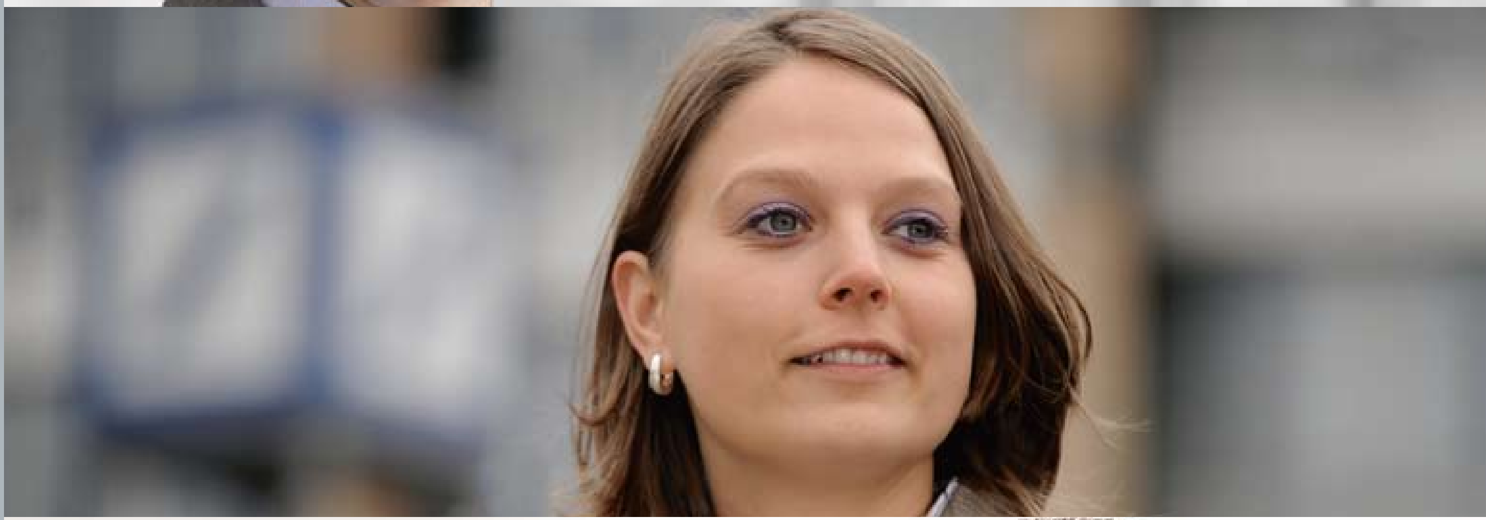
Annual Report 2007



Deutsche Bank Luxembourg

Our identity.

We are a leading global investment bank with a strong and profitable private clients franchise. Our businesses are mutually reinforcing. 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.

This annual report is a translation of the original German version.
In case of discrepancies the German version is binding.

You can reach us online at www.db.com/luxembourg,
where the Annual Report 2007 is also available.

Board of Directors

DR. TESSEN VON HEYDEBRECK
Chairman (until end of 2007)
Former Member of the Management Board and
Former Member of the Group Executive Committee of Deutsche Bank AG

DR. HUGO BÄNZIGER
Chairman (as of 2008)
Member of the Management Board,
Member of the Group Executive Committee and
Chief Risk Officer of Deutsche Bank AG

ERNST WILHELM CONTZEN
Chief Executive Officer of Deutsche Bank Luxembourg S.A.

DETLEF BINDERT
Group Treasurer of Deutsche Bank AG
(until February 2007)

DR. HANS JÜRGEN KOCH
Head of Private Wealth Management International of Deutsche Bank AG and
Chief Executive Officer of Deutsche Bank (Suisse) S.A.

DR. MICHAEL KRÖNER
Global Head of Tax of Deutsche Bank AG
(as of February 2007)

WERNER HELMUT STEINMÜLLER
Head of Global Transaction Banking of Deutsche Bank AG

KLAUS-MICHAEL VOGEL
Member of the Management Board of Deutsche Bank Luxembourg S.A.
(as of April 2007)

Management Board

ERNST WILHELM CONTZEN
Chief Executive Officer

THILO H. WENDENBURG
Managing Director
Private Wealth Management

KLAUS-MICHAEL VOGEL
Managing Director
Treasury & Global Markets,
International Loans,
Corporate Services Division

Report of the Management Board

LUXEMBOURG

With its strategic alignment in the financial, services, industrial and commercial sectors, the Luxembourg economy reported a good growth rate last year (+5.0 %). The country profited especially in the first half year from the positive overall economic development.

As Europe's cultural capital, Luxembourg again increased its awareness level in 2007.

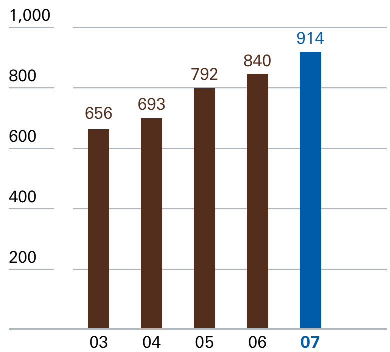
In the year ended, Luxembourg reached two important milestones. After lengthy negotiations, a new collective agreement was concluded with the banks.

The *Markets in Financial Instruments Directive (MiFID)* was a major challenge to financial institutions. All in all, its implementation was handled successfully.

For 2007, a slight decrease in growth is forecast compared with the preceding years. In 2008, an increase in gross domestic product of roughly 4.5% is expected (2007: 5.0 %).

Development of Luxembourg banks' total assets

in € billion



LUXEMBOURG FINANCIAL CENTRE

With 156 institutions, the banking sector continues to be the backbone of the Luxembourg economy, both directly and especially indirectly. Taken in total, the financial sector employed 40,000 people at the end of 2007, of whom more than 26,000 worked in the banking sector. The country, with its population of 475,000, is therefore continuing successfully to attract highly qualified employees from the greater region. Every day, 130,000 commuters come to work in Luxembourg.

The banks' aggregate operating profit was increased slightly to € 10.2 billion. Due to cost increases of 11 % and as a result of again higher write-downs, however, there was a decline of almost 5 % in profits for the financial year to € 6.2 billion.

In 2007, Luxembourg confirmed its position as the world's second largest location for the mutual funds industry. Assets in excess of € 2,000 billion are meanwhile under control in Luxembourg in more than 11,000 mutual funds and sub-funds. The "EU Pass" *Undertakings for Collective Investment in Transferable Securities III (UCITS III)* has been established in the market as a reliable quality feature for mutual funds.

In particular the introduction of the *Specialised Investment Fund (SIF)* at the beginning of the year and the newly launched risk capital funds *Société d'Investissement en Capital à Risque (SICAR)* played a substantial part in the net inflow of new funds.

DEUTSCHE BANK LUXEMBOURG S.A.

In 2007, Deutsche Bank Luxembourg again demonstrated its operating efficiency in a difficult environment. In a year-on-year comparison, operating profit including net risk provisioning and current income from shares rose by 21.0% to € 199 million. After inclusion of net income from participating interests, profit after taxes amounted to € 220 million.

Administrative expenses increased by 10% to € 70 million. More than half of this growth is attributable to staff expenses. The number of staff rose in the reporting year to 359.

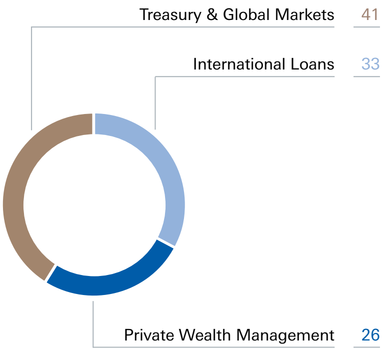
Effective December 31, 2007, Dr. von Heydebreck retired as planned from his office as Chairman of the Board of Directors. Dr. Bänziger, Member of the Management Board and of the Group Executive Committee of Deutsche Bank AG, succeeded him in this office with effect from January 1, 2008.

OUTLOOK

For 2008–2009, there are signs of increased consolidation in the markets. We expect stronger fluctuation in the share and bond markets, which will also have an effect on Luxembourg. Nevertheless, this region is well aligned to maintain its position as the world's eighth largest financial centre even in difficult market conditions. In this respect, the newly founded organization "LuxembourgForFinance" will further strengthen the marketing efforts for the financial centre's product and service offering.

Distribution of the three core business areas' total operating profit

in %



A major challenge in 2008 will be the ongoing standardization of corporate information through the Transparency Directive as part of the EU *Financial Services Action Plan*. On the other hand, the *Single Euro Payments Area (SEPA)* Directive governing transfers, direct debits and card payments is not expected to be transposable into national law until November. Deutsche Bank Luxembourg was already able to offer its customers a full SEPA functionality at the beginning of the year.

Our business divisions continue to strive for growth or consolidation at a high level. We have already installed the lean structures and efficient processes needed to achieve this. 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. Deutsche Bank Luxembourg looks forward with optimism to the 2008 financial year.

International Loans

Over the year as a whole, our lending business with big international customers as well as small and medium-sized German enterprises has been continuously expanded. Due to the fact that we took on individual large-scale M&A transactions prior to general syndication, the volume of loan commitments fluctuated strongly in the course of the year, but matched the pre-year level on average. The number of loans we handled was almost 10% above the previous year.

Especially in the last few months of the year the effect of developments on the international credit markets was visible in a decrease in the number of financings for international corporations. On the other hand, business with German companies continued to develop positively, especially in the structured finance sector. From today's point of view, the subprime crisis in the U.S.A. impacted on our lending business on a manageable scale only.

The development of risk in our loan portfolio was monitored in accordance with Group policies in close coordination with Deutsche Bank Group's central risk units. Adequate provision was made for all discernible risks.

As before, the spreads on international financings are very low. Here, our lending activities must be seen in conjunction with other more profitable products of Deutsche Bank Group. On the other hand, the spreads obtained in business with German small and medium-sized enterprises are better.

The principal lending currency continues to be the euro; the effects of exchange rate fluctuations are therefore, as in the previous years, of lesser importance for the loan portfolio booked at Deutsche Bank Luxembourg.

The position of Deutsche Bank Luxembourg as central loan administration centre for Continental Europe was confirmed by our close cooperation with various units of Deutsche Bank Group in Europe.

AGENCY SERVICES

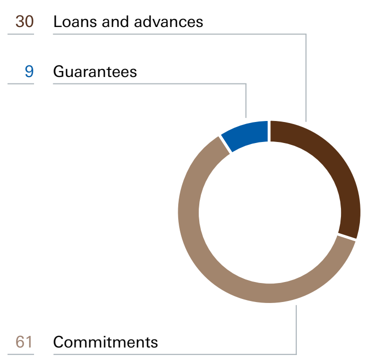
Our activity as agent for syndicated loans was expanded again in 2007. At the end of the year, we provided services for 227 agencies for international and German borrowers.

OUTLOOK

Based on our established position as *centre of competence* for Continental Europe, we assume that, despite the difficult environment, our lending and agency business will continue to develop positively in 2008. Besides the expansion of existing business lines, we want to increase our activities in other credit business segments such as *public private partnership (PPP)* projects in Germany.

International Loans

in %



Total credit volume covered: € 28.7 bn.

Private Wealth Management

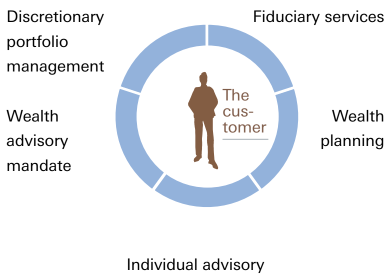
For the Private Wealth Management (PWM) business division, 2007 was another successful year. Despite the difficult market environment and the time and cost-intensive introduction of the MiFID, our current income increased compared with the high level of the previous year.

Private Wealth Management contributed 26% to Deutsche Bank Luxembourg's three core business areas' operating profit.

In the PWM business division, 130 employees serve approximately 14,000 customers with an investment volume of € 7 billion.

With the implementation of the MiFID, which came into force on November 1, 2007, we took the opportunity to increase our already high advisory quality and adjusted to the increased transparency requirements. In the financial year ended, in addition to our coverage activities, we built up the strong position of Private Wealth Management Luxembourg as an internationally active booking centre. PWM centres worldwide are making greater use of our discretion and professionalism. In Europe, Asia and other growth markets, we have captured additional market shares and intensified our coverage activities in the established German-speaking client segment.

The PWM service range



With our highly popular "Advisory Mandate" service concept, we fulfil the service needs of active customers who like to make their own investment decisions. With this exclusive service, we place Deutsche Bank's global resources and analytical potential at our customers' disposal. In a unique process for risk management and portfolio optimization, the ratio between risk and return is measured, and this in turn leads to achievement of the highest possible return with simultaneous risk minimization. Our customers are given the certainty that their portfolios are aligned with their personal circumstances, their risk tolerance and their investment objectives.

Customers who leave day-to-day responsibility for the management of their investments to our professional portfolio managers choose a discretionary portfolio management mandate. For different investment objectives, we offer suitable risk strategies and a broadly diversified product range which is being continuously expanded. The *"dynamic control portfolio"* is a risk-optimized portfolio management product without a benchmark orientation. This investment limits the loss risk more strongly than traditional portfolios and at the same time fully exploits the markets' topside potential. With this product we strive to obtain attractive risk-adjusted returned for our customers. The performance in 2007 is a positive reflection of this.

In 2008, our efforts will focus on offering our customers an innovative assortment of tailored products and services with strong returns. Quality, exclusivity and innovation will continue to be the driving forces behind everything we do.

Treasury & Global Markets

RELIABLE ALSO IN TIMES OF CRISIS

The Treasury & Global Markets division is responsible for the bank's liquidity management and investment banking activities.

The Treasury function of Deutsche Bank Luxembourg holds an outstanding position in Deutsche Bank Group's funding concept. It plays a substantial and active part in the Group's liquidity management. Treasury & Global Markets proved this again in the liquidity turbulence precipitated by the subprime crisis.

Even in difficult conditions, the interest rate risk has been successfully monitored and managed.

Treasury & Global Markets contributed 41% to Deutsche Bank Luxembourg's three core business areas' operating profit and is therefore a stable profit factor.

Corporate Services Division

The Trust & Securities Services (TSS) division continued to expand the Corporate Services Division (CSD) business area in 2007. The mutual fund unit developed very strongly through new mandates in the field of special investment funds and risk capital companies. The Capital Markets and Structured Products product division reported stable growth.

The service offering in CSD comprises, in addition to setting up these property companies including domiciling and registration, the administration of assets, accounting and the provision of executive directors in Special Purpose Vehicles (SPV).

CSD developed very positively in 2007 and almost doubled its revenues compared with the previous year.

Divisional Functions

HUMAN RESOURCES

In 2007 Deutsche Bank Luxembourg employed 359 members of staff (previous year: 352).

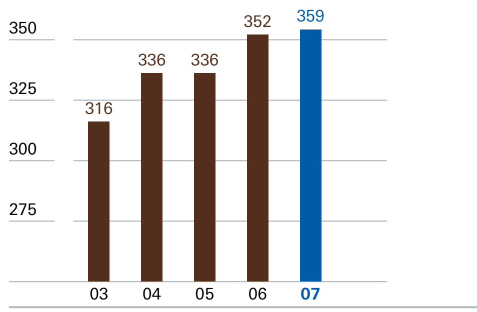
The international quality of the bank in Luxembourg is also visible in the number of nationalities represented in our staff. With 19 different citizenships, we can serve customers in their national languages. Going forward, we will continue to increase the diversity in the composition of our staff. The experience of different generations and various cultures has essential importance for our company.

The proportion of female staff remained constant at roughly 50%. 66 employees are part-time, which corresponds to a part-time employment ratio of 18.4% (previous year: 19%). This distribution is an important foundation for the equality of opportunity between men and women and represents an important HR policy objective. Strengthening the proportion of female personnel in specialist and management positions is also being actively targeted and supported.

Another focus in 2007 was our commitment to providing advanced training for our employees. A total of € 1.4 million was invested in management and leadership training as well as in general and specialized advanced training. Our employees remain our most important capital, in which we will continue to invest going forward.

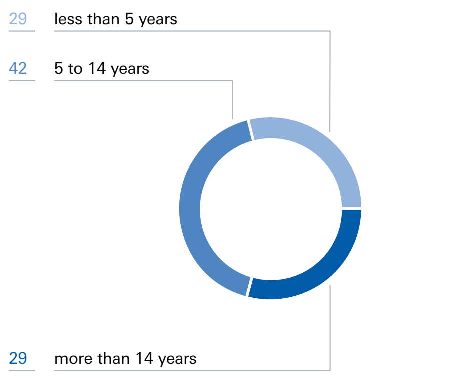
Development of total staff

absolute figures



Length of service

in %



IT

Following great efforts, the implementation of the MiFID was completed on November 1, 2007 as planned. Various extensions were also made to our applications.

The separation of our data centres was completed with the full mirroring of further servers. In the mainframe segment, the existing servers were replaced by two high-performance installations.

The remote servers were successfully tested in extensive trials carried out by the various departments at our *Business Continuity Planning (BCP)* Centre.

We played a central role in the preparations for the introduction of a new IT platform for the PWM business division. Implementation in Luxembourg is scheduled for the end of 2009.

The security compliance of our infrastructure was further improved through the implementation of an updated version of the existing security standard (GSD 331).

OPERATIONS

The main activity of the Operations unit is the settlement of Deutsche Bank Luxembourg's securities transactions and money market activities.

The employees of this unit guarantee the smooth performance of the internal processes linked with our business activity.

Neutral Control monitors payment flows and bookings on the nostro accounts and nostro securities accounts (depositaries) using the *"Smart Stream"* reconciliation system.

In addition, the neutral reconciliation of all balances and transactions with our customers is performed at year-end.

CORPORATE TRUST AND AGENCY SERVICES OPERATIONS

The Corporate Trust and Agency Services Operations (CTAS Ops) unit offers listing and paying agency services.

The activities of CTAS Ops include listings in Luxembourg and Ireland as well as the processing of international securities issues. Over and above that, CTAS Ops acts as paying agent for coupon and bond redemptions, capital calls from mutual funds and property companies. In the securities issues listed on the Luxembourg Stock Exchange in 2007, CTAS Ops maintained its position as second largest listing agent against the competition and also increased the volume of listings on the Irish Stock Exchange.

As agent for registrar and trustee transactions in Deutsche Bank Group, CTAS Ops supports the Trust & Securities Services (TSS) business units in Frankfurt, London, New York and Hong Kong and also acts as depositary (vault administration).

AUDIT

Internal audit supports management in its control function by performing independent audits. The audit mandate assigned by the bank's management and the tasks imposed by the financial regulator include the control of compliance with valid statutory and supervisory regulations.

The Audit department objectively inspects and assesses the structure and efficiency of the internal control systems as well as the risk management and governance processes with respect to their adequacy.

The selective monitoring of the bank's processes and structures with respect to the objective pursuit of the defined goals is performed in the interest of the shareholder, customers, employees and the general public.

LEGAL

The Legal department at Deutsche Bank Luxembourg is an integrated part of Deutsche Bank Group's worldwide legal services. Owing to the business orientation of Deutsche Bank Luxembourg, its work is shaped primarily by support for the International Loans und Agency Services business division, the coverage of structured transactions and advisory work for the Private Wealth Management business division. It specializes in particular in supporting large-scale financings and all legal issues connected with them. Special importance also attaches to coverage for Private Wealth Management with regard to the introduction of complex investment products and new regulatory requirements. One focal point in its activities in 2007 was legal support for implementation of the MiFID.

The Legal department's tasks also include coordinating and monitoring the involvement of external lawyers in numerous jurisdictions.

The bank's importance as *lending office* and *centre of competence* in Continental European lending business as well as the large number of cross-border transactions characterize the department's international orientation.

COMPLIANCE

The neutral Compliance function serves to ensure adherence to regulatory requirements and ethical principles at Deutsche Bank Luxembourg. For this purpose, the Compliance department develops policies and processes, trains employees and ensures with the help of its monitoring systems that capital market regulations and standards of conduct 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 employed four members of staff.

FINANCE AND TAXES

The name change from "Controlling" to "Finance" effected in 2007 reflects the growing importance and redefined role of the controlling function. The name "Finance", a term acknowledged worldwide, stands for a function which will continue to focus on its controlling and reporting tasks. Its main activities also include advisory and support services with respect to all financial, controlling, accounting and reporting questions in the various business divisions.

The change of name does not entail a change to the organizational structure. Finance is sub-divided into the two units Legal Entity Control and Business Area Control. Legal Entity Control comprises the financial accounting, cost control and tax functions. Business Area Control covers the controlling requirements of the business divisions and risk controlling. The unit's functional competence extends to all operating companies in Deutsche Bank Group at the Luxembourg location. At year-end Regional Controlling Luxembourg employed 31 members of staff.

Financial Accounting's tasks cover all regulatory aspects. Prime importance is attached 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.

The annual accounts and divisional management information are prepared for the Group according to *International Financial Reporting Standards (IFRS)*. With respect to the *United States Generally Accepted Accounting Principles (U.S. GAAP)*, the reporting requirements are limited to the production of certain additional disclosures.

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

In the 2007 financial year, Deutsche Bank Luxembourg achieved a profit of € 220 million (2006: € 320 million).

In comparison with the previous year, the results for the 2007 financial year were hardly influenced by special effects.

The key components of our results compare as follows:

Net results

in T €	2007	2006
Net interest income	108,216	333,440
Net commission income	72,333	60,447
Net profit on financial operations	6,182	4,662
Administrative expenses (including depreciation of tangible assets)	–70,427	–64,222
Operating profit	**116,304**	**334,327**
Other income/expenses including dividends	145,848	188,733
Net addition to provisions for risk	–6,552	–173,502
Taxes	–35,243	–29,558
Profit for the financial year	**220,357**	**320,000**

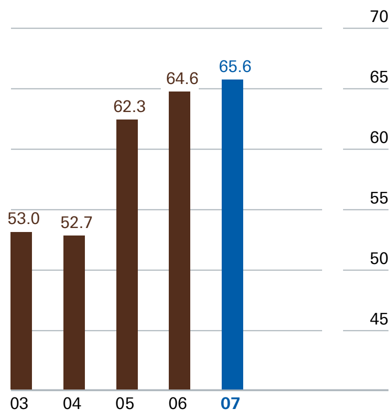
In a comparison of net interest income, account should be taken, on the one hand, of the special effect from the Group transaction completed in 2006; on the other hand, in 2007 there was current income from shares corresponding to the interest expenses for the participatory certificates issued at the end of 2006. Allowing for these two effects, net interest income increased by 23.5% compared with 2006. The settlement of other larger-scale structured transactions in the Treasury & Global Markets business division also exercised a substantial influence on this positive development. Owing to the general development of interest rates, the proceeds from investment of our own funds also increased strongly.

At almost € 12 million (+19.7%), net commission income exceeded the prior year figure. A substantial part in this strong improvement was played by the International Loans division, where the participation in individual large-scale M&A transactions generated corresponding revenues. The Corporate Services Division strongly expanded its business activities and increased its profit to roughly € 4 million. Commissions received in Private Wealth Management exceeded the high comparative figure for the previous year.

The increase in staff expenses (+ € 4.0 million) and other administrative expenses (+ € 2.1 million) matched the respective plan assumptions. Staff costs were influenced by the index adjustment in December 2006 and the increase in the bank's effective staff count. Furthermore, an anniversary provision was also formed for the first time. The higher other administrative expenses result solely from the renewed rise in overhead costs.

Development of total assets

in € billion



Adequate provisions have been made for all discernible risks in loan and securities business and for operational risks. Strict standards were applied for the measurement of credit risks.

The retention of the entire profit for the financial year of € 220 million will be recommended to the Ordinary General Meeting.

BALANCE SHEET

Despite the negative exchange rate developments (–€ 1.7 billion) especially of the U.S. dollar, total assets increased compared with the previous year by € 1.0 billion (+1.5 %) to € 65.6 billion.

The negative exchange rate developments impacted in particular on loans and advances to credit institutions, which are still at a very high level despite decreasing to € 47.4 billion.

Loans and advances to customers rose by € 4.9 billion (50.1 %) to € 14.7 billion. This is attributable to the settlement of larger-scale structured transactions in Treasury & Global Markets business division.

Parallel to that, loans and advances in international lending business also increased. With borrower creditworthiness at a good level, as before, the entire credit volume (loans extended, commitments and contingent liabilities) covered by the International Loans business division amounts to roughly € 28.7 billion (end of 2006: € 27.5 billion).

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

Participating interests and shares in affiliated undertakings	
Aqueduct Capital S.à r.l., Luxembourg	100 %
DWS Investment S.A., Luxembourg	50 %
Manilla Limited, Cayman Islands	50 %
Deutsche River Group, Luxembourg (see Notes section B. [4] for details)	25 %
Hua Xia Bank Company Limited, Beijing	3 %

The capital and reserves of Deutsche Bank Luxembourg amount to € 2,501 million. The decrease of € 293 million compared with the end of 2006 is due to the maturing of the equity investment of silent partners, which was not extended. This negative effect is compounded by discontinuation of the imputability of subordinated funds. The retention of profits from the 2006 financial year (€ 320 million) had a compensating effect.

The EU solvency coefficient is 8.7 % (2006: 10.6 %) as at reporting date.

BUSINESS POLICY AS WELL AS RISK AND CAPITAL MANAGEMENT STRATEGY

As a subsidiary of Deutsche Bank AG, the bank operates within the framework of Deutsche Bank Group's business strategy, which is valid throughout the Group. The operational and strategic objectives of the individual local business divisions are components of the respective planning in the corporate divisions of Deutsche Bank Group.

Deutsche Bank Luxembourg is integrated in organizational terms and in terms of IT technology into the risk and capital management as well as Finance structures of Deutsche Bank Group and its systems. This means that the bank manages capital and risks with the help of a framework of risk policies, organizational structures and processes which are standardized throughout the Group, closely aligned with the activities of the corporate divisions and which take account of regulatory requirements. Accordingly, adequate account has been taken of all discernible risks.

For the most part, Deutsche Bank Luxembourg has to manage the following risk categories:
– credit risk, primarily in the form of default and country risk
– market risk, especially interest rate and currency risk
– liquidity risk
– operational risks

Detailed information on the management of the main risk categories and quantitative statements on financial instruments are given in the Notes.

The principles of business policy and of risk and capital management are established and monitored by the Board of Directors and the Management Board. This takes place at the regular meetings of the Board of Directors and of the Management Board. In addition, there is an *Asset/Liability Committee (ALCO)* which meets regularly to discuss the current risk and balance sheet situation as well as the effects of new business on risks and capital. Furthermore, there are regular meetings of the Executive Committee comprising the heads of departments.

The new regulatory requirements pursuant to Basel II including the *Internal Capital Adequacy Assessment Process (ICAAP)* will be implemented in the course of 2008.

OUTLOOK FOR 2008

Despite a difficult market environment, we expect a stable development of our businesses in the current financial year, and we therefore also anticipate a positive result for 2008. The development of business to date confirms our assessment.

Since the end of the 2007 financial year, there have been no events of special importance to be reported.

Luxembourg, February 22, 2008

The Board of Directors

Balance Sheet as at December 31

Assets

in T €	[Notes]	2007	2006
Cash in hand, balances with central banks and post office banks	[B2]	8,000	9,980
Loans and advances to credit institutions	[B1, 2, 6]	47,437,398	50,779,902
repayable on demand		5,981,748	10,819,740
other loans and advances		41,455,650	39,960,162
Loans and advances to customers	[B1, 2, 6]	14,710,062	9,798,440
Debt securities and other fixed-income securities	[B1, 2, 3]	354,850	531,511
of public issuers		15,963	16,376
of other issuers		338,887	515,135
Shares and other variable-yield securities	[B2, 3]	2,092,000	2,078,000
Participating interests	[B4, 5]	77,771	59,187
Shares in affiliated undertakings	[B4, 5]	30,861	32,935
Tangible assets	[B5]	2,957	3,104
Other assets	[B8]	68,088	321,157
Prepayments and accrued income		842,784	1,019,611
Total Assets		**65,624,771**	**64,633,827**

Liabilities

in T €	[Notes]	2007	2006
Amounts owed to credit institutions	[B1, 2, 15]	46,372,488	39,194,057
repayable on demand		17,676,935	5,861,771
with agreed maturity dates or periods of notice		28,695,553	33,332,286
Amounts owed to customers	[B1, 2, 15]	14,058,889	19,466,801
other debts		14,058,889	19,466,801
– repayable on demand		685,805	828,265
– with agreed maturity dates or periods of notice		13,373,084	18,638,536
Debts evidenced by certificates	[B1, 9]	1,439,167	1,859,900
debt securities in issue		1,071,615	1,065,048
other debts		367,552	794,852
Other liabilities	[B8]	24,273	19,211
Accruals and deferred income		611,575	590,686
Provisions for liabilities and charges		69,538	132,220
provisions for taxation		14,056	17,349
other provisions		55,482	114,871
Subordinated liabilities	[B1, 11]	1,049,579	1,049,579
Special items with a reserve quota portion	[B12]	126,847	126,847
Silent participation	[B1, 10]	0	542,468
Subscribed capital	[B13]	215,000	215,000
Share premium account		55,600	55,600
Reserves	[B14]	1,381,458	1,061,458
Profit for the financial year		220,357	320,000
Interim dividend		0	0
Total liabilities		**65,624,771**	**64,633,827**

Off balance sheet items

Contingent liabilities	[B2, 17]	2,988,749	5,561,078
of which:			
guarantees and assets pledged as collateral security		2,988,749	5,561,078
Commitments	[B2, 18]	18,070,931	17,341,851
Fiduciary operations	[B2]	7,418,116	6,854,083

Profit and Loss Account for the period from January 1 to December 31

Profit and Loss Account

in T €	[Notes]	2007	2006
Interest receivable and similar income		2,821,909	2,733,924
of which:			
from fixed-income securities		3	3,174
Interest payable and similar charges		2,713,693	2,400,484
Current income		96,027	169,770
from shares		89,198	3,648
from participating interests		814	0
from shares in affiliated undertakings		6,015	166,122
Commissions receivable		104,971	105,943
Commissions payable		32,638	45,496
Net profit on financial operations		6,182	4,662
Other operating income	[C2]	52,542	23,568
General administrative expenses		70,107	63,937
Staff expenses		40,117	36,074
of which:			
– wages and salaries		31,645	28,968
– social security expenses		6,896	5,746
of which: pensions		4,313	3,320
Other administrative expenses		29,990	27,863
Depreciation of and value adjustments to intangible and tangible assets		320	285
Other operating charges	[C3]	2,721	4,605
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		6,552	173,502
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		34,757	29,341
Profit on ordinary activities after taxes		**220,843**	**320,217**
Other taxes not shown under the preceding items		486	217
Profit for the financial year		**220,357**	**320,000**

Notes to the Accounts

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

Deutsche Bank Luxembourg is a parent company for the purposes of Article 77 (1) of the law of June 17, 1992 on the annual accounts and consolidated accounts of banks incorporated under Luxembourg law in conjunction with the law of March 2006 concerning the introduction of international accounting standards for banks. Due to the expansion of our business activities, all subsidiary companies, in their entirety, are of substantial importance for the assets, liabilities, financial and profit situation of the companies, in their entirety, to be included in principle in consolidation. For 2007, therefore, Deutsche Bank Luxembourg will prepare its own consolidated accounts as a subgroup in addition to the accounts for the parent company.

The annual accounts of Deutsche Bank Luxembourg are included in the consolidated financial statements of Deutsche Bank Group according to IFRS.

The financial year is identical 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 TRANSACTIONS
Derivative financial transactions such as currency interest rate swaps, interest rate swaps and *Future* or *Forward Rate Agreements (FRAs)* are used for the purpose 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 for the most part 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 transactions 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.

– TREATMENT OF PREMIUMS/DISCOUNTS
Premiums and discounts on amounts receivable and amounts owed are in principle accounted for pro rata temporis.

With regard to securities included in current assets, premiums are also accounted for in principle pro rata temporis. Discounts from the purchase of bonds and other fixed-income securities are not booked to profit and loss account until final maturity or sale.

– 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 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

With the conversion to IFRS foreseen for 2008, a value adjustment in accordance with article 62 of the law on the accounts of banks is no longer permissible. For this reason the bank has written back the risk allowance formed in the previous years.

– 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 permanent.

– 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) and 58 (2) (e) 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 are 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 ITEMS 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, 2007.

31.12.2007

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	33,169	4,142	3,833	312	41,456
Loans and advances at term to customers	661	1,498	9,689	2,822	14,670
Debt securities and other fixed-income securities	0	0	6	349	355
Total	**33,830**	**5,640**	**13,528**	**3,483**	**56,481**
For comparison 31.12.2006:					
Total	**30,076**	**5,417**	**9,108**	**5,196**	**49,797**

In addition to loans and advances at term to customers, loans and advances repayable on demand are still booked in the amount of € 40 million (31.12.2006: € 493 million).

31.12.2007

in € m.	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	Total
Amounts owed					
Amounts owed at term to credit institutions	21,984	767	1,150	4,794	28,695
Amounts owed at term to customers	8,992	1,284	2,840	257	13,373
Debts evidenced by certificates	0	29	1,045	365	1,439
Subordinated liabilities	0	50	300	700	1,050
Silent participation	0	0	0	0	0
Total	**30,976**	**2,130**	**5,335**	**6,116**	**44,557**
For comparison 31.12.2006:					
Total	**41,593**	**3,159**	**5,399**	**5,272**	**55,423**

Of the loans and advances at term to credit institutions and customers, € 184 million (2006: € 185 million) are subordinated. For liabilities where the repayable amount exceeds the amount received, there is a difference of € 11 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, 2007.

31.12.2007

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 post office banks	8	0	0	0	0	0	8
therein balances with central banks	0	0	0	0	0	0	0
Loans and advances to credit institutions	45,456	174	1	0	1,806	0	47,437
Loans and advances to customers	11,224	719	1,588	307	819	53	14,710
Debt securities and other fixed-income securities	355	0	0	0	0	0	355
Shares and other variable-yield securities	2,092	0	0	0	0	0	2,092
Total	**59,135**	**893**	**1,589**	**307**	**2,625**	**53**	**64,602**

For comparison 31.12.2006:

Total	**57,729**	**511**	**127**	**457**	**4,356**	**18**	**63,198**

31.12.2007

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other	**Total**
Amounts owed							
Amounts owed to credit institutions	31,688	12,705	95	253	1,595	36	46,372
Amounts owed to customers	9,804	300	3,289	145	463	58	14,059
Total	**41,492**	**13,005**	**3,384**	**398**	**2,058**	**94**	**60,431**

For comparison 31.12.2006:

Total	**38,474**	**11,497**	**4,495**	**215**	**3,944**	**36**	**58,661**

31.12.2007

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other	Total
Off-balance sheet items							
Contingent liabilities	2,783	97	2	105	2	0	2,989
Commitments	15,297	1,602	420	246	468	38	18,071
Fiduciary operations	6,784	0	0	0	634	0	7,418
Total	**24,864**	**1,699**	**422**	**351**	**1,104**	**38**	**28,478**

For comparison 31.12.2006:

Total	**26,500**	**1,294**	**607**	**287**	**1,032**	**37**	**29,757**

31.12.2007

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other	Total
Financial transactions							
Interest rate transactions	9,370	0	10	0	0	0	9,380
Foreign exchange/ gold transactions	2,776	63	2	21	425	0	3,287
Equity transactions	31	0	0	0	0	0	31
Credit derivatives	0	0	0	0	0	0	0
Total	**12,177**	**63**	**12**	**21**	**425**	**0**	**12,698**

For comparison 31.12.2006:

Total	**27,822**	**141**	**790**	**2**	**285**	**0**	**29,040**

[3] SECURITIES

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

31.12.2007

in € m.	Unlisted securities	Listed securities	Total
Debt securities and other fixed-income securities	339	16	**355**
Shares and other variable-yield securities	2,092	0	**2, 092**

No provisions were maintained in accordance with the principle of maintaining previous value adjustments (*Beibehaltungsprinzip*). The provisions formed in the previous years in the amount of € 9 million were closed out in 2007.

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

[4] COMPANIES IN WHICH THE BANK HAS A PARTICIPATING INTEREST OF 20% OR MORE

in € m. Name of company	Registered domicile	Holding	Share-holders' equity	Results for 2007 finan-cial year*
DB Finance International GmbH	Eschborn	100%	1.0	–0.6
DB Palladium S.A.	Luxembourg	100%	0.0	0.0
DB Valence S.à r.l.	Luxembourg	100%	0.0	0.8
DB Valence II S.à r.l.	Luxembourg	100%	0.0	13.9
Aqueduct Capital S.à r.l.	Luxembourg	100%	23.3	–0.1
Novequity (Proprietary) Limited	Cape Town	100%	0.0	0.0
Lily Finance (Proprietary) Limited	Cape Town	100%	0.0	0.0
Avon Investments S.à r.l.	Luxembourg	100%	0.1	0.0
Melusine Aviation S.à r.l. & Cie, S.e.c.s.	Luxembourg	100%	0.0	0.0
DWS Investment S.A.	Luxembourg	50%	212.5	135.6
Manilla Limited	Cayman Islands	50%	2.7	21.2
Deutsche River Investm. Managem. Comp. S.à r.l.**	Luxembourg	49%	0.0	0.3
DB Vita S.A.	Luxembourg	25%	7.3	1.1
Main Properties S.à r.l.**	Luxembourg	25%	5.6	5.0
Trave Properties S.à r.l.**	Luxembourg	25%	33.9	–2.4
Isar Properties S.à r.l.**	Luxembourg	25%	3.2	–0.3
Danube Properties S.à r.l.**	Luxembourg	25%	18.8	–0.1
Rhine Properties S.à r.l.**	Luxembourg	25%	5.6	–0.2
Weser Properties S.à r.l.**	Luxembourg	25%	0.1	–0.1
Inn Properties S.à r.l.**	Luxembourg	25%	5.1	–0.7
Elbe Properties S.à r.l.**	Luxembourg	25%	0.1	–0.1
Oder Properties S.à r.l.**	Luxembourg	25%	2.3	–0.1

* preliminary results for the year according to latest available annual accounts
** belongs to Deutsche River Group

With the exception of Hua Xia Bank Company Limited, Beijing, there are no further listed participating interests or listed shares in affiliated undertakings

[5] MOVEMENTS IN FIXED ASSETS

in T €	Partici-pating interests	Shares in affiliated under-takings	Intangible assets	land and buildings	office furni-ture and equipment	Tangible assets	Total fixed assets
Gross value at beginning of financial year	**59,187***	**32,935**	**6,365**	0	12,620	**12,620**	**111,107**
Additions	**18,733**	**363**	**0**	0	174	**174**	**19,270**
Disposals	**149**	**0**	**0**	0	0	**0**	**149**
Parity changes	**0**	**–2,437**	**0**	0	0	**0**	**–2,437**
Gross value at end of financial year	**77,771**	**30,861**	**6,365**	0	12,794	**12,794**	**127,791**
Cumulative depreciation and value adjustments at end of financial year	**0**	**0**	**6,365**	0	9,837	**9,837**	**16,202**
Net value at end of financial year	**77,771**	**30,861**	**0**	0	2,957	**2,957**	**111,589**

* gross value after deduction of lump-sum provision of € 1 million

[6] AMOUNTS DUE FROM AFFILIATED UNDERTAKINGS AND FROM PARTICIPATING INTERESTS

in € m.	Affiliated undertakings 31.12.2007	Participating interests 31.12.2007	Affiliated undertakings 31.12.2006	Participating interests 31.12.2006
Loans and advances to credit institutions	47,080	0	50,750	0
Loans and advances to customers	4,578	30	2,973	0
Debt securities and other fixed-income securities	339	0	518	0

[7] ASSETS DENOMINATED IN FOREIGN CURRENCIES

Assets denominated in foreign currencies amount in total to the equivalent of € 18,392 million as at balance sheet date.

[8] OTHER ASSETS/OTHER LIABILITIES

The other assets include € 55 million in option premiums resulting from the issue of the warrants reported under Note 9 and the EUR Fixed-Rate-Bond with a variable bonus interest rate.

Reported under other liabilities are social security contributions to be paid over and other payment obligations.

[9] DEBTS EVIDENCED BY CERTIFICATES

The debts evidenced by certificates include the following positions:
- $ Zero Bond, reported value: € 217 million; due: May 26, 2010
- $ Zero Bond, reported value: € 32 million; due May 26, 2010
- EUR 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: € 339 million; due: September 7, 2017
- Warrants, reported value: € 29 million; due: May 23, 2008 to July 31, 2008
- EUR Zero Bond, reported value: € 21 million; due: December 10, 2015, with a variable bonus interest rate based on the performance of the CROCI-Alpha-Pairs-Index
- EUR Zero Bond, reported value: € 5 million; due: December 19, 2016, with a variable bonus interest rate based on the performance of the CROCI-Alpha-Pairs-Index

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

[10] SILENT PARTICIPATION

The two tranches of the silent participation with a total volume of $ 715 million matured in December 2007:
- $ 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 was on December 28, 2007.
- $ 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 was on December 28, 2007.

The interest expense for this silent participation amounted to € 33 million.

[11] SUBORDINATED LIABILITIES

There is
- a subordinated LUF Fixed-Rate-Bond, LUF 2 billion, 5%, due 2008
- a subordinated EUR Fixed-Rate-Bond, € 200 million, 4.5%, due 2009
- a subordinated EUR FRN loan, € 100 million, due 2009
- a subordinated EUR participatory certificate, € 700 million, due 2016

The participatory certificate is classified as Upper Tier II capital, the other subordinated funds as Lower Tier II capital for regulatory purposes. In the 2007 financial year, the interest expense for subordinated liabilities was € 39 million.

The debt instruments 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 of € 93 million is not yet allowed for. 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 is € 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, 2007	22	1,040	0
Addition to reserves from shareholders	0	0	0
Profit for the 2006 financial year	0	0	320
Appropriation:			
– Retention	0	320	320
– Dividend	0	0	0
As at December 31, 2007	**22**	**1,360**	**0**

The Luxembourg law 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 € 163 million for the imputation of wealth tax.

[15] AMOUNTS OWED TO AFFILIATED UNDERTAKINGS AND PARTICIPATING INTERESTS

in € m.	Affiliated undertakings 31.12.2007	Participating interests 31.12.2007	Affiliated undertakings 31.12.2006	Participating interests 31.12.2006
Amounts owed to credit institutions	36,503	0	32,032	0
Amounts owed to customers	10,440	49	11,427	0

[16] LIABILITIES IN FOREIGN CURRENCIES

The total amount of liabilities denominated in foreign currencies as at balance sheet date is the equivalent of € 16,930 million.

[17] CONTINGENT LIABILITIES

Contingent liabilities consist of:

in € m.	31.12.2007	of which: to affiliated under-takings
Guarantees and other direct substitutes for credit	2,989	323
Acceptances	0	0
Total	**2,989**	**323**

[18] CONFIRMED CREDITS

Commitments consist of:

in € m.	31.12.2007	of which: to affiliated under-takings
Confirmed credits, not utilized	17,782	333
Facilities for the issuance of debt instruments	289	0
Total	**18,071**	**333**

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 €	2007
Income from the sale of shares in participating interests	–
Income from the release of tax provisions	1,382
Income from commercial representation services	2,700
Income from the release of provisions for advisory risks	6.000
Sundry income	42,460
Total	**52,542**

[3] OTHER OPERATING CHARGES

This position is made up as follows:

in T €	2007
Addition to provisions for AGDL	2,150
Sundry expenses	571
Total	**2,721**

[4] AUDITOR'S FEES

Fees billed to the Company by KPMG Audit S.à r.L., Luxembourg and other member firms of the KPMG network during the year are as follows:

in T € (excluding VAT)	2007
Audit fees	155
Audit-related fees	130
Tax fees	188
Other fees	20

Such fees are presented under other administrative expenses in the income statement.

D. RISK REPORT

GENERAL INFORMATION

Deutsche Bank Luxembourg is integrated in organizational and IT terms into the risk and capital management as well as Finance structures of Deutsche Bank Group and its systems. The following statements describe the Group's standard definitions and principles in connection with risks.

RISK AND CAPITAL MANAGEMENT

Against the background of our broadly diversified business activities, it is essential to identify, measure, aggregate and manage risks effectively and back the various risks appropriately with equity capital. Deutsche Bank Luxembourg manages risks with the help of an overriding set of risk principles, organizational structures and processes standardized throughout the Group, for the measurement and monitoring of risk, which are closely aligned to the activities of the Group Divisions.

PRINCIPLES OF RISK AND CAPITAL MANAGEMENT

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

- The Management Board bears overall responsibility for the Group's risk and capital management. The Supervisory Board reviews the risk and capital profile at regular intervals.
- The management of credit, market, liquidity, operational, business and reputational risks and of capital is effected in a coordinated process at all relevant levels of Deutsche Bank Group. This also applies to complex products which we usually manage within our policy for trading exposures.
- 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 and capital management activities are supported by Finance, Audit and the Legal Department. These units are independent of the Group Divisions and Risk and Capital Management. Finance's role is to quantify and verify the risks 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, e.g. on collateral agreements.

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

In our risk management processes, we 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 business partner, borrower or debtor. 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: possible deterioration in overall economic conditions, 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 also includes the transfer risk. This arises when debtors, owing to direct government intervention, are unable 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 volatilities.

- **LIQUIDITY RISK** is the risk that we may not be in a position to meet our payment obligations when they mature.

- **OPERATIONAL RISK** is the potential for incurring losses in connection with staff, contractual specifications and their documentation, technology, infrastructural failure or collapse, projects, external influences and customer relationships. This definition includes, among other aspects, legal and regulatory risks, but not the general business risk or reputational risk.

REPUTATIONAL RISK

For our risk management processes, we define reputational risk as the risk that public trust in an organization may be negatively influenced by public reporting on a transaction, a business partner or a business practice in which a customer is involved.

GENERAL BUSINESS RISK

The general business risk designates the risk arising from changes in general business conditions. These include, for example, the market environment, client behaviour and technological progress. Such risks can affect our earnings unless we adjust quickly to the changed conditions.

CREDIT RISK

Credit risk is the largest component of the bank's risk exposure. The measurement and management of our credit risk are based on the following principles:

- 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.
- 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.
- Credit approval powers are conferred upon members of staff who have the appropriate qualifications, experience and training. Credit approval powers are regularly reviewed.
- Credit commitments towards a borrower group are combined on a Group-wide consolidated basis. Borrowers connected with each other on the basis of at least one criterion determined by us, such as equity capital holding, voting rights, apparent exercise of control or other indicators of group membership or who have joint and several liability for loans or large parts of loans we have extended are deemed to constitute a "borrower group".

CREDIT RISK RATING

An important element of the credit approval process is a detailed risk assessment for each credit exposure to a business partner. In assessing the risk, both the creditworthiness of the business partner and the risks relevant to the specific credit facility or exposure are taken into consideration. The resulting risk rating not only affects the structuring of the transaction and credit decision, but also determines the signing power needed to grant or extend or to make a substantial change to the credit and also establishes the scope of monitoring for the exposure concerned.

Deutsche Bank Group has internal rating methods, score cards and a rating scale for the assessment of the creditworthiness of its business partners. A 26-point rating scale is calibrated with the range of default probabilities established on the basis of historical defaults in our portfolio. This scale allows a comparison between the internal ratings and market practice and an improved comparability of the various sub-portfolios. The loan exposures are usually assessed individually, but average ratings are occasionally used for risk measurement. In the calculation of internal risk ratings, the internal assessments are compared as far as possible with the external risk ratings given by leading international rating agencies for our business partners.

LENDING

Deutsche Bank Luxembourg operates on a large scale as the *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 extends these 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 credit risks on the basis of submitted annual accounts and other current information obtained from Deutsche Bank Group's credit risk management.

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

The creditworthiness of the portfolio of loans to the non-banking sector is high. More than 95% of confirmed loans are to investment grade borrowers.

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, 2007

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	**Total**
AAA/AA	47,107	5,671	2,447	863	3,910	59,998
A	267	2,125	0	985	6,104	9,481
BBB	59	3,938	0	1,033	6,990	12,020
BB	0	2,812	0	96	930	3,838
B	4	124	0	12	105	245
CCC or below*	0	40	0	0	32	72
Total	**47,437**	**14,710**	**2,447**	**2,989**	**18,071**	**85,654**

* including unrated customers

Structure of credit profile by industry as at December 31, 2007

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	**Total**
Banks and insurance	47,437	7,392	2,447	565	3,145	60,986
Manufacturing	0	2,499	0	851	6,538	9,888
Households	0	76	0	1	164	241
Public sector	0	92	0	2	411	505
Wholesale and retail trade	0	495	0	2	1,070	1,567
Commercial real estate	0	125	0	2	10	137
Corporate services	0	1,823	0	129	2,804	4,756
Telecommunications	0	712	0	221	1,098	2,031
Power and water utilities	0	705	0	263	1,828	2,796
Other	0	791	0	953	1,003	2,747
Total	**47,437**	**14,710**	**2,447**	**2,989**	**18,071**	**85,654**

RISK PROVISIONING

Adequate provision has been made for individual risks. There are only minor country risks as at balance sheet date. Deutsche Bank Luxembourg also uses the possibility of setting up a lump-sum provision 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 resulting from asset/liability management – in the form of interest rate, currency and liquidity risks – are managed by the 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 local supplements, Deutsche Bank Group's policies for trading activities, the so-called Global Markets Key Operations Policies, have been established by Management in binding form. Our back-office applied the same procedure for the settlement of trades.

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 using the Group's risk measurement programmes and hence its risk models. A risk performance status report is produced daily and forwarded to management, the business division and the global risk controlling unit with functional responsibility.

FINANCIAL TRANSACTIONS

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

Analysis of derivative financial transactions as of December 31, 2007

in € m. Classes of financial transaction	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Interest rate transactions	**4,124**	**5,256**	**0**	**9,380**	**29**	**19**	**10**
Interest rate swaps	4,124	5,256	0	9,380	29	19	10
Forward rate agreements	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Foreign exchange/ gold transactions	**1,618**	**1,669**	**0**	**3,287**	**296**	**33**	**263**
Futures contracts with customers	561	0	0	561	10	12	–2
Futures contracts with banks	1,045	0	0	1,045	19	16	3
Cross-currency swaps	0	1,669	0	1,669	267	5	262
Options	12	0	0	12	0	0	0
Equity transactions	**0**	**0**	**31**	**31**	**0**	**2**	**–2**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	31	31	0	2	–2
Options	0	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**5,742**	**6,925**	**31**	**12,698**	**325**	**54**	**271**

Analysis of derivative financial transactions as of December 31, 2006

in € m. Classes of financial transaction	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Interest rate transactions	**15,144**	**818**	**1,530**	**17,492**	**29**	**35**	**–6**
Interest rate swaps	15,144	818	1,530	17,492	29	35	–6
Forward rate agreements	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Foreign exchange/ gold transactions	**8,643**	**1,862**	**958**	**11,463**	**197**	**119**	**78**
Futures contracts with customers	4,090	0	0	4,090	39	65	–26
Futures contracts with banks	4,342	0	958	5,300	74	46	28
Cross-currency swaps	210	1,862	0	2,072	84	8	76
Options	1	0	0	1	0	0	0
Equity transactions	**0**	**0**	**0**	**0**	**1**	**2**	**–1**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	0	0	1	2	–1
Options	0	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**23,787**	**2,680**	**2,488**	**28,955**	**227**	**156**	**71**

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.

According to the regulations of the Bank for International Settlements (BIS), 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 and currency risks in our non-trading book was € 0.4 million. The average value in 2007 was € 0.4 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. Treasury & Global Markets Division handles the management of this task. Risk Controlling ensures prompt availability of data and informs Deutsche Bank Luxembourg's management 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 70%. This was well above the regulatory limit of 30%.

OPERATIONAL RISK

The 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 and gains due to operational risks are captured in the Group-wide *db-Incident Reporting System (db-IRS)* monitored at Deutsche Bank Luxembourg by Finance–Risk Control. Besides losses actually incurred due to defective processing, the system also covers pending transactions and potential risks as well as reported provisions for operational risks. Reports from the database give an insight into the success of risk management and into the quality of the selected risk indicators.

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.	**31.12.2007**	**31.12.2006**
Loans and advances to credit institutions	9,699	10,217
Loans and advances to customers	9,482	5,771
Other assets	2,583	2,669
Contingent liabilities	1,691	2,122
Confirmed credits	4,668	4,939
Interest rate transactions	69	95
Currency transactions	65	230
Total	**28,257**	**26,043**

Regulatory capital and reserves amount to € 2,453 million (end of 2006: € 2,763 million), the risk coefficient is 108 % (end of 2006: 132 %). 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 an AGDL member is covered for up to the equivalent of a maximum T € 20 per cash deposit and T € 20 per amount receivable under a securities transaction other than 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

	31.12.2007	Average in 2007
Management Board	3	3.0
Executives	26	26.5
Staff	330	322.5
Total	**359**	**352.0**

In 2007, the total remuneration of the Management Board and executives was T € 8,101. The addition to pension provisions was T € 1,297.

The expense for pension obligations for former members of the Management Board was T € 107.

As of December 31, 2007, T € 576 loans, advances and other commitments have been made to members of the Management Board and executives.

ANNUAL REPORT FOR 2007 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

arvato logistics services
Bestellservice Deutsche Bank
Gottlieb-Daimler-Straße 1
33428 HARSEWINKEL
GERMANY

and on the Internet at
www.db.com/ir/

Luxembourg, February 22, 2008

Deutsche Bank Luxembourg S.A.
The Board of Directors

Report of the Réviseur d'Entreprises

TO THE BOARD OF DIRECTORS OF DEUTSCHE BANK LUXEMBOURG S.A.

REPORT ON THE ANNUAL ACCOUNTS

Following our appointment by the Board of Directors dated March 16, 2007, we have audited the accompanying annual accounts of Deutsche Bank Luxembourg S.A., which comprise the balance sheet as at 31 December 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL ACCOUNTS

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE REVISEUR D'ENTREPRISES

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the annual accounts give a true and fair view of the financial position of Deutsche Bank Luxembourg S.A. as of 31 December 2007, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, February 22, 2008

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

Harald Thönes

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IMPORTANT DATES 2008

Events of Deutsche Bank Luxembourg

April 17, 2008	Vernissage
September 27, 2008	Private Art Kirchberg
November 6/7, 2008	Financial Markets Forum
December 11, 2008	Christmas Concert