Annual Report 2008

Deutsche Bank Luxembourg

Important Dates

Events of Deutsche Bank Luxembourg S.A.

April 24, 2009 – July 12, 2009	Exhibition: “To be a teacher is my greatest work of art.” Joseph Beuys and his students Works from the Deutsche Bank Collection
November 3/4, 2009	Financial Markets Forum Luxembourg

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 2008 is also available.

Board of Directors

Dr. Hugo Bänziger
Chairman
Member of the Management Board
Member of the Group Executive Committee
Chief Risk Officer of Deutsche Bank AG

Ernst Wilhelm Contzen
Chief Executive Officer of Deutsche Bank Luxembourg S.A.

Dr. Hans-Jürgen Koch
Head of Market Region Northern Europe, Middle East and Africa (NEMEA) PCAM –
Private Wealth Management of Deutsche Bank AG

Dr. Michael Kröner
Global Head of Tax of Deutsche Bank AG

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.

Management Board

Ernst Wilhelm Contzen
Chief Executive Officer

Klaus-Michael Vogel
Managing Director

Thilo H. Wendenburg
Managing Director

Report of the Management Board

As an international location in the financial and mutual fund industry, Luxembourg felt the impact of the financial crisis in 2008. The crisis put a strain on the financial sector but its consequences also took their toll on the real economy. Furthermore, the effects of the changed market situation left their mark on the Luxembourg budget.

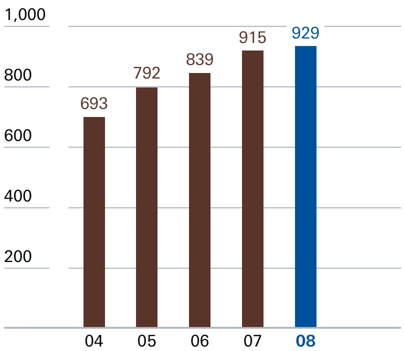
Introduced ten years ago, the euro played a very positive role in stabilizing the markets in this difficult environment.

The consolidation in the banking sector as a whole will continue in 2009. At present, 152 institutions have offices in the Luxembourg banking sector, employing 27,000 people. With a population of 484,000, Luxembourg attracts highly qualified employees from the greater region. Every day, 136,000 commuters come to work in Luxembourg.

In this difficult environment, Deutsche Bank Luxembourg S.A. produced a solid profit of € 177 million. At € 65.8 billion, total assets were at the level of the previous year.

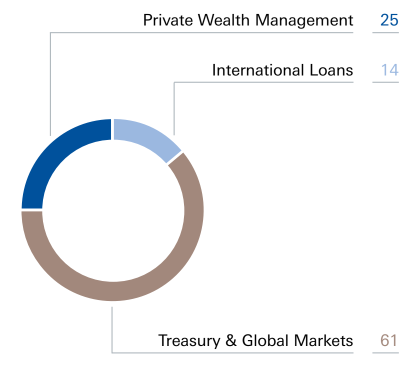
Development of Luxembourg banks' total assets

in € billion



The three core business areas contribute as follows to total operating profit:

in %



All four business divisions (International Loans, Private Wealth Management, Treasury & Global Markets and Corporate Services Division) contributed to this positive result.

Treasury & Global Markets saw a significant improvement in results over 2007.

In International Loans, revenues in line with the previous year were reported.

In Private Wealth Management, the uncertainty on the markets led to a lower result than in 2007. The division intends to intensify existing client relations and gain new customers. The expansion of the international range of services, the focus at an early stage on new markets and the trust of our clients will play a major role in further strengthening our market position in 2009.

The Corporate Services Division increased revenues once again in 2008 and produced a higher result than in 2007. Deutsche Bank Luxembourg succeeded in consistently building up this relatively new business division in 2008.

Following the pattern of the previous year, the number of staff members rose to 363 (2007: 359). Administrative expenses (staff and other administrative expenses) were reduced significantly to € 63 million in 2008.

In 2009, the financial sector will face new challenges. It is essential that client and consumer trust in the markets and the economy as a whole be restored.

Deutsche Bank Luxembourg demonstrated its strength even in the difficult market environment in 2008. The Management Board would like to thank its clients and shareholders for their trust, its staff for their exceptional dedication and its Board of Directors for their ongoing support.

International Loans

During the reporting year, lending business at Deutsche Bank Luxembourg was also shaped by the international financial crisis. There was a strong decrease in new loans to international borrowers, signs of which had already been apparent in 2007. In contrast, business with small and medium-sized enterprises in Germany continued to develop positively. As in previous years, the credit volume experienced strong fluctuations linked to participation in major international financings, but the annual average remained at the 2007 level.

The bank's risk position was monitored and managed within the scope of Group policies and in close coordination with risk committees and the decision makers in the Group. Comprehensive provisions were formed for discernible risks, also those arising from the international financial crisis. In this context, a need also arose particularly in the latter months of the year for provision for business with German borrowers.

Agency Services

In 2008, the division's activity as agent for syndicated loans developed in line with the general situation on the credit markets. At the end of the year, services were provided for roughly 230 agencies. A significantly higher number of German financings were successfully acquired over the course of the year.

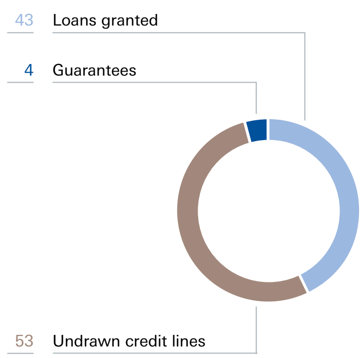
Outlook

The situation on the credit markets will remain tense in 2009 and a recovery is expected in the third quarter at the earliest. In particular, given economic developments, it cannot be excluded that individual borrowers may experience difficulties in duly servicing their loans or may even default.

This development must be taken into account also with respect to our position as *center of competence* for Continental Europe. Continued flexible adaptation to the current circumstances is called for here. Fostering cooperation with "internal customers" in the Group is to remain a high priority, and potential for working with other Group units on new financings is to be reviewed. As part of efforts to increase efficiency, Deutsche Bank Luxembourg is contemplating possibilities of intensifying cooperation with the outsourcing subsidiary of Deutsche Bank Group, DBOI (Deutsche Bank Operations International).

International Loans

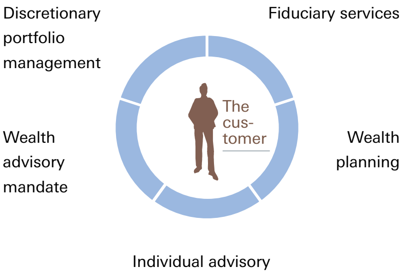
in %



Total credit volume covered: € 28.6 billion

Private Wealth Management (PWM)

The PWM service range



2008 was shaped by the global financial crisis. Almost all international stock markets reported high losses and all asset classes used for risk diversification suffered from the strong decline in prices. The economic situation around the world and the fears of investors as well as the loss of confidence in the markets led to general uncertainty among market participants.

In this difficult environment the Private Wealth Management Division at Deutsche Bank Luxembourg performed well in comparison to the market. Through a strategy of focussing on new markets and services, which was introduced at an early stage, recessive client volumes and revenues were in part successfully stabilized. At the end of 2008, 129 employees in PWM Luxembourg were serving roughly 13,100 clients with an investment volume of € 5.9 billion.

In the challenging and turbulent stock market environment of 2008, PWM benefited from long-standing client relationships and the trust associated with these. Investors' need for security grew over the year and also became a decisive factor in selecting issuers. The demand for complex structured products decreased, and the interest in transparent investments such as money market and bond products continually increased.

Despite a conservative investment policy and a reduced ratio of alternative investments, clients were in some cases disappointed with the overall performance of their portfolios at the end of the year. The significant trend towards investment strategies with active risk control and loss restriction mechanisms was also apparent in the mandate business. Intensive advisory services and individual solutions were provided to cater for this need.

Notwithstanding the negative trends, the international booking center performed well in many markets in 2008 and almost doubled assets under management. As well as continuing to pursue the existing strategy for Asia, PWM successfully expanded the range of services offered by the booking center in the Anglo-Saxon area. In 2009, this division will maintain its focus on broadening its international range of services.

Luxembourg is becoming one of the leading foreign financial markets for the Northern countries. In 2008, Private Wealth Management Luxembourg assumed strategic responsibility within the Deutsche Bank Group for the Northern area. In 2009, business with the Scandinavian countries will be further expanded.

For clients, asset allocation and risk management proved to be the right strategy in turbulent times on the stock markets. In this challenging period, PWM is particularly active in initiating discussions with clients and addressing their risk requirements in detail. Clients confirmed PWM's great dedication and reliability in 2008. Based on their trust, Deutsche Bank Luxembourg is confident that in 2009 it will continue successfully to advise clients with the aim of high performance.

Treasury & Global Markets

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

The ongoing financial and economic crisis brought with it immense challenges for this division in 2008.

Extreme volatility, prevailing uncertainty and the resulting measures by governments and central banks created a very difficult market environment.

The division was, however, able to exceed refinancing and liquidity management targets by a long way.

A further important component is interest rate and currency business.

Despite the downward spiral of the recession, Global Markets Luxembourg was able to position itself appropriately and reported very successful and profitable activities.

Treasury & Global Markets makes a material contribution to the operating profit of Deutsche Bank Luxembourg and is therefore an important earnings factor.

Corporate Services Division (CSD)

The range of services offered by CSD comprises, in addition to setting up property companies including domiciling and registration, the administration of special funds, the custody of assets, accounting and the provision of executive directors in Special Purpose Vehicles (SPVs).

The division was further expanded in 2008 and increased its revenues in comparison to the previous year. The mutual fund unit developed steadily through new mandates in the field of special investment funds and risk capital companies. The product division Capital Markets and Structured Products also reported further growth, and intends to continue this trend going forward.

Divisional Functions

Human Resources

On December 31, 2008, Deutsche Bank Luxembourg employed 363 members of staff (previous year: 359).

18 different nationalities and well over 20 languages spoken reflect the bank's diversity. This international quality means individual advice can be provided to customers in their national languages.

The proportion of female staff remained constant at roughly 50%. 74 employees are part-time, which corresponds to a part-time employment ratio of 20.4% (previous year: 18.4%). Equality of opportunity between men and women is an important HR policy objective. Strengthening the proportion of female personnel in specialist and management positions is also actively targeted and supported.

In 2008, Deutsche Bank Luxembourg hired 35 new staff members, of which 13 joined Private Wealth Management.

Basic and advanced training for our employees continues to be a high priority. Staff motivation is very important to us; employees are a key capital asset.

IT

The main task of the IT Department is the optimization and ongoing functional enhancement of technical systems. The continual development of existing structures meant that in 2008 Deutsche Bank Luxembourg again had an optimal infrastructure.

As of July 1, 2008, the EU withholding tax on interest income was increased from 15% to 20%, with the result that many systems needed converting. Various projects were launched in 2008 to ensure compliance with Group standards. The IT Department provided substantial support for the preparations to introduce a new IT platform for the PWM Division.

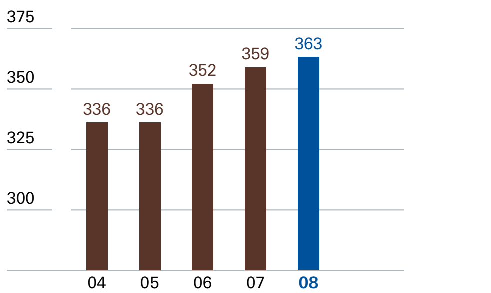
In 2008, extensive *Business Continuity Planning (BCP)* trials were carried out involving various departments. These demonstrated that the applications tested at the BCP center all function smoothly.

A comprehensive risk analysis of all critical bank applications was performed to review systems security again, which resulted in further improvements.

In addition, during the first half of the year, a new security solution was implemented for the centralized control and monitoring of access and data flows via internal and external computer interfaces. This played a significant role in supplementing the overall security of the bank's infrastructure in Luxembourg.

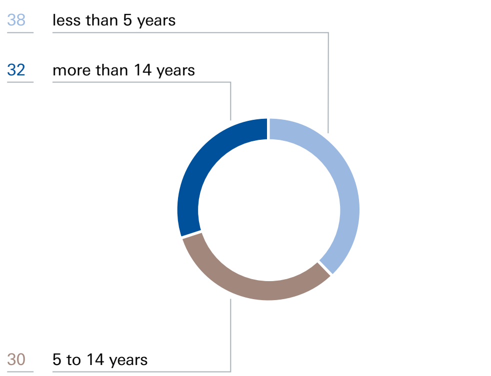
Development of total staff

absolute figures



Length of service

in %



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 business activity.

In the second half of 2008, business activities in the money market area increased by 50% over 2007 due to the financial crisis.

Moreover, staff from Operations provided considerable support for the launch of a new IT platform for PWM and the preparations for conversion to SAP in Finance. SAP software can be used for a wide range of business processes in a company.

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

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

Corporate Trust and Agency Services Operations (CTAS Ops)

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 2008, CTAS Ops maintained its position as second largest listing agent against the competition.

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 performs an objective analysis of the risks for the bank and makes certain that checks comply with legal and regulatory authority standards as well as Group regulations.

Through its work, the Audit Department provides essential support to the Management Board in its control duties.

In an environment characterized by openness, trust, integrity and cooperation as partners of the business divisions, Internal Audit thus contributes to ensuring that the highest standards of professional and proactive risk management are met.

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 and Agency Services business division, advisory work for the Private Wealth Management business division, and the coverage of structured transactions. It specializes in particular in supporting large-scale financings and all legal issues connected with them. In 2008, coverage for complex restructurings on the borrowers' side including assuming trusteeships in the interests of other financing parties was also of particular importance.

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 *center 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 legal and regulatory requirements and ethical principles at Deutsche Bank Luxembourg. For this purpose, policies and processes are developed and staff trained. Monitoring systems ensure 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 and compliance with the *Markets in Financial Instruments Directive (MiFID)* have special importance. The MiFID is an EU Directive on harmonization of the financial markets in the European Single Market.

The Compliance Department employs four members of staff.

Finance and Taxes

Finance and Taxes 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 Finance Luxembourg employed 30 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 the *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.

The successful introduction of the new *Financial Reporting (FINREP)* pursuant to EU regulations and the new *Common solvency ratio Reporting (COREP)* in accordance with Basel II for local reporting formed the focus of Finance's activities in 2008. Parallel to the implementation of reporting requirements in terms of content, the entire Finance IT system was adjusted to the new reporting structures.

Management Report

Profit and Loss Account

In the 2008 financial year, Deutsche Bank Luxembourg achieved a profit of € 177 million (2007: € 220 million).

No major special transactions with a material impact on the results were concluded in the financial year 2008.

The key components of the results compare as follows:

Net results

in T €	2008	2007
Net interest income	279,572	108,216
Net commission income	51,798	72,333
Net profit on financial operations	6,532	6,182
Administrative expenses (including depreciation of tangible assets)	–63,426	–70,427
Operating profit	**274,476**	**116,304**
Other income / expenses including dividends	107,057	145,848
Net addition to provisions for risk	–174,250	–6,552
Taxes	–30,664	–35,243
Profit for the financial year	**176,619**	**220,357**

A good third of the disproportionately high increase in net interest income in comparison to the previous year results from the participatory certificate transactions completed in 2006 / 2007.

Parallel to this, due to the balance sheet / refinancing structure of Deutsche Bank Luxembourg, Treasury & Global Markets benefited to an above-average extent from interest rate developments on the international capital markets, particularly in the fourth quarter. In light of the market interest rate situation, the proceeds from investment of own funds increased. The change in the composition of capital and reserves (expiry of the silent participation and retention of the 2007 profit) also had a positive effect.

The execution of a securities transaction within the Group generated interest income of some € 18 million. Due to a corresponding write-down, this transaction has little effect on overall results.

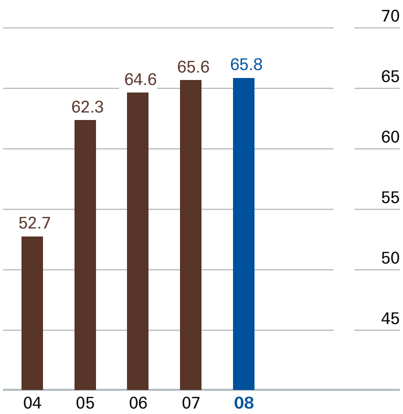
The considerable decrease of € 20.5 million (– 28.4%) in net commission income is attributable in equal parts to International Loans and Private Wealth Management. The lower results in International Loans were due to DB Group’s internal booking of hedge costs for collateralized loan obligations. Private Wealth Management felt a broadly impact of the negative market environment.

Administrative expenses were down by € 7 million. Cuts in staff costs (€ –4.8 million / – 11.9%) were attributable to significantly lower bonus payments and the one-off costs reported in 2007 for the formation of an anniversary provision, as well as lower overhead costs.

The decline in other operating income is due to the special income reported in 2007.

Development of total assets

in € billion



Adequate provisions have been made for all discernible risks in loan and securities business and for operational risks. In response to the crisis on the international financial markets, specific risk provisions were formed in the amount of € 87 million in 2008. For discernible industry risks the lump-sum provision was increased.

The distribution of a dividend of € 126 million and addition of the remaining profit of € 51 million to reserves will be recommended to the Ordinary General Meeting.

Balance Sheet

At € 65.8 billion, total assets were in line with the high level of the previous year (€ 65.6 billion). The net exchange rate fluctuations had no significant effects on the development of total assets.

Loans and advances to credit institutions (including balances with central banks), at € 46.2 billion, were only slightly (–2.7%) below the figure for 2007. In this context, Deutsche Bank Luxembourg was largely able to compensate the decrease in loans and advances within the Group through the execution of external transactions.

Through the growth in the number of loans extended in International Loans, loans and advances to customers increased by € 1.4 billion to € 16.1 billion (+9.7%). At € 28.6 billion, the entire credit volume (loans extended, confirmed credits and contingent liabilities) covered by the International Loans business division corresponds to the level in 2007 (€ 28.7 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	
Alpha Lindsell Ltd., Gibraltar	100%
DWS Investment S.A., Luxembourg	50%
Deutsche River Group, Luxembourg (see Note B [4] for details)	25%
Hua Xia Bank Company Limited, Beijing	3%

The development of amounts owed to credit institutions and customers is largely influenced by the inflows and outflows of transactions within the Group.

The own funds of Deutsche Bank Luxembourg amount to € 2,468 million. The increase of € 95 million in comparison to the end of 2007 is due to the retention of the profit from 2007 (€ 220 million). The discontinuation of the imputability of subordinated funds and the part reinvestment of the special item with a reserve quota portion had a negative effect.

The EU solvency coefficient according to Basel II is 9.7% as at reporting date (2007: 8.7% according to Basel I).

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's Group-wide business strategy. 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)* were implemented in the course of 2008.

Outlook for 2009

The ongoing financial crisis will continue to weigh on the markets in 2009. At present, it is not possible to predict when state support packages will improve the situation. Times of crisis have demonstrated that we have the right business model. We therefore expect stable development in our businesses in the current financial year despite the difficult market environment and anticipate a positive result also for 2009. The development of business so far confirms our assessment.

Since the end of the 2008 financial year, the planned distribution of € 1,124 million from the previous year's free reserves to Deutsche Bank AG, Frankfurt, is to be reported as an event of special importance.

At the same time, a capital increase of € 1,250 million is planned.

Luxembourg, March 2, 2009

The Board of Directors

Balance Sheet as at December 31

Assets

in T €	[Notes]	2008	2007
Cash in hand, balances with central banks and post office banks	[B2]	5,506,462	8,000
Loans and advances to credit institutions	[B1, 2, 6]	40,673,044	47,437,398
repayable on demand		2,674,838	5,981,748
other loans and advances		37,998,206	41,455,650
Loans and advances to customers	[B1, 2, 6]	16,133,552	14,710,062
Debt securities and other fixed-income securities	[B1, 2, 3]	302,893	354,850
of public issuers		21,452	15,963
of other issuers	[B5, 6]	281,441	338,887
Shares and other variable-yield securities	[B2, 3]	2,256,333	2,092,000
Participating interests	[B4, 5]	77,757	77,771
Shares in affiliated undertakings	[B4, 5]	16,862	30,861
Tangible assets	[B5]	3,349	2,957
Other assets	[B8]	37,285	68,088
Prepayments and accrued income		793,212	842,784
Total Assets		**65,800,749**	**65,624,771**

Liabilities

in T €	[Notes]	2008	2007
Amounts owed to credit institutions	[B1, 2, 14]	48,802,154	46,372,488
repayable on demand		8,988,235	17,676,935
with agreed maturity dates or periods of notice		39,813,919	28,695,553
Amounts owed to customers	[B1, 2, 14]	7,808,534	14,058,889
other debts		7,808,534	14,058,889
– repayable on demand		1,500,560	685,805
– with agreed maturity dates or periods of notice		6,307,974	13,373,084
Debts evidenced by certificates	[B1, 9]	1,348,858	1,439,167
debt securities in issue		1,093,847	1,071,615
other debts		255,011	367,552
Other liabilities	[B8]	4,055,651	24,273
Accruals and deferred income		618,693	611,575
Provisions for liabilities and charges		83,956	69,538
provisions for taxation		19,529	14,056
other provisions		64,427	55,482
Subordinated liabilities	[B1, 10]	1,000,000	1,049,579
Special items with a reserve quota portion	[B11]	33,869	126,847
Subscribed capital	[B12]	215,000	215,000
Share premium account		55,600	55,600
Reserves	[B13]	1,601,815	1,381,458
Profit for the financial year		176,619	220,357
Interim dividend		0	0
Total Liabilities		**65,800,749**	**65,624,771**

Off balance sheet items

Contingent liabilities	[B2, 16]	1,517,921	2,988,749
of which:			
guarantees and assets pledged as collateral security		1,517,921	2,988,749
Confirmed credits	[B2, 17]	30,707,337	18,070,931
Fiduciary operations	[B18]	57,592,644	7,418,116

The Notes are an integral part of the Annual Financial Statements.

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

Profit and Loss Account

in T €	[Notes]	2008	2007
Interest receivable and similar income		2,841,301	2,821,909
of which:			
from fixed-income securities		18,562	3
Interest payable and similar charges		2,561,729	2,713,693
Income from transferable securities		104,860	96,027
from shares		97,936	89,198
from participating interests		1,571	814
from shares in affiliated undertakings		5,353	6,015
Commissions receivable		93,684	104,971
Commissions payable		41,886	32,638
Net profit on financial operations		6,532	6,182
Other operating income	[C2]	5,475	52,542
General administrative expenses		63,101	70,107
Staff costs		35,360	40,117
of which:			
– wages and salaries		27,785	31,645
– social security costs		6,379	6,896
of which: pensions		3,707	4,313
Other administrative expenses		27,741	29,990
Depreciation of and value adjustments to intangible and tangible assets		325	320
Other operating charges	[C3]	3,278	2,721
Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		174,250	6,552
Value adjustments in respect of securities held as financial fixed assets		92,978	0
Income from the writing back of special items with a reserve quota portion		92,978	0
Taxes on profit on ordinary activities		30,396	34,757
Profit on ordinary activities after taxes		**176,887**	**220,843**
Other taxes not shown under the preceding items		268	486
Profit for the financial year		**176,619**	**220,357**

The Notes are an integral part of the Annual Financial Statements.

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
The financial year is identical to the calendar year.

The reporting currency is the euro.

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. Deutsche Bank Luxembourg is obliged to prepare its own consolidated accounts as a subgroup.

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

The accounting and valuation methods are described below.

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 the bank's 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, 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 the 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 creditworthiness and country 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".

– 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.

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

The bank also holds a security position in its investment portfolio which was acquired in the context of reinvesting the special item with a reserve quota portion. This is valued at cost, taking into account a value adjustment equivalent to the reinvested amount.

– 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 relates to fiscally-neutralized translation gains from the reinvestment of equity capital in DM in accordance with Article 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, 2008.

31.12.2008

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	29,127	1,014	7,617	240	37,998
Loans and advances at term to customers	1,172	2,941	9,797	2,180	16,090
Debt securities and other fixed-income securities	0	0	119	184	303
Total	**30,299**	**3,955**	**17,533**	**2,604**	**54,391**
For comparison 31.12.2007:					
Total	**33,830**	**5,640**	**13,528**	**3,483**	**56,481**

In addition to loans and advances at term to customers, loans and advances repayable on demand are also booked in the amount of € 43 million (31.12.2007: € 40 million).

31.12.2008

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	33,242	1,262	2,437	2,873	39,814
Amounts owed at term to customers	3,253	744	2,147	164	6,308
Debts evidenced by certificates	0	0	1,067	282	1,349
Subordinated liabilities	300	0	0	700	1,000
Total	**36,795**	**2,006**	**5,651**	**4,019**	**48,471**
For comparison 31.12.2007:					
Total	**30,976**	**2,130**	**5,335**	**6,116**	**44,557**

Of the loans and advances at term to credit institutions and customers, € 312 million (31.12. 2007: € 184 million) are subordinated.

Of the loans and advances at term to customers, loans and advances in a nominal volume of € 883 million are deposited as collateral with Banque centrale du Luxembourg (BcL) as at balance sheet date.

For liabilities where the repayable amount exceeds the amount provided, there is a difference of € 2 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, 2008.

31.12.2008

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	**Total**
Loans and advances							
Cash in hand, balances with central banks and post office banks	5,506	0	0	0	0	0	5,506
therein: balances with central banks	5,500	0	0	0	0	0	5,500
Loans and advances to credit institutions	38,506	284	33	0	1,850	0	40,673
Loans and advances to customers	12,148	822	1,658	113	1,351	42	16,134
Debt securities and other fixed-income securities	303	0	0	0	0	0	303
Shares and other variable-yield securities	2,256	0	0	0	0	0	2,256
Total	**58,719**	**1,106**	**1,691**	**113**	**3,201**	**42**	**64,872**

For comparison 31.12.2007:

Total	**59,135**	**893**	**1,589**	**307**	**2,625**	**53**	**64,602**

31.12.2008

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other	**Total**
Amounts owed							
Amounts owed to credit institutions	35,980	11,881	24	58	857	2	48,802
Amounts owed to customers	6,591	459	296	128	322	12	7,808
Total	**42,571**	**12,340**	**320**	**186**	**1,179**	**14**	**56,610**

For comparison 31.12.2007:

Total	**41,492**	**13,005**	**3,384**	**398**	**2,058**	**94**	**60,431**

31.12.2008

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	**Total**
Off-balance sheet items							
Contingent liabilities	1,250	95	0	144	29	0	1,518
Commitments	28,483	1,335	309	95	454	31	30,707
Fiduciary operations	57,593	0	0	0	0	0	57,593
Total	**87,326**	**1,430**	**309**	**239**	**483**	**31**	**89,818**

For comparison 31.12.2007:

Total	**24,864**	**1,699**	**422**	**351**	**1,104**	**38**	**28,478**

31.12.2008

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	**Total**
Financial transactions							
Interest rate transactions	7,871	0	9	0	0	0	7,880
Foreign exchange/ gold transactions	2,756	96	0	3	63	0	2,918
Equity transactions	31	0	0	0	0	0	31
Credit derivatives	0	0	0	0	0	0	0
Total	**10,658**	**96**	**9**	**3**	**63**	**0**	**10,829**

For comparison 31.12.2007:

Total	**12,177**	**63**	**12**	**21**	**425**	**0**	**12,698**

[3] Securities

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

31.12.2008

in € m.	Unlisted securities	Listed securities	**Total**
Debt securities and other fixed-income securities (held for investment purposes)	26	0	**26**
Debt securities and other fixed-income securities (held for liquidity purposes)	256	21	**277**
Shares and other variable-yield securities (held for liquidity purposes)	2,135	121	**2,256**

No provisions were formed in accordance with the principle of maintaining previous value adjustments *(Beibehaltungsprinzip)*.

The debt securities and other fixed-income securities held for investment purposes comprise only securities acquired in connection with the reinvestment of the special item with reserve quota portion. A corresponding value adjustment was formed in the amount of the reinvested sum of € 93 million.

The total amount of securities pledged is € 21 million (nominal volume); 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 financial year*
Alpha Lindsell Ltd.	Gibraltar	100%	10.5	n/a
DB Finance International GmbH	Eschborn	100%	5.3	– 1.4
DB Palladium S.A.	Luxembourg	100%	0.0	0.0
DB Valence S.à r.l.	Luxembourg	100%	0.6	0.7
DB Valence II S.à r.l.	Luxembourg	100%	– 12.1	– 9.0
Aqueduct Capital S.à r.l.	Luxembourg	100%	8.9	2.3
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%	0.0	0.0
DWS Investment S.A.	Luxembourg	50%	220.5	90.3
Deutsche River Investm. Managem. Comp. S.à r.l.**	Luxembourg	49%	0.0	0.1
DB Vita S.A.	Luxembourg	25%	9.8	1.2
Main Properties S.à r.l.**	Luxembourg	25%	4.7	– 1.7
Trave Properties S.à r.l.**	Luxembourg	25%	33.9	– 21.4
Isar Properties S.à r.l.**	Luxembourg	25%	3.1	– 1.6
Danube Properties S.à r.l.**	Luxembourg	25%	18.8	– 2.6
Rhine Properties S.à r.l.**	Luxembourg	25%	5.6	– 0.8
Weser Properties S.à r.l.**	Luxembourg	25%	0.1	– 0.1
Inn Properties S.à r.l.**	Luxembourg	25%	5.1	– 0.8
Elbe Properties S.à r.l.**	Luxembourg	25%	0.1	– 0.1
Oder Properties S.à r.l.**	Luxembourg	25%	2.3	– 0.1

* 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 other listed participating interests or listed shares in affiliated undertakings.

[5] Movements in fixed assets

in T €	Securities	Partici-pating interests	Shares in affiliated under-takings	Intangible assets	Tangible assets		Total fixed assets
					office furni-ture and equipment		
Gross value at beginning of financial year	0	77,771	30,861	6,365	12,794	12,794	127,791
Additions	119,408	0	10,455	0	717	717	130,580
Disposals	0	14	24,387	0	0	0	24,401
Parity changes	0	0	–67	0	0	0	–67
Gross value at end of financial year	119,408	77,757	16,862	6,365	13,511	13,511	233,903
Cumulative depreciation and value adjustments at end of financial year	92,978	0	0	6,365	10,162	10,162	109,505
Net value at end of financial year	26,430	77,757	16,862	0	3,349	3,349	124,398

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

in € m.	Affiliated undertakings 31.12.2008	Participating interests 31.12.2008	Affiliated undertakings 31.12.2007	Participating interests 31.12.2007
Loans and advances to credit institutions	36,270	0	47,080	0
Loans and advances to customers	3,181	27	4,578	30
Debt securities and other fixed-income securities	281	0	339	0

[7] Assets denominated in foreign currencies

Assets denominated in foreign currencies amount in total to the equivalent of € 15,014 million as at balance sheet date.

[8] Other assets/other liabilities

The other assets include € 27 million in option premiums resulting from the issue of the warrants shown under Note 9 and the EUR Bonds with a variable bonus interest rate.

Social security contributions to be paid over and other payment obligations are reported under other liabilities. Individual positions to be reported are redemption obligations amounting to € 4 billion resulting from two structured transactions.

[9] Debts evidenced by certificates

The debts evidenced by certificates include the following positions:

- $ Zero Bond, reported value: € 236 million; due: May 26, 2010
- $ Zero Bond, reported value: € 35 million; due: May 26, 2010
- EUR 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: € 255 million; due: September 7, 2017
- EUR Zero Bond, reported value: € 22 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] Subordinated liabilities

There is

- a subordinated EUR 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 are to be regarded as Lower Tier II capital for regulatory purposes. In the 2008 financial year, the interest expense for subordinated liabilities was € 27 million.

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

[11] Special items with a reserve quota portion

The special item with a reserve quota portion relates to 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 of the special item was effected in 2008.

[12] Subscribed capital

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

[13] Movements in reserves and profit brought forward

in € m.	Legal reserve	Other reserves	Profit brought forward
As at January 1, 2008	22	1,360	0
Addition to reserves from shareholders	0	0	0
Profit for the 2007 financial year	0	0	220
Appropriation:			
– Retention	0	220	220
– Dividend	0	0	0
As at December 31, 2008	**22**	**1,580**	**0**

The bank fulfilled the requirement of the Luxembourg law on commercial companies to form a legal reserve of 10% of subscribed capital. The legal reserve may not be distributed.

The item "other reserves" includes an appropriation of € 208 million for the imputation of wealth tax.

[14] Amounts owed to affiliated undertakings and participating interests

in € m.	Affiliated undertakings 31.12.2008	Participating interests 31.12.2008	Affiliated undertakings 31.12.2007	Participating interests 31.12.2007
Amounts owed to credit institutions	40,186	0	36,503	0
Amounts owed to customers	4,258	7	10,440	49

[15] Liabilities in foreign currencies

The total amount of liabilities denominated in foreign currencies as at balance sheet date is the equivalent of € 13,109 million.

[16] Contingent liabilities

Contingent liabilities consist of:

in € m.	31.12.2008	of which: to affiliated under-takings
Guarantees and other direct substitutes for credit	1,518	257
Acceptances	0	0
Total	**1,518**	**257**

[17] Confirmed credits

Confirmed credits consist of:

in € m.	31.12.2008	of which: to affiliated under-takings
Confirmed credits, not utilized	30,442	16,002
Facilities for the issuance of debt instruments	265	0
Total	**30,707**	**16,002**

[18] Fiduciary operations

In 2008 the bank took over the administration of collateral provided under state rescue programmes. This explains the increase in fiduciary volumes to € 57.6 billion.

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, depositary bank function for special funds, 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 €	**2008**
Income from commercial representation services	2,700
Rental income	1,479
Sundry income	1,296
Total	**5,475**

[3] Other operating charges

This position is made up as follows:

in T €	**2008**
Addition to provisions for AGDL	1,983
Sundry expenses	1,295
Total	**3,278**

[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 for providing services during the year are as follows:

in T € (excluding VAT)	**2008**
Audit fees	317
Audit-related fees	134
Tax fees	91
Other fees	25

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 the 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 Deutsche Bank Luxembourg's broadly diversified business activities, it is essential to identify, measure, aggregate and manage risks effectively and to 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 for the measurement and monitoring of risk which are closely aligned with 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 of Deutsche Bank AG 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 usually managed within the policy for trading exposures.

- The structure of the Legal, Risk & Capital function of Deutsche Bank Luxembourg is closely aligned with the structure of the group divisions.

- The Legal, Risk & Capital function is 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 the Legal, Risk & Capital function. Finance's role is to quantify and verify the risks assumed and to ensure the quality and integrity of risk-related data. Audit reviews the compliance of the bank's internal control procedures with the internal and regulatory standards. The Legal Department provides legal advice and support on a wide variety of topics, e. g. collateral agreements.

Types of risk

The most important risks to which Deutsche Bank Luxembourg's business is exposed are specific banking risks, reputational risks and the risks from general business activity.

Specific banking risks

In the risk management processes, a distinction is made 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 a business partner, borrower or debtor. The credit risk is the biggest single risk for Deutsche Bank Luxembourg. A distinction is made between three types of credit risk:

  - *default risk* is the risk that 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 direct government intervention prevents debtors from transfering 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 in the correlations among them and their volatilities.

- **liquidity risk** is the risk of not being in a position to meet payment obligations when they mature, or only being in a position to do so at excessive costs.

- **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 legal and regulatory risks, but not the general business risk or reputational risk.

Reputational risk

For the risk management processes, reputational risk is defined as the risk that public trust in the 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

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 the earnings unless adjustments to the changed conditions are made in good time.

Credit risk

Credit risk is the largest component of the bank's risk exposure. The measurement and management of 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 counterparties and the management of individual credit exposures must accord with portfolio guidelines and credit strategies.
- 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 the bank, 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 the credit decision, but also determines the credit approval 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 the portfolio. This scale allows a comparison between the internal ratings and market practice and an improved comparability of the various sub-portfolios. Several default ratings also make it possible to express the expected recoveries from defaulted exposures. The loan exposures are usually assessed individually. 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 the bank's 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 about current developments regarding specific risks and the credit portfolio risk, also with reference to specific industry and / or country risks.

The global financial crisis had a negative effect on the general creditworthiness of the loan portfolio. Nevertheless, it should be noted that more than 95% of total 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 amount of loan exposures was calculated without consideration of collateral.

Structure of credit profile by rating category as at December 31, 2008

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	**Total**
AAA/AA	40,245	2,595	2,403	781	18,188	64,212
A	100	2,743	0	274	5,695	8,812
BBB	283	6,554	0	375	5,445	12,657
BB	9	3,983	0	59	1,202	5,253
B	0	105	0	3	80	188
CCC or below*	36	154	251	26	97	564
Total	**40,673**	**16,134**	**2,654**	**1,518**	**30,707**	**91,686**

* including unrated customers

Structure of credit profile by industry as at December 31, 2008

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	**Total**
Banks and insurance	40,673	3,022	2,498	524	17,729	64,446
Manufacturing	0	5,283	121	205	6,612	12,221
Corporate services	0	4,377	0	157	1,196	5,730
Power and water utilities	0	843	0	189	1,870	2,902
Telecommunications	0	917	0	242	1,068	2,227
Wholesale and retail trade	0	573	0	3	1,349	1,925
Households	0	106	0	1	191	298
Commercial real estate	0	228	0	1	27	256
Public sector	0	108	0	0	0	108
Other	0	677	35	196	665	1,573
Total	**40,673**	**16,134**	**2,654**	**1,518**	**30,707**	**91,686**

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. In 2008, the lump-sum provision was increased. On the cut-off date it amounted to € 171 million. In certain cases, Deutsche Bank Luxembourg participates in Group securitization transactions to hedge credit risks in the international credit business.

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 material market risk (e.g. commodities price risks) do not exist at the 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. The 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 an ongoing 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 promptly to Management and the business division.

Financial transactions

The derivative financial transactions consist exclusively of contracts forming part of the non-trading portfolio and are concluded largely with counterparties inside the Group. The following figures show the notional volume by remaining maturity and the market values of 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 at December 31, 2008

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	**3,031**	**4,849**	**0**	**7,880**	**55**	**18**	**37**
Interest rate swaps	3,031	4,849	0	7,880	55	18	37
Forward rate agreements	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Foreign exchange/ gold transactions	**1,183**	**1,735**	**0**	**2,918**	**253**	**48**	**205**
Futures contracts with customers	226	0	0	226	20	19	1
Futures contracts with banks	921	0	0	921	33	29	4
Cross-currency swaps	0	1,735	0	1,735	200	0	200
Options	36	0	0	36	0	0	0
Equity transactions	**0**	**0**	**31**	**31**	**0**	**7**	**–7**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	31	31	0	7	–7
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	**4,214**	**6,584**	**31**	**10,829**	**308**	**73**	**235**

Analysis of derivative financial transactions as at 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**

Value-at-risk

To measure and manage market risks a value-at-risk model is used which was developed by the Group and approved by the German bank regulator. The value-at-risk approach is used to derive a quantitative measure specifically for market risks in the trading book 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. Value-at-risk allows us to apply a constant and uniform risk measure to all trading transactions and products. It also permits a comparison of market risk assessments over time and with actual daily trading results.

Both for internal and external reporting purposes, value-at-risk is calculated in accordance with the regulations of the Bank for International Settlements (BIS) with a confidence level of 99%. For internal reporting purposes, a holding period of one trading day is used. For regulatory reporting purposes, the holding period is ten days.

As at year's end, the value-at-risk from interest rate and currency risks in the non-trading book was € 1.1 million. The average value for 2008 was € 0.8 million. The limit allocated by global risk management is € 1.0 million. The limit excess was approved by global risk management.

In foreign exchange business, only relatively small positions in foreign currency arise from broken amounts in futures contracts and from balances arising 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 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 75%. 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 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 (RWA)* are made up as follows:

Composition of risk-weighted assets

in € m.	**31.12.2008**	**31.12.2007**
Loans and advances to credit institutions	8,632	9,699
Loans and advances to customers	8,670	9,482
Other assets	2,688	2,583
Contingent liabilities	555	1,691
Confirmed credits	4,065	4,668
Interest rate transactions	39	69
Currency transactions	60	65
Total	**24,709**	**28,257**

Under Basel II, additional *risk-weighted assets* for operational risks calculated according to the basic indicator approach (including FX) amounted to € 692 million on December 31, 2008.

Regulatory capital and reserves according to Basel II amount to € 2,468 million (end of 2007 according to Basel I: € 2,453 million), the risk coefficient is 121% (end of 2007 according to Basel I: 108%). 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 natural persons, irrespective of nationality or country of residence. Each customer of an AGDL member is covered for up to the equivalent of a maximum of € 20,000 per cash deposit and € 20,000 per claim arising out of investment transactions. In January 2009, the maximum amount for cash deposits was increased to € 100,000. Further rules are planned for 2009.

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"; additions in the financial year are noted in Section C [3]. On the balance sheet date, the provision amounted to T € 21,913.

As a result of the international banking crisis, this provision was partially utilized in 2008.

Staff

Number of staff

	31.12.2008	Average in 2008
Management Board	3	3,0
Executives	30	29,3
Staff	330	327,5
Total	**363**	**359,8**

In 2008, the total remuneration of the Management Board and the executives was T € 8,571. The addition to pension provisions for members of the Management Board and executives was T € 1,393.

The expense for pension obligations for former members of the Management Board was T € 110.

As at December 31, 2008, loans, advances and other commitments to members of the Management Board and executives totalled T € 409.

Annual Report for 2008 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-Str. 1
33428 HARSEWINKEL
GERMANY

and on the Internet at
www.deutsche-bank.de / 08
www.deutsche-bank.com / 08

Luxembourg, March 2, 2009

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 April 7, 2008, we have audited the accompanying annual accounts of Deutsche Bank Luxembourg S.A., which comprise the Balance Sheet as at December 31, 2008, 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 Réviseur 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 at December 31, 2008, 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, March 2, 2009

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

Harald Thönes

Registered Office

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
1115 LUXEMBOURG
LUXEMBOURG

Tel. +352 42122-1
Fax +352 42122-449

www.db.com/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.

A Passion to Perform. Deutsche Bank