Deutsche Bank

Annual Report 2009
Deutsche Bank Luxembourg

Passion to Perform

Deutsche Bank
Our Identity

Our mission

We compete to be the leading global provider of financial solutions, creating lasting value for our clients, our shareholders, our people and the communities in which we operate.

Our brand

Deutsche is clear: we are here to perform - in business and beyond.
We do this with a unique mix of passion and precision.
This measured approach gives us the confidence to enable agile minds to look beyond the obvious, gaining advantage for everyone we work with.

Our values

Performance. Trust. Teamwork. Innovation. Client Focus.

Our promise

Excellence. Relevant Client Solutions. Responsibility.

This Annual Report is a translation of the original German version.
In case of discrepancies the German version is binding.

You can reach us online at www.db.com/luxembourg, where
the Annual Report 2009 is also available.

Board of Directors

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

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

Dr. Hans-Jürgen Koch
Head of Middle East and Africa – Private Wealth Management of Deutsche Bank AG
(until July 2009)

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

Dr. Carsten Schildknecht
Global Chief Operating Officer of Private Wealth Management of Deutsche Bank AG
(as of July 2009)

Werner Helmut Steinmüller
Member of the Group Executive Committee
Head of Global Transaction Banking of Deutsche Bank AG

Klaus-Michael Vogel
Member of the Management Board of Deutsche Bank Luxembourg S.A.

Management Board

Klaus-Michael Vogel
Managing Director

Ernst Wilhelm Contzen
Chief Executive Officer

Christian Funke
Managing Director
(as of July 2009)

Report of the Management Board

The global economic and financial crisis continued into 2009. As an important location in the financial industry, both in Europe and worldwide, Luxembourg felt the impact of this difficult situation on the markets.

2009 brought further consolidation in Luxembourg's banking sector, which changed the banking environment. At the end of the reporting year, 148 banks had offices in the Grand Duchy, employing roughly 27,000 people in total.
Luxembourg's capacity to act swiftly, its flexible banking system and highly qualified staff make it one of the world's most important financial centres.

In these challenging times, the government of the Grand Duchy of Luxembourg demonstrated its ability to make the right decisions quickly in the interests of the financial centre to ensure that it remained an attractive location to do business. One of the most important tasks here was to continually build trust in the banking sector and enhance its image. The deposit guarantee was, for example, increased from € 20,000 to € 100,000.

Through the conclusion of many new double taxation agreements in 2009, the already high standards of the financial industry in the Grand Duchy were adjusted to the OECD guidelines.

Client trust is an essential factor for Deutsche Bank's success. This was put to the test once again in 2009 by the ongoing turbulence on the markets. One of Deutsche Bank Luxembourg S.A.'s top priorities in 2009 was to build up and strengthen this trust, and it succeeded in this objective. Especially in these difficult times, Deutsche Bank proved to be a strong partner that stands by its clients.

Deutsche Bank Luxembourg generated a profit of € 129.9 million in 2009. Total assets increased to € 68.4 billion (previous year: € 65.8 billion).

In light of business expansion, a capital increase was implemented in November 2009.

Administrative expenses rose slightly in 2009 to € 64.7 million, up 2% over 2008.

At the end of the financial year, Deutsche Bank Luxembourg had 352 employees.

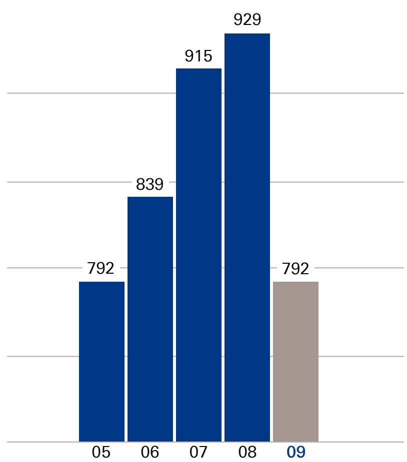
Dr. Carsten Schildknecht has represented the Private Wealth Management business division on the Board of Directors since 2009.

Deutsche Bank Luxembourg is not only an attractive business partner for external customers but also provides extensive services within the Group.

All four business divisions of Deutsche Bank Luxembourg contributed to the bank's success in 2009.

Development of Luxembourg banks´ total assets

in € billion



Private Wealth Management profited from developments on the international equity markets and the resulting recovery of the client portfolio. Long-term customer relationships reflect the trust placed in the bank.

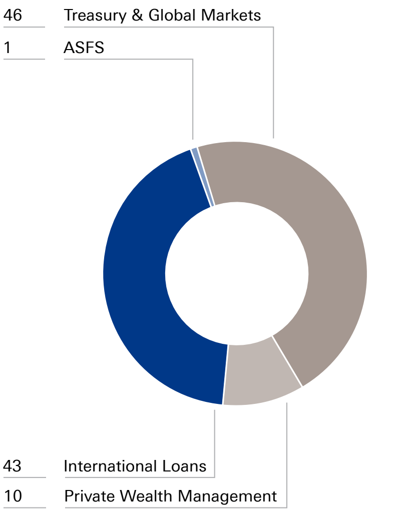
Since mid-2009, Christian Funke has held responsibility for Private Wealth Management at Management Board level.

Over the past year, the International Loans business division succeeded in improving its results still further. International clients' restraint in borrowing was offset by growth in business with small and medium-sized enterprises. The division was further expanded in 2009 and proved to be a favoured and competent partner in Luxembourg and worldwide.

Treasury & Global Markets, which is responsible for funding, interest rate management and special transactions, closed the year very successfully, reporting profitable operations. Based on this performance, the division made a major contribution to the bank's overall result.

The four business divisions contribute as follows to total operating profit:

in %



The tense situation on the financial markets impacted Alternative & Structured Finance Services (formerly the Corporate Services Division) in 2009. Nonetheless, despite declining revenues in 2009, we consider this division to be sustainable and further expanded it.

Deutsche Bank Luxembourg's overall result is positive, also in light of an appropriate risk policy. We made the necessary value adjustments to take the current risk situation into account.

We would like to thank the Chairman of our Board of Directors, Dr. Hugo Bänziger, as well as the other members of the Board of Directors for their active support of our endeavours. They played a crucial role in enabling us to successfully put our ideas into practice for business partners and in Deutsche Bank Group.

Our thanks go to our clients and shareholders for placing their trust in us.

Throughout 2009, our employees showed a particular "Passion to Perform". We would like to thank them for their dedication.

In 2010, Deutsche Bank celebrates the 40th anniversary of its establishment in Luxembourg. Forty years of successful operations in this financial centre along with the continuous expansion of new business areas enable us to look to the future with confidence.

Private Wealth Management (PWM) Business Division

2009 was marked by the consequences of the global economic crisis. All market participants were called upon to draw the right conclusions from recent developments and to position themselves in the changed market environment. Given these complex conditions, business with wealthy private clients held up well.

Since July 1, 2009, Christian Funke has been the member of the Management Board responsible for Private Wealth Management at Deutsche Bank Luxembourg.

Thanks to our sound and sustainable business policies and our strategic focus on new regions and business fields – increasingly also outside of Europe – we succeeded in raising the volume of business in comparison to the previous year. Particularly in the Middle East and the Anglo-Saxon area, the development of business was above average. Initial successes were achieved in promising operations launched in Scandinavia in 2008.

Developments on the global stock markets led to a significant recovery of the client portfolio. Positive trends in fixed-interest-rate investments and alternative investments such as commodities were also reported over the past months. From the beginning of the second half of the year, trust in the markets grew. Investors noticeably moved away from benchmark-oriented investment strategies towards absolute return products aimed at a sustainable yield after inflation, taxes and costs. Our systematic implementation of a "dynamic asset allocation" investment concept in client business to meet these changed client requirements paid off also in 2009. Client demand for more transparent, liquid investments with shorter terms is undiminished.

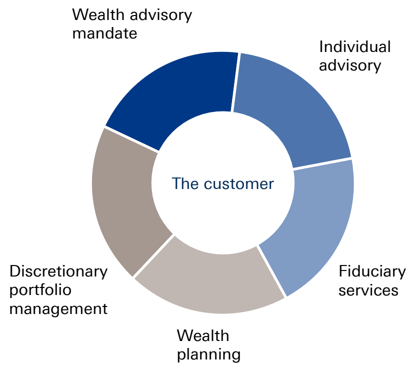
Lending business developed particularly positively. The demand for loans increased as a result of the global financial crisis.

Cost-cutting measures were introduced at an early stage since changes in overall investor behaviour made it impossible to match the previous year's revenues.

At the end of 2009, 125 employees in Private Wealth Management Luxembourg were serving around 11,000 clients with a business volume of € 6.7 billion.

We are confident that we can continue to actively support our customers over the coming year with the care and professional approach they have come to expect.

The PWM service range



International Loans Business Division

International Loans

in %

24	Loans granted
36	Guarantees
40	Undrawn credit lines

Total credit volume covered: € 41.0 billion

The international financial crisis impacted Deutsche Bank Luxembourg's lending business in the reporting year. In line with developments on the international credit markets, large loans were extended to international clients only on a very selective basis. However, considerable restraint in this area was more than made up for by significant growth in business with small and medium-sized enterprises, particularly from Germany. Lending business developed positively over the reporting year. In addition, a project was implemented in December to assume certain risks in the interests of the Group. This will have a positive effect on earnings in this area over the coming years.

Risk assessment and risk management requirements were met through close cooperation with the relevant units in the Group. Regular calculations were performed, including stress scenarios for the current risk profile, based on which adequate provisions were formed for discernible risks.

Agency Services

We further strengthened Deutsche Bank Luxembourg's position as one of the leading agencies for syndicated loans on the European credit market despite the difficult overall environment. In addition, on behalf of the Group complex agency functions were taken on in settling and restructuring credit exposures.

Outlook

In our business with large corporates, we do not see any signs of improvement in the situation on the international credit markets. By contrast, we continue to be cautiously optimistic as regards business with German mid-caps.

As in the past, we aim to intensify cooperation with other corporate groups on special financing transactions.

Treasury & Global Markets Business Division

In addition to the liquidity, balance sheet and equity capital management, the Treasury & Global Markets Division is responsible for the bank's investment banking activities.

During the reporting year, the division was faced with the immense challenge of handling the anticipated difficulties caused by the financial and economic crisis. Prevailing uncertainty and the resulting measures by governments and central banks created a very tough market environment.

The division was able to meet its refinancing and liquidity management targets at all times. Deutsche Bank Luxembourg continues to be the hub for euro liquidity in Deutsche Bank Group.

The capital increase in 2009 facilitated project-related business expansion in the interests of the Group.

A further important earnings component is the interest rate and currency business.

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

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

Alternative & Structured Finance Services (ASFS) Business Division

In Luxembourg, ASFS is made up of the business divisions Corporate Services (CSD) and Alternative Fund Services (AFS).

CSD specializes in the domiciling and administration of regulated and unregulated special purpose vehicles used primarily in securitization transactions or project financing, for instance in Mergers & Acquisitions. Its tasks here include handling the accounting and providing executive directors for these special purpose vehicles where necessary.

Luxembourg is a leading European financial centre. Given its extensive system of double taxation agreements, strong financial industry as well as its effective and innovative legislation, Luxembourg is an attractive location for securitization and holding structures.

AFS focuses on central administration and depositary bank mandates for special funds that operate primarily in the fields of real estate or private equity. This also includes producing net asset value calculations.

The fund market experienced an upturn following the introduction of legislation on SICARs and SIFs in Luxembourg, which form a sound alternative to UCITS funds.

Thanks to its networks in the Deutsche Bank Group and its technical facilities, ASFS can offer clients all the necessary services from one source and is a partner of choice in both product areas.

Although earnings in this area declined versus the previous year, the division was further expanded in 2009. Demand for the products we offer remains strong and business is promising.

Divisional Functions

Human Resources

On December 31, 2009, Deutsche Bank Luxembourg employed 352 members of staff (previous year: 363).

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

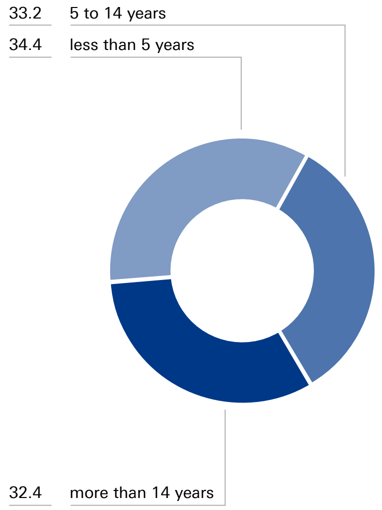
The proportion of female staff remained constant at roughly 50%. 81 employees are part-time, which corresponds to a part-time employment ratio of 23%, higher than in previous years (2008: 20.4%, 2007: 18.4%).

Strengthening the proportion of female personnel in specialist and management positions is actively targeted and supported, and equality of opportunity between men and women is a top priority at the bank.

We place great importance on basic and advanced training for our employees. Staff motivation is essential to us; employees are a key capital asset.

Length of service

in %



Information Technology

The main task of the IT department is the provision of optimal technical systems and the ongoing functional enhancement of these facilities. The continual development of existing structures meant that in 2009 efficient solutions were again implemented at Deutsche Bank Luxembourg, further improving the stability and security of our applications.

2009 also saw the launch of various projects. The first of these was the introduction of SAP General Ledger for Finance, ensuring compliance with Group standards.

The reports offered to our clients are continuously developed and adjusted to meet the latest requirements. Substantial support was provided for the introduction of a new IT platform for PWM in Switzerland.

In 2009, extensive Business Continuity Planning (BCP) trials were once again carried out involving various departments. These confirmed that the applications tested at the BCP centre all function smoothly. In order to be even better equipped in the future, preparations were made to use a new location from the beginning of 2010.

A whole range of measures were taken to maintain and improve IT security. In addition to the servicing, maintenance and further development of the security infrastructure, we also performed numerous risk analyses. A global risk assessment tool was introduced to support these application-based analyses. The bank ran several staff training programmes to maintain the high level of information security. As a result of all these measures, no relevant security incidences were reported in the bank in 2009.

Operations

The main activity of the Operations unit is the settlement of Deutsche Bank Luxembourg's securities transactions and money market activities. The employees of this unit ensure the smooth performance of the internal processes linked with business activity.

Staff from Operations provided support for the transition to a new IT platform (SAP General Ledger) in Finance as well as for the preparations to launch a new IT platform for PWM.

The bank maintains accounts for processing payment transactions at Group and third-party banks (nostro accounts) as well as depositaries for the custody/settlement of securities (nostro securities accounts) in all major currencies. These nostro accounts and securities accounts are processed and monitored by Neutral Control using the "Smart Stream" reconciliation system.

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

Corporate Trust and Agency Services Operations (CTAS Ops)

The activities of CTAS Ops include listings in Luxembourg and Ireland as well as the processing of international securities issues. Over and above that, CTAS Ops acts as paying agent for coupon and bond redemptions, capital calls from mutual funds and property companies. In the securities issues listed on the Luxembourg Stock Exchange in 2009, CTAS Ops maintained its position as a leading listing agent.

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

Audit

Our Audit department performs risk-oriented reviews of the design and operating effectiveness of our internal control procedures and provides independent assessments to the Board of Directors and the Management Board.

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

All audits came to a satisfactory conclusion.

Legal

The Legal department at Deutsche Bank Luxembourg is an integrated part of Deutsche Bank Group's worldwide legal services. Owing to the business orientation of Deutsche Bank Luxembourg, its work is shaped primarily by support for the International Loans and Agency Services business division, advisory work for Private Wealth Management, and the coverage of structured transactions. It specializes in particular in supporting large-scale financings and all legal issues connected with them. In 2009, coverage for complex restructurings on the borrowers' side continued to be of particular significance.

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

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

Compliance

The neutral Compliance function serves to ensure adherence to legal and regulatory requirements and ethical principles at Deutsche Bank Luxembourg. For this purpose, policies and processes are developed and staff trained. Monitoring systems ensure that capital market regulations and standards of conduct are complied with at Deutsche Bank Luxembourg.

Compliance is integrated into the new client adoption and new product approval processes. The prevention of money laundering and compliance with the Markets in Financial Instruments Directive (MiFID) have special importance. The MiFID is an EU Directive on harmonization of the financial markets in the European Single Market.

The Compliance department employs four members of staff.

Finance and Taxes

Finance and Taxes is sub-divided into the two units: Legal Entity Control and Business Area Control.

Legal Entity Control comprises the financial accounting, cost control and tax functions. Business Area Control covers the controlling requirements of the business divisions and risk controlling. The unit's functional competence extends to all operating companies in Deutsche Bank Group at the Luxembourg location. 31 members of staff work in Finance Luxembourg.

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

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

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

The introduction of SAP General Ledger commenced in 2009 and the project is scheduled for completion in the second quarter of 2010.

In addition to its activities focused exclusively on reporting and controls, Finance is increasingly concentrating on its role as partner of the management and the business divisions. In this capacity, it produces detailed analyses and transparent management reports which form the basis for efficient corporate management.

Management Report

Profit and Loss Account

In the 2009 financial year, Deutsche Bank Luxembourg generated a profit of € 129.9 million (2008: € 176.6 million).

In 2009, the following transactions significantly affecting the financial position and net assets were concluded:

At the beginning of December 2009, a credit guarantee in the amount of € 13.2 billion was booked as part of a transaction within the Group. The resulting yield was already reflected in the December figures, but will only have its full effect on results over the coming years.

The € 2.25 billion capital increase performed in November 2009 had no material impact on the results for the 2009 financial year.

The key components of the results compare as follows:

Net results

in T€	2009	2008
Net interest income	303,432	279,572
Net commission income	45,961	51,798
Net profit on financial operations	4,889	6,532
Administrative expenses (including depreciation of tangible assets)	–64,671	–63,426
Operating profit	**289,611**	**274,476**
Other income/expenses including dividends	58,884	107,057
Net addition to provisions for risk	–186,906	–174,250
Taxes	–31,657	–30,664
Profit for the financial year	**129,932**	**176,619**

The extremely low interest rates on the capital markets affected the net interest income result. The resulting reduction in funding costs led to a significant margin increase in the lending business. This effect was reinforced through the granting of larger individual loans. Both factors were decisive for the increase in net commission income.

Lower interest rates had a negative impact on revenues in Treasury & Global Markets and the proceeds from investment of own funds. The same applies to income from participatory certificate transactions. Note that part of this income is shown as dividend income, which explains the significant reduction in this position.

The renewed decrease in net commission income (-€ 5.8 million, -11.3%) reflects the development of business in PWM. Here, considerable outflows on the investment side led to a decline in earnings of roughly € 12 million. This was compensated by the additional return from the above-mentioned credit guarantee.

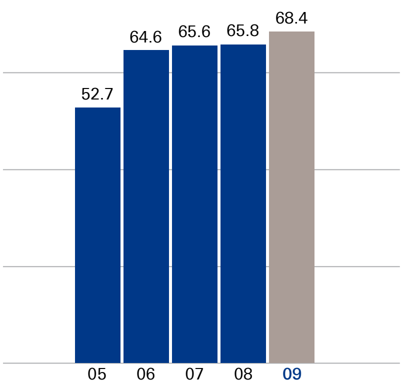
Administrative expenses were up by € 1.2 million. At € 35.1 million, staff costs were once again slightly below the level of the previous year. Other administrative expenses rose to € 1.5 million due to increased offsetting within the Group.

Adequate provisions have been made for all discernible risks in loan and securities business (including participating interests) and for operating risks. Due to the ongoing financial crisis, it was necessary to form specific risk provisions amounting to € 94 million in 2009. For discernible industry risks the lump-sum provision was increased.

The distribution of a dividend of € 52 million and addition of the remaining profit of € 78 million to reserves will be recommended to the Ordinary General Meeting.

Development of total assets

in € billion



Balance Sheet

At € 68.4 billion, total assets once again exceeded the level of the previous year (€ 65.8 billion). The net exchange rate fluctuations had no significant effects on the development of total assets.

Loans and advances to credit institutions (including balances with central banks), at € 51.5 billion, were 11.6% higher than in 2008 due to the increase in the volume of investments within the Group.

Through the syndication of loans in the International Loans business division, loans and advances to customers decreased from € 16.1 billion (as at December 31, 2008) to the present € 13.5 billion. The entire credit volume (loans extended, confirmed credits and contingent liabilities) covered by International Loans amounts to € 41.0 billion (previous year: € 28.6 billion). This increase is attributable to the credit guarantee of € 13.2 billion entered in the books in December.

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

Participating interests and shares in affiliated undertakings

DWS Investment S.A., Luxembourg	50.00%
Deutsche River Group, Luxembourg (see Note [4] for details)	25.00%
Hua Xia Bank Company Limited, Beijing	2.42%

In amounts owed to credit institutions and customers, there was a considerable reduction in deposits of Swiss banks due to the low interest rate level. However, this development was more than compensated by additional deposits within the Group (banks and customers).

The regulatory own funds of Deutsche Bank Luxembourg amounted to € 3.9 billion. The increase of € 1.4 billion in comparison to the end of 2008 results primarily from the € 2.25 billion capital increase performed in November. This capital increase covered the distribution of free reserves and the dividend payments "distribute/recapture method" ("Schütt-aus-Hol-zurück-Verfahren") from the 2008 profit totalling roughly € 1.25 billion. The € 1.0 billion served as additional cover for the aforementioned credit guarantee. Revaluation reserve calculations and lower capital deductions had a positive effect.

The EU solvency coefficient according to Basel II was 10.5% as at reporting date (2008: 9.7%).

Business policy as well as risk and capital management strategy

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

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

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

We do not see any significant reputational risks at present. Detailed information on the management of the main risk categories and quantitative statements on financial instruments are given in the Notes and in the Risk Report.

The principles of business policy and of risk and capital management are established and monitored by the Board of Directors and the Management Board. This takes place at the regular meetings of the Board of Directors and of the Management Board.

In addition, there is an Asset/Liability Committee (ALCO) which meets regularly to discuss the current risk and balance sheet situation as well as the effects of new business on risks and capital.

Furthermore, there are regular meetings of the Executive Committee comprising the heads of departments.

Outlook for 2010

At present, no real easing of tension on the economic and financial markets is in sight. This is particularly true in relation to interest rate levels on the capital markets and the risks expected in the lending business. Political decisions on banking secrecy and future equity capital requirements will also have a crucial impact.

However, especially over the past two years, Deutsche Bank Luxembourg has demonstrated that it can perform well even in a very difficult market environment. We assume that, through our business policies, we have created a sound basis for achieving a good result also in 2010. The development of business so far confirms our assessment.

Luxembourg, March 2, 2010

The Board of Directors

Balance Sheet as at December 31

Assets

in T€	[Notes]	Dec 31, 2009	Dec 31, 2008
Cash in hand, balances with central banks and post office banks	[B2]	1,507,688	5,506,462
Loans and advances to credit institutions	[B1, 2, 6]	50,029,466	40,673,044
repayable on demand		1,647,822	2,674,838
other loans and advances		48,381,644	37,998,206
Loans and advances to customers	[B1, 2, 6]	13,528,630	16,133,552
Debt securities and other fixed-income securities	[B1, 2, 3]	329,013	302,893
of public issuers		22,693	21,452
of other issuers	[B5, 6]	306,320	281,441
Shares and other variable-yield securities	[B2, 3]	2,234,331	2,256,333
Participating interests	[B4, 5]	58,018	77,757
Shares in affiliated undertakings	[B4, 5]	6,386	16,862
Tangible assets	[B5]	4,028	3,349
Other assets	[B8]	42,792	37,285
Prepayments and accrued income		694,918	793,212
Total Assets		**68,435,270**	**65,800,749**

Liabilities

in T€	[Notes]	Dec 31, 2009	Dec 31, 2008
Amounts owed to credit institutions	[B1, 2, 14]	47,477,122	48,802,154
repayable on demand		493,254	8,988,235
with agreed maturity dates or periods of notice		46,983,868	39,813,919
Amounts owed to customers	[B1, 2, 14]	10,832,546	7,808,534
other debts		10,832,546	7,808,534
- repayable on demand		636,617	1,500,560
- with agreed maturity dates or periods of notice		10,195,929	6,307,974
Debts evidenced by certificates	[B1, 9]	1,332,709	1,348,858
debt securities in issue		1,052,820	1,093,847
other debts		279,889	255,011
Other liabilities	[B8]	4,161,930	4,055,651
Accruals and deferred income		548,962	618,693
Provisions for liabilities and charges		169,165	83,956
provisions for taxation		23,890	19,529
other provisions		145,275	64,427
Subordinated liabilities	[B1, 10]	700,000	1,000,000
Special items with a reserve quota portion	[B11]	33,869	33,869
Subscribed capital	[B12]	2,465,000	215,000
Share premium account		55,600	55,600
Reserves	[B13]	528,435	1,601,815
Profit for the financial year		129,932	176,619
Interim dividend		0	0
Total Liabilities		**68,435,270**	**65,800,749**

Off balance sheet items

Contingent liabilities	[B2, 16]	14,766,205	1,517,921
of which:			
guarantees and assets pledged as collateral security		14,766,205	1,517,921
Confirmed credits	[B2, 17]	19,895,701	30,707,337
Fiduciary operations	[B2]	58,213,845	57,592,644

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

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

Profit and Loss Account

in T€	[Notes]	2009	2008
Interest receivable and similar income		1,112,144	2,841,301
of which:			
from fixed-income securities		3,796	18,562
Interest payable and similar charges		808,712	2,561,729
Income from transferable securities		55,291	104,860
from shares		44,069	97,936
from participating interests		1,442	1,571
from shares in affiliated undertakings		9,780	5,353
Commissions receivable		124,958	93,684
Commissions payable		78,997	41,886
Net profit on financial operations		4,889	6,532
Other operating income	[C2]	6,234	5,475
General administrative expenses		64,270	63,101
Staff costs		35,066	35,360
of which:			
- wages and salaries		29,393	27,785
- social security costs		4,715	6,379
of which: pensions		1,828	3,707
Other administrative expenses		29,204	27,741
Depreciation of and value adjustments to intangible and tangible assets		401	325
Other operating charges	[C3]	2,641	3,278
Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		167,112	174,250
Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings		19,794	92,978
Income from the writing back of special items with a reserve quota portion		0	92,978
Taxes on profit on ordinary activities		29,229	30,396
Profit on ordinary activities after taxes		**132,360**	**176,887**
Other taxes not shown under the preceding items		2,428	268
Profit for the financial year		**129,932**	**176,619**

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

Notes to the Accounts

A. Principles and methods

Corporate matters

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

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

Business object of the bank

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

Annual accounts

The financial year is identical to the calendar year.

The reporting currency is the euro.

Deutsche Bank Luxembourg is a parent company for the purposes of Article 77 (1) of the law of June 17, 1992 on the annual accounts and consolidated accounts of banks incorporated under Luxembourg law in conjunction with the law of March 2006 concerning the introduction of international accounting standards for banks. Deutsche Bank Luxembourg is exempt from the obligation to prepare its own consolidated accounts as a subgroup pursuant to Article 80 of the law of June 17, 1992.

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

The accounting and valuation methods are described below.

Accounting and valuation principles

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

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

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

Expenses and income in foreign currency are recorded daily in the Profit and Loss Account at the prevailing exchange rates.

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

– Derivative financial transactions
Derivative financial transactions such as currency interest rate swaps, interest rate swaps and future or forward rate agreements (FRAs) are used for the purpose of managing the interest rate and currency risk within the framework of asset/liability management. The bank’s obligations arising from such transactions are accounted for on the transaction date. The counterparties in such transactions are for the most part companies which are members of Deutsche Bank Group.

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

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

– Treatment of premiums/discounts
Premiums and discounts on amounts receivable and amounts owed are in principle accounted for pro rata temporis.

With regard to securities, premiums are also accounted for in principle pro rata temporis. Discounts from the purchase of bonds and other fixed-income securities are not booked to the Profit and Loss Account until final maturity or sale.

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

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

– Lump-sum provision for inherent risks

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

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

The lump-sum provision is to be allocated in proportion to the underlying elements to
– a value adjustment deducted from the respective risk-weighted asset positions, and
– a provision reported under "other provisions".

– Securities

Securities are booked at cost using the weighted average method.

– Debt securities and other fixed-income securities

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

These securities are valued at the lower of cost and market value in conjunction with the option to maintain previous value adjustments (Beibehaltungswahlrecht) (see below).

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

– Securities issued on a discounted basis

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

– Equity shares and other variable-yield securities

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

– Participating interests/shares in affiliated undertakings

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

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

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

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

– Special items with a reserve quota portion
The special item with a reserve quota portion relates to fiscally-neutralized translation gains from the reinvestment of equity capital in DEM in accordance with Article 54 of the Luxembourg income tax law.

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

B. Notes to the Balance Sheet

[1] Classification by remaining maturity

The table shows selected balance sheet positions classified by remaining maturities as at December 31, 2009.

Dec 31, 2009

in € m.	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	**Total**
Loans and advances					
Loans and advances at term to credit institutions	35,299	5,343	6,530	1,210	48,382
Loans and advances at term to customers	2,224	2,200	7,268	1,795	13,487
Debt securities and other fixed-income securities	0	0	49	280	329
Total	**37,523**	**7,543**	**13,847**	**3,285**	**62,198**

For comparison Dec 31, 2008:

Total	**30,299**	**3,955**	**17,533**	**2,604**	**54,391**

In addition to loans and advances at term to customers, loans and advances repayable on demand are also reported in the amount of € 42 million (Dec 31, 2008: € 43 million).

Dec 31, 2009

in € m.	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	**Total**
Amounts owed					
Amounts owed at term to credit institutions	39,394	4,298	367	2,925	46,984
Amounts owed at term to customers	9,691	142	222	141	10,196
Debts evidenced by certificates	0	229	797	307	1,333
Subordinated liabilities	0	0	0	700	700
Total	**49,085**	**4,669**	**1,386**	**4,073**	**59,213**

For comparison Dec 31, 2008:

Total	**36,795**	**2,006**	**5,651**	**4,019**	**48,471**

Of the loans and advances at term to credit institutions and customers, € 271 million (Dec 31, 2008: € 312 million) are subordinated.

Of the loans and advances at term to customers, loans and advances in a nominal volume of € 699 million are deposited as collateral with Banque centrale du Luxembourg (BcL) as at balance sheet date.

For liabilities where the repayable amount exceeds the amount provided, there is a difference of € 2 million as at balance sheet date.

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

[2] Geographical distribution

The table shows the geographical distribution of selected positions as at December 31, 2009.

Dec 31, 2009

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	**Total**
Loans and advances							
Cash in hand, balances with central banks and post office banks	1,508	0	0	0	0	0	1,508
therein: balances with central banks	1,502	0	0	0	0	0	1,502
Loans and advances to credit institutions	49,691	251	0	0	87	0	50,029
Loans and advances to customers	9,670	739	197	15	1,233	1,675	13,529
Debt securities and other fixed-income securities	329	0	0	0	0	0	329
Shares and other variable-yield securities	2,234	0	0	0	0	0	2,234
Total	**63,432**	**990**	**197**	**15**	**1,320**	**1,675**	**67,629**

For comparison Dec 31, 2008:

Total	**58,719**	**1,106**	**1,691**	**113**	**3,201**	**42**	**64,872**

Dec 31, 2009

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	**Total**
Amounts owed							
Amounts owed to credit institutions	42,203	5,178	18	0	62	16	47,477
Amounts owed to customers	10,048	360	57	153	59	155	10,832
Total	**52,251**	**5,538**	**75**	**153**	**121**	**171**	**58,309**

For comparison Dec 31, 2008:

Total	**42,571**	**12,340**	**320**	**186**	**1,179**	**14**	**56,610**

Dec 31, 2009

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Off-balance sheet items							
Contingent liabilities	14,414	125	1	194	31	1	14,766
Commitments	17,673	1,593	233	170	226	1	19,896
Fiduciary operations	58,214	0	0	0	0	0	58,214
Total	**90,301**	**1,718**	**234**	**364**	**257**	**2**	**92,876**

For comparison Dec 31, 2008:

Total	**87,326**	**1,430**	**309**	**239**	**483**	**31**	**89,818**

Dec 31, 2009

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Financial transactions							
Interest rate transactions	8,726	0	9	0	0	0	8,735
Foreign exchange/gold transactions	1,175	123	0	29	0	0	1,327
Equity transactions	2,148	0	0	0	0	0	2,148
Credit derivatives	0	0	0	0	0	0	0
Total	**12,049**	**123**	**9**	**29**	**0**	**0**	**12,210**

For comparison Dec 31, 2008:

Total	**10,658**	**96**	**9**	**3**	**63**	**0**	**10,829**

[3] Securities

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

Dec 31, 2009

in € m.	Unlisted securities	Listed securities	**Total**
Debt securities and other fixed-income securities (held for investment purposes)	26	0	**26**
Debt securities and other fixed-income securities (held for liquidity purposes)	280	23	**303**
Shares and other variable-yield securities (held for liquidity purposes)	2,113	121	**2,234**

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

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

The total amount of securities pledged is € 21 million (nominal volume); all of these pledged securities are eligible for refinancing at the European Central Bank (ECB).

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

in € m. Name of company	Registered domicile	Holding	Share holders' equity	Results for financial year*
Alpha Lindsell Ltd.	Gibraltar	100%	0.0	n/a
DB Finance International GmbH	Eschborn	100%	4.6	–2.2
DB Palladium S.A.	Luxembourg	100%	0.0	0.0
Aqueduct Capital S.à r.l.	Luxembourg	100%	9.0	–0.4
Avon Investments S.à r.l.	Luxembourg	100%	0.0	0.0
DWS Investment S.A.	Luxembourg	50%	230.5	80.7
VTB Capital Holdings Ltd.	Guernsey	50%	0.1	n/a
Deutsche River Investm. Managem. Comp. S.à r.l. **	Luxembourg	49%	0.1	0.0
DB Vita S.A.	Luxembourg	25%	11.0	1.2
Main Properties S.à r.l. **	Luxembourg	25%	3.0	–0.9
Trave Properties S.à r.l. **	Luxembourg	25%	12.4	–2.5
Isar Properties S.à r.l. **	Luxembourg	25%	1.5	–1.0
Danube Properties S.à r.l. **	Luxembourg	25%	16.3	–6.3
Rhine Properties S.à r.l. **	Luxembourg	25%	4.8	–1.8
Weser Properties S.à r.l. **	Luxembourg	25%	0.0	–0.1
Inn Properties S.à r.l. **	Luxembourg	25%	4.2	–1.9
Elbe Properties S.à r.l. **	Luxembourg	25%	0.0	–0.1
Oder Properties S.à r.l. **	Luxembourg	25%	2.1	–1.0

*results for the year according to latest available annual accounts

** belongs to Deutsche River Group

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

The participating interests in the companies belonging to the Group were charged off in the 2009 financial year due to ongoing losses.

[5] Movements in fixed assets

in T€	Gross value at beginning of financial year	Additions	Disposals	Parity changes	Gross value at end of financial year	Cumulative depreciation and value adjustments at end of financial year	**Net value at end of financial year**
Securities	119,408	0	0	0	119,408	92,978	**26,430**
Participating interests	77,757	56	0	0	77,813	19,795	**58,018**
Shares in affiliated undertakings	16,862	0	10,495	20	6,387	1	**6,386**
Intangible assets	6,365	0	0	0	6,365	6,365	**0**
Tangible assets	13,511	1,081	0	0	14,592	10,564	**4,028**
of which: office furniture and equipment	13,511	1,081	0	0	14,592	10,564	**4,028**
Total fixed assets	233,903	1,137	10,495	20	224,565	129,703	**94,862**

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

in € m.	Affiliated undertakings Dec 31, 2009	Participating interests Dec 31, 2009	Affiliated undertakings Dec 31, 2008	Participating interests Dec 31, 2008
Loans and advances to credit institutions	45,616	0	36,270	0
Loans and advances to customers	2,900	58	3,181	27
Debt securities and other fixed-income securities	306	0	281	0

[7] Assets denominated in foreign currencies

Assets denominated in foreign currencies amount in total to the equivalent of € 7,608 million as at balance sheet date.

[8] Other assets/other liabilities

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

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

[9] Debts evidenced by certificates

The debts evidenced by certificates include the following positions:

- $ Zero Bond, reported value: € 199 million; due: May 26, 2010
- $ Zero Bond, reported value: € 30 million; due: May 26, 2010
- EUR Bond, reported value: € 797 million; due: December 21, 2012, with a fixed interest rate and a variable bonus interest rate based on the performance of the CROCI-Euro-OptiVest Index
- Warrants, reported value: € 280 million; due: September 7, 2017
- EUR Zero Bond, reported value: € 22 million; due: December 10, 2015, with a variable bonus interest rate based on the performance of the CROCI-Alpha-Pairs Index
- EUR Zero Bond, reported value: € 5 million; due: December 19, 2016, with a variable bonus interest rate based on the performance of the CROCI-Alpha-Pairs Index

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

[10] Subordinated liabilities

There is

- a subordinated EUR participatory certificate, € 700 million, due 2016.

The participatory certificate is classified as Upper Tier II capital. In the 2009 financial year, the interest expense for subordinated liabilities was € 17 million.

[11] Special items with a reserve quota portion

The special item with a reserve quota portion relates to fiscally-neutralized translation gains from the reinvestment of equity capital in DEM for the years 1980 to 1998 in accordance with Article 54 of the Luxembourg income tax law.

[12] Subscribed Capital

As at balance sheet date, the bank's subscribed and fully paid-up capital is € 2,465 million, divided into 9,860,000 shares.

[13] Movements in reserves and profit brought forward

in € m.	Legal reserve	Other reserves	Profit brought forward
As at January 1, 2009	22	1,580	0
Changes in legal reserve / other reserves	225	–225	0
Profit for the 2008 financial year	0	0	177
Appropriation			
– Retention	0	0	51
– Dividend	0	1,074	126
As at December 31, 2009	**247**	**281**	**0**

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

The item "other reserves" includes an appropriation of € 258 million for the imputation of wealth tax in accordance with § 8a of the Luxembourg wealth tax law.

[14] Amounts owed to affiliated undertakings and participating interests

in € m.	Affiliated undertakings Dec 31, 2009	Participating interests Dec 31, 2009	Affiliated undertakings Dec 31, 2008	Participating interests Dec 31, 2008
Amounts owed to credit institutions	46,539	0	40,186	0
Amounts owed to customers	10,667	12	4,258	7

[15] Liabilities in foreign currencies

The total amount of liabilities denominated in foreign currencies as at balance sheet date is the equivalent of € 7,480 million.

[16] Contingent liabilities

Contingent liabilities consist of:

in € m.	Dec 31, 2009	of which: to affiliated undertakings
Guarantees and other direct substitutes for credit	14,766	14,337
Acceptances	0	0
Total	**14,766**	**14,337**

[17] Confirmed credits

Confirmed credits consist of:

in € m.	Dec 31, 2009	of which: to affiliated undertakings
Confirmed credits, not utilized	19,669	3,000
Facilities for the issuance of debt instruments	227	0
Total	**19,896**	**3,000**

C. Notes to the Profit and Loss Account

[1] Administration and agency services

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

[2] Other operating income

This position is made up as follows:

in T€	**2009**
Income from commercial representation services	2,700
Rental income	1,636
AGDL refund	824
Sundry income	1,074
Total	**6,234**

[3] Other operating charges

This position is made up as follows:

in T€	**2009**
Addition to provisions for AGDL	2,483
Sundry expenses	158
Total	**2,641**

[4] Auditor's fees

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

in T€ (excluding VAT)	**2009**	**2008**
Audit fees	252	317
Audit-related fees	195	134
Tax fees	91	91
Other fees	-	25

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

D. Risk Report

General information

Deutsche Bank Luxembourg is integrated in organizational and IT terms into the risk and capital management as well as the Finance structures of Deutsche Bank Group and its systems. The following statements describe the Group's standard definitions and principles in connection with risks. The importance of a strong focus on risk management and the continuous need to refine risk management practice has become particularly evident during the financial market crisis that began in 2007 and continues through the date of this report. While risk and capital management in the Group continuously evolves and improves, there can be no assurance that all market developments, in particular those of extreme nature, can be fully projected at all times.

Risk and capital management

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

Principles of risk and capital management

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

– The Management Board of Deutsche Bank AG bears overall responsibility for the Group's risk and capital management. The Supervisory Board reviews the risk and capital profile at regular intervals.

– The management of credit, market, liquidity, operational, business and reputational risks and of capital is effected in a coordinated process at all relevant levels of Deutsche Bank Group. This also applies to complex products usually managed within the policy for trading exposures.

– The structure of the integrated legal, risk & capital function of Deutsche Bank Group is closely aligned with the structure of our group divisions.

– The legal, risk & capital function is independent of the group divisions.

The risk and capital management activities are supported by Finance, Audit and the Legal department. These units are independent of the group divisions and the legal, risk & capital function. Finance's role is to quantify and verify the risks assumed and to ensure the quality and integrity of risk-related data. Audit reviews the compliance of the bank's internal control procedures with the internal and regulatory standards. The Legal department provides legal advice and support on a wide variety of topics, e.g. collateral agreements.

Types of risk

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

Specific banking risks

In the risk management processes, a distinction is made between four kinds of specific banking risk: credit risk, market risk, liquidity risk and operational risk.

– **Credit risk** arises from all transactions that create actual, contingent or potential claims against a business partner, borrower or debtor. The credit risk is the biggest single risk for Deutsche Bank Luxembourg. A distinction is made between three types of credit risk:

– Default risk is the risk that counterparties may fail to meet contractual payment obligations;

– Country risk is the risk that a loss may arise for the following reasons in any country: Possible deterioration in overall economic conditions, political and social upheaval, nationalizations and expropriation of assets, government repudiation of external debts, foreign exchange controls, the devaluation or depreciation of the national currency. The country risk also includes the transfer risk; this arises when direct government intervention prevents debtors from transferring assets in order to fulfil their matured obligations to non-residents;

– Settlement risk is the risk that the settlement or clearing of transactions may fail. A settlement risk always arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

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

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

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

Reputational risk

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

General business risk

General business risk designates the risk arising from changes in general business conditions. These include, for example, the market environment, client behaviour and technological progress. Such risks can affect business results unless adjustments to the changed conditions are made in good time.

Credit risk

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

– All group divisions must apply consistent standards in arriving at their credit decisions.

– The approval of credit limits for counterparties and the management of individual credit exposures must accord with portfolio guidelines and credit strategies.

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

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

– Credit commitments towards a borrower group are combined on a Group-wide consolidated basis. Borrowers connected with each other on the basis of at least one criterion determined by the bank, such as equity capital holding, voting rights, apparent exercise of control or other indicators of group membership, or who have joint and several liability for loans or large parts of loans we have extended are deemed to constitute a "borrower group".

Credit risk rating

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

Deutsche Bank Group has internal rating methods, score cards and a rating scale for the assessment of the creditworthiness of its business partners. A 26-point rating scale is calibrated with the range of default probabilities established on the basis of historical defaults in the portfolio. This scale allows a comparison between the internal ratings and market practice and an improved comparability of the various sub-portfolios. Several default ratings also make it possible to express the expected recoveries from defaulted exposures. The loan exposures are usually assessed individually. In the calculation of internal risk ratings, the internal assessments are compared as far as possible with the external risk ratings given by leading international rating agencies for the bank's business partners.

Lending

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

Deutsche Bank Luxembourg regularly reviews the creditworthiness of its credit risks on the basis of submitted annual accounts and other current information obtained from Deutsche Bank Group's credit risk management.

The loans are approved by the Board of Directors at its regular meetings. Management informs the Board of Directors about current developments regarding specific risks and the credit portfolio risk, also with reference to specific industry and / or country risks.
The ongoing economic and financial crisis continued to have a negative effect on the general creditworthiness of the loan portfolio. However, 92% of total loans are still to investment grade borrowers (rated BBB or above). The credit guarantee in the amount of € 13.2 billion entered in the books as part of a transaction within the Group was not taken into account in this calculation.

Distribution of credit risk

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

Structure of credit profile by rating category as at December 31, 2009

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	**Total**
AAA / AA	47,389	2,854	2,412	988	6,360	60,003
A	2,101	1,798	0	135	4,986	9,020
BBB	223	3,790	121	375	6,273	10,782
BB	250	4,112	30	13,239	1,301	18,932
B	0	695	0	13	397	1,105
CCC or below*	66	280	64	16	579	1,005
Total	**50,029**	**13,529**	**2,627**	**14,766**	**19,896**	**100,847**

* including unrated customers

Structure of credit profile by industry as at December 31, 2009

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	**Total**
Banks and insurance	50,029	2,879	2,504	307	5,850	61,569
Manufacturing	0	3,323	121	466	6,227	10,137
Corporate services	0	4,021	2	195	2,069	6,287
Power and water utilities	0	672	0	83	1,685	2,440
Telecommunications	0	798	0	350	1,604	2,752
Wholesale and retail trade	0	540	0	9	1,337	1,886
Households	0	478	0	13,178	309	13,965
Commercial real estate	0	706	0	1	21	728
Other	0	112	0	177	794	1,083
Total	**50,029**	**13,529**	**2,627**	**14,766**	**19,896**	**100,847**

Risk provisioning

Adequate provision has been made for individual risks. There are only minor country risks as at balance sheet date. Deutsche Bank Luxembourg also uses the possibility of setting up a lump-sum provision in accordance with Luxembourg regulations. In 2009, the lump-sum provision was increased. On the cut-off date it amounted to € 251 million. In certain cases, Deutsche Bank Luxembourg participates in Group securitization transactions to hedge credit risks in the international credit business.

Market Risk

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

The market risks resulting from asset/liability management – in the form of interest rate, currency and liquidity risks – are managed by the Treasury & Global Markets business division. Other types of material market risk (e.g. commodities price risks) do not exist at the bank. Within the framework of local supplements, Deutsche Bank Group's policies for trading activities, the so-called Global Markets Key Operations Policies, have been established by Management in binding form. The back-office applied the same procedure for the settlement of trades.

Deutsche Bank Luxembourg is integrated into Deutsche Bank Group's global limit system. Risks are calculated and monitored on an ongoing basis by neutral risk controlling using the Group's risk measurement programmes and hence its risk models. A risk performance status report is produced daily and forwarded promptly to Management and the business division.

Financial transactions

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

Analysis of derivative financial transactions as at December 31, 2009

in € m. Classes of financial transaction	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Interest rate transactions	**2,897**	**4,839**	**999**	**8,735**	**20**	**5**	**15**
Interest rate swaps	2,897	4,839	999	8,735	20	5	15
Forward rate agreements	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Foreign exchange/ gold transactions	**1,327**	**0**	**0**	**1,327**	**17**	**13**	**4**
Futures contracts with customers	218	0	0	218	1	2	–1
Futures contracts with banks	1,106	0	0	1,106	16	11	5
Cross-currency swaps	0	0	0	0	0	0	0
Options	3	0	0	3	0	0	0
Equity transactions	**2,117**	**0**	**31**	**2,148**	**0**	**6**	**–6**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	31	31	0	6	–6
Options	2,117	0	0	2,117	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**6,341**	**4,839**	**1,030**	**12,210**	**37**	**24**	**13**

Analysis of derivative financial transactions as at December 31, 2008

in € m. Classes of financial transaction	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Interest rate transactions	**3,031**	**4,849**	**0**	**7,880**	**55**	**18**	**37**
Interest rate swaps	3,031	4,849	0	7,880	55	18	37
Forward rate agreements	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Foreign exchange/ gold transactions	**1,183**	**1,735**	**0**	**2,918**	**253**	**48**	**205**
Futures contracts with customers	226	0	0	226	20	19	1
Futures contracts with banks	921	0	0	921	33	29	4
Cross-currency swaps	0	1,735	0	1,735	200	0	200
Options	36	0	0	36	0	0	0
Equity transactions	**0**	**0**	**31**	**31**	**0**	**7**	**-7**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	31	31	0	7	-7
Options	0	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**4,214**	**6,584**	**31**	**10,829**	**308**	**73**	**235**

Value-at-risk

To measure and manage market risks a value-at-risk model is used which was developed by the Group and approved by the German bank regulator. The value-at-risk approach is used to derive a quantitative measure specifically for market risks in the trading book under normal market conditions. For a given portfolio, value-at-risk measures the possible future loss (in terms of market value) which, under normal market conditions, will not be exceeded with a defined probability in a certain period. Value-at-risk allows us to apply a constant and uniform risk measure to all trading transactions and products. It also permits a comparison of market risk assessments over time and with actual daily trading results.

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

As at year's end, the value-at-risk from interest rate and currency risks in the non-trading book was € 0.5 million. The average value for 2009 was € 1.1 million. The limit allocated by global risk management is € 1.5 million.

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

Liquidity risk

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

At the same time, all data relevant to the Group are supplied to Global Risk Controlling.

As at balance sheet reporting date, the Luxembourg liquidity figure was 81%. This was well above the regulatory limit of 30%.

Operational risk

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

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

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

Regulatory risk position

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

Composition of risk-weighted assets in accordance with COREP reporting (Basel II)

in € m.	Dec 31, 2009	Dec 31, 2008
Central governments and central banks	0	0
Regional governments	1	92
Administration / Non-profit institutions	164	161
Credit institutions	10,524	9,959
Corporates	12,661	12,141
Retail customers	10,029	68
Other assets	2,625	2,288
Secured by mortgage charges	174	0
Currency transactions	211	93
Operational risks	742	599
Total	**37,131**	**25,401**

Regulatory capital and reserves according to Basel II amount to € 3,915 million (end of 2008: € 2,468 million); the solvency ratio is 10.5% (end of 2008: 9.7%). The minimum requirement of 8% was fulfilled at all times during the financial year.

E. Other information

Deposit guarantee scheme

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

The guarantee covers in particular natural persons, irrespective of nationality or country of residence. Each customer of an AGDL member is covered for up to the equivalent of a maximum of € 100,000 per cash deposit and € 20,000 per claim arising out of investment transactions.

The bank sets up a provision in recognition of the specific risk under the guarantee as a result of a member's default. The provision is shown under "other provisions"; additions in the financial year are noted in Section C [3]. On the balance sheet date, the provision amounted to T€ 22,880.

Staff

Number of staff

	Dec 31, 2009	Average in 2009
Management Board	3	3.0
Executives	28	28.5
Staff	321	326.75
Total	**352**	**358.25**

In 2009, the total remuneration of the Management Board and the executives was T€ 6,453. The addition to pension provisions for members of the Management Board and executives was T€ 911.

The expense for pension obligations for former members of the Management Board was T€ 114.

As at December 31, 2009, loans, advances and other commitments to members of the Management Board and executives totalled T€ 415.

Annual Report 2009 of Deutsche Bank Group

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

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

and on the Internet at
www.deutsche-bank.com/09
www.deutsche-bank.de/09

Luxembourg, March 2, 2010

Deutsche Bank Luxembourg S.A.
The Board of Directors

Report of the Réviseur d'Entreprises

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

Report on the annual accounts

Following our appointment by the Board of Directors dated March 2, 2009, we have audited the accompanying annual accounts of Deutsche Bank Luxembourg S.A., which comprise the Balance Sheet as at December 31, 2009 and the Profit and Loss Account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

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

Responsibility of the Réviseur d'Entreprises

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

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Deutsche Bank Luxembourg S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

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

Luxembourg, March 2, 2010

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

Harald Thönes

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Important dates 2010

Events of Deutsche Bank Luxembourg S.A.

April 16, 2010 – July 4, 2010	Exhibition: “40 years of Deutsche Bank Luxembourg S.A. – 40 highlights from the Deutsche Bank Collection”
September 26, 2010	Private Art Kirchberg