Deutsche Bank

Annual Report 2022
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, Germany.
- 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 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 €5.4bn as at 31 December 2022.
- The Bank employs 320 people from 33 countries.

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

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

English:

Content

1

Deutsche Bank Luxembourg S.A.

Management Board

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

Frank Rückbrodt

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
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

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

Supervisory Board

Dr Alexander Ilgen
Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Rüdiger Bronn
Deutsche Bank AG, Frankfurt am Main, Germany

Laurence Harari-Lehmann (as of 1 May 2022)
Deutsche Bank (Suisse) SA, Zurich, Switzerland

Frank Krings
Deutsche Bank AG, Paris Branch, France

Dr Karen Kuder (until 31 October 2022)
Deutsche Bank AG, Frankfurt am Main, Germany

Bastiaan Marteijn
Deutsche Bank AG, Amsterdam Branch, Netherlands

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

Kay Wolf
Deutsche Bank AG, Frankfurt am Main, Germany

Audit Committee

Rüdiger Bronn

Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Laurence Harari-Lehmann (as of 1 May 2022)

Deutsche Bank (Suisse) SA, Zurich, Switzerland

Dr Karen Kuder (until 31 October 2022)

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

Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Frank Krings

Deutsche Bank AG, Paris Branch, France

Bastiaan Marteijn

Deutsche Bank AG, Amsterdam Branch, Netherlands

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. 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 €5.4bn as at 31 December 2022.

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 based on 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 centre 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.

Besides its lending activities, the Bank is also the loan agency hub for 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 addition, the Bank also provides bond agency services to Financial Institutions, Non-Financial Institutions (NBFI) and large corporates in connection with their bond activities on the debt capital markets.

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 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 business hub, service centre and centre of excellence within the EU for international Wealth Management clients across different markets in Europe and the EMEA region, with focus on the identified strategic target segments of U/HNWIs (ultra-/high-net worth individuals), entrepreneurs and family offices, which the Bank covers and supports in their needs on both sides of their balance sheet (i.e., investments and financing). 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 selected markets in the EMEA region through targeted investments in specialist staff and initiatives to enhance its platform efficiency and effectiveness. Besides its investment expertise, the International Private Bank in Luxembourg stands out for its role as centre of excellence in the lending space, where it leverages several years of experience and its track record, especially in structured financing solutions.

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 to tap into the Parent's funds for refinancing purposes within a defined credit limit. For further explanatory notes on liquidity and risk management, please refer to the Risk Report (section D).

As disclosed in Deutsche Bank AG's 2022 Annual Report, the Bank continues to operate with the support of its parent entity.

Strategy

The economic impact of the war in Ukraine will remain the main headwind, while certain improvements with regard to the COVID-19 pandemic situation will continue to provide some relief and impact the macroeconomic and fiscal environment. As a result of this geopolitical crisis, energy prices increased to unprecedented levels and pushed inflation rates to record levels at the end of 2022. Consequently, the ECB tightened its monetary policy significantly and raised key interest rates over the course of the year to break the inflation momentum. The industrial countries in the Eurozone were resilient but saw momentum slow towards the end of 2022. Although the sharp rise in consumer prices dampened private consumption, easing supply bottlenecks and falling freight costs supported some support for GDP. These developments combined to impact the Bank's operating environment, as changes in customer behaviour significantly affected transaction volumes and the Bank's associated management of capital and risk.

Based on 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 12.2% (2021: 13.8%), a leverage ratio of 9.5% (2021: 11.3%) and a liquidity coverage ratio of 142% (2021: 168%) as at 31 December 2022, all well above regulatory minimums and internal targets.

Despite the challenges associated with the geopolitical situation as regards the war in Ukraine and the partial relief from the easing of the pandemic, the Bank implemented effective risk management standards in its businesses and has continued to benefit from its transformation and business model realignment in recent years. 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 2022, while still serving clients' financing needs.

The Bank's business and organisational model remains dynamic and forward-looking, directed by its long-term objectives. 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 geopolitical crisis and 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 2022. 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, 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 its activities as an International Private Bank, the Bank continues to expand its coverage platform capabilities and its role as an EU service centre and centre of excellence within Deutsche Bank Group focusing on the needs of its ultra-/high-net worth individual, entrepreneur and family office clients and in order 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 in 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 (as an 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 (as an outsourcing service provider).

Employer

The Bank is a recognised international employer. At the end of 2022, it employed 320 staff members (2021: 313) from 33 countries (2021: 27). Luxembourg residents make up 31% (2021: 32%) of the Bank's workforce; a total of 28 (2021: 26) staff members are Luxembourg nationals. Cross-border commuters from the neighbouring countries Belgium, Germany and France comprise 69% (2021: 68%) of the workforce.

50% (2021: 50%) of the total workforce and 24% (2021: 23%) of executives (Managing Directors, Directors and Vice Presidents) are female. At the end of 2022, the average length of service across the total workforce was approximately 12.5 years (2021: 13.1 years). During the 2022 financial year, 61 new members of staff (2021: 53 new members of staff) joined the Bank, 60 (2021: 42) of them on permanent contracts, and 10 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 2022, the Bank gave 45 (2021: 46) students from 16 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. 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.

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 during the 2022 financial year was influenced by the economic impact of the war in Ukraine and the easing of the pandemic situation. Eurozone economies had a robust start to the second half of 2022, but momentum slowed towards the end of the year. Energy prices pushed the inflation rate to a record high in the fourth quarter. The loss of purchasing power slowed private consumption and high energy costs dampened industrial production. Expansionary fiscal policy provided support. Central banks raised key interest rates to break the inflation momentum. Key benchmark interest rates increased significantly over the course of the year as follows (source: Bloomberg):

	Minimum (%)		Maximum (%)		Average (%)	
	2022	2021	2022	2021	2022	2021
3-month Euribor (EUR)	–0.58	–0.61	2.20	–0.53	0.35	–0.55
3-month Libor (USD)	0.22	0.11	4.78	0.24	2.40	0.16

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

€ 1 equals	2022	2021
United States Dollar	1.067	1.137
Great British Pound	0.887	0.840

Balance Sheet & Off-Balance Sheet

The Bank's total extension of credit to its clients increased significantly during 2022 with assets increasing by €2.0bn, guarantees €0.7bn and commitments €4.9bn over prior year-end levels. The key contributors to these trends were as follows:

Cash and balances with central banks (€44m) decreased by €4.9bn over the 31 December 2021 level due to the classification of the Bank's liquidity placement with the central bank within 'Loans and advances to credit institutions' in 2022. The current year change in classification was as a result of the Bank investing on a fixed term basis in 2022, as opposed to on an overnight basis in 2021.

Loans and advances to credit institutions (€12.9bn) (primarily funds on deposit with the Parent, fellow Group entities and the Luxembourg central bank) increased by €5.6bn in 2022, as a result of additional regulatory liquidity requirements.

Loans and advances to clients (€15.9bn) were €2.4bn higher than the prior year as the Bank grew its lending activities on the back of growing client demand for liquidity. Over the same period the Bank provided (net) new commitments of €4.9bn to its clients.

Debt and other fixed-income securities (€0.2bn) decreased by €1.3bn as a result of an early redemption at the request of a particular client during the first quarter of 2022.

The Bank's overall funding increased in proportion to the increase on the asset side of the balance sheet, i.e., by €2.0bn (with own funds, including subordinated liabilities, reducing by €0.5bn as a result of the Bank simultaneously calling the [then] existing AT1 issuance of €1bn and issuing a new AT1 instrument of €0.5bn during April 2022 – see note B11 for further details). The increase in funding was sourced predominantly from credit institutions (mainly Deutsche Bank entities/the Parent) in the amount of €2.2bn and client deposits (€0.3bn).

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 to the prior-year period as follows:

Net results

in € k.	2022	2021
Net interest income	294,427	325,424
Net commission income/(expense)	-14,739	–55,432
Net (loss)/profit on financial operations	–17,452	–43,884
General administrative expenses	–166,929	–148,991
Depreciation of tangible and intangible assets	–1,052	–488
Operating profit I	**94,255**	**76,629**
Income from transferable securities including value adjustments	12,624	10,700
Value adjustments in respect of securities held as financial fixed assets and participating interests	0	0
Other operating net income	198,607	207,607
Operating profit II	**305,486**	**294,936**
Net change in provision for risk including release of special items with a reserve quota portion	–11,654	–24,415
Taxes	–57,950	–42,302
Payments for participation rights	–49,454	–80,625
Net income	**186,428**	**147,594**

The Bank's net interest income (NII) decreased by €31.0m in the current year to €294.4m. 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. The majority of the Bank's funding lines do not contain a similar feature. During the period when key benchmark interest rates were increasing from negative to positive levels (i.e. the latter half of 2022 - see above) the Bank experienced increasing funding costs that it was not able to pass on to its clients, decreasing the Bank's NII in the current year. In order to ensure compliance with minimum MREL requirements applicable to the Bank, €2.65bn of MREL-compliant funding was sourced from the Group. Such forms of funding, through their very nature, are more costly, which further contributed to the reduction in the Bank's NII in 2022. 'Interest costs' of €49.5m (€31.2m lower than 2021 - see note B11) 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.

The net commission result for the year improved by €40.7m over the prior year. Commission income increased by €14.7m year-on-year to €126m (see note C2) as a result of increased fees and commissions from growth in corporate lending and advisory business volumes. Commission expenses, consisting primarily of transfer pricing costs incurred by the Corporate Bank's risk hedging activities, decreased by €26m in 2021 (see note C3). Credit protection purchased from fellow Deutsche Bank Group entities (mostly in the form of collateralised loan obligations [CLO's]) amounted to approximately 74% of the total amount reflected as commission expenses for the year. In addition, indemnity fees paid in respect of hedging of Investment Banking securities positions reduced by €16m for the reasons mentioned in the balance sheet commentary above.

The net loss from financial operations primarily comprises premiums paid/received and valuation changes in respect of credit default swaps (hedging loans to customers carried at amortised cost) and the net foreign exchange result for the year. The net result for 2022 improved by €26.4m relative to the prior year, mostly as a result of hedging costs of €39m incurred in 2021 in respect of a debt security position that was closed out in 2021. Costs incurred in respect of premiums paid/received and valuation changes in respect of credit default swaps increased by €7.7m in 2022.

General administrative expenses increased by €17.9m year-on-year to €166.9m in 2022. 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 of €23m in costs incurred in connection with services provided to the Bank by the Group under these transfer pricing agreements (additionally increasing VAT expenses) and a decrease of €6m in professional services costs as the Bank concluded certain projects in the 2022 year.

Other operating net income decreased by €9.0m year-on-year to €198.6m in 2022. The Bank was compensated in the amount of €200.6m in 2022 (2021: €197.3m) in connection with below-market interest rates earned in respect of the 'relationship' lending activities of the Strategic Corporate Lending (SCL) business (refer to page 34 for further details regarding SCL). FRL and FGDL contributions were €1.8m higher than in the previous year (see note E below).

Specific provisions for credit losses, net of provisions released and CLO recoveries, increased by €128.6m year-on-year to €78.0m, related to some specific cases linked to second/third order effects from the pandemic and various geopolitical matters. An amount of €66.4m was released from the Bank's lump-sum provision, partly allocated to specific events. As a result, net provisions for risks decreased by €12.8m from the previous year to €11.7m in 2022 (refer to note C7).

Adequate provisions have been made for other material risks related to the lending and securities businesses.

Review of Key Regulatory Metrics

During the 2022 financial year the Bank remained prudent in its approach to risk management, reporting a CET1 ratio of 12.2% (2021: 13.8%), a leverage ratio of 9.5% (2021: 11.3%) and a liquidity coverage ratio of 142% (2021: 168%) as at 31 December 2022, all well above regulatory minimums and internal targets.

The Bank's regulatory own funds, comprising balance sheet equity and eligible subordinated liabilities, reduced during 2022 by €0.5bn to €5.4bn (2021: €5.9bn). This decrease in regulatory own funds was attributable to the Bank simultaneously calling the [then] existing AT1 issuance of €1bn and issuing a new AT1 instrument of €0.5bn during April 2022 – see note B11 for further details. Total risk-weighted assets (RWA) increased to €40.4bn (2021 €35.7bn) as at the balance sheet date on the back of the lending-related growth mentioned above.

The Bank complied with all minimum capital requirements throughout the 2022 financial year.

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 based on 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, migration, and portfolio concentration risk,
– market risk, especially interest rate and currency risk,
– liquidity risk,
– operational risk, as part of the 'non-financial risk',
– climate and environmental risk, as part of the 'enterprise risk', and
– reputational risk.

These risks were monitored appropriately at all times during the 2022 financial year. 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 2023

DB's general expectations regarding future economic and industry developments indicate that GDP growth in the Eurozone is expected to slow down in 2023. In particular, the fading energy shock and favourable gas storage levels should help avoid a deeper downturn. Fiscal support and easing of supply bottlenecks are cushioning the real income shock. Nevertheless, inflation is likely to be well above the ECB target. Continued monetary tightening is expected in the first half of the year. Weakening global trade and the expected U.S. recession are likely to become headwinds to the recovery.

There are a number of risks to the Bank's global economic outlook. Geopolitical risks remain elevated in Ukraine, and strategic competition between the United States ('U.S.') and China could possibly continue to intensify. Although there is tentative evidence of a peak, inflation is still at undesirably high levels, and both the Fed and ECB are unlikely to tolerate higher inflation. If inflation fails to recede, it could lead to central banks taking a more aggressive tightening stance, potentially causing a sharply negative reaction in financial markets and most likely an economic recession. A U.S. recession is expected in the second half of 2023, but there is a risk it will come earlier.

Banks in Europe are expected to benefit more than peers in other regions from the abolishment of negative rates and from interest rates still rising more and for longer than elsewhere with no expectation that they will come down in 2023. On the other hand, downside risks from the war in Ukraine and the energy crisis are also more pronounced. Banks' funding position should normalise further, with the expiration in June 2023 of a large tranche of the ECB's TLTRO III program and banks' greater reliance on market and customer funding. Inflation dynamics will have an impact on growth in operating expenses. Capitalisation levels are likely to stay strong even though fully loaded regulatory requirements could increase once EU policymakers have agreed on the implementation of final Basel III rules.

Following a lending surge last year, credit demand both for mortgages as well as corporate loans may ease due to higher interest rates and subdued economic growth in most major economies. Asset quality could weaken slightly but is expected to remain very robust overall. Overall, banking sector profitability and returns to shareholders are expected to remain strong.

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 2023. 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 as well as 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, despite inflationary pressures, will remain a continued challenge for the Management Board. The annual contributions that must be made for national and European financial supervision and associated guarantee schemes are also worthy of mention in this context. The Management Board will need to manage the Bank's business and balance sheet in line with these circumstances, as it has successfully 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 an increase in its risk provisioning in 2023, with a return to previously experienced levels over the longer term (2024 to 2027). This expectation is based upon expected economic impacts from the current geopolitical environment as described above. 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.

During the course of the 2023 financial year, the Bank will continue to perform and expand on its role as a centre of excellence for lending & advisory and agency business 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 centre of excellence for the International Private Bank by investing in its staff and systems. 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, costs and effective risk mitigation techniques which will enable it to benefit from its sound capital and liquidity position 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 further improve on its satisfactory 2022 operating result in 2023. Business performance since the beginning of the current financial year supports the Bank's assessment.

Events after the Reporting Period

No material events occurred after the reporting date which had a significant impact on the profit and loss, financial position or net assets.

We would like to thank our employees for their expertise, diligence, hard work and the responsible, constructive approach they demonstrate every day in the interests of the Bank's stakeholders. 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, 28 March 2023

The Management Board

3

Financial Statements

Balance Sheet

as at 31 December 2022

Assets

in € k.	[Notes]	31 Dec. 2022	31 Dec. 2021
Cash in hand, balances with central banks and post office banks	[B3]	43,557	4,955,734
Loans and advances to credit institutions	[B1, 2, 3, 7]	12,919,173	7,330,689
repayable on demand		329,827	258,834
other loans and advances		12,589,346	7,071,855
Loans and advances to clients	[B1, 2, 3, 7]	15,930,232	13,483,734
Debt securities and other fixed-income securities	[B1, 2, 3, 4]	171,285	1,423,760
of public issuers		0	1,251,079
of other issuers	[B7]	171,285	172,681
Shares in affiliated undertakings	[B5, 6]	537	540
Tangible assets	[B6]	3,029	3,219
Intangible assets	[B6]	13,013	6,379
Other assets	[B9]	329,621	278,717
Prepayments and accrued income		96,788	47,698
Total assets		29,507,235	27,530,470

Liabilities and Equity

in € k.	[Notes]	31 Dec. 2022	31 Dec. 2021
Amounts owed to credit institutions	[B2, 3, 14]	20,378,672	18,185,208
– repayable on demand		238,931	31,106
– with agreed maturity dates or periods of notice		20,139,741	18,154,102
Amounts owed to clients	[B2, 3, 14]	2,860,522	2,535,793
other debts		2,860,522	2,535,793
– repayable on demand		991,411	1,154,409
– with agreed maturity dates or periods of notice		1,869,111	1,381,384
Other liabilities	[B9]	404,003	495,374
Accruals and deferred income		241,854	186,027
Provisions for liabilities and charges		240,837	282,487
provisions for pensions and similar commitments		0	309
provisions for taxation		0	0
other provisions	[B10]	240,837	282,178
Subordinated liabilities	[B2, 11]	500,000	1,000,000
Subscribed capital	[B12]	3,959,500	3,959,500
Share premium account		55,600	55,600
Reserves	[B13]	679,819	682,288
Net income	[B13]	186,428	147,594
Profit/loss carried forward	[B13]	0	599
Total liabilities and equity		29,507,235	27,530,470

Off-Balance Sheet Items

in € k.	[Notes]	31 Dec. 2022	31 Dec. 2021
Contingent liabilities	[B3, 15]	7,080,879	6,337,339
of which:			
Guarantees and assets pledged as collateral security		7,080,879	6,337,339
Commitments	[B3, 16]	43,670,002	38,768,812
Fiduciary operations	[B3]	6,472,873	6,460,419

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

Profit and Loss Account

for the year ended 31 December 2022

in € k.	[Notes]	1 Jan.– 31 Dec. 2022	1 Jan.– 31 Dec. 2021
Interest receivable and similar income		569,639	455,320
of which:			
from fixed-income securities		1,908	88,337
Interest payable and similar charges		275,212	129,896
Income from transferable securities		12,624	10,700
from shares in affiliated undertakings		12,624	10,700
Commissions receivable	[C2]	125,923	111,187
Commissions payable	[C3]	140,662	166,619
Net profit on financial operations	[C4]	–17,452	–43,884
Other operating income	[C5]	207,175	214,195
General administrative expenses		166,929	148,991
Staff costs		35,074	34,870
of which:			
– wages and salaries		30,885	31,200
– social security costs		3,143	2,819
of which: pensions		0	–781
Other administrative expenses		131,855	114,121
Depreciation of and value adjustments to tangible and intangible assets		1,052	488
Other operating charges	[C6]	8,568	6,588
Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	[C7]	11,654	24,415
Value adjustments in respect of securities held as financial fixed assets, participating interests and equities in affiliated undertakings	[C8]	0	0
Taxes on profit on ordinary activities		57,563	41,784
Profit on ordinary activities after taxes and before payments for participation rights		236,269	228,737
Other taxes not shown under the preceding items		387	518
Payments for participation rights	[B10]	49,454	80,625
Net income		186,428	147,594

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, Germany.

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 pursuant to Article 77 (1) of the law adopted on 17 June 1992 regarding 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 primarily credit default swaps).

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 (usually in cooperation with the Group-wide Credit Risk Management unit of Deutsche Bank AG). In upcoming 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 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 Luxembourg 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). Where such securities form economic units in combination with hedging derivatives (refer to 'Derivative financial transactions' note above), year-end revaluation or provisioning is not required.

– 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.

– 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 reported 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 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.

B. Notes to the Balance Sheet

1 – Lump-Sum Provision

In line with the Bank's allocation methodology as set out in the Accounting Principles and Methods note above, the lump-sum provision has been allocated as set out below. Amounts allocated to on-balance sheet positions are deducted from the related positions in the balance sheet; however, the detailed notes below (B2, B3, B4, B6) have been presented gross of such allocated provisions. Amounts allocated to off-balance sheet positions are included in note B 10 (Provisions).

in € m.	2022	2021
Loans and advances to credit institutions	13	15
Loans and advances to clients	115	125
Debt securities and other fixed-income securities	0	6
Shares in affiliated undertakings	0	0
Other provisions	171	220
Total – 2022	299	366

2 – 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	330	12,268	128	104	102	12,932
Loans and advances to clients	298	2,313	2,496	9,640	1,298	16,045
Debt securities and other fixed-income securities	0	0	166	0	5	171
Total – 2022	628	14,581	2,790	9,744	1,405	29,148
Total – 2021	546	7,343	3,263	9,871	1,362	22,385

Term loans and advances to clients having a nominal value of €668m (2021: €924m) were deposited as collateral with Banque Centrale du Luxembourg (BCL) as at the balance sheet date.

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	239	10,826	3,065	4,569	1,680	20,379
Amounts owed to clients	991	1,160	695	6	9	2,861
Subordinated liabilities	0	0	0	0	500	500
Total - 2022	1,230	11,986	3,760	4,575	2,189	23,740
Total - 2021	1,185	9,698	5,468	4,123	1,247	21,721

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

3 – 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	44	0	0	0	0	0	44
therein: balances with central banks	44	0	0	0	0	0	44
Loans and advances to credit institutions	12,780	75	42	0	35	0	12,932
Loans and advances to clients	10,174	2,923	391	48	1,368	1,141	16,045
Debt securities and other fixed-income securities	171	0	0	0	0	0	171
Total - 2022	23,169	2,998	433	48	1,403	1,141	29,192
Total - 2021	21,268	2,331	446	157	2,157	982	27,341

Amounts Owed

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Amounts owed to credit institutions	18,347	2,032	0	0	0	0	20,379
Amounts owed to clients	1,790	947	0	5	98	21	2,861
Total - 2022	20,137	2,979	0	5	98	21	23,240
Total - 2021	15,039	5,437	0	8	87	150	20,721

Off-Balance Sheet Items

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Contingent liabilities	2,383	3,378	22	0	1,142	156	7,081
Commitments	32,775	7,652	795	0	1,531	917	43,670
Fiduciary operations	6,269	175	29	0	0	0	6,473
Total - 2022	41,427	11,205	846	0	2,673	1,073	57,224
Total - 2021	38,302	9,329	616	0	2,520	799	51,566

Financial Transactions

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Interest rate transactions	812	3	0	0	0	0	815
Foreign exchange/gold transactions	320	96	0	0	285	0	701
Equity Transactions	178	0	0	0	71	0	249
Credit derivatives*	4,317	176	0	0	0	0	4,493
Total - 2022	5,627	275	0	0	356	0	6,258
Total - 2021	6,808	303	0	0	176	1	7,288

* of which a nominal amount of €0m is reported under contingent liabilities

4 – Securities

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

in € m	2022	2021
Debt securities and other fixed-income securities (investment portfolio of financial fixed assets) - unlisted	171	1,430

No specific value adjustments had been made as at the balance sheet date (2021: €0).

5 – 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%	1.3	10.9
VCJ Lease S.à r.l.	Luxembourg	100%	0.0	0.0

* according to 31 December 2021 annual accounts

In the case of individual investments of minor significance – i.e. investments in 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.

6 – 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	1,423,760	0	1,252,647	296	171,409	0	171,409
Participating interests	19,801	0	0	0	19,801	19,801	0
Shares in affiliated undertakings	910	0	0	3	913	366	547
Intangible assets*	33,401	7,236	0	0	40,637	27,624	13,013
of which:							
software	33,401	7,236	0	0	40,637	27,624	13,013
Tangible assets	20,040	150	2	0	20,188	17,159	3,029
of which:							
office furniture and equipment	20,040	150	2	0	20,188	17,159	3,029
Total fixed assets	1,497,912	7,386	1,252,649	299	252,948	64,950	187,998

* 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.

7 – Amounts due from Deutsche Bank Companies and from Participating Interests

	31 Dec. 2022		31 Dec. 2021	
in € m.	Deutsche Bank companies	Participating interests	Deutsche Bank companies	Participating interests
Loans and advances to credit institutions	7,903	0	7,220	0
Loans and advances to clients	548	8	46	8
Debt securities and other fixed-income securities	167	0	172	0
Other assets	257	0	195	0

8 – Assets and Liabilities Denominated in Foreign Currencies

Assets denominated in foreign currencies amounted to the equivalent of €6,721m (2021: €7,637m) as at the balance sheet date. Liabilities denominated in foreign currencies amounted to the equivalent of €6,732m (2021: €7,664m) as at the balance sheet date.

9 – Other Assets/Other Liabilities

Other assets consist of the following:

in € k.	2022	2021
Related party receivables	257,480	195,137
Taxation receivables	21,813	60,948
Fee receivables from clients	29,983	16,125
Margin receivables	14,000	0
Precious metals	5,086	5,127
Sundry receivables	1,259	1,380
Total	**329,621**	278,717

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 (€80m) and a decrease in transfer pricing receivables (€18m).

Other liabilities consist of the following:

in € k.	2022	2021
Related party payables	176,652	342,345
Payables for the account of third parties	99,369	100,195
Other payables to suppliers	21,581	27,168
Other payables to clients	93,367	13,250
Sundry payables	6,403	7,538
VAT payables	6,631	4,878
Total	**404,003**	495,374

The decrease in related party payables in the current year relates to an increase in amounts settled against Deutsche Bank AG in connection with the provision of services consumed by the Bank under formally concluded transfer pricing agreements .

10 – Provisions for Liabilities and Charges – Other Provisions

Other provisions consist of the following:

in € k.	2022	2021
Lump-sum provision – off-balance sheet risks	170,670	219,996
Credit default swaps liability	55,668	47,968
Specific credit provisions relating to off-balance sheet positions	3,607	3,206
Other	10,892	11,317
Total	**240,837**	282,487

11 – Subordinated Liabilities

The Bank obtained the necessary regulatory and internal approvals and exercised on 29 April 2022 its redemption option on the Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes with a notional value of €1bn issued on 30 January 2017. Simultaneously, the Bank issued on the same day a replacement instrument with a notional value of €0.5bn. Deutsche Bank AG purchased the full new issuance.

The new notes bear interest at a fixed rate of 6.875% p.a. until 29 April 2027, when the Bank has the right to redeem the notes (partially or in full). 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.

12 – 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.

13 – Movements in Reserves and Profit Brought Forward

in € m.	Legal reserve	Other reserves	Profit brought forward	Net income
As at 1 January 2021	**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**
Appropriation:				
– Retained		149	–1	–148
– Dividend		–151		
Net income for financial year 2022				186
As at 31 December 2022	**396**	**284**	**0**	**186**

The Bank distributed a dividend of €151m from available reserves in accordance with a resolution adopted by the Annual General Meeting held on 19 April 2022.

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 €118m 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.

14 – Amounts Owed to Deutsche Bank Companies and Participating Interests

	31 Dec. 2022		31 Dec. 2021	
in € m.	Deutsche Bank companies	Participating interests	Deutsche Bank companies	Participating interests
Amounts owed to credit institutions	20,089	0	17,674	0
Amounts owed to clients	424	1	478	1
Subordinated liabilities	500	0	1,000	0
Other liabilities	177	0	342	0

15 – Contingent Liabilities

Contingent liabilities consist of:

	31 Dec. 2022		31 Dec. 2021	
in € m.		of which: to Deutsche Bank companies		of which: to Deutsche Bank companies
Guarantees and other direct substitutes for credit	7,081	6,659	6,337	5,956
of which:				
Credit derivatives	0	0	51	51
Total	7,081	6,659	6,337	5,956

16 – Commitments

Commitments consist of:

	31 Dec. 2022		31 Dec. 2021	
in € m.		of which: to Deutsche Bank companies		of which: to Deutsche Bank companies
Commitments not utilised	43,670	83	38,769	87
Total	43,670	83	38,769	87

Gross payments due by the Bank in connection with its remaining commitments under a lease agreement related to its business premises amounted to €19.7m at 31 December 2022 (2021: €9.7m).

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.	2022	2021
Lending fees and commissions	93,903	78,235
Wealth Management fees	20,987	23,990
Custody fees	3,644	3,260
Fiduciary deposit fee	2,276	2,651
Other fees and commissions	5,113	3,051
Total	125,923	111,187

3 – Commissions Payable

This item comprises the following:

in € k.	2022	2021
Transfer pricing payments for credit protection and liquidity transformation costs	133,471	143,412
Indemnity fees paid relating to structured finance transactions	7,191	23,207
Total	140,662	166,619

4 – Net Profit on Financial Operations

During the current year, the Bank terminated its Corporate Bank sight deposit modelling structure resulting in the realisation of a loss of €193.1m in respect of the associated portfolio of interest rate swaps. In terms of the related transfer pricing agreement, the full loss was recovered from DB AG.

5 – Other Operating Income

This item comprises the following:

in € k.	2022	2021
Income from SCL credit risk portfolio	200,574	197,247
Release of provisions	2,134	11,194
Sundry income	2,898	4,293
Rental income	1,569	1,461
Total	207,175	214,195

6 – Other Operating Charges

This item comprises the following:

in € k.	2022	2021
FRL & FGDL contributions	8,282	6,504
Increase in other provisions	22	0
Sundry expenses	264	84
Total	8,568	6,588

7 – 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.	2022	2021
Specific credit risk provisions	116,072	13,553
CLO recoveries	–28,811	–29,155
Release of specific credit provisions	–9,222	–34,983
Increase/(decrease) in lump-sum provision	–66,385	75,000
Total	**11,654**	24,415

8 – 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.

9 – Auditor's Fees

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

in € k. (excluding VAT):	2022	2021
Audit fees	660	579
Audit-related fees	107	20
Tax advisory fees	0	0
Other fees	0	15

10 – Return on Assets

in € k.	2022	2021
Profit for the financial year	186,428	147,594
Total assets	29,507,235	27,530,470
Return on assets	**0.63%**	0.54%

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 the 2022 financial year, the organisation of non-financial risks was further refined to ensure the Bank's operational effectiveness, considering the impact of the Russia/Ukraine war, 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, such as the war in Ukraine and the related increase in global inflationary pressures due to higher energy prices and ongoing supply chain disruptions, 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 an adequate amount of equity capital. Deutsche Bank Luxembourg S.A. manages risks with the help of an overriding set of risk principles, organisational structures and processes to measure and monitor 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 carried out 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, enterprise 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 support 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

Within the Bank's 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 where actual, contingent, or potential claims against any counterparty, borrower, obligor or issuer (referred to collectively as 'counterparties') exist including those claims that the Bank plans to distribute. It captures the risk of loss associated with a deterioration of a counterparty´s creditworthiness or the failure of a counterparty to meet the terms of any contract with the Bank or otherwise perform as agreed. A distinction is made between four types of credit risk:
  - Default and migration risk is the risk that a counterparty defaults on its payment obligations or experiences material credit quality deterioration, increasing the likelihood of a default.
  - Transaction/settlement risk (exposure risk) is the risk that arises from any existing, contingent or potential future positive exposure.
  - Mitigation risk is the risk of higher losses due to risk mitigation measures not performing as anticipated.
  - Concentration risk is the risk of an adverse development in a specific single counterparty, country, industry or product leading to a disproportionate deterioration in the risk profile of Deutsche Bank's credit exposures to that counterparty, country, industry or product.
- Market risk arises from the 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 levels of volatility.
- 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.

Enterprise Risk

Deutsche Bank introduced enterprise risk as a stand-alone level 1 risk type in 2021 and defines it as the risk of potential losses or adverse consequences from strategic risk, insufficient capital or becoming unduly exposed to portfolio concentrations or climate, environmental, social or governance risks on an enterprise level.

The Bank considers enterprise risk an amalgamation of several distinct types of risks, typically of cross-risk nature, some of which represent newly emerging areas of risk management for which policies and frameworks as well as regulatory requirements are yet to be developed and specified. A distinction is made between the following risk types:

- 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 a timely manner and effective measures not taken in response to the changed environment.
- Capital risk is the risk that Deutsche Bank has an insufficient level or composition of capital supply to support its current and planned business activities and associated risks during normal and stressed conditions.
- Portfolio concentration risk arises from cross-risk exposure concentrations including on a country, industry, or asset class basis.
- Climate & environmental risk is the risk to Deutsche Bank´s exposures, liquidity profile and operations that could arise from the crystallization of transition and/or physical climate and environmental risks.
- Social risk is the risk posed by the exposure of institutions to counterparties that may potentially be negatively affected by social factors.
- Governance risk is the risk posed by the exposure of institutions to counterparties that may potentially be negatively affected by governance factors.

Reputational Risk

As regards the Bank's 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. Client selection is performed in collaboration with partners from the business divisions, who stand as a first line of defence.
- The Bank aims to prevent high concentration and tail risks (i.e., large, unexpected losses) by maintaining a diversified credit portfolio. Client-, industry-, country- and product-specific concentrations are assessed and managed against the Bank's 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 further 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 (using a rating migrations matrix) on risk-weighted assets is performed based on the local regulatory capital requirements for 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 to evaluate 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 based on 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 centre 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.

Considering the additional risk assumed in the SCL portfolio, 87% (2021: 85%) of the total loan portfolio as at the balance sheet date was attributable to investment-grade borrowers (rating iBBB- and above).

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 and is presented gross of lump-sum provision allocation and net of related specific credit risk provisions.

Structure of Credit Profile by Rating Category as at 31 December 2022

in € m.	Loans and advances to credit institutions	Loans and advances to clients	Securities/ participating interests/ affiliated undertakings	Contingent liabilities	Commitments	Total
AAA/AA	4,911	592	0	1,154	7,634	14,291
A	7,977	2,961	172	3,558	15,084	29,752
BBB	30	6,271	0	1,609	17,228	25,138
BB	14	4,522	0	567	3,399	8,502
B	0	935	0	184	314	1,433
CCC	0	697	0	8	10	715
NR*	0	67	0	1	1	69
Total	**12,932**	**16,045**	**172**	**7,081**	**43,670**	**79,900**

* not rated = unrated clients

Structure of Credit Profile by Industry as at 31 December 2022

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	12,932	0	0	103	194	13,229
Other financial companies	0	5,240	172	1,786	8,157	15,355
Households	0	1,185	0	13	267	1,465
Manufacturing	0	1,732	0	1,341	12,251	15,324
Corporate services	0	4,193	0	2,099	8,326	14,618
Transport and telecommunications	0	722	0	318	3,183	4,223
Power and water utilities	0	383	0	139	1,298	1,820
Wholesale and retail trade	0	533	0	843	1,039	2,415
Mining	0	37	0	20	3,132	3,189
Public sector	0	164	0	0	104	268
Commercial real estate	0	1,481	0	0	1,184	2,665
Construction	0	179	0	42	343	564
Power generation (in particular solar power)	0	3	0	198	839	1,040
Automotive industry	0	133	0	93	2,868	3,094
Hotel/restaurant trade, leisure industry, gaming, and gambling industry	0	0	0	0	152	152
Other	0	60	0	86	333	479
Total	12,932	16,045	172	7,081	43,670	79,900

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 decrease the lump-sum provision by €66m to €299m as at the balance sheet date in order to provide relief for the effects of additional specific credit risks provided for in 2022.

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 €6.66bn as at 31 December 2022 (2021: €5.96bn). 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, considering 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 within the Group. The following tables disclose 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 considered 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 2022

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	801	5	9	815	2	2	0
Interest rate swaps	801	5	9	815	2	2	0
Foreign exchange/gold transactions	701	0	0	701	20	20	0
Futures contracts with clients	76	0	0	76	0	2	–2
Futures contracts with banks	78	0	0	78	2	0	2
Options	547	0	0	547	18	18	0
Equity Options	249	0	0	249	24	24	0
Options	249	0	0	249	24	24	0
Credit derivatives*	1,315	3,178	0	4,493	177	84	93
Total	3,066	3,183	9	6,258	223	130	93

* of which a nominal amount of €0m 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 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.

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 banking authority. 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 2022, the value-at-risk from interest rate and currency risks in the non-trading book was €1,490 thousand. The average value for 2022 was €945 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 a focus on monitoring delta Economic Value of Equity (ΔEVE) and delta Net Interest Income (ΔNII), was embedded into the Risk Limit Framework and the Risk Appetite Statement of the Bank. The Bank continues to monitor VaR, but it has been decoupled from the Risk Appetite Statement of the Bank.

As at end of 2022, the ΔEVE was €-25m and thus below the allocated threshold of €-250m; the ΔNII was €-24m and thus below the allocated threshold of €-90m. Following the decision to terminate the Corporate Banking sight deposit modelling structure as per the end of September 2022, the ΔEVE and ΔNII significantly decreased. The re-calibration of the IRRBB framework-related thresholds will be included in the annual review of the Risk Appetite Statement of the Bank.

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 division handles the management of this task in Luxembourg and is involved in Group-wide liquidity management. Treasury and the Risk Control function receive, on a daily basis, relevant data and inform the Bank's Management Board at least on a monthly basis.

All local data relevant to the Group is 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 well above the minimum requirement of 100% (refer to the Management Report for further information).

Operational Risk

As a category of non-financial risk, operational risk is managed based on 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 Event Management application (EMApp) that replaced the former 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 standardised approaches in the determination of its regulatory risk position.

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).

At all times during the financial year, the Bank ensured compliance with both its internal and external key regulatory risk requirements as required under CRD IV (refer to the Management Report for further disclosures in this regard).

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 transposes 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 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 an amount of €100 thousand and investments up to an 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 required to make further contributions over the following eight years in order to build up an additional safety buffer of 0.8% of covered deposits, as defined in Article 163 (8) of the Law.

Payments of €8.2m and €47k were made to the FRL and the FGDL, respectively.

Staff

Number of Staff

	31 Dec. 2022	Average in 2022	31 Dec. 2021
Management Board	4	4	4
Executives	26	26	25
Employees	290	281	284
Total	**320**	311	313

In 2022, the total remuneration of the Management Board and senior executives (Managing Director, Directors) was €7,905 thousand (2021: €7,385 thousand). The allocation to pension provisions for members of the Management Board and senior executives was €291 thousand (2021: €375 thousand). The Supervisory Board was not remunerated by the Bank.

The expense for pension obligations for former members of the Management Board amounted to €161 thousand.

As at 31 December 2022, loans, advances and other commitments to members of the Supervisory Board, Management Board and senior executives totalled €0.

Luxembourg, 28 March 2023

The Management Board

4

Attestations

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 2022, 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 2022, 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 2022, the Bank reports loans and advances to customers of EUR 15,930 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 43,670 million as of 31 December 2022.

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 impairment 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 annual 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 C7) 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 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, internal credit rating, the sector of the borrower 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 cashflows 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 19 April 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three 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, 28 March 2023

Report of the Supervisory Board

The Supervisory Board reviewed the annual report of Deutsche Bank Luxembourg S.A. for the 2022 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 2022 financial year amounted to €186.4m.

Of the net income for the year, the Supervisory Board proposes to the General Meeting that a dividend of €163.0m 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 €24.8m be paid from retained earnings.

Luxembourg, 28 March 2023

Dr Alexander Ilgen
Chairman of the Supervisory Board

Registered Office

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

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