Average in 2005
Management Board	2	3
Executives	14	14
Staff	320	319
Total	**336**	**336**

On December 31, 2005, the bank employed 176 female staff and 160 male staff.

In 2005, the total remuneration of the Management Board and executives was T € 4,765. The addition to pension provisions was T € 1,159.

The expense for pension obligations for former members of the Management Board was T € 67.

As of December 31, 2005, there were loans, advances and other commitments in the sum of T € 211 to members of the Management Board and to executives.

Annual Report for 2005 of Deutsche Bank Group

The Annual Report of the Group consists of the Annual Review and the Financial Report. Both publications can be obtained from

Deutsche Bank AG
Leser-Service-PKS
60262 FRANKFURT
DEUTSCHLAND

and on the Internet at
http://public.deutsche-bank.de

Luxembourg, February 24, 2006

Deutsche Bank Luxembourg S.A.
The Board of Directors

Auditor's Report

To the Board of Directors of Deutsche Bank Luxembourg S.A.

Following our appointment by the Board of Directors dated October 28, 2005, we have audited the accompanying annual accounts of Deutsche Bank Luxembourg S.A. for the year ended December 31, 2005, and have read the related management report. These annual accounts and the management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit and to check the consistency of the management report with them.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached annual accounts give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Deutsche Bank Luxembourg S.A. as at December 31, 2005 and of the results of its operations for the year then ended.

The management report is in accordance with the annual accounts.

Luxembourg, February 24, 2006

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

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