Deutsche Bank

Annual Report 2021
Deutsche Bank Luxembourg S.A.

Deutsche Bank Luxembourg S.A.

- Deutsche Bank Luxembourg S.A. (the "Bank"), established in 1970 is a wholly owned subsidiary of Deutsche Bank AG, Frankfurt am Main.
- The Bank's Articles of Association provide for a two-tier system of corporate governance comprising the Management Board and the Supervisory Board.
- Since 1991, the Bank has had its registered office on the Kirchberg Plateau, at 2, boulevard Konrad Adenauer, L–1115 Luxembourg.
- The competent financial supervisory authority under the European Single Supervisory Mechanism is the European Central Bank (ECB) based in Frankfurt am Main (Germany); in Luxembourg, the Bank is supervised by the Commission de Surveillance du Secteur Financier (CSSF).
- The Bank was classed as an Other Systemically Important Institution (O-SII) in accordance with Article 131 (3) of Directive 2013/36/EU until financial year 2020. This classification no longer applies as of 1 January 2021.
- The Bank is a non-trading book institution and one of the leading banks in the Grand Duchy of Luxembourg; its regulatory own funds – consisting of balance sheet equity and eligible subordinated liabilities – amount to approximately €5.9bn as at 31 December 2021.
- The Bank employs 313 people from 27 countries.

Deutsche Bank Luxembourg S.A. can be reached online at www.db.com/luxembourg or you can use the following QR Code:

You can find the annual report in the "Company" section of the website or using the following QR Code:

English:

Content

1

Deutsche Bank Luxembourg S.A.

Management Board

Frank Rückbrodt, Dr Daniel Zapf, Dr Marcus Stutz, Martin Dowie (from left to right)

Frank Rückbrodt (as of 1 January 2021)

Chief Executive Officer
Chairman of the Management Board
Business address: 2, boulevard Konrad Adenauer, L–1115 Luxembourg

Dr Daniel Zapf

Chief Operating Officer
Deputy Chief Executive Officer (effective 26 March 2021)
Business address: 2, boulevard Konrad Adenauer, L–1115 Luxembourg

Dr Marcus Stutz

Chief Risk Officer
Business address: 2, boulevard Konrad Adenauer, L–1115 Luxembourg

Martin Dowie (as of 1 April 2021)

Chief Financial Officer
Business address: 2, boulevard Konrad Adenauer, L–1115 Luxembourg

Supervisory Board

Dr Alexander Ilgen (as of 8 January 2021)
Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Rüdiger Bronn
Deutsche Bank AG, Frankfurt am Main, Germany

Frank Krings (as of 8 January 2021)
Deutsche Bank AG, Paris Branch, France

Dr Karen Kuder
Deutsche Bank AG, Frankfurt am Main, Germany

Bas Marteijn (as of 1 January 2021)
Deutsche Bank AG, Amsterdam Branch, Netherlands

Michelle Owen (as of 8 January 2021, until 31 December 2021)
Deutsche Bank AG, London Branch, United Kingdom

Jan Wohlschieß (until 10 November 2021)
Deutsche Bank AG, Frankfurt am Main, Germany

Angela Potter (as of 1 February 2022)
Deutsche Bank AG, London Branch, United Kingdom

Kay Wolf (as of 22 April 2021)
Deutsche Bank AG, Frankfurt am Main, Germany

Audit Committee

Rüdiger Bronn
Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Dr Karen Kuder
Deutsche Bank AG, Frankfurt am Main, Germany

Michelle Owen (as of 8 January 2021, until 31 December 2021)
Deutsche Bank AG, Frankfurt am Main, Germany

Jan Wohlschieß (until 10 November 2021)
Deutsche Bank AG, Frankfurt am Main, Germany

Angela Potter (as of 1 February 2022)
Deutsche Bank AG, London Branch, United Kingdom

Risk Committee

Kay Wolf (as of 22 April 2021)
Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Frank Krings (as of 8 January 2021)
Deutsche Bank AG, Frankfurt am Main, Germany

Bas Marteijn (as of 1 January 2021)
Deutsche Bank AG, Frankfurt am Main, Germany

Report of the Management Board

Deutsche Bank Luxembourg S.A.

When it was founded in 1970, Deutsche Bank Luxembourg S.A. (the "Bank") was the first foreign subsidiary to be established by Deutsche Bank AG (the "Parent") after the signing of the Treaties of Rome (1957). Today, it is one of the leading financial service providers in the Grand Duchy of Luxembourg. The Bank is under the direct, sole ownership of the Parent. In accordance with Article 131 (3) of EU Directive 2013/36/EU, the Bank was classed as an Other Systemically Important Institution (O-SII) until the end of 2020. This classification no longer applied from 1 January 2021. It is subject to the direct prudential supervision by the European Central Bank (ECB); in Luxembourg, the Bank is supervised by the Commission de Surveillance du Secteur Financier (CSSF). The Bank is a non-trading book institution having regulatory own funds – consisting of balance sheet equity and eligible subordinated liabilities as defined under Capital Requirements Regulations (CRR) – amounting to approximately €5.9bn as at 31 December 2021.

Corporate governance

Since 2014, the Bank's Articles of Association have provided for a two-tier system of corporate governance comprising a Management Board and a Supervisory Board. The Bank has thus taken its cue from the Parent's corporate governance system. The Management Board has overall responsibility for managing the Bank's business activities in accordance with the applicable prudential requirements and on the basis of the business allocation plan adopted by the Supervisory Board. The Supervisory Board oversees the activities of the Management Board and adopts operational objectives and strategic guidelines in line with the Parent's requirements regarding overall Deutsche Bank Group management. The Supervisory Board is supported by four sub-committees: the Audit, Risk, Nomination and Remuneration Committees. In addition, Internal Audit, the Compliance function and the Risk Control function report independently to the Supervisory Board, if and when required.

Business model

The Bank's business model is diversified, client-focused and international, i.e. geared to cross-border business. For many years – and across economic, business and product-related cycles – this has enabled the Bank to make a significant positive contribution to Deutsche Bank AG's consolidated earnings. At the same time, the Bank's risk-bearing capacity and risk appetite are based on its own capital, liquidity and operational resources. One defining feature of its business model as a non-trading book institution, and of importance from a client perspective, is the long-term nature of the Bank's chosen areas of activity:

Corporate Bank (Lending & Advisory Services and Trust & Agency Services)

The Bank is a proven center of excellence within Deutsche Bank Group for the provision of medium- to long-term financing to listed, owner-managed and other relatively large businesses. Its position as a lender, agent and international service provider to clients in bilateral and syndicated lending is based on decades of expertise in the lead management of international lending syndicates, the legal formulation of credit documentation, particularly in cross-border transactions, and reliable credit administration including monitoring, administration and potential adjustment of ESG-relevant contractual components over the entire transaction lifecycle. In addition to its lending activities, the Bank is also the Loan Agency hub in the Europe, Middle East and Africa (EMEA) region, offering respective services to the Corporate Bank, the Investment Bank and the International Private Bank as well as to external clients.

In light of the Luxembourg Stock Exchange's ("Lux SE") role as a world-leading listing venue, independent third party fiduciary and agency services to Financial Institutions, Non-Bank Financial Institutions (NBFI) and large Corporates to support their debt capital markets bond issuance activities are provided.

Investment Bank (Structured Finance and Fiduciary Issuance)

In the segment for high-quality capital goods (e.g. special-purpose vessels, aircrafts) and long-term utility and infrastructure projects (e.g. alternative forms of energy, transport routes), the Bank – in concert with other units in Deutsche Bank Group's international network – has the necessary expertise and the operational resources to reliably assist clients in structured and property-related financing scenarios across the entire maturity spectrum. Due to its structured finance activities, the Bank has extensive expertise in the domestic and cross-border management and administration of company and financial interests. This is based on its experience of providing company law- and accounting-related support throughout the term of equity and financial investments, on its experience of corporate governance and risk management issues and on the Bank's capital strength. The latter allows it to address the opportunities and risks inherent in equity and financial investments and manage them over the long term in accordance with the applicable bank regulatory framework. The Bank's wholly owned subsidiary, DB Credit Investments S.à r.l., currently holds and manages a large proportion of the Bank's indirect shareholdings.

In addition, the Bank regularly acts as a fiduciary issuer with regard to institutional investors (e.g. insurance companies or pension providers), specifically within the framework of its €15bn capital market issuance program which was listed on the Euro MTF market of the Luxembourg Stock Exchange in 2020 (previously: Irish Stock Exchange). In its role as trustee – and sometimes as investor – the Bank enables clients to access alternative financing and also provides investors with alternative investment opportunities. In doing so, the Bank is making a targeted contribution to strengthening and diversifying capital market-based financing solutions. These activities are also consistent with the goals of holistic risk management and with the ambitions of the European Union (EU) for the development of the European financial system and the Capital Markets Union.

International Private Bank

The Bank is the service center and center of excellence within the EU and for selected markets in the EMEA region in the cross-border and cross-generational management of international private assets for professional and ultra-high-net worth individual (UHNWI) clients. Here, the Bank makes use of the freedom to provide investment advice and distribute financial products across borders within the EU single market in accordance with the applicable provisions. In recent years, the Bank has strengthened its client coverage of targeted markets in the EMEA region through its investment in specialist staff and technology. Besides the investment expertise in Luxembourg, the International Private Bank activities also leverage the Bank’s many years of experience and expertise as a center for lending and financing.

Balance sheet, capital, liquidity, interest rate and currency management (Treasury)

The Bank is a non-trading book institution and has its own balance sheet, capital, liquidity, interest rate and currency management function (Treasury) that operates independently of the business divisions. Nevertheless, the Bank is integrated into Deutsche Bank Group’s overall liquidity management and funding system. In principle, therefore, the Bank is able within a defined credit limit, to tap into the Parent’s funds for refinancing purposes. For further explanatory notes on liquidity and risk management, please refer to the Risk Report (section D).

As disclosed in Deutsche Bank AG’s 2021 Annual Report, the Bank continues to operate with the support of its parent entity.

Strategy

The COVID-19 pandemic paired with global supply chain constraints continued to impact the macroeconomic and fiscal environment over the past two years. These developments impacted the Bank’s operating environment, as changes in customer behavior have significantly affected transaction volumes and the Bank’s associated management of capital and risk. As a result of the Bank’s strong capital and liquidity position, it was able to continue to support its clients’ needs for funding and financial solutions throughout this challenging period, thereby providing valuable economic support to the markets it operates in. During this period the Bank remained prudent in its approach to risk management, with a CET1 ratio of 13.9% (2020: 15.9%), a leverage ratio of 11.0% (2020: 12.8%) and a liquidity coverage ratio of 167.8% (2020: 135.5%) as at 31 December 2021, all well above regulatory minimums and internal targets.

Despite the challenges associated with COVID-19, the Bank implemented effective risk management standards in its businesses and has continued to benefit from its transformation and business model realignment over the period from 2016 to 2019. Relevant strategic alignment, balance sheet restructuring, rationalisation and investments in technology and people in prior years allowed the Management Board to continue pursuing a business policy of responsible qualitative growth in 2021, while still serving clients‘ financing needs. Progress made towards transformation and simplification of the Bank has been recognised by the competent supervisory authorities, which discontinued to class the Bank as an Other Systemically Important Institution (O-SII) in accordance with Article 131 (3) of Directive 2013/36/EU since 1 January 2021. Consequently, the respective requirement to maintain relevant O-SII capital buffers thus no longer applied to the Bank in 2021, which has also been confirmed for financial year 2022.

The Bank’s business and organisational model remains dynamic and forward-looking, directed by its long-term vision. The Management Board reviews the Bank’s sustainability on an ongoing basis, particularly in light of the continuous changes in client, bank regulatory, technological and legal requirements as well as general market and competitive trends. At scheduled intervals, the Management Board, Supervisory Board and Parent discuss any need for strategic investments and adjustments.

In Corporate Banking, the Bank’s strategic position as Deutsche Bank Group’s European loan finance and agency hub played a pivotal role in the liquidity and credit supply to and support of European corporates during the ongoing COVID-19 pandemic. Relevant activities, which are a strategic pillar and one of the Bank´s *‘raisons d’être’*, continued at the high level of the previous year.

Investment Banking activities are guided by the strategic business model, as described above, which remained unchanged during 2021. The Bank will continue to pursue opportunities that leverage its expertise in the provision of structured financing solutions for high-quality capital goods (special-purpose vessels, aircrafts, etc.) and as a fiduciary issuer and administrator of relevant fiduciary estates for the benefit of its institutional clients under the aforementioned fiduciary issuance program.

In the International Private Bank, the Bank continues to expand its coverage platform capabilities and its role as an EU service center and center of excellence within Deutsche Bank Group focusing on professional and ultra-high-net-worth individuals needs and to gradually expand its geographical target markets, coverage model and product range.

Organisation

As a stand-alone entity, the Bank has its own organisational structure and functional management system covering all relevant banking operations. At the same time, it capitalises on its membership of the broader Deutsche Bank Group to benefit from economies of scale and specialisation. The Bank makes use of certain banking operation services from affiliated companies (outsourcing service recipient), while always retaining ultimate responsibility for service provider management. Similarly, affiliated companies of Deutsche Bank Group leverage the Bank's proven expertise and services in defined areas (outsourcing service provider).

Employer

The Bank is a recognised international employer. At the end of 2021, it employed 313 staff members (2020: 312) from 27 countries (2020: 27). Luxembourg residents make up 32% (2020: 32%) of the Bank's workforce; a total of 26 (2020: 32) staff members are Luxembourg nationals. Cross-border commuters from neighboring Belgium, Germany and France represent 68% (2020: 68%) of the workforce.

50% (2020: 51%) of the total workforce and 23% (2020: 26%) of executives (Managing Director, Directors and Vice Presidents) are female. At the end of 2021, the average length of service of the total workforce was approximately 13.1 years (2020: 13.4 years). During financial year 2021, 53 new members of staff (2020: 38 new members of staff) joined the Bank, 42 (2020: 17) of them on permanent contracts, and eight long-serving employees of the Bank retired.

For many years, the Bank has made a continuous and sustained contribution to students' development through its intern program, which is widely known and recognised by universities. In 2021, the Bank gave 46 (2020: 52) students from 23 countries the opportunity to gain practical work experience in the financial services industry.

Corporate citizenship

The Bank has had its home in the Grand Duchy of Luxembourg since 1970, with its registered office on the Kirchberg Plateau (2, boulevard Konrad Adenauer, L–1115 Luxembourg) since 1991 in a building designed by the architect and Pritzker architecture award winner Prof. Gottfried Böhm, who passed away in 2021 at the age of 101 years. As a member of Private Art Kirchberg, the Bank has for many years made a relevant contribution to dialogue around economic and social issues as well as to cultural life in the Grand Duchy of Luxembourg through a variety of private tours of art collections and special exhibitions, and as a venue for forums and seasonal concert performances.

Memberships, interest groups and mandates (disclosure)

The Bank is a member of the Luxembourg Bankers' Association (Association des Banques et Banquiers, Luxembourg [ABBL]) and the Luxembourg Chamber of Commerce.

2

Management Report

Management Report

Review of Financial Results

The Bank's financial position and performance for financial year 2021 continued to be influenced by the impacts to the macroeconomic and fiscal environment resulting from the COVID-19 pandemic. Eurozone economies performed well, especially after the wave of COVID-19 infections resulting from the Delta variant. Conditions, however, deteriorated in the second half of 2021 as supply constraints became headwinds and the Eurozone almost stagnated in the last quarter of 2021. The European Central Bank continued its support, and its fiscal policy remained expansive. Key benchmark interest rates weakened further over the course of the year as follows (source: Bloomberg):

	Minimum (%)		Maximum (%)		Average (%)	
	2021	2020	2021	2020	2021	2020
3-month Euribor (EUR)	–0.61	–0.55	–0.53	–0.16	–0.55	–0.43
3-month Libor (USD)	0.11	0.20	0.24	1.91	0.16	0.65

Key foreign exchange rates impacting on the translation of foreign currency assets and liabilities as at 31 December were as follows:

€ 1 equals	2021	2020
United States Dollar	1.137	1.223
Great British Pound	0.840	0.895

Balance Sheet & Off-Balance Sheet

The Bank's total assets were €1.8bn higher than the previous year, as were liabilities; total own funds were marginally lower year on year with guarantees (€0.1bn) and commitments (€2.6bn) both up on the prior year. The key contributors to these trends were as follows:

Cash and balances with central banks (€5bn) was €1bn higher than the prior year as a result of increased lending activities (commitments) driving a requirement for additional high quality liquid assets to satisfy regulatory LCR requirements.

Loans and advances to credit institutions (€7.3bn) (primarily transacted with the Parent and fellow Group entities) was €1.4bn higher than the prior year as a result of additional regulatory liquidity requirements.

Loans and advances to clients (€13.5bn) was €0.2bn lower than the position as at 31 December 2020 as clients reduced levels of drawings against facilities over the course of 2021. Over the same period the Bank provided (net) new commitments of €2.6bn to its clients.

The Bank's overall funding increased in proportion to the increase on the asset side of the balance sheet, i.e. by €1.8bn (with own funds, including subordinated liabilities, remaining materially unchanged). The increase in funding was sourced mainly from credit institutions (mainly Deutsche Bank entities/the Parent) as client deposits reduced by €1.8bn over prior year-end levels (driven by an increasingly negative interest rate environment).

Deutsche Bank Luxembourg S.A. does not have any branches, nor does it hold its own shares.

Profit and Loss

The key components of the Bank's net income compare as follows:

Net results

in € k.	2021	2020
Net interest income	325,424	289,882
Net commission income/(expense)	–55,432	–69,257
Net (loss)/profit on financial operations	–43,884	–31,539
General administrative expenses	–148,991	–140,656
Depreciation of tangible and intangible assets	–488	–216
Operating profit I	**76,629**	**48,214**
Income from transferable securities including value adjustments	10,700	5,700
Value adjustments in respect of securities held as financial fixed assets and participating interests	0	0
Other operating net income	207,607	196,971
Operating profit II	**294,936**	**250,885**
Net change in provision for risk including release of special items with a reserve quota portion	–24,415	–50,539
Taxes	–42,302	–28,521
Payments for participation rights	–80,625	–80,846
Net income	**147,594**	**90,979**

The Bank's Net Interest Income (NII) increased by €35.5m in the current year to €325.4m. A significant proportion of the Bank's lending agreements to its customers provide for a floor of zero in respect of the base rate attribute of the all-in interest rate charged. Together with a further deterioration in key benchmark interest rates during 2021 (see above) and other further reductions in the Bank's funding costs, these factors combined to increase the Bank's NII in the current year. Coupon payments of €81m relating to the Bank's subordinated liabilities, which qualify as Upper Tier I capital under bank supervisory regulations, are not reflected as NII in order to transparently disclose the associated cost of these equity-like instruments.

Net commission expenses for the year decreased by €13.8m over 2020 levels. Commission income increased by €5.2m year on year to €111m as a result of increased business volumes (corporate lending, advisory and wealth management fees earned). Commission expenses, consisting primarily of transfer pricing costs incurred by the Corporate Bank's risk hedging activities, decreased by €8.6m in 2021. Credit protection purchased from fellow Deutsche Bank Group entities (mostly in the form of collateralised loan obligations [CLO's]) amounted to approximately 52% of the total amount reflected as commission expenses for the year.

The net loss from financial operations comprises premiums paid/received and valuation changes in respect of credit default swaps (hedging loans to customers carried at amortised cost), net foreign exchange result for the year and the net result from the hedging of an investment in a structured note reflected under "Debt securities" on the balance sheet. The net result for 2021 was €12.3m below the prior year, mostly attributable to increased hedging costs of €12.2m related to the abovementioned debt security position and €3m related to loans to customers. A gain of €3.9m was also realised on the redemption of a debt security position during 2021.

General administrative expenses increased by €8.3m year on year to €149m in 2021. These costs include both direct costs related to business activities conducted by the business and infrastructure functions in Luxembourg and transfer pricing (costs levied by other Deutsche Bank entities providing global/regional services consumed by the Bank under formally concluded transfer pricing agreements). The increase was largely driven by an increase in costs incurred in connection with the engagement of professional services entities to assist the Bank in a significant, time-sensitive project related to its "know-your-customer" obligations.

Other operating net income increased by €10.6m year on year to €207.6m in 2021. The Bank was compensated in the amount of €197m in 2021 (2020: €198m) in connection with below-market interest rates earned in respect of the "relationship" lending activities of the Strategic Corporate Lending (SCL) business (refer to pages 33 – 34 for further details regarding SCL). In addition, the Bank released certain provisions following the assessment of its 2016 tax return (€11.2m). FRL and FGDL contributions were €0.7m higher than in the previous year.

Net provisions for risks decreased by €26.1m from the previous year to €24.4m in 2021 (refer to note C6). Provisions for credit losses decreased by €27.2m year on year to €88.6m, comprising additional specific credit risk provisions raised in the current year of €13.6m and an increase in the Bank's lump-sum provision of €75m (refer to page 34 for further details in this regard). Recoveries from CLO hedges amounted to €29.2m in 2021 (2020: €54m). The Bank released specific credit loss provisions of €35m during the current year.

Adequate provisions have been made for other material risks related to the lending and securities businesses (including participating interests).

Business policy and risk & 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 Bank's individual business divisions are incorporated into the general planning for the corporate divisions of Deutsche Bank Group.

In terms of its organisational structure and IT landscape, the Bank is integrated into the risk and capital management governance and the finance organisation of Deutsche Bank Group including its systems. This means that the Bank manages its capital and risks on the basis of a framework of risk policies, organisational structures and processes which are standardised throughout Deutsche Bank Group and are closely aligned with the activities of the corporate divisions and which incorporate the requisite regulatory requirements. Accordingly, all defined risks have been adequately taken into account.

For the most part, the Bank has to manage the following risk categories:

– credit risk, especially default and country risk,
– market risk, especially interest rate and currency risk,
– liquidity risk,
– operational risk, as part of the "non-financial risk", and
– reputational risk.

These risks were monitored appropriately at all times during financial year 2021. Detailed information on the management of the main risk categories and quantitative statements on financial instruments are provided in the notes and in the Risk Report (section D).

The principles of business policy as well as of risk and capital management are established and monitored by the Supervisory Board and the Management Board. This takes place, inter alia, at the regular meetings of the Supervisory Board and of the Management Board. The Supervisory Board established an Audit Committee, a Risk Committee, a Nomination Committee and a Remuneration Committee from among its members for the purpose of providing overall support and organising its activities. The Management Board has the authority to issue local credit approvals.

In addition, the Asset & Liability Committee (ALCo) set up by the Management Board meets quarterly to discuss the current liquidity, capital, risk and balance sheet situation as well as the effects of any new business types or activities and of special transactions on the risk profile and the Bank's capital and liquidity resources, and, if necessary, to adopt appropriate measures. It also discusses and approves the Risk and Capital Profile (RCP) report as part of the Internal Capital and Liquidity Adequacy Assessment Process (ICAAP/ILAAP). The ALCo thus performs the role of Capital and Risk Committee (CaR) in accordance with the relevant CSSF Circular.

Outlook for 2022

From the first quarter of 2020 to the end of 2021, the COVID-19 pandemic and the related elevated downside risks have been continuously dominating the Bank's macroeconomic business and operating environment. Although global GDP growth in 2021 was the highest since the global financial crisis more than a decade ago, growth in 2021 was slightly weaker than expected at the beginning of the year, largely due to a longer than anticipated drag from COVID-19 variants and supply chain disruptions. A partly disappointing performance in vaccine uptake and distribution has somewhat dampened growth prospects while increasing the inflation risk. Even though various economies experienced remarkable fluctuations in recovery momentum, the Eurozone economies performed well, especially subsequent to the Delta wave. However, supply constraints in the second half of 2021 became headwinds and the Eurozone almost stagnated in the last quarter of 2021. The European Central Bank continued its support, and its fiscal policy also remained expansive.

The global economy entered 2022 with positive momentum, which is expected to continue moderately over the year ahead. Growth throughout 2022 will be supported by a combination of ongoing recovery from the COVID-19 pandemic and fiscal stimulus programs. Global inflation is expected to increase noticeably in 2022. Central banks are expected to tighten the monetary policy. The Eurozone economy experienced a sluggish start to 2022 due to supply bottlenecks and surging energy prices. However, a significant rebound is expected from spring onwards, supported by a normalisation of the pandemic situation due to high vaccination rates, pent-up demand, a robust labor market and impulses from the EU Recovery Fund. These factors are likely to prevent a stronger decline in inflation. The European Central Bank is expected to end net purchases under the Pandemic Emergency Purchase Program by the end of March 2022 and start to raise policy rates in the third quarter of 2022.

There are a number of risks to our global economic outlook. Ongoing challenges from COVID-19 due to potentially more severe variants or vaccines becoming less effective could considerably dampen economic momentum. Growing government debt burdens could also impact the broader Eurozone economy. If inflation fails to recede, it will lead central banks to a more aggressive tightening stance, potentially causing a sharply negative reaction in financial markets and most likely a significant economic recession.

Trade tensions could negatively impact the global economic outlook. Additionally, rising geopolitical tensions could create further uncertainty. On 24 February 2022 Russia commenced large-scale military actions against Ukraine. In response to the Russian military action against Ukraine, the West has moved to impose broad-based sanctions targeting Russia, including but not limited to major Russian banks, certain other companies and the Russian elite and their families, but also banning primary/secondary trading of sovereign debt and other select securities. Secondary effects of these developments, for example the cost and sufficiency of energy supplies in Western Europe and the economic impact of various scenarios are hard to predict and could be severe. We are monitoring the developments closely and utilizing dedicated governance structures including Global and Regional Crisis Management as and when required.

Subject to the COVID-19 pandemic subsiding and supply shortages in many industries receding, the performance of banks could further improve in 2022. Given the positive macroeconomic outlook, loan growth could pick up again, interest rates may rise and loan loss provisions may stay relatively low compared to the previous year's levels. Given considerable monetary policy uncertainty, market volatility could increase, and policy surprises could impact asset prices. Political and regulatory measures to advance the transition to a more sustainable economy and financial system are expected to increasingly shape banks' financing and investment decisions and reporting. As noted above, the extent of vaccine uptake and distribution and increasing inflation could somewhat dampen growth prospects.

Given the Bank's predominant European client base, the revenues should benefit from the ECB's gradual exit from its crisis tools, particularly the trimming of asset purchases in the context of Quantitative Easing and potential signals of looming interest rates. Stronger private consumption as well as sustained robust government spending and corporate investment may have a positive impact on bank revenues. On the flip side, the most favorable funding conditions under the ECB's TLTRO III program will expire.

As an integral part of Deutsche Bank Group, the Bank will actively continue to seize opportunities for responsible qualitative growth in the key fields of activity of its business model in 2022. The Bank's capitalisation, control environment and risk management provide appropriate scope to do so.

The strategic, organisational and personnel-related measures taken over the past years, the associated focusing and continuing optimisation of the Bank's local organisation have created a forward-looking basis for implementing a business policy based on responsible qualitative growth. Nevertheless, maintaining costs at an acceptable level – not least in view of the low or still negative interest rates which may reverse in the foreseeable future – will remain a continued challenge for the Management Board. The annual contributions to be made for national and European financial supervision and associated guarantee schemes also deserve mentioning in this context. Furthermore, regulatory amendments related to minimum requirements for own funds and eligible liabilities (MREL) were initially introduced in 2019, are to be amended in 2022. In conjunction with the Net Stable Funding Ratio (NSFR) regulations of June 2021, the Bank's cost of funds will increase accordingly, and will continue to represent a material cost factor in the Bank's future business. The Management Board will need to manage the Bank's business and balance sheet in line with these circumstances, as it has done in the recent past.

Notwithstanding the satisfactory overall quality of the Bank's credit portfolio, its robust collateral and hedging strategies and its close monitoring of credit risk, the Bank currently expects a stable to potentially slightly upward trend in its risk provisioning in 2022, with an increase to previously experienced levels over the longer term (2023 to 2026). This is in contrast to the substantial releases in 2021 due to positive one-off effects and the rapid increases experienced in 2020 arising from the uncertainties emanating from the COVID-19 pandemic. This expectation depends on the (i) further development of the overall geopolitical, trade and COVID-19 pandemic situation, (ii) interest rate policies of central banks including the associated valuation levels of assets, and (iii) general credit cycle and selected industry cycles. The Bank will also continue to monitor non-financial risk closely, whilst the methods for recording and monitoring risk on an ongoing basis are still being further enhanced and adapted to new requirements.

In financial year 2022, the Bank will continue to perform and expand on its role as a center of excellence for agency business, lending and advisory to corporates, private institutions and extended families as well as growing its client coverage platform capabilities, geographical target market, product range and its role as an EU service center of excellence for the International Private Bank. In the coming year and beyond, the Bank will also examine offering and investing in potential new products and solutions especially also covering ESG-relevant aspects in the interests of its clients. In addition to the above initiatives, the Bank's continued focus on process efficiency, controllable costs and effective risk mitigation techniques will enable it benefit of its sound capital and liquidity position in order to leverage suitable business opportunities.

Finally, the Bank will continue to act as a fiduciary issuer and administrator of relevant fiduciary estates within the framework of its €15bn capital market issuance program listed on the Euro-MTF market of the Luxembourg Stock

Exchange and selectively assist clients in structured asset-based financing solutions jointly with other structuring units and coverage entities within Deutsche Bank Group.

Taking into consideration the macroeconomic environment, the political and regulatory climate as well as the competitive conditions and landscape in the financial services industry, the Bank expects to achieve a positive and qualitatively satisfactory operating result again in 2022. Business performance since the beginning of the year supports the Bank's assessment.

Events after the reporting period

After the reporting date no material events occurred which had a significant impact on the profit and loss, financial position or net assets. Refer to note C 10 for further disclosures in this regard related to the Bank's assessment of the impact of the Russian conflict.

We would like to thank our employees for their expertise, diligence, hard work and responsible, constructive approach they demonstrate every day in the interests of the Bank's stakeholders, particularly during the continued COVID-19 pandemic and the most recent military actions in Ukraine exerting further pressure on their professional and private environment. Furthermore, we would like to thank our clients, our sole shareholder, the members of the Supervisory Board and the employee representatives for the trust they continue to place in us and their steadfast cooperation.

Luxembourg, 24 March 2022

The Management Board

3

Financial Statements

Balance Sheet

as at 31 December 2021

Assets

in € k.	[Notes]	31 Dec. 2021	31 Dec. 2020
Cash in hand, balances with central banks and post office banks	[B2]	4,955,734	3,971,137
Loans and advances to credit institutions	[B1, 2, 6]	7,330,689	5,909,981
repayable on demand		258,834	311,362
other loans and advances		7,071,855	5,598,619
Loans and advances to clients	[B1, 2, 6]	13,483,734	13,726,256
Debt securities and other fixed-income securities	[B1, 2, 3]	1,423,760	1,531,276
of public issuers		1,251,079	1,342,974
of other issuers	[B6]	172,681	188,302
Shares in affiliated undertakings	[B4, 5]	540	541
Tangible assets	[B5]	3,219	2,514
Intangible assets	[B5]	6,379	822
Other assets	[B8]	278,717	123,518
Prepayments and accrued income		47,698	433,139
Total assets		27,530,470	25,699,184

Liabilities and equity

in € k.	[Notes]	31 Dec. 2021	31 Dec. 2020
Amounts owed to credit institutions	[B1, 2, 13]	18,185,208	14,145,910
– repayable on demand		31,106	8,437
– with agreed maturity dates or periods of notice		18,154,102	14,137,473
Amounts owed to clients	[B1, 2, 13]	2,535,793	4,363,043
other debts		2,535,793	4,363,043
– repayable on demand		1,154,409	1,037,436
– with agreed maturity dates or periods of notice		1,381,384	3,325,607
Other liabilities	[B8]	495,374	453,497
Accruals and deferred income		186,027	606,376
Provisions for liabilities and charges		282,487	253,371
provisions for pensions and similar commitments		309	2,146
provisions for taxation		0	0
other provisions	[B9]	282,178	251,225
Subordinated liabilities	[B1, 10]	1,000,000	1,000,000
Subscribed capital	[B11]	3,959,500	3,959,500
Share premium account		55,600	55,600
Reserves	[B12]	682,288	770,309
Net income	[B12]	147,594	90,979
Profit/loss carried forward	[B12]	599	599
Total liabilities and equity		27,530,470	25,699,184

Off-balance sheet items

in € k.	[Notes]	31 Dec. 2021	31 Dec. 2020
Contingent liabilities	[B2, 14]	6,337,339	6,196,010
of which:			
Guarantees and assets pledged as collateral security		6,337,339	6,196,010
Commitments	[B2, 15]	38,768,812	36,180,876
Fiduciary operations	[B2]	6,460,419	6,418,062

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

Profit and Loss Account

for the year ended 31 December 2021

in € k.	[Notes]	1 Jan.– 31 Dec. 2021	1 Jan.– 31 Dec. 2020
Interest receivable and similar income		455,320	552,433
of which:			
from fixed-income securities		88,337	94,401
Interest payable and similar charges		129,896	262,551
Income from transferable securities		10,700	5,700
from shares in affiliated undertakings		10,700	5,700
Commissions receivable	[C2]	111,187	106,011
Commissions payable	[C3]	166,619	175,268
Net profit on financial operations		–43,884	–31,539
Other operating income	[C4]	214,195	204,163
General administrative expenses		148,991	140,656
Staff costs		34,870	35,551
of which:			
– wages and salaries		31,200	31,777
– social security costs		2,819	3,003
of which: pensions		–781	–312
Other administrative expenses		114,121	105,105
Depreciation of and value adjustments to tangible and intangible assets		488	216
Other operating charges	[C5]	6,588	7,192
Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	[C6]	24,415	50,539
Value adjustments in respect of securities held as financial fixed assets, participating interests and equities in affiliated undertakings	[C7]	0	0
Taxes on profit on ordinary activities		41,784	27,990
Profit on ordinary activities after taxes and before payments for participation rights		228,737	172,356
Other taxes not shown under the preceding items		518	531
Payments for participation rights	[B10]	80,625	80,846
Net income		147,594	90,979

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

Notes to the Accounts

Deutsche Bank Luxembourg S.A.

A. Principles and methods

Corporate matters

The Bank was founded on 12 August 1970 in Luxembourg in the legal form of a Société Anonyme. The Bank is wholly owned by Deutsche Bank AG, Frankfurt am Main.

The Bank's business policy and valuation principles are established and monitored by the Management Board unless prescribed otherwise by Luxembourg or other applicable rules and regulations.

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 Bank's financial year is aligned with the calendar year.

The Bank's presentation and functional currency is the euro.

Deutsche Bank Luxembourg S.A. is a parent company for the purposes of Article 77 (1) of the law of 17 June 1992 on the annual accounts and consolidated accounts of banks incorporated under Luxembourg law (in its amended version; hereinafter referred to as the law on the accounts of banks). As a subgroup, Deutsche Bank Luxembourg S.A. is exempt from the obligation to prepare its own consolidated accounts and a consolidated Management Report pursuant to Article 80 of the law on the accounts of banks.

The annual accounts of Deutsche Bank Luxembourg S.A. are included in the consolidated financial statements of Deutsche Bank Group in accordance with IFRS. Deutsche Bank AG, Frankfurt am Main, draws up the consolidated financial statements for the relevant group of companies.

The current Annual Report for Deutsche Bank AG can be accessed at www.db.com/annual-reports.

The following is a description of the significant accounting policies of the Bank. Except for the changes in accounting policies and changes in accounting estimates described previously and noted below, these policies have been consistently applied during the period covered by these accounts.

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 the 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 the balance sheet date. For expected losses, a provision for contingent losses is established 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 futures or forward rate agreements (FRAs) are used for the purpose of managing the interest rate and currency risk within the framework of asset and liability management. The Bank’s obligations arising from such transactions are accounted for at the transaction date. Commitments resulting from operations in relation to forward financial instruments on interest rates, foreign exchange rates or on market rates are recorded as off-balance items at the nominal value of the contracts.

Currency-related transactions are concluded to hedge exchange rate risks for the Bank’s own account and on behalf of clients.

Where the Bank concludes derivative financial transactions in line with an economic hedging strategy such derivatives form economic units in combination with the underlying asset or liability exposures. In view of the economic objectives of such operations, year-end revaluation or provisioning is not considered necessary.

The credit risk portfolio of the Strategic Corporate Lending (SCL) business division that is carried at fair value is to be considered separately, with the following sub-portfolios being grouped to form one valuation unit:
– the Bank’s existing SCL credit risk portfolio,
– credit derivatives issued in the context of the assumption of risks (credit default swaps), and
– credit derivatives received as collateral for the aforementioned underlying transactions (likewise credit default swaps, for the most part).

With the underlying transactions of this valuation unit, the Bank is not pursuing a trading strategy intended to generate a profit in the short term. The hedging transactions are therefore structured primarily to cover the credit default risk of the underlying transactions. There is no separate examination of other risks (particularly market risks) provided that the uncollateralised risks from the underlying and hedging transactions are considered to be comparable, subject to low volatility, and deemed to be negligible. The hedging transactions were typically concluded with the London branch of Deutsche Bank AG, primarily in the form of credit default swaps, taking into account specific risk tolerance and hedging parameters agreed by the Bank in cooperation usually with the Group-wide Credit Risk Management unit of Deutsche Bank AG. In later years it is conceivable that Deutsche Bank AG will increasingly act as the Bank’s counterparty.

In balance sheet terms, these hedging transactions are treated in line with the gross hedge presentation method (Durchbuchungsmethode). For unrealised losses resulting from this valuation, appropriate risk provisions for contingent losses are established and reported under “Other provisions”. In connection with the SCL credit risk portfolio, no distinction could be reasonably made, without entailing undue expense, between one-time payments made/received in the form of (upfront) premiums for protection buyer positions and the other income components influencing the fair value of the credit default swaps in question. To this extent, therefore, it was not always possible to divide the income components into an interest rate and a creditworthiness component. Against this background, the market value-related valuation effects of the affected credit default swaps are included in full in “Provisions for contingent liabilities and for commitments”.

In respect of the SCL business, where the Bank hedges its credit risk from relationship lending transactions carried at amortised cost/accrual by concluding credit default swaps (“CDS”) with Deutsche Bank AG Group entities, the underlying CDS portfolio consisting of single-name swaps that directly reference underlying loan exposures is measured at fair value. Gross notional credit exposures are hedged in order to reduce the Bank’s credit risk exposure to an amount within its defined credit risk appetite.

From a balance sheet perspective, this distinct portfolio of derivatives is reported on a net basis in “Other Provisions” for the negative value and the change in fair value and premiums paid recorded in “Net profit on financial operations” in Profit and Loss. Positive market value is not recognised.

– Treatment of premiums/discounts

Premiums and discounts on amounts receivable and amounts owed are accounted for on a pro rata temporis basis.

With regard to securities, premiums are also accounted for on a pro rata temporis basis. 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.

– Loans and advances

Loans and advances are valued at their disbursement value less the repayments made. The Bank recognises specific value adjustments in respect of doubtful and irrecoverable debts for creditworthiness and country risks in accordance with its internally defined valuation standards. These value adjustments and risk provisions are not continued if the reasons for which they were made have ceased to apply

– Lump-sum provision for inherent risks

In accordance with the legislation prevailing in Luxembourg, the Bank establishes a lump-sum provision for inherent risks in risk-bearing assets weighted pursuant to regulatory law including the credit risk equivalent from derivatives (Bemessungsgröße). Such provisions are capped at 1.25% of risk weighted assets (excluding operational risk amounts).

Pursuant to the instructions issued by the Tax Authority on 16 December 1997, the above lump-sum provisions are tax deductible, provided the deduction is recorded in the same period.

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 in the balance sheet under "Other provisions".

– Financial fixed assets

Participating interests, shares in affiliated companies, debt securities and other fixed income securities that the Bank intends to use on a continuing basis in the normal course of business are classified and valued as financial fixed assets.

– Securities

Securities are booked at cost using the weighted average method.

– Debt securities and other fixed-income securities

Securities the Bank holds for investment purposes are used for the long-term financing of external borrowers. Such securities are valued at the lower of cost or market in conjunction with the option to maintain previous value adjustments (Beibehaltungswahlrecht) (see below).

– Securities issued on a discounted basis

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

– Shares and other variable-yield securities

As at the reporting date, shares and other variable-yield securities were 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. Value adjustments are made for permanent declines in value.

– Option to maintain previous value adjustments (Beibehaltungswahlrecht)

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

Intangible assets comprise capitalised software costs developed for internal use where it is probable that future economic benefits will flow to the Bank and the cost can be reliably measured. Capitalised costs are amortised once the items are brought into use over their estimated useful lives, deemed to be either 3 or 5 years. This represents a change in accounting policy during the current year in order to better align with the economic benefits being realised over a period of time.

– 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 recognise impairment losses to value these assets at the impaired valuation attributable to them as at the balance sheet date.

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

– Repurchase transactions

If the buyer undertakes to transfer the assets back to the seller at a date specified – or to be specified – by the seller, the assets continue to be reported in the seller's balance sheet. In this case, the transfer amount received by the seller is shown as an amount owed to the buyer – amounts owed to credit institutions or to clients. The buyer then reports the transfer amount paid as an advance to the seller; the assets involved are not reported in its balance sheet.

In the event of a buy-back option on the part of a buyer, the seller may no longer report the assets transferred; in the notes to the balance sheet, the seller specifies a contingent liability in the amount agreed for a potential buy-back.

– Provisions

Provisions are intended to cover clearly defined liabilities, which as at the balance sheet date are either likely to or certain to be incurred, but uncertain with respect to the amount or the date on which they will arise. Furthermore, it is allowed to set up provisions for clearly identified charges which may arise from past or present events and for which, as at the balance sheet date, uncertainties exist regarding the amount and/or time of occurrence. Provisions may not be used to adjust the values of assets.

– Pension provisions

Pension provisions are calculated in line with the parameters relevant under the IFRS, firstly to ensure consistency with the active management of the Deutsche Bank pension fund, which is also oriented towards the IFRS approach, and secondly to appropriately adhere to the commercial law principle of prudence, which takes into account economic criteria (market-oriented actuarial interest rate, dynamics, etc.).

– Subordinated liabilities

Repurchased own bonds are deducted from subordinated liabilities.

– 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 non-deductible expenses.

– Comparative information

Certain comparative information has been reclassified where necessary to preserve consistency with the presentation in the current year.

However, such reclassifications did not have any effect on the profit and loss account or the equity of the Bank for the comparative year.

B. Notes to the Balance Sheet

1 – Classification by remaining maturity

The tables set out hereunder reflect the remaining contractual term to maturity of selected balance sheet items as at 31 December.

Loans and advances

in € m.	On demand	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Total
Loans and advances to credit institutions	259	6,748	81	140	103	7,331
Loans and advances to clients	286	456	3,182	8,307	1,253	13,484
Debt securities and other fixed-income securities	0	0	0	1,418	6	1,424
Total - 2021	545	7,204	3,263	9,865	1,362	22,239
Total - 2020	489	6,240	3,223	8,659	2,556	21,167

Term loans and advances to clients having a nominal value of €924m (2020: €446m) were deposited as collateral with Banque Centrale du Luxembourg (BCL) as at the balance sheet date.

Included in debt securities (1 year up to 5 years) above is a security of €1.2bn that was redeemed in January 2022, ahead of its contractual maturity date, at the request of the underlying client(s).

Amounts owed

in € m.	On demand	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Total
Amounts owed to credit institutions	31	8,938	3,941	4,041	1,234	18,185
Amounts owed to clients	1,154	760	527	82	13	2,536
Subordinated liabilities	0	0	1,000	0	0	1,000
Total - 2021	1,185	9,698	5,468	4,123	1,247	21,721
Total - 2020	1,045	6,223	9,556	2,573	112	19,509

There were no netting agreements in place for balance sheet items as at the balance sheet date.

2 – Geographical distribution

The tables hereunder reflect the geographical distribution of selected items as at 31 December.

Loans and advances

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Cash in hand, balances with central banks and post office banks	4,956	0	0	0	0	0	4,956
therein: balances with central banks	4,955	0	0	0	0	0	4,955
Loans and advances to credit institutions	6,801	71	10	0	4	445	7,331
Loans and advances to clients	9,198	2,260	436	157	896	537	13,484
Debt securities and other fixed-income securities	167	0	0	0	1,257	0	1,424
Total - 2021	21,122	2,331	446	157	2,157	982	27,195
Total - 2020	19,046	2,302	429	150	2,325	886	25,138

Amounts owed

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Amounts owed to credit institutions	13,690	4,495	0	0	0	0	18,185
Amounts owed to clients	1,349	942	0	8	87	150	2,536
Total - 2021	15,039	5,437	0	8	87	150	20,721
Total - 2020	15,332	2,989	0	11	105	72	18,509

Off-balance sheet items

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Contingent liabilities	1,874	3,175	39	0	1,218	31	6,337
Commitments	30,202	5,947	550	0	1,302	768	38,769
Fiduciary operations	6,226	207	27	0	0	0	6,460
Total - 2021	38,302	9,329	616	0	2,520	799	51,566
Total - 2020	40,375	5,348	691	0	1,687	694	48,795

Financial transactions

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Interest rate transactions	3,690	4	0	0	0	0	3,694
Foreign exchange/gold transactions	65	73	0	0	124	1	263
Credit derivatives*	3,053	226	0	0	52	0	3,331
Total - 2021	6,808	303	0	0	176	1	7,288
Total - 2020	9,464	5	0	16	5	1	9,491

* of which a nominal amount of €51.4m is reported under contingent liabilities

3 – Securities

Securities were classified as at the balance sheet date as follows:

in € m	2021	2020
Debt securities and other fixed-income securities (investment portfolio of financial fixed assets) - unlisted	1,424	1,531

No specific value adjustments had been made as at the balance sheet date (2020: €0).

4 – Companies in which the Bank has a participating interest of 20% or more

Name of the company	Registered office	Holding	Equity capital in € m.	Net income for the financial year* in € m.
DB Credit Investments S.à r.l.	Luxembourg	100%	1,1	6,0
VCJ Lease S.à r.l.	Luxembourg	100%	0,0	0,0

* net income for the financial year according to latest available annual accounts

In the case of individual investments of minor significance – various companies belonging to Deutsche River Companies with registered offices in Luxembourg, which have been completely written off in the past – no individual figures are presented in line with Article 68 (2) of the law on the accounts of banks.

5 – Movements in fixed assets

in € k.	Gross value at beginning of financial year	Additions	Disposals	FX Revaluation	Gross value at end of financial year	Cumulative depreciation and value adjustments at end of financial year	Net value at end of financial year
Debt securities and other fixed-income securities	1,531,276	1,589	206,035	96,930	1,423,760	0	1,423,760
Participating interests	19,801	0	0	0	19,801	19,801	0
Shares in affiliated undertakings	910	0	0	0	910	370	540
Intangible assets*	27,822	5,579	0	0	33,401	27,022	6,379
of which:							
software	27,822	5,579	0	0	33,401	27,022	6,379
Tangible assets	19,128	881	0	31	20,040	16,821	3,219
of which:							0
office furniture and equipment	19,128	881	0	31	20,040	16,821	3,219
Total fixed assets	1,598,937	8,049	206,035	96,961	1,497,912	64,014	1,433,898

* Amortisation of software will commence once the relevant items are brought into use.
Note: Due to rounding, numbers may not add up precisely to the totals provided.

6 – Amounts due from Deutsche Bank companies and from participating interests

	31 Dec. 2021		31 Dec. 2020	
in € m.	Deutsche Bank companies	Participating interests	Deutsche Bank companies	Participating interests
Loans and advances to credit institutions	7,220	0	5,821	0
Loans and advances to clients	46	8	17	4
Debt securities and other fixed-income securities	172	0	188	0
Other assets	195	0	86	0

7 – Assets and liabilities denominated in foreign currencies

Assets denominated in foreign currencies amounted to the equivalent of €7,637m (2020: €7,923m) as at the balance sheet date. Liabilities denominated in foreign currencies amounted to the equivalent of €7,664m (2020: €7,933m) as at the balance sheet date.

8 – Other assets/Other liabilities

Other assets consist of the following:

in € k.	2021	2020
Related party receivables	195,137	86,109
Taxation receivables	60,948	13,845
Fee receivables from clients	16,125	18,221
Precious metals	5,127	5,313
Sundry receivables	1,380	30
Total	**278,717**	123,518

The increase in related party receivables in the current year relates to an increase in margin placed with Deutsche Bank AG in connection with certain derivative transactions (€40m) and an increase in transfer pricing receivables (€68m).

The Bank has restated the comparative amounts in respect of "Other assets" and “Prepayments and accrued income” in order to enable comparability with the amounts presented as at 31 December 2021.

Other liabilities consist of the following:

in € k.	2021	2020
Related party payables	342,345	316,491
Payables for the account of third parties	100,195	101,081
Other payables to suppliers	27,168	23,570
Other payables to clients	13,250	1,193
Sundry payables	7,538	6,953
VAT payables	4,878	4,209
Total	**495,374**	453,497

9 – Provisions for liabilities and charges – other provisions

Other provisions consist of the following:

in € k.	2021	2020
Lump-sum provision – off-balance sheet risks	219,996	174,332
Credit default swaps liability	47,968	56,428
Credit provisions relating to off-balance sheet positions	3,206	4,639
Other	11,317	15,826
Total	**282,487**	251,225

10 – Subordinated liabilities

The Bank issued Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes with a notional value of €1bn on 30 January 2017. Deutsche Bank AG purchased the full issuance.

The notes bear interest at a fixed rate of 8.0625% p.a. until 29 April 2022, when the Bank has the right to redeem the notes (partially or in full). The Bank has obtained the necessary regulatory and internal approvals to exercise its redemption option and to simultaneously issue a replacement instrument, with a notional value of €0.5bn, at a market-related rate at the issue date. Should the Bank choose not to exercise its right of redemption, interest will accrue at the 5-year swap rate (EURIBOR BASIS) plus a fixed spread. The notes qualify as Upper Tier I capital under bank supervisory regulations and are used to measure regulatory own funds. The notes shall be fully subordinated to the claims of other subordinated creditors of the Bank under certain defined resolution or winding-up actions. The notes have no equity conversion features.

To appropriately take account of the fact that the subordinated capital is classified as equity, the expense from the regular payments was not reported under “Net interest income”, but rather as a separate item above “Net income” in line with the true and fair view principle for the purpose of transparency and clarity.

11 – Subscribed capital

As at the balance sheet date, the Bank’s subscribed and fully paid-up capital was €3,959.5m, composed of 15,838,000 shares.

12 – Movements in reserves and profit brought forward

in € m.	Legal reserve	Other reserves	Profit brought forward	Net income
As at 1 January 2020	**396**	**287**	**0**	**88**
Appropriation:				
– Retained		87	1	–88
– Dividend		0		0
Net income for financial year 2020				91
As at 31 December 2020	396	374	1	91
Appropriation:				
– Retained		91		–91
– Dividend		–179		
Net income for financial year 2021				148
As at 31 December 2021	**396**	**286**	**1**	**148**

The Bank distributed a dividend of €179m from available reserves in accordance with a resolution adopted by an Extraordinary General Meeting held on 14 December 2021.

The Bank fulfilled the requirement of the Luxembourg law on commercial companies to form a legal reserve of 10% of subscribed capital (€396m). Distribution of the legal reserve is not permitted.

The item “Other reserves” includes an aggregate amount of €122m allocated specifically for the imputation of wealth tax in accordance with Article 8 (a) of the Luxembourg wealth tax law and is deemed restricted from distribution.

13 – Amounts owed to Deutsche Bank companies and participating interests

	31 Dec. 2021		31 Dec. 2020	
in € m.	Deutsche Bank companies	Participating interests	Deutsche Bank companies	Participating interests
Amounts owed to credit institutions	17,674	0	13,907	0
Amounts owed to clients	478	1	463	1
Subordinated liabilities	1,000	0	1,000	0
Other liabilities	342	0	316	0

14 – Contingent liabilities

Contingent liabilities consist of:

in € m.	31 Dec. 2021	of which: to Deutsche Bank companies	31 Dec. 2020	of which: to Deutsche Bank companies
Guarantees and other direct substitutes for credit	6,337	5,956	6,196	5,854
of which:				
Credit derivatives	51	51	3	3
Total	6,337	5,956	6,196	5,854

15 – Commitments

Commitments consist of:

in € m.	31 Dec. 2021	of which: to Deutsche Bank companies	31 Dec. 2020	of which: to Deutsche Bank companies
Commitments not utilised	38,769	87	36,181	84
Total	38,769	87	36,181	84

Gross payments due by the bank in connection with its remaining commitments under a lease agreement related to its business premises amounted to €9.7m at 31 December 2021 (2020: €14.5m).

C. Notes to the Profit and Loss Account

1 – Administration and agency services

The Bank provided the following principal services for third parties in the past financial year: safe custody account administration, asset management, paying agent services, agency function and commercial representation.

2 – Commissions receivable

This item comprises the following:

in € k.	2021	2020
Lending fees and commissions	78,235	82,024
Wealth Management fees	23,990	17,702
Custody fees	3,260	2,918
Fiduciary deposit fee	2,651	1,196
Other fees and commissions	3,051	2,171
Total	111,187	106,011

3 – Commissions payable

This item comprises the following:

in € k.	2021	2020
Transfer pricing payments for credit protection and liquidity transformation costs	143,412	148,807
Indemnity fees paid relating to structured finance transactions	23,207	26,461
Total	166,619	175,268

4 – Other operating income

This item comprises the following:

in € k.	2021	2020
Income from SCL credit risk portfolio	197,247	198,149
Release of provisions	11,194	0
Sundry income	4,293	2,244
Rental income	1,461	1,524
AGDL release	0	2,246
Total	214,195	204,163

5 – Other operating charges

This item comprises the following:

in € k.	2021	2020
FRL & FGDL contributions	6,504	5,792
Increase in other provisions	0	450
Sundry expenses	84	950
Total	6,588	7,192

6 – Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments

This item comprises the following:

in € k.	2021	2020
Credit risk provisions	88,553	115,748
CLO recoveries	–29,155	–53,985
Release of provisions	–34,983	–10,986
Sundry	0	–238
Total	**24,415**	50,539

7 – Value adjustments in respect of securities held as financial fixed assets, participating interests and equities in affiliated undertakings

No value adjustments were made in respect of participating interests and equities in affiliated undertakings during the current and prior year.

8 – Auditor's fees

Fees that were recognised as Other administrative expenses for services provided during the financial year to the Company by Ernst & Young S.A. as Réviseur d'Entreprises agréé and as authorised Cabinet de révision agréé were as follows:

in € k. (excluding VAT):	2021	2020
Audit fees	579	574
Audit-related fees	20	12
Tax advisory fees	0	0
Other fees	15	0

9 – Return on assets

in € k.	2021	2020
Profit for the financial year	147,594	90,979
Total assets	27,530,470	25,699,184
Return on assets	**0.54%**	0.35%

10 – Events after the reporting period

On 24 February 2022, Russia commenced a large-scale invasion against Ukraine. In response, the West has moved to impose broad-based sanctions targeting Russia, including but not limited to certain Russian banks and the Russian Central Bank, companies, parliamentary members and members of the Russian elite and their families. It is possible that additional sanctions and other measures may be imposed in the future. Developments with regards to the military conflict are fast moving and the extent of any financial and non-financial impact on the Bank is currently not known.

As at 31 December 2021, the Bank did not have any material, Russia- or Ukraine-domiciled client direct loan exposure. Accordingly, no material credit risk exists, while contagion market and settlement risk may arise.

Overall, the potential financial and non-financial impact of the ongoing situation on the Bank will depend on how the crisis unfolds. The crisis and its impact on local and global economic conditions could impact our ability to generate revenues or meet our financial targets, increase our costs and result in increased credit losses.

Given the uncertainty of the situation, it is currently not possible to estimate any future impact on the financial statements.

D. Risk Report

General information

In terms of its organisational structure, processes and IT landscape, Deutsche Bank Luxembourg S.A. is integrated into the risk and capital management organisation and 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. The importance of a strong focus on risk management and the ongoing need to refine risk management practice became particularly evident during the financial market crisis. In financial year 2021, the organisation of non-financial risks was further refined to ensure the operational effectiveness, considering the continued impact of COVID-19 and protection against cyberattacks. While risk and capital management in the Group continuously evolves and improves, there is no guarantee that all market developments, in particular those of an extreme nature like the current military conflict between Russia and Ukraine, can be fully anticipated at all times.

Risk management principles

The Bank takes calculated risks in connection with its business, and the following principles therefore underpin its risk management:

- Risk is taken within a defined risk appetite.
- Every risk taken needs to be approved within the risk management framework.
- Risk is continuously monitored.
- Risks need to be adequately compensated.
- A strong risk management culture helps to reinforce Deutsche Bank's resilience.

Risk management framework

Against the background of Deutsche Bank Luxembourg S.A.'s broadly diversified business activities, it is essential to identify, measure, aggregate and manage risks. The various risks must be backed with adequate equity capital. Deutsche Bank Luxembourg S.A. manages risks with the help of an overriding set of risk principles, organisational structures and processes for the measurement and monitoring of risk. These are closely aligned with the activities of the Group divisions.

- The Group's Management Board provides overall risk and capital management supervision.
- The risk management model is based on the "three lines of defence approach" whereby business management, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy and risk appetite are defined based on the Group's strategic plans in order to align risk, capital and performance targets.
- Reviews are conducted across the Group to verify that sound risk management practices and a holistic approach to all defined risks exist throughout the organisation and to help each business manage the balance between their risk appetite and reward.
- Credit risks, market risks, liquidity risks, business and reputational risks, non-financial risks and risk concentrations as well as capital requirements are managed in a coordinated process at all levels of the Bank.
- Where applicable, modelling and measurement approaches for quantifying risk and the associated capital demand are implemented across the major risk categories.
- Effective systems, processes and policies constitute critical components of the Bank's risk management approach.

Risk and capital management activities are supported by the Finance and Internal Audit functions. These units are independent of the Group divisions. Finance's role is to help quantify the risks assumed and to ensure the quality and integrity of the risk-related data it provides. The Audit department performs risk-oriented reviews of the design and operational effectiveness of the system of internal controls.

Credit Risk Management (CRM) and Risk Control help the Chief Risk Officer (CRO) at Management Board level to aggregate the types of risk arising from the business model of Deutsche Bank Luxembourg S.A. into an overall risk profile, to regularly monitor whether risks are within the defined risk appetite and to report to both the Management Board and the Supervisory Board.

Types of risk

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

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 as the most important form of non-financial risk.

- Credit risk arises from all transactions that create actual, contingent or potential claims against a business partner, borrower or debtor (referred to collectively as "counterparties"). A distinction is made between five types of credit risk:
  - Default risk/risk of a deterioration in credit quality is the risk of a borrower not meeting its payment obligations or suffering a material deterioration in credit quality that increases the probability of a default.
  - Country risk is the risk of a borrower that is otherwise able and willing to pay not being able to meet its obligations due to state interventions or measures.
  - 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.
  - Risk in connection with risk reduction means the risk of increased losses if measures taken for the purpose of risk reduction do not cause the anticipated risk reduction.
  - Concentration risk is the risk of a negative development on the part of an individual borrower/country/sector/product leading to a disproportionate deterioration of the risk profile of Deutsche Bank's loan receivables from that borrower/country/sector/product.
- 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 being unable to meet payment obligations when they come due, or only being able to do so at excessive cost.
- Operational risk is the potential for incurring losses in connection with staff, contractual specifications and their documentation, technology, infrastructure failure or collapse, projects, external influences and client relationships. This definition includes legal and regulatory risks, but not general business risk or reputational risk.

Business risk

General business risk or strategic risk arises from changes in the Bank's operating environment. This includes, for example, the market environment, client behaviour and technological progress. Such risks can adversely affect business results if changes in this external environment are not identified in good time and effective measures not taken in response to the changed environment.

Reputational risk

For the risk management processes, reputational risk is defined as the risk that public trust in the organisation may be negatively influenced by public reporting on a transaction, a counterparty or a business practice in which a client is involved.

Concentration risk

Risk concentrations refer to a bank's loss potential through unbalanced distribution of dependencies on specific risk drivers. Risk concentrations are not an isolated risk type; rather, they are integrated into the management of credit risk, market risk, liquidity risk and operational risk. Risk concentrations are encountered within and across counterparties, regions/countries, industries and products, impacting the aforementioned risks. Risk concentrations are managed, for instance, by entering into offsetting or risk-reducing transactions. Management of risk concentration across risk types involves expert panels, qualitative assessments, quantitative instruments (such as economic capital and stress testing) and comprehensive reporting.

Credit risk

The measurement and management of credit risk are based on the following principles at Deutsche Bank Group:

- The Bank's credit risk management function is independent from the business divisions, and credit-decision standards, processes and principles are consistently applied in each of the business divisions.
- The key principle of credit risk management is client due diligence. The client selection is accomplished in collaboration with the partners from the business divisions, who stand as a first line of defence.
- The Bank aims to prevent high concentration and tail risks (large unexpected losses) by maintaining a diversified credit portfolio. Client-, industry-, country- and product-specific concentrations are assessed and managed against the risk appetite.
- The Bank uses approval standards to avoid large concentrated credit risks at a borrower and portfolio level. In this respect, it has an approach regarding unsecured cash positions and actively uses hedging for risk mitigation. Additionally, it strives to secure its derivative portfolio through appropriate collateral agreements and in individual cases additionally hedges concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of a new credit facility or material change to an existing credit facility (such as its tenor, collateral structure or major covenants) with any counterparty requires credit approval at the appropriate authority level. Credit approval authority is assigned to individuals according to their qualifications, experience and training. These credit authorities are periodically reviewed.
- The Bank measures its total credit exposure to a borrower and sums it across the Group on a consolidated basis, in line with regulatory requirements.
- The Bank manages credit exposures on the basis of borrower units in which all the facilities of borrowers that are linked to each other are consolidated together under one group.
- Within Credit Risk Management – where appropriate – the Bank has established specialist teams responsible for determining internal credit ratings, analysing and approving transactions, monitoring portfolios or covering workout clients.

Stress test scenarios for Deutsche Bank Luxembourg S.A.'s credit portfolio are simulated and evaluated for the Bank at the level of Deutsche Bank Group and are currently enhanced in order to incorporate climate and transition risks. The subject of the analysis is primarily the existence of a suitable economic capital base relative to the existing credit risks. To this end, a stress scenario concerning a change in the global macroeconomic scenario through a deterioration of the economic situation in the USA, the UK, Japan and Germany is analysed. In addition, an analysis of the effects of rating migrations (rating migrations matrix) on the risk-weighted assets is made on the basis of the local regulatory capital requirements for the credit risk. The stress test is conducted quarterly. The results of the aforementioned analyses are approved by the Asset & Liability Committee (ALCo) and the Supervisory Board as part of the Internal Capital Adequacy Assessment Process (ICAAP) reporting.

Credit risk ratings

A basic and key element of the credit approval process is a detailed risk assessment of every credit exposure associated with a counterparty. Deutsche Bank Group applies in-house assessment methodologies, scorecards and a 21-grade rating scale for evaluating the creditworthiness of all counterparties. The majority of the rating methodologies are authorised for use within the Advanced Internal Rating Based Approach under CRR rules. The rating scale facilitates a comparison of internal ratings with common market practice and also ensures the comparability of the Bank's different sub-portfolios. The Group generally rates all its credit exposures individually, though certain portfolios of securitised receivables are rated on a pool level. The algorithms of the rating procedures are recalibrated frequently on the basis of the default history as well as other external and internal factors and judgements.

Lending

Deutsche Bank Luxembourg S.A. operates on a large scale as a center of excellence and lending institution, working in concert with other European offices of Deutsche Bank Group. The Strategic Corporate Lending (SCL) business segment, as part of the Corporate Bank division in Luxembourg, is one of Deutsche Bank Group's three significant central risk hubs mandated directly by the Group Management Board to centralise and manage credit risk from selected lending activities. The Bank has both a direct and indirect (via the execution of internal risk transfer agreements effected through the issuance of guarantees or CDSs to fellow-DB lending institutions) role in the relationship lending activities of Deutsche Bank Group. In both cases, the risks are first assessed by the respective branches in accordance with Group standards and guidelines. Deutsche Bank Luxembourg S.A. extends these loans after a further review on the basis of its own credit guidelines agreed within the Group and assumes the risk. Own and assumed credit risk (guarantees and CDSs issued) is thus aggregated in the Bank and then hedged within defined risk appetite parameters through (primarily) the execution of credit default swaps or participation in collateralised loan obligation structures with fellow Deutsche Bank entities.

The Bank additionally performs a number of administrative functions relating to the Group's SCL Risk Centralisation structure that seeks to remunerate loan booking entities within the Group (including Deutsche Bank Luxembourg S.A.) for below-market rate relationship lending activities on behalf of fellow Deutsche Bank Group entities who benefit from such relationship lending. Legal entity loan income shortfalls are topped up to equal a market return on their gross credit risk through the execution of a "spread swap" agreement concluded between the booking and benefitting entities.

Moreover, Deutsche Bank Luxembourg S.A. regularly reviews creditworthiness in respect of its credit risks on the basis of up-to-date information largely obtained from Deutsche Bank Group's Credit Risk Management. At regular meetings, the Management Board and, if necessary, the Risk Control function inform the Supervisory Board about current developments regarding specific risks and the credit portfolio risk, also with reference to specific industry and/or country risks.

Taking into account the additional risk assumed in the SCL portfolio, 85% (2020: 80%) of the total loan portfolio as at the balance sheet date was attributable to investment-grade borrowers (up to a BBB rating).

Distribution of credit risk

The following tables provide an overview of credit exposure under the respective balance sheet item or off-balance sheet item 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 31 December 2021

in € m.	Loans and advances to credit institutions	Loans and advances to clients	Securities/ participating interests/ affiliated undertakings	Contingent liabilities	Commitments	Total
AAA/AA	32	810	1,251	1,699	6,500	10,292
A	7,238	1,880	0	2,199	12,891	24,208
BBB	35	5,776	173	1,925	15,124	23,033
BB	26	3,084	0	358	3,695	7,163
B	0	1,088	0	147	528	1,763
CCC	0	828	0	3	31	862
NR*	0	18	0	6	0	24
Total	7,331	13,484	1,424	6,337	38,769	67,345

* not rated = unrated clients

Structure of credit profile by industry as at 31 December 2021

in € m.	Loans and advances to credit institutions	Loans and advances to clients	Securities/ participating interests/ affiliated undertakings	Contingent liabilities	Commitments	Total
Banks and insurance companies	7,331	2,720	168	1,557	5,620	17,396
Households	0	565	0	5	125	695
Manufacturing	0	1,629	0	1,334	10,597	13,560
Corporate services	0	3,541	5	2,274	8,194	14,014
Transport and telecommunications	0	1,034	0	385	2,958	4,377
Power and water utilities	0	640	0	128	1,231	1,999
Wholesale and retail trade	0	547	0	343	2,090	2,980
Mining	0	225	0	40	2,157	2,422
Public sector	0	92	1,251	0	104	1,447
Commercial real estate	0	1,717	0	64	1,411	3,192
Construction	0	109	0	60	234	403
Power generation (in particular solar power)	0	328	0	0	653	981
Automotive industry	0	221	0	75	557	853
Hotel/restaurant trade, leisure industry, gaming and gambling industry	0	116	0	9	2,723	2,848
Other	0	0	0	63	115	178
Total	7,331	13,484	1,424	6,337	38,769	67,345

Risk provisioning

Adequate provision has been made for individual risks. Deutsche Bank Luxembourg S.A. also uses the possibility of setting up a lump-sum provision in accordance with Luxembourg regulations. During the current financial year the Bank elected to increase the lump-sum provision by €75m to €366m as at the balance sheet date. Such a decision was based on the inherent risks created by the current geopolitical situation and the ongoing effects of the COVID-19 pandemic.

There were only minor country risks as at the balance sheet date. The Bank does not hold any bonds issued or guaranteed by the euro countries of Portugal, Italy, Ireland, Greece and Spain or Russia and Ukraine.

The synthetic risk assumed from the SCL credit risk portfolio (via the guarantees issued and credit default swaps) was quantified at €5.96bn as at 31 December 2021 (2020: €5.9bn). The risk management of the underlying or hedging transactions entered into in the course of these business activities at the Bank is, in respect of the material value-determining risk factors, conducted uniformly at a central office of Deutsche Bank Group, taking into account certain risk tolerance and hedging parameters defined by Deutsche Bank Luxembourg S.A. in cooperation with Deutsche Bank AG's global Credit Risk Management unit.

Market risk

Owing to its business orientation, Deutsche Bank Luxembourg S.A. has the regulatory status of a non-trading book 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/Pool Management division. Other types of material market risk (for example, commodity price risks) do not exist. Treasury and the back-office units operate on the basis of local, internal guidelines in conformity with the applicable Deutsche Bank Group standards.

Deutsche Bank Luxembourg S.A. 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.

Financial transactions

The Bank's 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 tables contain the notional volume by remaining maturity and the market values of derivative transactions. At the end of the year, there were no exchange-traded financial transactions. In principle, the SCL credit risk portfolio agreements permit netting. Where the Bank could assume legally enforceable netting agreements were in place, corresponding effects were taken into account in the analysis of financial transactions below. Apart from this, there are no further netting agreements in derivative financial transactions.

Analysis of derivative financial transactions as at 31 December 2021

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 value
Interest rate transactions	1,572	1,305	817	3,694	29	22	7
Interest rate swaps	1,572	1,305	817	3,694	29	22	7
Foreign exchange/gold transactions	259	0	4	263	1	1	0
Futures contracts with clients	70	0	0	70	1	0	1
Futures contracts with banks	71	0	0	71	0	1	–1
Options	118	0	4	122	0	0	0
Credit derivatives*	1,806	1,508	17	3,331	220	77	143
Total	3,637	2,813	838	7,288	250	100	150

* of which a nominal amount of €51.4m is reported under contingent liabilities; includes total return swaps
Note: Due to rounding, numbers may not add up precisely to the totals provided.

Analysis of derivative financial transactions as at 31 December 2020

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 value
Interest rate transactions	3,155	1,417	817	5,389	160	55	105
Interest rate swaps	3,155	1,417	817	5,389	160	55	105
Foreign exchange/gold transactions	159	0	5	164	2	1	1
Futures contracts with clients	61	0	0	61	0	1	–1
Futures contracts with banks	75	0	0	75	2	0	2
Options	23	0	5	28	0	0	0
Credit derivatives*	1,884	2,036	18	3,938	173	124	49
Total	5,198	3,453	840	9,491	335	180	155

* of which a nominal amount of €3m is reported under contingent liabilities; includes total return swaps
Note: Due to rounding, numbers may not add up precisely to the totals provided.

Value-at-Risk and Interest Rate Risk in the Banking Book

To measure and manage market risks, the Bank uses the value-at-risk model developed and maintained by the Group and approved by the German bank regulator. The value-at-risk approach is used to derive a quantitative measure 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 (VaR) enables a constant and uniform risk measure to be applied to all trading/financial transactions and products. It also allows market risk assessments over time to be compared with the actual daily results from the aforementioned transactions.

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 the end of 2021, the value-at-risk from interest rate and currency risks in the non-trading book was €329 thousand. The average value for 2021 was €620 thousand.

In 2021, the Bank introduced an Interest Rate Risk in the Banking Book (IRRBB) framework that focuses on the Bank´s capital and earning stability under stressed market scenarios. The IRRBB framework with focus on the monitoring of delta Economic Value of Equity (EVE) and delta Net Interest Income (NII) was embedded into the Risk Limit Framework and the Risk Appetite Statement of the Bank in March 2021. The monitoring of the VaR is continued but had been decoupled from the Risk Appetite Statement of the Bank.

As at end of 2021, the ∆EVE was €-148m and thus below the allocated threshold of €-250m; the ∆NII was €-100m and thus below the allocated threshold of €-120m.

In the foreign exchange business, only relatively small positions in foreign currency arise from fractional 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/Pool Management division handles the management of this task in Luxembourg and is involved in Group-wide liquidity management. Liquidity Risk Controlling promptly prepares the relevant data and informs the Bank’s Management Board, the Risk Control function and Treasury department on a daily basis.

All local data relevant to the Group are made available to the Group’s global Risk Control function for overall objectives.

The Liquidity Coverage Requirement (LCR) pursuant to the Commission Delegated Regulation (EU) No. 2015/61 of 10 October 2014 entered into force on 1 October 2015.

As at the balance sheet date, the Bank’s LCR ratio was 167.8%, meaning that the minimum requirement of 100% in effect since 1 January 2018 has been met.

Operational risk

As a category of non-financial risk, operational risk is managed on the basis of a Group-wide framework that makes it possible to determine the operational risk profile in comparison to risk appetite and systematically identify operational risk themes and concentrations in order to define risk mitigating measures and priorities. The business divisions and infrastructure functions have primary responsibility for the management of operational risk.

Instruments are in place 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 through the Group-wide db-Incident Reporting System (db-IRS), which is monitored at Deutsche Bank Luxembourg S.A. by the risk function. Besides losses actually incurred due to defective processing, the system also covers reported provisions for operational risks. Reports from the database provide insight into the success of risk management and the quality of the selected risk indicators.

Regulatory risk position

As a non-trading book institution, the Bank continues to apply the standardized approaches in the determination of its regulatory risk position.

The risk-weighted assets (RWAs) are made up as follows:

Composition of risk-weighted assets in accordance with COREP* (CRD IV)

in € m.	31 Dec. 2021	31 Dec. 2020
Central governments and central banks	19	75
Regional governments	38	9
Administration/non-profit institutions	6	0
Credit institutions	1,851	1,886
Corporates	30,825	26,760
Retail clients	31	10
Other assets	198	118
Secured by mortgage charges	1,153	1,129
Currency transactions	0	0
Operational risks	653	614
Past due items	974	849
Credit value adjustment (CVA)	0	0
Total	35,748	31,450

* Common Solvency Ratio Reporting (COREP)

At the end of financial year 2021, Deutsche Bank Luxembourg S.A.'s regulatory own funds, consisting of balance sheet equity and eligible subordinated liabilities, were stable at €5.9bn (2020: €6.0bn). The slight decrease in regulatory own funds was primarily attributable to the payout of free reserves to the parent Deutsche Bank AG of €179m, as resolved by an Extraordinary General Meeting of the Bank held on 14 December 2021. Total risk-weighted assets (RWA) increased up to €35.7bn (2020 €31.5bn) as at the balance sheet date, thus ensuring that the Banks's key regulatory ratios were well in excess of minimum requirements. The EU solvency ratio under CRD IV was 16.6% as at the balance sheet date (2020: 19.1%), above the minimum requirement of 10.6%.

The Bank's CRD IV Tier I capital ratio was 16.6% at the end of 2021 (2020: 19.1%), also well above the minimum requirement of 8.6%. The Bank was in compliance with all minimum capital requirements throughout financial year 2021.

In the context of the regulations on calculating and limiting large exposures, Luxembourg's financial regulator, the CSSF (Commission de Surveillance du Secteur Financier), consented to the Bank's request to exempt companies belonging to Deutsche Bank Group from the requirement to take such risks into account. This approval was granted in accordance with CSSF Circular 06/273, Part XVI, No. 24 (revised version).

E. Other Information

Deposit guarantee scheme

On 18 December 2015, Luxembourg adopted the law on resolution, recovery and liquidation measures of credit institutions and investment firms, on deposit guarantee schemes and on investor compensation schemes (the "Law"), which serves to transpose into Luxembourg law EU Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and EU Directive 2014/49/EU on deposit guarantee schemes and investor compensation schemes.

Luxembourg has a contribution-based system of deposit guarantee and investor compensation in which the Bank participates. The system protects a client's deposits up to the amount of €100 thousand and investments up to the amount of €20 thousand. The Law also provides for the protection of deposits in excess of €100 thousand for a 12-month period where these deposits result from certain transactions or serve certain social or other purposes.

In accordance with Article 1 (36) of the Law, the target amount to be held in the Luxembourg Resolution Fund ("Fonds de résolution Luxembourg" [FRL]) should reach at least 1% of the guaranteed deposits of all credit institutions in all participating member states by the beginning of 2024. This amount was and will continue to be collected from the credit institutions through annual contributions in the financial years from 2015 to 2024.

The target amount to be held in the Luxembourg Deposit Guarantee Fund ("Fonds de garantie des dépôts Luxembourg" [FGDL]) is 0.8% of the covered deposits, as defined in Article 163 (8) of the Law, of the relevant credit institutions, to have been reached by the end of 2018. Contributions were paid annually from 2016 to 2018. After achieving the initial 0.8%, Luxembourg credit institutions are to make further contributions over the following eight years in order to build an additional safety buffer of 0.8% of covered deposits, as defined in Article 163 (8) of the Law.

The law of 23 December 2016 on the 2017 tax reform introduced a tax-neutral reversal of the existing AGDL provisions in annual tranches from 2016 to 2026, under the condition that each annual tranche is at least equal to the contributions to the FGDL and FRL. Any remaining balance of the AGDL provision not yet reversed at the end of this transitional period will be added to the taxable income in 2026.

On 18 January 2017, the CSSF issued a circular letter relating to the abrogation of the AGDL and to the consequent accounting treatment of the AGDL reversal to enable the banks to reflect the tax treatment foreseen in the law of 23 December 2016 in their financial statements.

Payments of €0.1m and €6.4m were made to the FGDL and the FRL, respectively.

Staff

Number of staff

	31 Dec. 2021	Average in 2021	31 Dec. 2020
Management Board	4	4	3
Executives	25	25	24
Employees	284	289	285
Total	313	318	312

In 2021, the total remuneration of the Management Board and the Senior Executives (Managing Director, Directors) was €7,385 thousand (2020: €6,630 thousand). The allocation to pension provisions for members of the Management Board and Senior Executives was €375 thousand (2020: €366 thousand). The Supervisory Board was not remunerated by the Bank.

The expense for pension obligations for former members of the Management Board amounted to €211 thousand.

As at 31 December 2021, loans, advances and other commitments to members of the Supervisory Board, Management Board and Senior Executives totaled €0.

Luxembourg, 24 March 2022

The Management Board

4

Confirmations

Independent auditor’s report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Deutsche Bank Luxembourg S.A. (the “Bank”), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the “Law of 23 July 2016”) and with International Standards on Auditing (“ISAs”) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (“CSSF”). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements” section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Value adjustments on loans granted to customers and provisions for commitments

Description

As of 31 December 2021, the Bank reports loans and advances to customers of EUR 13,484 million. This caption mainly includes loans to corporate customers and institutional clients, structured loans to private clients and Lombard loans. Related commitments amount to EUR 38,769 million as of 31 December 2021.

The identification of an impairment event and the determination of specific valuation allowances involve significant estimation uncertainty and discretion in respect of the borrower's financial position and performance, as well as from the valuation of collateral and the amount and timing of expected future cashflows.

For this reason, we identified the determination of value adjustments on loans to corporate customers and institutional clients and the related provisions for commitments as a key audit matter.

Refer to the description of the accounting policies in the notes to the financial statements concerning "Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments" and the notes to the income statement (Note C6) as well as the explanations in the risk report and management report.

How the matter was addressed in our audit

During our audit, we obtained an understanding of the processes implemented by the Bank over the credit cycle, with a focus on the identification of impairment events and quantification of value adjustments.

Our audit procedures relating to the Bank's internal control system focused on key controls within the framework of the credit approval and credit monitoring process, as well as the identification of doubtful and irrecoverable debts and the determination of the necessary value adjustment requirements, which were tested for their design and implementation as well as their operating effectiveness. This included processes and controls outsourced to other entities of Deutsche Bank group.

In addition, we adopted a risk-based sampling approach to determine a sample of loans and commitments. To determine this sample, we focused on the exposure amount, the internal credit rating, the sector of the borrower including potential COVID-19-related implications and whether exposures were included on the Bank's watchlist. For this sample, we verified whether impairment events were recognised in a timely and appropriate manner.

For value adjustments determined by the Bank, we verified as to whether the estimates regarding the amount and timing of future cash flows from the borrower and the collateral were appropriate.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and of those charged with governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Conclude on the appropriateness of Management Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d’entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the Extraordinary General Meeting of the Shareholders on 6 August 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Bernard Lhoest   Alexander Kastendeuch

Luxembourg, 24 March 2022

Report of the Supervisory Board

The Supervisory Board reviewed the annual report of Deutsche Bank Luxembourg S.A. for the 2021 financial year. The Supervisory Board also acknowledged the positive conclusions reached by the Audit Committee. On that basis, the Supervisory Board has no further comments on the financial statements presented.

At today's meeting, the Supervisory Board approved the annual accounts prepared by the Management Board, which are thereby adopted.

Net income for the 2021 financial year amounted to €147.6m.

Of the net income for the year, the Supervisory Board proposes to the General Meeting that a dividend of €124.2m be paid and an amount of €23.4m be allocated to "Other reserves". In addition, the Supervisory Board proposes to the General Meeting that a dividend of €26.4m be paid from retained earnings.

Luxembourg, 24 March 2022

Dr Alexander Ilgen
Chairman of the Supervisory Board

Registered office

Architect: Prof. Gottfried Böhm, Pritzker Prize winner
Photo: Prof. Dieter Leistner

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

Telephone:	+352-42122-1
Fax:	+352-42122-4490
E-mail:	mgt.lux@db.com

Website:	www.db.com/luxembourg