Deutsche Bank

Annual Report 2023

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 €6.3bn as at 31 December 2023.

– The Bank employs 348 people from 36 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:

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Deutsche Bank Luxembourg S.A.

Management Board

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

Photo: Kristina Ruppenthal Photographie

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
Member of the Management Board
Business address: 2, boulevard Konrad Adenauer, L–1115 Luxembourg

Dr Marcus Stutz

Chief Risk Officer
Member of the Management Board, and Responsible for Finance (as of 1 August 2023)
Business address: 2, boulevard Konrad Adenauer, L–1115 Luxembourg

Martin Dowie (until 31 July 2023)

Chief Financial Officer
Member of the Management Board
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
Deutsche Bank (Suisse) SA, Zurich, Switzerland

Frank Krings
Deutsche Bank AG, Frankfurt am Main, Germany,
External board member as of 1 January 2024

Tanja Engelbrecht (as of 6 April 2023)
Deutsche Bank AG, Frankfurt am Main, Germany

Bastiaan Marteijn
Deutsche Bank AG, Amsterdam Branch, Netherlands

Angela Potter
Deutsche Bank AG, London Branch, United Kingdom

Arnulf Schneider (as of 6 March 2024)
Deutsche Bank AG, London Branch, United Kingdom

Kay Wolf (until 31 December 2023)
Deutsche Bank AG, Frankfurt am Main, Germany

Audit Committee

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

Laurence Harari-Lehmann
Deutsche Bank (Suisse) SA, Zurich, Switzerland

Tanja Engelbrecht (as of 6 April 2023)
Deutsche Bank AG, Frankfurt am Main, Germany

Angela Potter
Deutsche Bank AG, London Branch, United Kingdom

Risk Committee

Kay Wolf (until 31 December 2023)
Chairman
Deutsche Bank AG, Frankfurt am Main, Germany

Arnulf Schneider (as of 6 March 2024)
Chairman
Deutsche Bank AG, London Branch, United Kingdom

Frank Krings
Deutsche Bank AG, Frankfurt am Main, Germany,
External board member as of 1 January 2024

Bastiaan Marteijn
Deutsche Bank AG, Amsterdam Branch, Netherlands

Nomination Committee

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

Rüdiger Bronn
Deutsche Bank AG, Frankfurt am Main, Germany

Arnulf Schneider (as of 6 March 2024)
Deutsche Bank AG, London Branch, United Kingdom

Kay Wolf (until 31 December 2023)
Deutsche Bank AG, Frankfurt am Main, Germany

Frank Krings (until 31 December 2023)
Deutsche Bank AG, Frankfurt am Main, Germany,
External board member as of 1 January 2024

Remuneration Committee

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

Rüdiger Bronn
Deutsche Bank AG, Frankfurt am Main, Germany

Kay Wolf (until 31 December 2023)
Deutsche Bank AG, Frankfurt am Main, Germany

Arnulf Schneider (as of 6 March 2024)
Deutsche Bank AG, London Branch, United Kingdom

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 €6.3bn as at 31 December 2023.

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 aligned to 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 Committee. 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 - Relationship & Transaction Management / Lending Advisory & Services and Trust & Agency Services

The Bank is the 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 consideration of ESG-relevant contractual components over the entire transaction lifecycle.

Besides its lending activities, the Bank is also the loan agency hub for Europe, Middle East and Africa (MEA) region, offering respective services internally to the Corporate Bank, Investment Bank, and Private Bank as well as to external clients. In addition, the Bank also provides bond agency services to Financial Institutions, Non-Bank Financial Institutions (NBFI) and large corporates in connection with their bond activities in 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 and 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 matters 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., 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 has been listed on the Euro MTF market of the Luxembourg Stock Exchange since 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 continued development of the European financial system and the Capital Markets Union.

Private Bank - Wealth Management

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, Middle East and Africa region, with a 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 through targeted investments in specialised staff, enhanced product offerings and initiatives to further increase its platform efficiency and effectiveness. Besides its investment expertise, the Private Bank in Luxembourg stands out for its role as centre of excellence for lending, where it leverages several years of experience and its track record, especially in structured financing solutions.

Treasury - Balance Sheet, Capital, Liquidity, Interest Rate and Currency Management

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 framework. 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 (note D).

As disclosed in Deutsche Bank AG's 2023 Annual Report, the Bank continues to operate with the support of its parent entity.

Strategy

The geopolitical challenges of the war in Ukraine and in the Middle East, as well as the U.S. versus China strategic competition and the upcoming elections in the EU and the US will remain the key headwinds for 2024, while certain improvements and reliefs on the macroeconomic and fiscal side with falling interest rates will stimulate GDP growth. Developments in the industrialized countries varied in 2023. While the US economy remained resilient at the end of 2023, the eurozone was already slowing down noticeably. Central banks maintained peak interest rates and signaled their intention to continue their data-driven monetary policy. Inflation rates continued to fall but remained above the central banks' targets at the end of the year. The eurozone economy weakened in the second half of 2023. Private consumption continued to be negatively impacted by the loss of purchasing power, even though inflation eased significantly. The labor market was stable, as a result of companies holding on to staff. The ECB kept its key interest rates unchanged through the end of 2023.

Despite the challenges associated with the geopolitical challenges of the war in Ukraine and in the Middle East and Africa region including related sanctions, global inflationary pressures due to higher energy prices and supply chain disruptions, the Bank benefitted from its disciplined management approach in its businesses, investments, transformation and business model realignments in the recent years. Relevant strategic alignments, balance sheet and capital management process and system rationalization, targeted investments in technology and people allowed the Management Board to continue pursuing a business policy of responsible qualitative growth in 2023, while still serving clients' financing needs.

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 10.9% (2022: 12.2%), a Tier 1 Capital ratio of 12.1% (2022: 13.5%), a Total Capital ratio of 14.1% (2022: 13.5%), a leverage ratio of 8.7% (2022: 9.5%) and a liquidity coverage ratio of 149% (2022: 142%) as at 31 December 2023, all well above regulatory minimums and internal targets.

The Bank's business and organisational model remains agile and forward-looking, directed by its long-term objectives. The Management Board reviews the Bank's strategic ambition and sustainability on an ongoing basis, particularly in light of the continuous changes in client, bank regulatory, environmental, 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 in support of European corporates during the geopolitical crises' and ongoing macro-economic challenges. This business, which is a strategic pillar and one of the Bank´s 'raisons d'être', grew significantly compared to the previous year and continues to be a growth area for 2024.

The Investment Banking business is guided by the strategic business model, as described above, which remained unchanged during 2023. 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 to the benefit of its institutional clients under the aforementioned fiduciary issuance program.

In its Private Bank business, the Bank also continued to expand its coverage platform capabilities and its role as a European 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 to progressively scale up, expanding the presence in 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 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 2023, it employed 348 staff members (2022: 320) from 36 countries (2022: 33). Luxembourg residents make up 35% (2022: 31%) of the Bank's workforce; a total of 36 (2022: 28) staff members are Luxembourg nationals. Cross-border commuters from the neighbouring countries Belgium, Germany and France comprise 65% (2022: 69%) of the workforce.

48% (2022: 50%) of the total workforce and 28% (2022: 24%) of executives (Managing Directors, Directors and Vice Presidents) are female. At the end of 2023, the average length of service across the total workforce was approximately 11.6 years (2022: 12.5 years). During the 2023 financial year, 60 new members of staff (2022: 61 new members of staff) joined the Bank, 60 (2022: 60) of them on permanent contracts, and 5 long-serving employees of the Bank retired.

For many years, the Bank has made a continuous and sustained contribution to students' development through its internship program, which is widely known and recognised by universities. In 2023, the Bank gave 29 (2022: 45) students from 12 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 winner of the Pritzker Architecture Award – 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 and Interest Groups

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

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Review of Financial Results

The Bank's financial position and performance during the 2023 financial year was influenced by the economic impact of central banks' interest rate policy in the first three quarters of 2023. Both global and eurozone economies weakened in the second half of 2023 as private consumption continued to be impacted by lower purchasing power even though inflation eased significantly. Despite the slowdown, central banks maintained peak interest rates and signaled their intention to continue their data-driven monetary policy. Inflation rates continued to fall, although they remained above central banks' targets at the end of the year.
Key benchmark interest rates continued to increase in the first three quarters of the year as follows (source: Bloomberg):

	Minimum (%)		Maximum (%)		Average (%)	
	2023	2022	2023	2022	2023	2022
3-month Euribor (EUR)	2.16	–0.58	4.00	2.20	3.43	0.35
SOFR (USD)	4.30	0.05	5.40	4.32	5.01	2.02

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

€ 1 equals	2023	2022
United States Dollar	1.105	1.067
Great British Pound	0.868	0.887

Balance Sheet & Off-Balance Sheet

The Bank's total extension of credit to its clients increased significantly during 2023 with total assets increasing by €2.8bn, guarantees €0.1bn and commitments €2.3bn over prior year-end levels. The key contributors to this growth were as follows:

Loans and advances to credit institutions (€13.8bn – primarily funds on deposit with the Parent, fellow Group entities and the Luxembourg central bank) increased by €0.9bn in 2023, as a result of growth in deposits placed with the Parent and an increase in regulatory liquidity requirements.

Loans and advances to clients (€18.0bn) were €2.0bn 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 €2.3bn to its clients.

The Bank's overall funding increased in proportion to the increase on the asset side of the Balance Sheet, i.e. by €2.8bn. The key contributors were as follows:

Deposits from credit institutions (mainly Deutsche Bank entities/the Parent) increased by €1.2bn.

Client deposits increased by €0.6bn (of which term deposits increased by €0.7bn and deposits repayable on demand reduced by 0.2bn, overall improving our stable funding base)

Additionally, during 2023, the bank increased its own funds by €0.9bn, mainly driven by the Bank entering into a new subordinated Tier 2 loan agreement with the Parent for a notional of €900m – see note B11 for further details.

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.	2023	2022
Net interest income	533,274	294,427
Net commission income/(expense)	–23,026	–14,739
Net result on financial operations	–49,404	–17,452
General administrative expenses	–195,896	–166,929
Depreciation of tangible and intangible assets	–486	–1,052
Operating profit I	264,462	94,255
Income from transferable securities including value adjustments	14,845	12,624
Other operating net income	280,552	198,607
Operating profit II	559,859	305,486
Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	–117,255	–11,654
Taxes	–85,806	–57,950
Payments associated with subordinated liabilities	–65,880	–49,454
Net income	290,918	186,428

The Bank's net interest income (NII) increased by €238.8m in the current year to €533.3m. Several drivers contributed to this strong year-on-year trend. Central banks continued to increase interest rates in 2023 resulting in an overall higher interest income effect particularly resulting from the Bank's funding mix; as a significant portion of our loan business is funded by non-interest-bearing own funds, this was coupled by the Bank increasing its lending to clients by €2bn throughout the year. In addition, the bank reported interest income of €90m in respect of certain loans (reclassified from irrecoverable to doubtful debts) for which the collateral recovery assumptions improved in 2023.
'Interest costs' of €65.9m (€16.4m higher than 2022 – see note B11) relating to the Bank's subordinated liabilities, which qualify as Upper Tier I and Tier II capital under bank supervisory regulations, are not reflected as NII in order to transparently disclose the associated cost of these subordinated instruments.

The net commission result for the year reduced by €8.3m over the prior year. Commission income decreased by €17.6m year over year to €108m (see note C2) as a result of lower fees and commissions in the Origination and Advisory business which saw a decline in lending volumes. Commission expenses, consisting primarily of transfer pricing costs incurred by the Corporate Bank's risk hedging activities, decreased by €9.3m in 2023 (see note C3). Credit protection purchased from Deutsche Bank Group entities (in the form of participations in collateralised loan obligations [CLO's]) amounted to approximately 85% 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 €4.4m as a result of the redemption of a material portion of the remaining securities.

The net result 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 2023 decreased by €32.0m relative to the prior year this is primarily driven by an increase in costs incurred in respect of premiums paid/received and valuation changes in respect of credit default swaps of €27.0m in 2023.

General administrative expenses increased by €29.0m year over year to €195.9m in 2023. 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 €28.0m in costs incurred in connection with services provided to the Bank by the Group under these transfer pricing agreements, an increase in staff costs by €6.6m as a result of inflation-linked fixed remuneration increases and a growth in the number of employees. These increases were partly offset by a decrease of €6m in VAT expenses as the Bank's deductible VAT increased following the settlement of a significant amount of prior-period transfer pricing costs in 2023.

Other operating net income increased by €81.9m year over year to €280.6m in 2023. The Bank received compensation in the amount of €236.2m in 2023 (2022: €200.6m), an increase of €35.6m year over year, in connection with below-market interest rates earned in respect of the relationship lending activities of the Strategic Corporate Lending (SCL) business (refer to the Lending section of the Risk Report, note D below, for further details regarding SCL). In addition, the Bank received a reimbursement of €20.5m in relation to prior period tax returns and the FRL and FGDL contributions were lower than the previous year by €2.0m (see note E below – Other information).

Specific provisions for credit losses, net of provisions released and associated recoveries from credit protection instruments, increased by €47.2m year over year, mainly related to specific eurozone exposures affected by idiosyncratic events e.g. as part of restructuring agreements and challenges associated with global macro-economic trends including increasing interest rates, geopolitical events and a weakening in the eurozone economy. Therefore an amount of €70m was added to the Bank's lump-sum provision, to strengthen the Bank's reserves reflecting a prudent assessment of continued economic uncertainties into 2024. The ongoing Russian invasion of Ukraine and the conflict in the Middle East did not have a specific material impact on the credit provision. As a result, net provisions for risks increased by €117.3m compared to the previous year (see 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 2023 financial year the Bank remained prudent in its approach to risk management, reporting a CET1 ratio of 10.9% (2022: 12.2%), a Tier 1 Capital ratio of 12.1% (2022: 13.5%), a Total Capital ratio of 14.1% (2022: 13.5%) , a leverage ratio of 8.7% (2022: 9.5%) and a liquidity coverage ratio of 149% (2022: 142%) as at 31 December 2023, all well above regulatory minimums and internal targets.

The Bank's regulatory own funds, comprising balance sheet equity and eligible subordinated liabilities, increased over the course of 2023 by €0.9bn to €6.3bn (2022: €5.4bn). This increase in regulatory own funds was mainly attributable to the Bank's issuance of a new Tier 2 instruments of €0.9bn in August 2023 – see note B11 for further details. Total risk-weighted assets (RWA) increased to €44.5bn (2022: €40.3bn) as at the reporting date driven by the lending-related growth mentioned above.

The Bank complied with all minimum capital requirements throughout the 2023 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, are closely aligned with the activities of the corporate divisions, and incorporate the requisite regulatory requirements. Accordingly, all defined risks have been adequately taken into account.

Following its business strategy, the Bank has to manage the following major risk categories:

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

These risks were monitored appropriately at all times during the 2023 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 (note 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 acknowledges the Risk and Capital Profile (RCP) report as part of the Internal Capital and Liquidity Adequacy Assessment Process (ICAAP/ILAAP) in order to present the RCP for approval to the Management Board. The ALCo thus performs the role of Capital and Risk Committee (CaR) in accordance with the relevant CSSF Circular.

Outlook for 2024

DB's general expectations for the global economy and banking industry regarding future economic and industry developments indicate that the GDP growth in the eurozone is likely to stagnate until the middle of the year. After that, private consumption should provide stronger support for the economy if inflation continues to drop significantly. The ECB is expected to start lowering key interest rates from the first half of 2024. Inflation could reach the target rate of 2% by mid-year. The expected weak growth in industrialized countries will be a headwind for foreign trade, although this is likely to vary from region to region. There are a number of risks to the bank's global economic outlook. Geopolitical risks remain elevated in Ukraine and in the Middle East. The U.S. versus China strategic competition could possibly continue to intensify. The potential intensification of interdependencies between crisis hotspots could exacerbate the impact on the markets. In 2024, important elections will take place in many regions of the world, including the U.S. and the EU, and the news surrounding these could well have the potential to move the markets, at least in the short term.

The global banking industry will probably face more headwinds in 2024 than in the past year, when the operating environment had been quite benign. Interest rates are likely to have peaked in major economies and could start to fall from spring onwards. This may exert pressure on net interest margins in the medium term, despite a potential short-term benefit from lower funding cost. Asset quality might deteriorate somewhat from current levels as significantly higher interest rates continue to creep into the private sector and stretched borrowers face increasing refinancing risks, especially in the commercial real estate markets. At the same time, a slow real economy in advanced countries may result in credit demand of companies and households weakening further until it stabilizes over the course of the year; with loan volumes possibly moderately contracting. Momentum in capital markets could see a cyclical improvement following two years of suppressed activity.

European banks may continue to benefit from substantially higher interest rates, although the associated side effects will gain in weight. As a result of considerable uncertainty about the speed and extent of the disinflation process, the timing and size of the ECB's initial rate cuts is also subject to changing expectations. Likewise, fiscal and economic policy uncertainty may increase due to the incoming new European Commission and European Parliament, on top of developments in individual EU Member States and looming further geopolitical fragmentation. However, the banking industry should continue to operate from a position of strength, with revenues still strong despite slower growth and bottom-line profitability likely to remain close to current record high levels. Capital ratios might edge up slightly, while the specific impact of the implementation of Basel III/ Basel IV in the EU should become clear. However additional improvements in profitability and capital may become harder to achieve.

In 2024, the European Commission, European Parliament and the European Member States will focus on closing as many of the pending legislative files as possible, ahead of the European Parliament elections in June 2024 and the appointment of the new European Commission in October 2024. Files that are open include the Listings Act, Retail Investment Strategy, digital euro, Open Finance, Corporate Sustainability Due Diligence Directive, a review of the Payment Services framework, a review of the European Markets Infrastructure framework (EMIR 3.0), the Benchmarks Regulation, and the extension for third-country benchmarks from the EU Benchmarks Regulation to December 2025.

As an integral part of Deutsche Bank Group, Deutsche Bank Luxembourg S.A. will actively continue to seize opportunities for responsible qualitative growth in its business model's key fields of activity in 2024. 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 and implementing both ongoing and new regulatory requirements such as the CRR3/ CRD6, Corporate Sustainability Reporting Directive (CSRD), the Digital Operational Resilience Act-EU (DORA) and new IRRBB EBA requirements will remain a continued challenge and point of the Management Board's attention. The Management Board will 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 a decrease in its risk provisioning in 2024 (compared to 2023), with a return to previously experienced levels over the longer term (2025 to 2028). 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 2024 financial year, the Bank will continue to perform and expand on its role as the centre of excellence for bilateral and syndicated 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 European service centre of excellence for the Private Bank by investing in its staff and systems. In the coming year and beyond, the Bank will also examine offering and investing in new products, services 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 is 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 geopolitical and 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 grow its business and improve on its satisfactory 2023 operating result in 2024. Business performance since the beginning of the current financial year supports the Bank's assessment.

Global Minimum Taxation Rules (Pillar 2 Framework)

In December 2021, the Organization for Economic Co-Operation and Development (OECD) issued Global Anti-Base Erosion and Profit Shifting Rules under the Pillar 2 Framework. The Global Minimum Taxation Rules, or Pillar 2 Framework are applicable to the Bank starting in 2024, with Deutsche Bank AG as the ultimate parent.

Deutsche Bank AG as the ultimate parent entity has conducted comprehensive impact assessments based on the most recent available and historic country-by-country reporting data. Based on these impact assessments, no material amounts are expected to be allocated to the Bank as an additional top-up tax.

Events after the Reporting Period

All material events that occurred after the reporting date which had a significant impact on the profit and loss, financial position or net assets are already included in the accounts.

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, 27 March 2024

The Management Board

3

Financial Statements

Balance Sheet

as at 31 December 2023

Assets

in € k.	[Notes]	31 Dec. 2023	31 Dec. 2022
Cash in hand, balances with central banks and post office banks	[B3]	59,460	43,557
Loans and advances to credit institutions	[B1, 2, 3, 7]	13,785,633	12,919,173
repayable on demand		351,841	329,827
other loans and advances		13,433,792	12,589,346
Loans and advances to clients	[B1, 2, 3, 7]	17,962,237	15,930,232
Debt securities and other fixed-income securities	[B1, 2, 3, 4]	4,648	171,285
of public issuers		0	0
of other issuers	[B7]	4,648	171,285
Shares in affiliated undertakings	[B5, 6]	553	537
Tangible assets	[B6]	2,752	3,029
Intangible assets	[B6]	26,710	13,013
Other assets	[B9]	332,015	329,621
Prepayments and accrued income		160,335	96,788
Total assets		32,334,343	29,507,235

Liabilities and Equity

in € k.	[Notes]	31 Dec. 2023	31 Dec. 2022
Amounts owed to credit institutions	[B2, 3, 14]	21,590,289	20,378,672
– repayable on demand		374,313	238,931
– with agreed maturity dates or periods of notice		21,215,976	20,139,741
Amounts owed to clients	[B2, 3, 14]	3,427,470	2,860,522
other debts		3,427,470	2,860,522
– repayable on demand		813,430	991,411
– with agreed maturity dates or periods of notice		2,614,040	1,869,111
Other liabilities	[B9]	255,343	404,003
Accruals and deferred income		380,629	241,854
Provisions for liabilities and charges		296,072	240,837
provisions for pensions and similar commitments		0	0
provisions for taxation		14,122	0
other provisions	[B10]	281,950	240,837
Subordinated liabilities	[B2, 11]	1,400,000	500,000
Subscribed capital	[B12]	3,959,500	3,959,500
Share premium account		55,600	55,600
Reserves	[B13]	678,522	679,819
Net income	[B13]	290,918	186,428
Profit/loss carried forward	[B13]	0	0
Total liabilities and equity		32,334,343	29,507,235

Off-Balance Sheet Items

in € k.	[Notes]	31 Dec. 2023	31 Dec. 2022
Contingent liabilities	[B3, 15]	7,201,261	7,080,879
of which:			
Guarantees and assets pledged as collateral security		7,183,063	7,080,879
Other contingent liabilities		18,198	0
Commitments	[B3, 16]	45,978,021	43,670,002
Fiduciary operations	[B3]	5,942,514	6,472,873

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

Profit and Loss Account

for the year ended 31 December 2023

in € k.	[Notes]	1 Jan.– 31 Dec. 2023	1 Jan.– 31 Dec. 2022
Interest receivable and similar income		1,622,044	569,639
of which:			
from fixed-income securities		0	1,908
Interest payable and similar charges		1,088,770	275,212
Income from transferable securities		14,845	12,624
from shares in affiliated undertakings		14,845	12,624
Commissions receivable	[C2]	108,299	125,923
Commissions payable	[C3]	131,325	140,662
Net result on financial operations	[C4]	–49,404	–17,452
Other operating income	[C5]	287,203	207,175
General administrative expenses		195,896	166,929
Staff costs		41,688	35,074
of which:			
– wages and salaries		34,422	30,885
– social security costs		5,949	3,143
of which: pensions		4,130	1,561
Other administrative expenses		154,208	131,855
Depreciation of and value adjustments to tangible and intangible assets		486	1,052
Other operating charges	[C6]	6,651	8,568
Depreciation of and value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	[C7]	117,255	11,654
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		84,909	57,563
Profit on ordinary activities after taxes and before payments for participation rights		357,695	236,269
Other taxes not shown under the preceding items		897	387
Payments associated with subordinated liabilities	[B10]	65,880	49,454
Net income		290,918	186,428

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, Germany, 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. 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.

– 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 as 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 sheet 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 derivatives related to the credit risk portfolio of the Strategic Corporate Lending (SCL) business division are to be considered separately with the following sub-portfolios:

– credit derivatives issued in the context of the assumption of risks (credit default swaps), and
– credit derivatives received as collateral for the underlying transactions (likewise primarily credit default swaps).

With the underlying transactions 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).

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 in respect of off-balance sheet exposures reported 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 value 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.

– 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.

– Financial guarantees
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees written
The Bank issues financial guarantees as part of the Strategic Corporate Lending (SCL) business (see page 37 for more details). Financial guarantees issued are recorded as off-balance sheet items (contingent liabilities). Premiums received in relation to financial guarantees written are recorded in commission income.

Financial guarantees purchased
The Bank purchases credit protection from fellow Deutsche Bank Group entities (in the form of unfunded participations in collateralised loan obligations [CLO's] issued by Deutsche Bank Group entities). These arrangements are captured in transfer pricing agreements with Deutsche Bank Group entities and are accounted for in a similar manner to financial guarantees under IFRS.

Purchased financial guarantees are recorded as Off-Balance Sheet items but result in reimbursement assets under IAS 37 to the extent that the financial guarantee is entered into in order to mitigate the credit exposure from loans and advances (debt instruments). This results in a recognition of a reimbursement asset for subsequent increases in the specific credit risk provisions, to the extent it is virtually certain that the purchased financial guarantee will reimburse the Bank for the loss incurred. Accordingly, when the credit risk of the borrower significantly deteriorates or when a trigger event occurs under the CLO and the Deutsche Bank Group entity records a payable to the bank, a corresponding reimbursement asset is recognised equal to the proportion of the credit losses that are protected. The reimbursement assets are recorded in other assets as these accrue to the Bank through the transfer pricing agreements. The corresponding reimbursement gain is recognised as a reduction in specific credit risk provisions part of the Value Adjustment in Respect of Loans and Advances in the Profit and Loss account.

– 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
Liabilities are recorded under subordinated liabilities when their status is subordinated to unsecured 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, and note D) have been presented gross of such allocated provisions. Amounts allocated to off-balance sheet positions are included in note B10 (Provisions).

In € m.	2023	2022
Loans and advances to credit institutions	15	13
Loans and advances to clients	150	115
Debt securities and other fixed-income securities	0	0
Shares in affiliated undertakings	0	0
Other provisions	204	171
Total – 2023	369	299

* less than €500,000 and so rounded down to zero.

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	352	13,109	176	59	105	13,801
Loans and advances to clients	191	2,206	2,752	11,884	1,079	18,112
Debt securities and other fixed-income securities	0	0	0	0	5	5
Total – 2023	543	15,315	2,928	11,943	1,189	31,918
Total – 2022	628	14,581	2,790	9,744	1,405	29,148

Term loans and advances to clients having a nominal value of €700m (2022: €668m) 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	374	11,185	2,958	6,260	813	21,590
Amounts owed to clients	813	1,642	863	99	10	3,427
Subordinated liabilities	0	0	0	0	1,400	1,400
Total - 2023	1,187	12,827	3,821	6,359	2,223	26,417
Total - 2022	1,230	11,986	3,760	4,575	2,189	23,740

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.

Assets

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	59	0	0	0	0	0	59
therein: balances with central banks	59	0	0	0	0	0	59
Loans and advances to credit institutions	13,555	143	90	0	7	6	13,801
Loans and advances to clients	10,703	3,908	1,835	46	1,119	501	18,112
Debt securities and other fixed-income securities	5	0	0	0	0	0	5
Total - 2023	24,322	4,051	1,925	46	1,126	507	31,977
Total - 2022	23,169	2,998	433	48	1,403	1,141	29,192

Liabilities

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Amounts owed to credit institutions	19,361	2,229	0	0	0	0	21,590
Amounts owed to clients	2,129	1,039	56	4	90	109	3,427
Total - 2023	21,490	3,268	56	4	90	109	25,017
Total - 2022	20,137	2,979	0	5	98	21	23,240

Off-Balance Sheet Items

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Contingent liabilities	2,934	3,055	19	0	1,164	29	7,201
Commitments	34,868	7,609	750	5	1,374	1,372	45,978
Fiduciary operations	5,771	144	28	0	0	0	5,943
Total - 2023	43,573	10,808	797	5	2,538	1,401	59,122
Total - 2022	41,427	11,205	846	0	2,673	1,073	57,224

Financial Transactions

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other countries	Total
Interest rate transactions	1,149	0	0	0	0	0	1,149
Foreign exchange/gold transactions	58	488	0	0	332	0	878
Equity Transactions	68	0	0	0	0	0	68
Credit derivatives*	0	3,945	0	0	0	0	3,945
Total - 2023	1,275	4,433	0	0	332	0	6,040
Total - 2022	5,627	275	0	0	356	0	6,258

* 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.	2023	2022
Debt securities and other fixed-income securities (investment portfolio of financial fixed assets) - unlisted	5	171

No specific value adjustments had been made as at the balance sheet date (2022: €0).
All debt securities are unlisted and consist of securities purchased as part of structured transactions.

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	12.6
VCJ Lease S.à r.l.	Luxembourg	100%	0.0	0.0

* according to 31 December 2022 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.

There are no participations in other credit institutions.

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	171,409	0	166,541	–165	4,703	0	4,703
Participating interests	19,801	0	0	0	19,801	19,801	0
Shares in affiliated undertakings	913	20	0	–2	931	366	565
Intangible assets*	40,637	9,189	0	0	49,826	23,116	26,710
of which:							
software	40,637	9,189	0	0	49,826	23,116	26,710
Tangible assets	20,188	67	1,477	0	18,778	16,026	2,752
of which:							
office furniture and equipment	20,188	67	1,477	0	18,778	16,026	2,752
Total fixed assets	252,948	9,276	168,018	–167	94,039	59,309	34,730

* 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. 2023		31 Dec. 2022	
in € m.	Deutsche Bank companies	Participating interests	Deutsche Bank companies	Participating interests
Loans and advances to credit institutions	8.351	0	7,903	0
Loans and advances to clients	589	8	548	8
Debt securities and other fixed-income securities	5	0	167	0
Other assets	290	0	257	0

8 – Assets and Liabilities Denominated in Foreign Currencies

Assets denominated in foreign currencies amounted to the equivalent of €8,940m (2022: €6,721m) as at the balance sheet date. Liabilities denominated in foreign currencies amounted to the equivalent of €9,030m (2022: €6,732m) as at the balance sheet date.

9 – Other Assets/Other Liabilities

Other assets consist of the following:

in € k.	2023	2022
Related party receivables	289,670	257,480
Fee receivables from clients	20,380	29,983
Margin receivables	13,936	14,000
Precious metals	4,837	5,086
Sundry receivables	3,192	1,259
Taxation receivables	0	21,813
Total	332,015	329,621

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 to €110m (2022: €80m).

Other liabilities consist of the following:

in € k.	2023	2022
Related party payables	156,084	176,652
Payables for the account of third parties	42,823	99,369
Other payables to clients	27,759	93,367
Other payables to suppliers	18,540	21,581
Sundry payables	5,479	6,403
VAT payables	4,658	6,631
Total	255,343	404,003

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 and settlement of short-term payables on the account of third parties and amounts due to clients in 2023.

10 – Provisions for Liabilities and Charges – Other Provisions

Other provisions consist of the following:

in € k.	2023	2022
Lump-sum provision – off-balance sheet risks	203,994	170,670
Credit default swaps liability	70,032	55,668
Tax liability	14,122	0
Specific credit provisions relating to off-balance sheet positions	577	3,607
Other	7.347	10,892
Total	296,072	240,837

11 – Subordinated Assets and Liabilities

The subordinated loans and advances to credit institutions and clients amounted to €0m (2022: €0m) at the balance sheet date.

The Bank issued Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes with a notional value of €500m on 29 April 2022. Deutsche Bank AG purchased the full issuance.

The 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.

Additionally, during 2023, the Bank obtained the necessary regulatory and internal approvals and entered into a subordinated Tier 2 loan agreement with Deutsche Bank AG as lender on 26 July 2023.

The loan has a notional value of €900m, a 10-year term to 28 July 2033 and bears interest at 3-month EURIBOR rate plus a margin of 429 basis points with an early termination option for the Bank after 5 years. The obligations resulting from the loan agreement constitute unsecured and subordinated obligations of the Bank, ranking pari passu among themselves and, pari passu with all other equally subordinated obligations of the Bank constituting own funds in the form of Tier 2 capital.

To appropriately take account of the fact that the Additional Tier 1 notes and the Tier 2 loan agreement are subordinated liabilities, the expenses from the regular payments are 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/loss brought forward	Net income
As at 1 January 2022	**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**
Appropriation:				
– Retained		186	0	–186
– Dividend		–187		
Net income for financial year 2023				291
As at 31 December 2023	**396**	**283**	**0**	**291**

The Bank distributed a dividend of €187m, (€162m from prior-year profit and €25m from available reserves) in accordance with a resolution adopted by the Annual General Meeting held on 17 April 2023.

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. 2023		31 Dec. 2022	
in € m.	Deutsche Bank companies	Participating interests	Deutsche Bank companies	Participating interests
Amounts owed to credit institutions	21.345	0	20,089	0
Amounts owed to clients	351	1	424	1
Subordinated liabilities	1.400	0	500	0
Other liabilities	156	0	177	0

15 – Contingent Liabilities

Contingent liabilities consist of:

	31 Dec. 2023		31 Dec. 2022	
in € m.		of which: to Deutsche Bank companies		of which: to Deutsche Bank companies
Guarantees and other direct substitutes for credit	7,183	6,776	7,081	6,659
Other contingent Liabilities	18	0	0	0
Total	7,201	6,776	7,081	6,659

16 – Commitments

Commitments consist of:

	31 Dec. 2023		31 Dec. 2022	
in € m.		of which: to Deutsche Bank companies		of which: to Deutsche Bank companies
Commitments not utilised	45,978	53	43,670	83
Total	45,978	53	43,670	83

Gross payments due from the Bank in connection with its remaining commitments under a lease agreement related to its business premises amounted to €15.4m as at 31 December 2023 (2022: €19.7m).

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.	2023	2022
Lending fees and commissions	80,643	93,903
Wealth Management fees	20,080	20,987
Custody fees	3,696	3,644
Fiduciary deposit fee	1,583	2,276
Other fees and commissions	2,297	5,113
Total	108,299	125,923

3 – Commissions Payable

This item comprises the following:

in € k.	2023	2022
Transfer pricing including payments for credit protection on participation in CLOs	128,598	133,471
Other commissions payable	2,727	7,191
Total	131,325	140,662

4 – Net result on Financial Operations

The net result 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 2023 is a loss of €49.4m (2022: €17.4m). The decrease of €32.0m relative to the prior year is driven by an increase in costs incurred in respect of premiums paid/received and valuation changes in respect of credit default swaps of €29.6m and a net change in the net foreign exchange result of €2.3m.

5 – Other Operating Income

This item comprises the following:

in € k.	2023	2022
Tranfer pricing compensation associated with relationship lending	236,153	200,574
Reimbursement taxes prior years	20,525	0
Income from Inter-Company Services	16,950	0
Sundry income	8,791	2,898
Release of provisions	2,932	2,134
Rental income	1,852	1,569
Total	287,203	207,175

6 – Other Operating Charges

This item comprises the following:

in € k.	2023	2022
FRL & FGDL contributions	6,242	8,282
Sundry expenses	359	264
Increase in other provisions	50	22
Total	6,651	8,568

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.	2023	2022
Specific credit risk provisions	124,784	116,072
Recoveries associated with participations in CLOs	–63,564	–28,811
Release of specific credit provisions	–13,965	–9,222
Increase/(decrease) in lump-sum provision	70,000	–66,385
Total	117,255	11,654

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 securities held as financial fixed assets, 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):	2023	2022
Audit fees	711	660
Audit-related fees	83	107
Tax advisory fees	0	0
Other fees	0	0

10 – Return on Assets

in € k.	2023	2022
Profit for the financial year	290,918	186,428
Total assets	32,334,343	29,507,235
Return on assets	0.90%	0.63%

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 2023 financial year, the organisation of non-financial risks was further refined to ensure the Bank's operational effectiveness, considering the continued impact of the Russia/Ukraine war with related sanctions and the increase in global inflationary pressures due to higher energy prices and supply chain disruptions 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 most recent geo-political developments in the Middle East 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, non-financial risks, enterprise risks, climate and environmental risks, reputational 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 Treasury, Finance and Internal Audit. These local units are independent of the Group divisions. Both Treasury's and Finance's role is to help quantify the risks assumed and to ensure the quality and integrity of the risk-related data they provide. Internal Audit 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 because of 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, equity 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 fall 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, step-in risk or becoming unduly exposed to portfolio concentrations 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 is the risk of a shortfall in planned earnings (excluding other material risks) due to incorrect business plans, ineffective plan execution and/or the inability to effectively respond to material deviations.
- 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.

Reputational Risk

As regards the Bank’s risk management processes, reputational risk is defined as the risk of possible damage to Deutsche Bank’s brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with DB’s values and beliefs.

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.

Climate and Environmental Risk

Deutsche Bank has further integrated climate-related and environmental (C&E) risks into its business strategy, governance, overall risk management frameworks and disclosures, in line with supervisory expectations (e.g., ECB's guide on climate-related and environmental risks for banks) and regulatory initiatives (e.g., 2022 ECB climate stress testing).

Climate and environmental risks can be broadly separated into two categories, Transition and Physical. Each can act as risk drivers for multiple risk types.

Transition risks are defined as risks which could result from the process of adjustment towards a lower-carbon economy (policy, technology, and behavioural changes).

Physical risks are defined as the financial and non-financial risks which could result from the negative impacts of rising global temperatures. Physical risk is categorised as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures.

Other environmental risks are defined as nature-related financial and non-financial risks which could result, among others, from environmental degradation, such as air, water and land pollution, water stress, biodiversity loss, deforestation, or the overexploitation of natural resources.

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 have been and will be further enhanced in order to incorporate climate and environmental 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% (2022: 87%) 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 2023

in € m.	Loans and advances to credit institutions	Loans and advances to clients	Securities/ participating interests/ affiliated undertakings	Contingent liabilities	Commitments	Total
AAA/AA	5,413	784	0	687	7,259	14,143
A	8,388	3,091	5	3,545	14,699	29,728
BBB	0	7,421	0	2,638	20,050	30,109
BB	0	4,857	0	240	3,556	8,653
B	0	870	0	70	336	1,276
CCC	0	42	0	0	8	50
Default	0	1,039	0	0	70	1,109
NR*	0	8	0	21	0	29
Total	13,801	18,112	5	7,201	45,978	85,097

* not rated = unrated clients

Structure of Credit Profile by Industry as at 31 December 2023

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	13,801	0	0	114	208	14,123
Other financial companies	0	6,260	0	1,714	8,351	16,325
Households	0	961	0	13	634	1,608
Manufacturing	0	2,044	0	1,028	11,281	14,353
Corporate services	0	4,299	0	2,271	11,093	17,663
Transport and telecommunications	0	596	0	449	3,357	4,402
Power and water utilities	0	581	0	58	1,383	2,022
Wholesale and retail trade	0	511	0	977	1,258	2,746
Mining	0	42	0	19	2,413	2,474
Public sector	0	63	0	0	0	63
Commercial real estate	0	2,277	0	0	1,823	4,100
Construction	0	96	0	36	536	668
Power generation (in particular solar power)	0	2	0	299	772	1,073
Automotive industry	0	117	0	140	2,631	2,888
Hotel/restaurant trade, leisure industry, gaming, and gambling industry	0	49	0	65	186	300
Other	0	214	5	18	52	289
Total	13,801	18,112	5	7,201	45,978	85,097

Risk Provisioning

Adequate provision has been made for individual risks. Deutsche Bank Luxembourg S.A. also uses the possibility of setting up a lump-sum provision in accordance with Luxembourg regulations. During the current financial year, the Bank elected to increase the lump-sum provision by an amount of €70m to strengthen the Bank's reserves reflecting the prudent assessment of continued economic uncertainties into 2024. The ongoing Russian invasion of Ukraine and the conflict in the Middle East did not have a specific material impact on the credit provision.

There were only minor country risks as at the balance sheet date. The Bank does not hold any bonds issued or guaranteed by Russia or Ukraine.

The synthetic risk assumed from the SCL credit risk portfolio (via the guarantees issued and credit default swaps) was quantified at €6.78bn as at 31 December 2023 (2022: €6.66bn). 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 except the credit spread risk mainly driven by the hedging activities via CDS related to the SCL loan portfolio.

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 2023

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	1,149	0	0	1,149	1	1	0
Interest rate swaps	1,149	0	0	1,149	1	1	0
Foreign exchange/gold transactions	877	1	0	878	9	9	0
Futures contracts with clients	95	0	0	95	0	1	–1
Futures contracts with banks	94	0	0	94	1	0	1
Options	688	0	0	688	8	8	0
Equity Options	0	68	0	68	0	0	0
Credit derivatives*	1,323	2,622	0	3,945	1	82	–81
Total	3,349	2,691	0	6,040	11	92	–81

* 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 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
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.

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 2023, the value-at-risk from interest rate and currency risks in the non-trading book was €3.64m. The average value for 2023 was €2.75m.

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 Bank's Risk Limit Framework and the

Risk Appetite Statement of the Bank. The Bank continues to monitor VaR, but it has been decoupled from the Bank's Risk Appetite Statement.

As at end of 2023, the ∆EVE was €-16m and thus below the allocated threshold of €-50m; the ∆NII was €-23m and thus below the allocated threshold of €-50m.

In 2023, a new metric, ∆NII+ Mark-to-Market (MTM), has been introduced to comply with the new regulatory requirements driven by the EBA Guidelines (EBA/GL/2022/14) on the management of Interest Rate Risk and Credit Spread Risk arising from non-trading book activities. As at end of 2023, the ∆NII+MTM was €-27m.

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 function 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), which is monitored at the Bank by the Risk Control 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 one hundred thousand euros and investments up to an amount of twenty thousand euros. The Law also provides for the protection of deposits in excess of one hundred thousand euros 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 €6.2m and €75k were made to the FRL and the FGDL, respectively.

Staff

Number of Staff

	31 Dec. 2023	Average in 2023	31 Dec. 2022
Management Board	3	4	4
Executives	29	27	26
Employees	316	304	290
Total	**348**	335	320

In 2023, the total remuneration of the Management Board and senior executives (Managing Director, Directors) was €8,901 thousand (2022: €7,905 thousand). The allocation to pension provisions for members of the Management Board and senior executives was €394 thousand (2022: €291 thousand). The Supervisory Board was not remunerated by the Bank.

The expense for pension obligations for former members of the Management Board amounted to €96 thousand.

As at 31 December 2023, loans, advances and other commitments to members of the Supervisory Board, Management Board and senior executives totalled €0 (2022: €0).

Luxembourg, 27 March 2024

The Management Board

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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 2023, 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 2023, 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 2023, the Bank reports loans and advances to customers of EUR 17,962 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 45,978 million as of 31 December 2023.

The identification of an impairment event and the determination of specific valuation allowances involve significant estimation uncertainty and discretion in respect of the borrowers' 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 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 17 April 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is four 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

Dorian Rigaud Alexander Kastendeuch

Luxembourg, 27 March 2024

Report of the Supervisory Board

The Supervisory Board reviewed the annual report of Deutsche Bank Luxembourg S.A. for the 2023 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 2023 financial year amounted to €290.9m.

Of the net income for the year, the Supervisory Board proposes to the General Meeting that a dividend of €267.2m be paid and an amount of €23.7m be allocated to ‘Other reserves’. In addition, the Supervisory Board proposes to the General Meeting that a dividend of €24.6m be paid from retained earnings.

Luxembourg, 27 March 2024

Rüdiger Bronn
Vice Chairman of the Supervisory Board

Registered Office

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

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