Results 2003
Annual Report

Deutsche Bank Luxembourg

Our identity

A clear mission

We compete to be the leading global provider of financial solutions for demanding clients creating exceptional value for our shareholders and people.

Our brand

We not only have a world-class platform with global resources, far-reaching industry insights and excellent know-how, but also outstanding people with a winning spirit. We aim higher, work harder and achieve more: **Deutsche Bank. A Passion to Perform.**

Our values

Customer focus. We place customers at the center of our activities and they drive all that we do.

Teamwork. We benefit from the diversity of our people and our business by working together to achieve success.

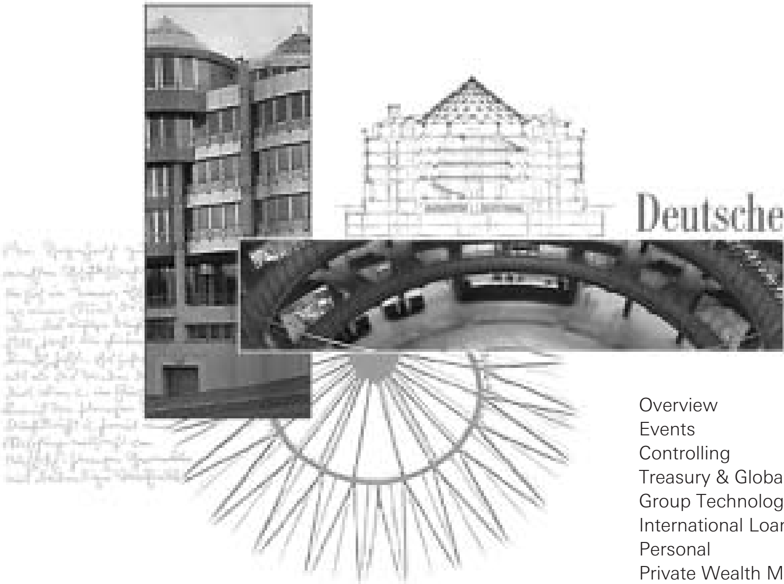
Innovation. We are constantly challenging conventional wisdom and developing new solutions to meet customer requirements.

Performance. We are committed to a result oriented culture.

Trust. We behave reliably, fairly and honestly.

Annual Report
An English-language version of the German original

Deutsche Bank Luxembourg



Deutsche Bank Luxembourg

Overview
Events
Controlling
Treasury & Global Markets
Group Technology and Operation
International Loans
Personal
Private Wealth Management

You can reach us online at **www.deutsche-bank.lu**, where the Annual Report 2003 is also available.

Deutsche Bank Luxembourg S.A.

Divisional Reports

Results

Opinion

Board of Directors

Dr. Tessen von Heydebreck Chairman. Member of the Board of Managing Directors and Member of the Group Executive Committee of Deutsche Bank AG

Ernst Wilhelm Contzen Chief Executive Officer

Detlef Bindert Group Treasurer of Deutsche Bank AG

Werner Helmut Steinmüller Chief Operating Officer of CIB – Global Banking Division of Deutsche Bank AG (since June 2003)

Bruno Meier Global COO Private Wealth Management Division and Chief Executive Officer of Deutsche Bank (Suisse) S.A. (since September 2003)

Dr. Jürgen Bilstein Partner Roland Berger Strategy Consultants (until June 2003)

Pierre de Weck Global Head of Private Wealth Management of Deutsche Bank AG (until September 2003)

Management Board

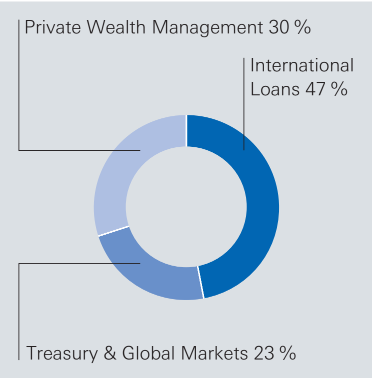
Ernst Wilhelm Contzen
Chief Executive Officer, Private Wealth Management, Divisional Functions (right)

Klaus-Michael Vogel
Treasury & Global Markets, International Loans (left)

Bronze "Clitunno", 1989/90 by Markus Lüpertz at the entrance of Deutsche Bank Luxembourg

Management's Report

Distribution of the three core businesses' operating revenues



Economic upswing ahead? The world economy is picking up momentum again. Since the middle of the financial year ended, business indicators and stock markets have again been pointing upwards. These first positive signals are, however, subject to a return of investor confidence and to the ongoing uncertainty about whether the cyclical recovery can be sustained, especially in the U.S.A.

In this situation, Deutsche Bank Luxembourg again succeeded in turning in a respectable result.

Deutsche Bank Group's consolidation strategy in conjunction with its focusing on core businesses has had a decisive impact on Deutsche Bank Luxembourg over the last few years.

Our business alignment now comprises three businesses: International Loans, Private Wealth Management and Treasury & Global Markets.

The bank building on the Kirchberg was sold as part of Deutsche Bank Group's sale of a real estate portfolio of own sites. The conclusion of a long-term lease agreement underlines Deutsche Bank's commitment to the Luxembourg financial center.

Our original shareholding in SES Global, the Luxembourg satellite operator, was divested in September 2003. This transaction was in line with Deutsche Bank Group's corporate policy. This calls for a concentration on core competencies and the unwinding of minority shareholdings.

Our attention is therefore focused even more strongly for the future on our operating efficiency.

As an innovative financial services provider we have geared our structure to the market's needs and give constant proof of our extensive know-how in International Loans, Private Wealth Management and Treasury & Global Markets.

Good results. Deutsche Bank Luxembourg achieved good results in the 2003 financial year, which was positively influenced by a number of special transactions, although our focus is clearly on the operating strength of our business divisions.

International Loans continues to deliver the largest contribution to our profits, although 2003 saw a decrease. The concentration of European loans business on Deutsche Bank Luxembourg confirms our central position in the administration of Deutsche Bank's loan portfolio.

In 2003, Private Wealth Management succeeded in increasing the division's profits as well as the volume of assets under control. Continuity in personal relationship management, combined with a range of innovative financial products, forms the basis for further growth in business with private clients in Luxembourg.

Last year, the profit contribution from Treasury & Global Markets was well above target. The division strengthened its position in Deutsche Bank Group's liquidity management operations and demonstrated its flexibility and know-how in several complex transactions.

Outsourcing of business units. The bank's employees numbered 316 at the end of the 2003 financial year, which reflects Deutsche Bank Group's concentration on core businesses. The outsourcing of business units was accompanied by the transfer of staff to new employers and was thus largely responsible for the decrease in the size of Deutsche Bank Luxembourg's workforce.

Our attention is directed towards the development of our employees' personal and functional competence. Training and advanced training measures therefore constitute a central element in our human resources work and a key investment in Deutsche Bank Luxembourg's fitness for the future.

Events. In the 2003 financial year, Deutsche Bank Luxembourg hosted a series of cultural and sporting events. The bank has been domiciled in the Grand-Duchy since 1970. Our corporate citizenship activities confirm our commitment to the country and its community.

The financial year traditionally features an art exhibition and our Christmas concert.

The vernissage for Klaus Rinke's exhibition took place in spring in our bank's building. Guests and staff alike were most impressed by the artist's spectacular installations.

Deutsche Bank Luxembourg's banking hall was the festive setting for the Christmas concert, at which the Beethoven Academie Orchestra gave a masterly performance of works by Mozart and Mendelssohn Bartholdy.

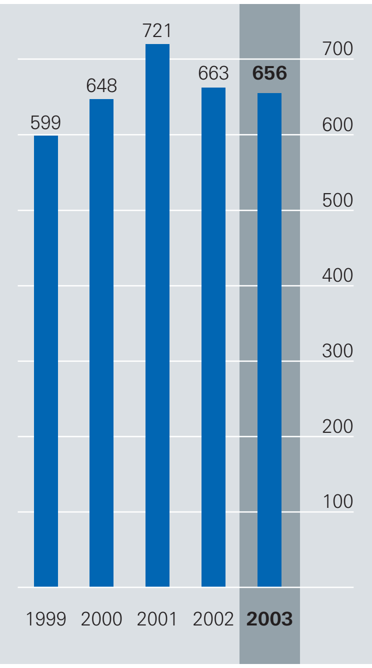
Vernissage for Professor Klaus Rinke, the artist, from April 29 to June 13, 2003 on the premises of Deutsche Bank Luxembourg. Photo by Professor Leistner who will be exhibiting his works in our bank in 2004.

Once again, the reputation of the Luxembourg Financial Markets Forum attracted renowned guest speakers from politics and business. This year's principal speaker on the evening before the Forum was Dr. Hans-Joachim Körber, Chief Executive Officer of Metro AG. It was the task of Luc Frieden, Luxembourg's Minister of Justice and Minister of the Budget, to hold the opening speech at the Financial Markets Forum. The expert audience took the opportunity for lively discussions with the speakers after their interesting speeches. Encouraged by the positive response, we look forward to the Financial Markets Forum in 2004.

Outlook. Deutsche Bank Luxembourg's mission is to provide its customers with first-class service and innovative product solutions in its three core businesses: International Loans, Private Wealth Management and Treasury & Global Markets. Our lean business structures, operational strength and effective cost management are the basis for a positive future for the bank in Luxembourg.

Luxembourg Financial Center

Development of the total assets of the Luxembourg banks
in € billion



Cyclical recovery. World business activity gained momentum again in 2003. The U.S.A. continues to be the driving force behind the world economy. There are, however, some question marks over the sustainability of the upswing. This is because, in addition to the existing geopolitical risks, the high budget and current account deficits are a burden on the cyclical recovery.

The situation in Euroland presents an even more uncertain picture. Lacklustre domestic demand and the strong revaluation of the euro are severely testing the moderate upswing.

After three years of weak growth, the stock markets have also been pointing upwards again since mid-2003.

The growth rates of the Luxembourg economy, following the substantial pace of the 90's – 8% on average between 1997 and 2000 – and the abrupt cooldown in 2001, have meanwhile settled at 1.2%, close to the EU average.

The financial industry, which came under pressure, continued with the consolidation measures that had started in 2002. This is reflected not least in the continuing decline in the number of persons employed in the sector. As at the end of the year, approximately 27,000 persons worked in the Luxembourg financial center. This was about 600 fewer than a year before. In step with the ongoing consolidation and concentration activities, the number of banks domiciled in Luxembourg also continued to fall and stood at 169 (previous year: 177) at the end of the year. The largest national grouping accounted for the biggest share of this decrease: of the 56 banks of German origin at the beginning of the year, only 49 were still present in Luxembourg at the end of 2003.

The profit before risk provisioning of the Luxembourg banks amounting to € 4.2 billion (–8.1%) requires two explanatory comments. Firstly, a very weak first half depressed the result and, secondly, the Luxembourg banks had realized high special effects in the previous year. A prominent example is the sale of Luxembourg banks' Cedel shareholdings with a total value of € 0.85 billion.

The year ended saw consolidation in the number of mutual funds, while the fund volume increased compared with the previous year. At the end of December 2003, 7,500 funds and sub-funds with a volume of € 950 billion were registered in Luxembourg.

EU interest taxation. In January of last year, the Ministers of Finance of the European Union reached a compromise on the taxation of interest. It calls for the introduction of an automatic exchange of information from 2005 onwards. Exempted from this system are Belgium, Austria and

Luxembourg, where a withholding tax is to be introduced on interest revenues of EU taxpayers not resident in the respective country. This withholding tax will rise in stages from 15% to 35% by 2011.

The EU Directive was formally enacted in June 2003.

It will only come into force, however, when third party countries give their approval and take corresponding measures.

Outlook for Luxembourg. As the Europeanization process intensifies and fiscal legislation is harmonized, the sovereign advantages of the Luxembourg financial center will recede. The financial sector is under even greater pressure to offer innovative products and services and thereby lock in a competitive advantage. Quality and product range will gain in importance for differentiation from other centers.

Against this background, constructive cooperation between government, authorities and companies is a major strength of the financial center and the starting point for a successful future.

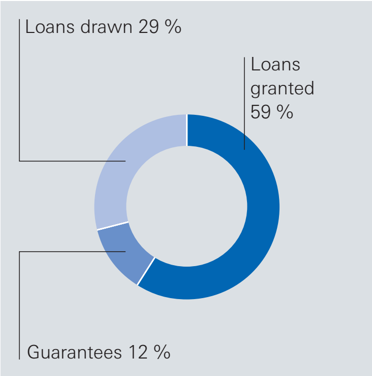
As the main support of the Luxembourg economy, the positive development of the financial sector is of great importance to the center as a whole. Economic expansion in the financial year ended was 1.2%. For 2004, a slight improvement to 2.0% is expected.

The development in Luxembourg in the 2004 financial year depends not least on the stabilty of the cyclical upswing and the sustainability of a bull market in Europe and the U.S.A.

Business Divisions

International Loans

total credit volume covered: € 21 bn.



International Loans

The selective credit policy that had taken shape in the previous year was maintained in the 2003 financial year. The difficult economic environment in many countries of our European core market and the persistent efforts to reduce risk-weighted assets only allowed new business on a limited scale.

Nevertheless, the volume of loans drawn and granted was kept almost stable in the course of the year at € 21 billion. In this regard, the repayment of individual financings for former Group companies had a clear impact. Furthermore, the strong devaluation of the U.S. dollar also had a contractive effect on credit volume. A positive influence, on the other hand, came from the transfer of the remaining credit portfolio of Deutsche Bank/DB Ireland plc and the first effects of the European Loan Concentration Project. Under this project, credit business with big European corporate clients is to be concentrated in Luxembourg, as one of four remaining loan administration hubs worldwide. The sub-projects for Belgium and the Netherlands have been successfully completed; similar measures for other European countries are well under way.

Following the introduction of LS2 as the Group-wide loan administration system, Deutsche Bank Luxembourg piloted DBLoandoc, another system used worldwide. This electronic credit file allows access worldwide throughout the Group to all relevant credit documentation and is a milestone on the road to the paperless office.

The development of the loan portfolio from a risk point of view was monitored in accordance with Group policy in close coordination with central risk units in Deutsche Bank Group. Adequate provision was made for all discernible risks. In the year under review, International Loans was again the most profitable business at Deutsche Bank Luxembourg.

Agency Services. Owing to the general reluctance to lend, there was a fall in the number of syndicated credit agencies covered. Nevertheless, it remained at a satisfactory level and reflects our high service quality which was validated by an excellent result in a poll of our external customers.

Outlook. We assume that the loan concentration process will be completed in 2004. The resulting growth will further cement the position of Deutsche Bank Luxembourg as the continental European loan administration hub in Deutsche Bank Group.

Private Wealth Management

In Private Wealth Management, with 114 members of staff, we focus on individualized coverage of private assets. In the 2003 financial year, the bank again stepped up its successful efforts to capture new business, especially from international clients. On a stable customer base, the volume of assets under control was increased by 10% to € 5.5 billion.

The product range offered to our customers was supplemented continuously during the year by further innovative solutions. In addition, we again intensified our cooperation with external partners following an open product architecture policy. One of the most successful market launches was the DB Life LuxPlus® insurance package introduced at the end of 2002, which was highly popular with our customers in the financial year ended.

The main strength of our service lies in the personal coverage we offer in asset management, advisory and in the structuring of complex portfolio investments. This personal service is supported by cross-generational partner teams who deliver the competence and know-how of financial experts to our customers and ensure continuity in client relationship management. Regarding our international clients, we attach special importance to serving them in their mother tongues.

Treasury & Global Markets

Operating profit expectations well exceeded. In the 2003 financial year ended, Treasury & Global Markets exceeded its profit target by a large margin, despite adverse market conditions.

The Treasury unit of Deutsche Bank Luxembourg is an important player in Deutsche Bank Group's liquidity management operations. Deutsche Bank Luxembourg's higher business volume is clear evidence of this and also documents our employees' great expertise.

New issues. We were able to demonstrate flexibility and know-how in several highly complex transactions, such as the issuance of a convertible bond with a volume of U.S.$ 925 million. This made it possible to strengthen further the position of Treasury & Global Markets within Deutsche Bank Group.

The trading and sales activities of the Global Markets units proved to be the basis for our good result in the past financial year. Within the scope of our asset/liability management, the interest rate risk was managed effectively and correctly assessed.

Another core activity of Global Markets is the acquisition of bank deposits which are an important source of funding for Deutsche Bank Group. Here, we succeeded in maintaining the previous year's high level.

Other business activities

The Corporate Services Division (CSD) commenced its activities in the fourth quarter of 2002. In this field of business Deutsche Bank Luxembourg manages, both within the Group and for external customers, the domiciliation of companies in the capital markets and structured investments & products fields. Mainly management and accounting services are offered in the domiciliation area. In total, CSD acquired 45 mandates for the domiciliation and management of companies by the end of 2003.

The Trust and Security Services Division offers our paying agency, listing and corporate services products.

Divisional Functions

Human Resources

For Human Resources, as for the Group as a whole, the year 2003 was one of consolidation. We achieved the target of a stable human resources strategy. As at the end of 2003, Deutsche Bank Luxembourg employed 316 staff (previous year: 350). The decrease in our workforce is due to the transfer of 18 employees to IBM (outsourcing of IT infrastructure and processing center) and of 8 employees to State Street Bank (sale of depositary bank). Over and above that, the bank reduced its workforce by a further 8 members of staff in the course of the financial year.

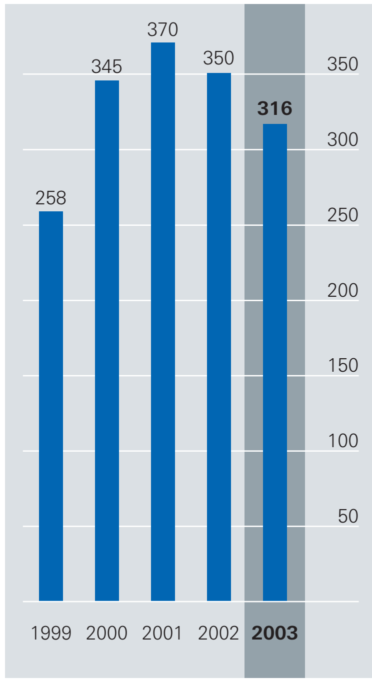
With the Group's ongoing globalization, it is also becoming necessary for Deutsche Bank Luxembourg to adjust its compensation and bonus systems to the standards applied worldwide in the bank. In August 2003, therefore, the bank changed over from its old target bonus system to the discretionary bonus system. The principle underlying the discretionary bonus is direct alignment with the employee's individual performance. The resulting motivation is intended to ensure that the high performance level is sustained and to support the implementation of the bank's short and medium-term goals. Linked with that are the bank's clear expectations with regard to each person's individual contribution.

In 2003, Deutsche Bank Luxembourg was also active in the field of social security. It converted its previous pension commitments into a uniform defined-contribution plan in the process of standardizing the existing pension plans and adjusting to the Luxembourg law concerning company pensions. The contributions are protected by being transferred to the pension fund of Deutsche Bank AG. The process will be completed by spring 2004.

In providing this defined-contribution plan for all staff, the bank is offering an innovative and transparent company retirement pension model which, together with the statutory pension and the voluntary insurance with the Versicherungsverein des Bankgewerbes a.G. (BVV), constitutes a solid foundation for financial security in retirement. Moreover, in taking this step, the bank also created an instrument for long-term employee retention.

We again invested in advanced training in the past financial year. In light of the constantly evolving areas of innovation and competence, we consider a high standard of qualification on the part of our staff to be an important precondition for our success in international competition.

Development of total staff



In the 2003 financial year, the staff count was strongly influenced by outsourcing and the sale of a business division.

For the second time, the bank is sponsoring an employee's training for the degree of Master of Science in Banking and Finance. This extra-occupational course of study is offered by the Luxembourg School of Finance in cooperation with the Chair of Finance Studies of the University of Luxembourg. Here, too, the bank is demonstrating its commitment to the ongoing development of its staff's qualifications.

IT

Since February 2003, Deutsche Bank Luxembourg's IT infrastructure and processing center have been run by IBM. In the outsourcing process, 18 members of staff moved to IBM.

Further projects were carried out to improve data quality and to support business processes. Our portfolio management system is being used successfully by our relationship managers in Private Wealth Management and is meanwhile supporting relationship managers in other countries.

The IXOS optical archiving system has proved its worth and is being used successfully by all business divisions.

At our Business Continuity Center, extensive tests were carried out again in the reporting year by various departments. The successful execution of these measures shows the efficiency and reliability of our contingency planning.

Operations

The activities of the Operations unit are focused on the processing of securities transactions and of payments resulting from Deutsche Bank Luxembourg's money market dealings. The staff in this department safeguard the smooth execution of internal processes linked with our business activities.

The management review process steered by Controlling was also introduced in Neutral Control. This instrument, which includes the management of our nostro accounts, guarantees comprehensive reporting to management.

Audit

Audit aligns its inspections to the standards valid in Deutsche Bank Group. The audits of specific units are based on a risk-oriented analysis of the internal control system and are carried out at intervals of one to three years.

In accordance with the Group's audit practice and the requirements of the bank-regulatory authorities, Audit's activities cover compliance with valid legal and regulatory stipulations. It also inspects the operability, effectiveness, economic efficiency and appropriateness of the internal control system as well as the regularity of the audited operating and business processes.

In the 2003 financial year, the audited business areas and divisional functions all achieved a positive assessment.

Legal

The Legal Department of Deutsche Bank Luxembourg is an integral part of Deutsche Bank Group's Legal Services. Owing to Deutsche Bank Luxembourg's business alignment, its work in 2003 was again characterized primarily by support for International Loans and Agency Services. It specializes in coverage for complex financings and all related legal aspects.

This includes the coordination and monitoring of the involvement of external lawyers in numerous jurisdictions.

Besides covering new business, legal support with loan restructuring measures was also a priority.

The bank's increasing importance as lending office and center of competence in continental European lending business and the large number of cross-border transactions determine the department's international orientation.

Compliance

The neutral Compliance function, with the help of its monitoring systems, oversees compliance with the rules of conduct stipulated by capital markets law and Deutsche Bank Luxembourg's standards of behaviour.

Compliance is integrated into the approval process for new customers and products. The measures taken to prevent money-laundering have special importance.

financial transparency.

Members of staff from Controlling and Operations during the monthly Management Review Process

Controlling and Taxes

The Controlling Division comprises financial and management accounting, cost controlling, risk controlling and divisional controlling for Private Wealth Management and Corporate and Investment Banking. Its functional competence covers all operating companies of Deutsche Bank Group at the Luxembourg location. In total, 29 employees, after inclusion of 6 DWS staff, work in Regional Controlling Luxembourg.

The tasks in financial accounting cover all regulatory aspects. Prime importance attaches to producing the financial statements and reports, coordinating annual and audit reports, the tax return and the bank's entire communication with regulators, tax authorities and audit companies.

The annual financial statements and divisional management information for the Group are prepared according to U.S. GAAP standards. For this purpose, Risk Controlling produces the necessary valuations. At the same time, Risk Controlling executes all regulatory controls of market and liquidity risks and reports credit and operational risks to the Group.

The exacting demands of the American Securities and Exchange Commission entail a considerable workload. In this connection, we began in 2003 to implement requirements of the Sarbanes-Oxley Act 2002.

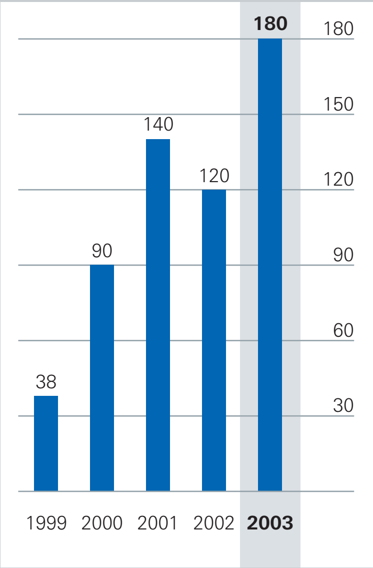
Business Development

Profit and Loss Account

In the 2003 financial year, Deutsche Bank Luxembourg achieved a profit of € 206 million (2002: € 224 million).

As in 2002, special effects influenced the result for the 2003 financial year.

Dividend payments



The key figures:

Net results in T €	2003	2002
Net interest income	159,993	143,084
Net commission income	73,580	104,719
Net profit on financial operations	5,154	3,093
Administrative expenses	–52,844	–49,516
Operating profit	**185,883**	**201,380**
Other income/expenses including dividends	143,134	122,601
Net addition to provisions for risk	–91,734	–67,064
Taxes	–31,283	–32,917
Profit for the financial year	**206,000**	**224,000**

The Treasury & Global Markets Division contributed substantially to the improvement in results due to the higher average business volume together with the increased reserves. This led to growth of 11.8% in net interest income.

International Loans did not match the overproportionate net commission result of the last few years, which had been influenced by special transactions. Due to this and the decrease in revenues caused by the outsourcing of the depositary bank business, net commission income decreased by € 31 million. In the Private Wealth Management Division, a gratifying improvement in profits was achieved after the difficult year 2002, although it was only possible to make up for part of the decrease in net commission income.

Administrative expenses rose in total by 6.7% to € 52.8 million. The increase was mainly due to the roughly € 5 million higher transfer to the local pension provision. Adjusted for this, there was a reduction by 3.4%, which was largely attributable to the lower staff count.

There is adequate provision for all discernible risks in loan and securities business and for operational risks. Strict standards were applied for the measurement of credit risks.

The distribution of a dividend of € 180 million and the addition of the remaining profit of € 26 million to reserves will be proposed to the Ordinary General Meeting.

Balance Sheet

Total assets rose compared with the previous year by € 1.6 billion (= 3.2%) to € 53.0 billion. Currency effects had a contractive impact of roughly € 2 billion on total assets.

The growth in total assets is largely the result of consistently strong activities in the Treasury & Global Markets Division.

As before, Deutsche Bank Luxembourg plays an important role in Deutsche Bank Group's liquidity management; this led to further growth in business volume in 2003. For example, loans and advances to credit institutions increased by € 2.8 billion to € 45.4 billion.

Loans and advances to customers were maintained at the previous year's level of € 6.5 billion.

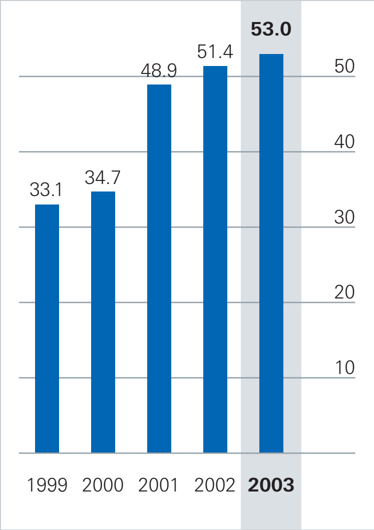
In 2003, international lending business consolidated again at a high level. The total credit volume covered by the International Loans Division (loans drawn and granted, contingent liabilities) is approximately € 21 billion (end of 2002: € 22 billion).

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

Participating interests and shares in affiliated undertakings

Deutsche Investments (Schweiz) AG, Zürich	100%
DB Finance International GmbH, Eschborn	100%
DWS Investment S.A., Luxembourg	50%
SES Global S.A., Luxembourg	2%

Development of total assets
in € billion



The business activity of Deutsche Bank/DB Ireland plc, Dublin, was terminated in the 1st quarter of 2003 according to schedule. The company's capital and retained earnings were unwound at the same time. There is still a residual position amounting to € 0.7 million.

In September 2003, we sold our original participating interest in SES Global S.A.

The capital of Deutsche Bank Luxembourg is € 2,206 million. The growth of € 65 million compared with 2002 resulted from fluctuation in the valuation of the $-denominated equity investment of silent partners, the retention of part of net profit for the year and the addition of realized gains on assets to the special items.

The EU solvency ratio was 11.0% (2002: 11.1%) on the reporting date.

Credit risk is the principal component of Deutsche Bank Luxembourg's risk position. Market risks play a subordinate role. This situation is taken into account by our regulatory status of non-trading institution. Our comprehensive risk controlling is described in detail in Section D of the Notes.

Outlook for 2004

We are confident that we shall report a solid result again for the current financial year. The development of business in the first few months confirms our assessment.

In January 2004, an indirect participating interest of 40% in United Financial Group UFG, Moscow, the second largest Russian investment bank, was acquired through Deutsche Investments (Schweiz) AG.

Since the end of the 2003 financial year, there have been no events of special importance to be reported.

Balance Sheet

as at December 31, 2003
Deutsche Bank Luxembourg S.A.

Assets

in T €	[Notes]	31.12.2003	31.12.2002
Cash in hand, balances with central banks an post office banks	[B2]	8,533	8,465
Loans and advances to credit institutions	[B1, 2]	45,445,566	42,606,173
repayable on demand		12,441,680	12,890,957
other loans and advances		33,003,886	29,715,216
Loans and advances to customers	[B1, 2]	6,449,435	6,515,464
Debt securities and other fixed-income securities	[B1, 2, 3]	536,428	1,304,399
of public issuers		9,059	3,461
of other issuers		527,369	1,300,938
Shares and other variable-yield securities	[B2, 3]	2,250	1,171
Participating interests	[B4, 5]	75,052	11,180
Shares in affiliated undertakings	[B4, 5]	6,439	388,044
Tangible assets	[B5]	3,063	23,553
Other assets		58,616	58,630
Prepayments and accrued income		410,089	436,965
Total Assets		**52,995,471**	**51,354,044**

Liabilities

in T €	[Notes]	31.12.2003	31.12.2002
Amounts owed to credit institutions	[B1, 2]	38,325,358	39,177,843
repayable on demand		14,270,416	12,417,516
with agreed maturity dates or periods of notice		24,054,942	26,760,327
Amounts owed to customers	[B1, 2]	10,476,144	8,701,254
other debts		10,476,144	8,701,254
– repayable on demand		2,146,626	1,536,467
– with agreed maturity dates		8,329,518	7,164,787
Debts evidenced by certificates	[B1, 9]	1,234,015	542,451
debt securities in issue		740,260	8,000
other debts		493,755	534,451
Other liabilities	[B8]	186,571	124,514
Accruals and deferred income		398,469	429,610
Provisions for liabilities and charges		142,316	133,125
provisions for pensions and similar obligations		19,919	13,005
provisions for taxation		27,042	16,399
other provisions		95,355	103,721
Subordinated liabilities	[B1, 11]	349,579	349,579
Special items with a reserve quota portion	[B12]	126,847	51,100
Silent participation	[B1, 10]	572,114	686,510
Subscribed capital	[B13]	215,000	215,000
Share premium account		55,600	55,600
Reserves	[B14]	887,458	783,458
Profit for the financial year		206,000	224,000
Interim dividend		–180,000	–120,000
Total Liabilities		**52,995,471**	**51,354,044**
Off balance sheet items			
Contingent liabilities	[B2, 17]	2,569,424	3,258,825
of which:			
guarantees and assets pledged as collateral security		2,569,424	3,258,825
Commitments	[B2, 18]	12,529,253	11,599,737
Fiduciary operations	[B2]	2,711,477	3,056,501

Profit and Loss Account

for the period from January 1 to December 31, 2003
Deutsche Bank Luxembourg S.A.

Profit and Loss Account

in T €	[Notes]	01.01.–31.12. 2003	01.01.–31.12. 2002
Interest receivable and similar income		1,362,160	1,572,598
of which:			
that arising from fixed-income securities		21,224	57,123
Interest payable and similar charges		1,202,167	1,429,514
Current income		59,814	15,755
from participating interests		6,052	10,642
from shares in affiliated undertakings		53,762	5,113
Commissions receivable		93,120	120,987
Commissions payable		19,540	16,268
Net profit on financial operations		5,154	3,093
Other operating income	[C2]	162,718	135,824
General administrative expenses		51,012	45,980
Staff expenses		35,116	31,523
of which:			
– wages and salaries		23,480	25,208
– social security expenses		10,614	5,527
of which: pensions		8,229	3,211
other administrative expenses		15,896	14,457
Depreciation of and value adjustments to intangible and tangible assets		1,832	3,536
Other operating charges	[C3]	3,651	13,027
Depreciation of and value adjustments in respect of loans and advances and securities which are neither included in the investment portfolio nor included in the trading portfolio together with provisions for contingent liabilities and for commitments		91,734	67,064
Charges in respect of special items with a reserve quota portion		75,747	17,231
Income from the writing back of special items with a reserve quota portion		0	1,280
Taxes on profit on ordinary activities		28,843	30,437
Profit on ordinary activities after taxes		**208,440**	**226,480**
Other taxes not shown under the preceding items		2,440	2,480
Profit for the financial year		**206,000**	**224,000**

Notes to the Accounts

Deutsche Bank Luxembourg S.A.

A. Principles and methods

Corporate matters

The bank was founded on August 12, 1970, in Luxembourg in the legal form of a Société Anonyme. The bank is a 100 % Group subsidiary of Deutsche Bank AG, Frankfurt am Main.

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

Business object of the bank

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

Annual accounts

The basis for preparation of the annual accounts is the law of June 17, 1992 on the accounts of banks.

In accordance with Article 80 of the law on the accounts of banks, the bank is released from the obligation to draw up consolidated accounts and a consolidated management report. The annual accounts of the bank are consolidated in the accounts of Deutsche Bank AG, Frankfurt am Main.

The financial year is co-terminous with the calendar year.

The reporting currency is the euro.

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 midmarket rate at balance sheet date. The euro-participating currencies are converted at the irrevocable fixed rates. Historical exchange rates are used for hedged deals. Open forward exchange contracts are converted at the forward rate for the remaining term at balance sheet date. For pending losses, a provision is formed which is reported in the Balance Sheet under “other provisions”.

– Derivative financial instruments

Derivative financial instruments such as currency interest rate swaps, interest rate swaps and FRAs are used for the purposes of managing the interest rate and currency risk within the framework of asset/liability management. The bank’s obligations arising from such transactions are accounted for on the transaction date. The counterparties in such transactions are companies which are members of Deutsche Bank Group.

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

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

– Value adjustments in respect of debts

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

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

– Lump-sum provision for inherent risks

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

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

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

– Value adjustments in accordance with Article 62 of the law on the accounts of banks

The bank, at the discretion of the Board of Directors, has established value adjustments, which are not tax-deductible, to take account of the specific risks associated with banking in accordance with Article 62 of the law on the accounts of banks.

These value adjustments are deducted from "Debt securities and other fixed-income securities".

– Securities

Securities are booked at cost using the weighted average method.

– Debt securities and other fixed-income securities

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

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

Securities linked to interest rate swaps in order to provide cover against market movements are regarded as forming an economic unity with the underlying interest rate swap and are valued in the same way as financial fixed assets. Value adjustments are established where necessary to take account of any impairment in the creditworthiness of the issuer.

– Securities issued on a discounted basis

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

– Equity shares and other variable-yield securities

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

– Participating interests/shares in affiliated undertakings

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

– Principle of maintaining previous value adjustments (Beibehaltungsprinzip)

Value adjustments made in earlier years in respect of specific assets are maintained in accordance with Articles 56 (2) (f), 58 (2) (e) and Article 62 (2) of the law on the accounts of banks even in cases where the market value of the assets has increased.

– Intangible assets

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

– Tangible assets

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

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

– Special items with a reserve quota portion

Special items with a reserve quota portion are realized gains which initially enjoy fiscal exemption. This exemption covers gains in value realized in accordance with Articles 53 and 54 of the Luxembourg income tax law.

– Income taxes

Income taxes are recorded using the accruals method based on the profit and loss account for the current financial year taking into account tax-exempt revenues.

B. Notes to the Balance Sheet

[1] Classification by remaining maturity

The table shows selected balance sheet positions classified by remaining maturities as at December 31, 2003.

in € m.	up to 3 months	3 months up to 1 year	1 year up to 5 years	over 5 years	Total
Loans and advances					
Loans and advances at term to credit institutions	21,718	3,259	4,606	3,421	33,004
Loans and advances to customers	1,733	1,206	3,139	371	6,449
Debt securities and other fixed-income securities	2	10	165	359	536
Total	**23,453**	**4,475**	**7,910**	**4,151**	**39,989**
For comparison 31.12.2002:					
Total	**19,122**	**6,451**	**7,693**	**4,268**	**37,534**
Amounts owed					
Amounts owed at term to credit institutions	22,652	917	464	22	24,055
Amounts owed at term to customers	4,413	328	2,568	1,020	8,329
Debts evidenced by certificates	0	0	139	1,095	1,234
Subordinated liabilities	0	0	50	300	350
Silent participation	0	0	572	0	572
Total	**27,065**	**1,245**	**3,793**	**2,437**	**34,540**
For comparison 31.12.2002:					
Total	**28,183**	**2,147**	**3,778**	**1,396**	**35,504**

Of the loans and advances at term to credit institutions, € 212 million are subordinated. For liabilities where the repayable amount exceeds the amount received, there is a difference of € 5 million as at balance sheet date.

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

[2] Geographical distribution

The table shows the geographical distribution of selected positions as at December 31, 2003.

in € m.	European Union	Rest of Europe	North America	South America	Asia	Other	Total
Loans and advances							
Cash in hand, balances with central banks and with post office banks	9	0	0	0	0	0	9
therein balances with central bank	0	0	0	0	0	0	0
Loans and advances to credit institutions	44,026	192	1,183	22	3	20	45,446
Loans and advances to customers	5,122	331	286	437	231	42	6,449
Debt securities and other fixed-income securities	529	0	0	7	0	0	536
Shares and other variable-yield securities	2	0	0	0	0	0	2
Total	**49,688**	**523**	**1,469**	**466**	**234**	**62**	**52,442**
For comparison 31.12.2002:							
Total	**47,365**	**856**	**1,681**	**62**	**160**	**310**	**50,434**
Amounts owed							
Amounts owed to credit institutions	25,342	12,256	61	90	564	12	38,325
Amounts owed to customers	5,189	346	4,603	118	209	11	10,476
Total	**30,531**	**12,602**	**4,664**	**208**	**773**	**23**	**48,801**
For comparison 31.12.2002:							
Total	**29,118**	**14,000**	**3,285**	**69**	**1,301**	**106**	**47,879**
Off balance sheet items							
Contingent liabilities	2,379	121	49	17	3	0	2,569
Commitments	10,545	723	1,082	143	36	0	12,529
Fiduciary operations	2,405	103	0	91	1	111	2,711
Total	**15,329**	**947**	**1,131**	**251**	**40**	**111**	**17,809**
For comparison 31.12.2002:							
Total	**15,814**	**753**	**978**	**66**	**1**	**304**	**17,916**
Financial instruments							
Interest rate instruments	9,010	0	456	0	12	0	9,478
Foreign exchange/gold instruments	5,773	129	0	7	17	0	5,926
Equity instruments	0	0	0	0	0	0	0
Credit derivatives	0	0	0	0	0	0	0
Total	**14,783**	**129**	**456**	**7**	**29**	**0**	**15,404**
For comparison 31.12.2002:							
Total	**19,723**	**121**	**575**	**0**	**80**	**0**	**20,499**

[3] Securities

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

in € m.	Unlisted securities	Listed securities	Total
Debt securities and other fixed-income securities	491	45	536
Shares and other variable-yield securities	1	1	2

In accordance with the principle of maintaining previous value adjustments (Beibehaltungsprinzip), provisions amounting to € 0.1 million have been maintained.

The total amount of securities pledged is € 21 million.

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

Name of the company in € m.	Registered domicile	Holding	Share-holders' equity	Net profit for 2003
Deutsche Bank/DB Ireland plc.	Dublin	100 %	0.7	0.7
DB Finance International GmbH	Eschborn	100 %	1.0	–0.2
Deutsche Funding Luxembourg S.A.	Luxembourg	100 %	0.0	0
Deutsche Bank Investments (Schweiz) AG	Zürich	100 %	0.1	0
DWS Investment S.A.	Luxembourg	50 %	181.0	65.4
Lux Leasing S.A.	Luxembourg	50 %	0.4	0
DB Vita S.A.	Luxembourg	25 %	5.7	0

There are no listed participating interests or shares in affiliated undertakings.

At balance sheet date shares in affiliated credit institutions amount to € 0.7 million.

[5] Movements in fixed assets

in T €	Gross value at the beginning of financial year	Additions	Disposals	Gross value at end of financial year	Cumulative depreciation and value adjustments at end of financial year	Net value at end of financial year
Participating interests	11,180	74,903	11,031	75,052	0	75,052
Shares in affiliated undertakings	388,044	66	381,671	6,439	0	6,439
Intangible assets	6,713	0	10	6,703	6,703	0
Tangible assets	66,004	340	50,653	15,691	12,628	3,063
of which: land and buildings	45,157	0	45,157	0	0	0
office furniture and equipment	20,847	340	5,496	15,691	12,628	3,063
Total	**471,941**	**75,309**	**443,365**	**103,885**	**19,331**	**84,554**

Deutsche Bank Luxembourg's building was sold in the 2003 financial year. At the same time, a 10-year lease back agreement was concluded. This results in other financial obligations of € 46 million, which are not reported either in the balance sheet or in the off balance sheet items.

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

in € m.	Affiliated undertakings 31.12.2003	Participating interests 31.12.2003
Loans and advances to credit institutions	43,614	0
Loans and advances to customers	1,836	0
Debt securities and other fixed-income securities	494	0

[7] Assets denominated in foreign currencies

The total assets denominated in foreign currencies as at balance sheet date amount to the equivalent of € 17,660 million.

[8] Other liabilities

€ 180 million relate to an interim dividend resolved by the Board of Directors in 2003 for the 2003 financial year.

[9] Debts evidenced by certificates

The debts evidenced by certificates include the following individual positions:
- $ Fixed-Rate-Bond, reported value: € 740 million; due: May 1, 2012
- warrants, reported value: € 494 million, due: November 7, 2007/September 7, 2017

The debts are secured by loans to Deutsche Bank AG, London, and/or money market instruments issued by Deutsche Bank AG, London.

[10] Silent participation

The silent participation (equity investment of silent partners) consists of two tranches with a total volume of $ 715 million:
- $ 340 million with a non-cumulative annual profit share of 6.825 % of par value ranking prior to the profit share attributable to shareholders. Redemption will be on December 28, 2007, subject to the stipulations on loss participation.
- $ 375 million with a variable profit share based on 12-month Libor plus 0.80 % related to par value. The non-cumulative profit share ranks prior to the profit share attributable to shareholders; redemption will be on December 28, 2007, subject to the stipulations on loss participation.

The silent participation qualifies as Tier I capital until its final maturity.

The interest expense for this silent participation amounted to € 29 million.

[11] Subordinated liabilities

There is
- a subordinated LUF Fixed-Rate-Bond, LUF 2 billion, 5 %, due 2008,
- a subordinated € Fixed-Rate-Bond, € 200 million, 4.5 %, due 2009,
- a subordinated € FRN loan, € 100 million, due 2009.

The subordinated funds are to be regarded as Tier II supplementary capital for regulatory purposes. In the 2003 financial year, the interest expense for the subordinated liabilities was € 15 million.

The debt instruments (Notes 10 and 11) create unsecured, subordinated liabilities. The level of subordination cannot be amended and repayment cannot be made before final maturity.

[12] Special items with a reserve quota portion

Special items with a reserve quota portion include tax-exempt capital gains rolled over and fiscally-neutralized translation gains from the reinvestment of equity capital in DM for the years 1980 to 1998 in accordance with Article 54 of the Luxembourg income tax law. Reinvestment is not yet allowed for in the amount of € 93 million.

[13] Subscribed capital

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

[14] Movements in reserves and profit brought forward

in € m.	Legal reserve	Other reserves	Profit brought forward
As at January 1, 2003	22	762	0
Addition to reserves from shareholders	0	0	0
Net profit for 2002	0	0	224
Appropriation:			
– Reserves	0	104	104
– Dividend	0	0	120
As at December 31, 2003	**22**	**866**	**0**

The Luxembourg law of August 10, 1915 on commercial companies prescribes a legal reserve of 10% of subscribed capital; this requirement has been fulfilled by the bank. The legal reserve may not be distributed.

The item "Other reserves" includes an appropriation of € 37 million for the imputation of wealth tax.

[15] Amounts owed to affiliated undertakings and participating interests

in € m.	Affiliated undertakings 31.12.2003	Participating interests 31.12.2003
Amounts owed to credit institutions	29,769	0
Amounts owed to customers	4,236	0

[16] Liabilities in foreign currencies

The total amount of liabilities denominated in foreign currencies as at balance sheet date is the equivalent of € 18,095 million.

[17] Contingent liabilities

Contingent liabilities consist of:

in € m.	31.12.2003	of which: to affiliated undertakings
Guarantees and other direct substitutes for credit	2,569	710
Acceptances	0	0
Total	**2,569**	**710**

[18] Confirmed credits

Commitments consist of:

in € m.	31.12.2003	of which: to affiliated undertakings
Confirmed credits, not utilized	11,949	207
Facilities for the issuance of debt instruments	580	0
Total	**12,529**	**207**

C. Notes to the Profit and Loss Account

[1] Administration and agency services

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

[2] Other operating income

This position is made up as follows:

in T €	31.12.2003
Income from the sale of shares in participating interests	79,769
Income from the sale of assets	77,212
Income from commercial representation services	2,628
Income from the release of provisions	1,876
Sundry income	1,233
Total	**162,718**

[3] Other operating expense

This position is made up as follows:

in T €	31.12.2003
Addition to provisions for AGDL	2,400
Sundry expense	1,251
Total	**3,651**

Risk management

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

– The Group Board bears overall responsibility for the risks in the Group. The Supervisory Board reviews the risk profile at regular intervals.

– The Group Risk Committee bears responsibility for the management and control of risks.

– The management of credit, market, liquidity, operational and business risks is effected in a coordinated process at all levels of the bank.

– The structure of the global risk management function is closely aligned with the structure of the Group Divisions.

– Risk management is functionally independent of the Group Divisions.

The risk management activities are supported by the controlling, audit and legal departments. They operate independently of the Group Divisions and risk management. Controlling's role is to quantify the risk that we have assumed and to ensure the quality and integrity of the risk-related data. Audit reviews the compliance of our internal control procedures with internal and regulatory standards. Legal provides legal advice and support on a wide variety of topics.

Specific banking risks

The risk management processes distinguish between four kinds of specific banking risks: credit risk, market risk, liquidity risk and operational risk.

– Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty or borrower. The credit risk is for us the biggest single risk. We distinguish between three types of credit risk:
  – default risk is the risk that our counterparties fail to meet contractual payment obligations;
  – country risk is the risk that a loss may arise for the following reasons in any country: political and social upheaval, nationalizations and expropriation of assets, government repudiation of indebtedness;
  – settlement risk is the risk that the settlement or clearing of transactions may fail. A settlement risk always arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

– Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates) as well as from the correlations among them and their levels of volatility.

– Liquidity risk is the risk to our earnings and capital arising from the bank's potential inability to meet its obligations when they are due without incurring unacceptable losses.

– Operational risk is the potential for incurring losses in relation to staff, project management, contractual specifications and documentation, technology, infrastructural failure and disasters, external influences and customer relationships. This definition includes, among others, legal and regulatory risk and is based on regulatory discussions concerning operational risk.

– General business risk describes the risk we assume due to potential changes in general business conditions, such as our market environment, client behaviour and technological progress. This can affect our earnings, if we fail to quickly adjust to these changing conditions.

Credit risk makes up the largest part of the bank's risk exposure. The main principles of our credit risk management are:

– Every extension of credit to any counterparty requires approval at the appropriate, pre-established seniority level.

– All Group Divisions must apply consistent standards in arriving at their credit decisions.

– The approval of credit limits for our counterparties and the management of our individual credit exposures must fit within portfolio guidelines and credit strategies. Moreover, each decision is based on a risk-return analysis.

– Material changes to a credit facility (such as to its tenor, collateral structure or to important covenants) also require approval at the appropriate, pre-established level.

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

The risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific kind of credit facility or exposure.

The external risk ratings assigned by recognized risk rating agencies to our counterparties are reviewed whenever possible. However, the Group also has inhouse assessment methodologies and rating scales for evaluating its client groupings.

Lending

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

Deutsche Bank Luxembourg regularly reviews the creditworthiness of its borrowers on the basis of submitted financial statements and annual reports as well as other current information obtained through the respective relationship managers of Deutsche Bank Group. Furthermore, compliance with covenants and ratios agreed in the loan contracts is also continuously monitored.

Management informs the Board of Directors at its regular meetings on current developments regarding specific risks and the credit portfolio risk, also with reference to specific industry and/or country risks.

The existing credit portfolio is broadly diversified from both an industry and a regional perspective; special concentrations of risk are not discernible. Approximately 80 % of the non-bank credit portfolio relates to investment grade borrowers. Due to the general market trend, maturities for new credit facilities have shortened considerably on average; more than one third of the portfolio has a remaining maturity of less than one year.

Distribution of credit risk

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

Structure of credit profile by rating category as at December 31, 2003

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	Total
AAA/AA	43,584	858	536	1,206	2,457	48,641
A	1,758	336	0	250	3,946	6,290
BBB	75	4,278	0	1,002	4,912	10,267
BB	3	616	0	80	528	1,227
B	26	258	0	13	483	780
CCC or below	0	103	2	18	203	326
Total	**45,446**	**6,449**	**538**	**2,569**	**12,529**	**67,531**

Structure of credit profile by industry as at December 31, 2003

in € m.	Loans and advances to credit institutions	Loans and advances to customers	Securities	Contingent liabilities	Confirmed credits	Total
Banks and insurance	45,446	2,120	523	1,357	2,333	51,779
Manufacturing	0	1,400	0	49	4,767	6,216
Households	0	46	0	3	0	49
Public sector	0	56	9	3	326	394
Wholesale and retail trade	0	490	0	77	881	1,448
Commercial real estate activities	0	350	0	1	51	402
Other	0	1,987	6	1,079	4,171	7,243
Total	**45,446**	**6,449**	**538**	**2,569**	**12,529**	**67,531**

Risk provisioning

Adequate provision has been made for individual risks. There are only minor country risks as at balance sheet date. In addition to that, Deutsche Bank Luxembourg also uses the possibility of setting up lump-sum provisions in accordance with Luxembourg regulations.

Market risk

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

The market risks – in the form of interest rate, currency and liquidity risks – resulting from asset/liability management are managed by Treasury & Global Markets Division. Other types of market risk (e.g. share price and commodity price risks) do not exist at our bank. Within the framework of terms of reference for trading activities and their settlement, business policy has been determined on a binding basis by the Management Board in accordance with Deutsche Bank Group's guidelines.

Deutsche Bank Luxembourg is integrated into Deutsche Bank Group's global limit system. Risks are calculated and monitored on a daily basis by neutral risk controlling. A risk and performance status report is produced daily and forwarded to management, the business division and the global risk controlling unit with functional responsibility.

Financial instruments

The derivative financial instruments are exclusively contracts forming part of our non-trading portfolio and concluded largely with counterparties inside the Group. The following figures represent the notional volumes and market value of the derivative instruments according to remaining maturity. At the end of the year, there were neither traded deals nor netting agreements in derivative financial instruments.

Analysis of derivative financial instruments as of December 31, 2003

in € m.	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Classes of financial instrument							
Interest rate instruments	**5,237**	**1,848**	**2,393**	**9,478**	**86**	**136**	**– 50**
Interest rate swaps	5,237	1,848	2,157	9,242	75	125	– 50
Forward rate agreements	0	0	0	0	0	0	0
Options	0	0	236	236	11	11	0
Foreign exchange / gold instruments	**5,494**	**400**	**0**	**5,894**	**136**	**155**	**– 19**
Forward exchange contracts with customers	2,092	85	0	2,177	36	63	– 27
Forward exchange contracts with banks	3,221	76	0	3,297	94	64	30
Cross-currency swaps	171	239	0	410	6	28	– 22
Options	10	0	0	10	0	0	0
Equity instruments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**10,731**	**2,248**	**2,393**	**15,372**	**222**	**291**	**– 69**

Analysis of derivative financial instruments as of December 31, 2002

in € m.	up to 1 year	1 year to 5 years	more than 5 years	Total	Positive market value	Negative market value	Net market value
Classes of financial instrument							
Interest rate instruments	**6,496**	**865**	**3,277**	**10,638**	**212**	**335**	**– 123**
Interest rate swaps	5,988	865	3,277	10,130	211	334	– 123
Forward rate agreements	335	0	0	335	0	0	0
Options	173	0	0	173	1	1	0
Foreign exchange / gold instruments	**8,666**	**552**	**602**	**9,820**	**305**	**335**	**– 30**
Forward exchange contracts with customers	2,465	146	0	2,611	28	119	– 91
Forward exchange contracts with banks	5,154	162	0	5,316	209	153	56
Cross-currency swaps	1,016	244	602	1,862	68	63	5
Options	31	0	0	31	0	0	0
Equity instruments	**8**	**0**	**0**	**8**	**3**	**3**	**0**
Futures contracts	0	0	0	0	0	0	0
Swaps	0	0	0	0	0	0	0
Options	8	0	0	8	3	3	0
Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**15,170**	**1,417**	**3,879**	**20,466**	**520**	**673**	**– 153**

Value-at-risk

To measure and manage market risks we use a value-at-risk model developed by Group Risk Management. The value-at-risk approach is used to derive a quantitative measure specifically for market risks 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.

The value-at-risk for market risks quantifies with a confidence level of 99% the maximum loss which can arise as a result of market price changes during a holding period of one trading day.

As at year’s end, the value-at-risk from interest rate risks was € 0.2 million. The average value for 2003 was also € 0.2 million. The limit allocated by global risk management is € 0.5 million.

In foreign exchange business, only relatively small positions arise from broken amounts in forward agreements and from balances out of the bank’s interest and commission result in foreign currencies. These positions are closed without delay.

Liquidity risk

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

At the same time, all data relevant to the Group are supplied to global risk controlling.

As at reporting date, the Luxembourg liquidity figure was 75%. This is well above the regulatory limit of 30%.

Operational risk

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

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

Losses due to operational risk are identified by a Group-wide reporting system (db-irs) monitored at Deutsche Bank Luxembourg by risk controlling. Besides losses actually incurred due to defective processing, the system also covers pending transactions and potential risks. Reports from the database give an insight into the success of risk management and into the quality of the selected risk indicators. Further applications for the recording and monitoring of operational risks are being introduced successively.

Regulatory risk position

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

Composition of risk-weighted assets

in € m.	31.12.2003	31.12.2002
Loans and advances to credit institutions	9,209	8,630
Loans and advances to customers	5,207	4,945
Other assets	302	795
Contingent liabilities	1,484	2,152
Confirmed credits	3,216	2,874
Interest rate instruments	54	33
Currency instruments	54	124
Total	**19,526**	**19,553**

Regulatory capital and reserves amount to € 2,156 million (end of 2002: € 2,179 million), the risk coefficient is 138 % (end of 2002: 139 %). The minimum requirement of 100 % was fulfilled at all times during the financial year.

E. Other information

Deposit guarantee scheme

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

The guarantee covers in particular all deposits by individuals, irrespective of nationality or country of residence. Each customer of a member of AGDL is covered up to a maximum of € 20,000 per deposit and € 20,000 per amount receivable under a securities transaction other than from a cash deposit.

The bank sets up a provision in recognition of the specific risk under the guarantee as a result of a member's default. The provision is shown under "other provisions".

Staff

Number of staff

	31.12.2003	Average in 2003
Management Board	2	2
Executives	15	15
Staff	299	303
Total	**316**	**320**

On December 31, 2003, the bank employed 170 female staff and 146 male staff.

In 2003, the total remuneration of the Management Board and executives amounted to T € 4,534. The addition to pension provisions was T € 3,614.

The expense for pension obligations for former members of the Management Board was T € 65.

As of December 31, 2003, there were loans, advances and other commitments in the sum of T € 398 to members of the Management Board and to executives.

Declaration of support

For Deutsche Bank/DB Ireland plc., whose business activities were terminated in the financial year ended, Deutsche Bank Luxembourg ensures – except in the case of political risk – that it is able to meet its contractual liabilities. The banking licence expired upon termination of the company's business activities.

Annual Report for 2003 of Deutsche Bank Group

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

Deutsche Bank AG
Leser-Service-PKS
60262 FRANKFURT
DEUTSCHLAND

and on the Internet at
http://public.deutsche-bank.de

Luxembourg, February 11, 2004

Deutsche Bank Luxembourg S.A.
The Board of Directors

Auditor's Report

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

Following our appointment by the Board of Directors dated November 17, 2003, we have audited the annual accounts of Deutsche Bank Luxembourg S.A. for the year ended December 31, 2003, and have read the related management report. These annual accounts and the management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit and to check the consistency of the management report with them.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached annual accounts give, in conformity with Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Deutsche Bank Luxembourg S.A. as of December 31, 2003 and of the results of its operations for the year then ended.

The management report is in accordance with the annual accounts.

Luxembourg, February 11, 2004

KPMG Audit
Réviseurs d'Entreprises

T. Feld

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