

## DB GROUP SERVICES (UK) LIMITED

### STRATEGIC REPORT

For the year ended 31 December 2019

The Directors of DB Group Services (UK) Limited (the "Company") present their annual report and audited financial statements for the year ended 31 December 2019. These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. In so doing, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("IFRSs"), but has made amendments, where necessary, in order to comply with the requirements of Companies Act 2006.

#### Objectives

The Company is one of the subsidiaries of Deutsche Bank Aktiengesellschaft ("Deutsche Bank AG"). Deutsche Bank AG and its other subsidiaries are collectively referred to as "the Group" in these financial statements.

The principal business is that of an employing company for the Group in the United Kingdom and its activities are driven by the staffing requirements of the operating subsidiaries of the Group to whom all costs and liabilities are recharged. In addition the Company acts as the Group-wide administrator of equity based compensation schemes.

#### Principal risks and uncertainties

The Company is a wholly owned subsidiary of Deutsche Bank AG and therefore the risks it is subject to are managed within the risk and control functions of the Group. The Directors acknowledge their responsibility for the overall management of the risks faced by the Company.

The Group maintains a Pension Risk committee to oversee its pension and related risk on a global basis, thus covering the Company's pension schemes.

Market risk refers to the volatility of returns from movements in market prices (for example interest rates, share prices and exchange rates) before the related positions can be closed or hedged. At present, market risk arising from the Company's obligation to deliver Deutsche Bank shares through various share based payment awards is partly mitigated by purchasing call options for a significant proportion of the equity exposure, the cost of which is recharged to the operating subsidiaries.

Legal risk arises due to the Company's activities as an employing company and responsibilities around the conduct of its employees. This is managed by the existing Group policies and procedures, implemented by Compliance and Legal divisions.

As an employing company for the Group, the Company's liquidity and cash flow risks, resulting primarily from staff compensation obligations, are managed within the Group's liquidity risk management framework.

#### Key performance indicators

Key business metrics for the Company which are regularly monitored by the Board include:

	<u>2019</u>	<u>2018</u>
	<u>£ million</u>	<u>£ million</u>
Administrative expenses	1,822	1,940
Net surplus in retirement benefits schemes	786	912

	<u>No.</u>	<u>No.</u>
Average staff numbers	6,990	7,382

The movement of 6% in administrative expenses is mainly due to decrease in current payments and cash bonus awards driven by headcount reduction. The decrease in net surplus in retirement benefit schemes is mainly due to actuarial loss arising from changes in financial assumptions.

#### Current period performance

As the costs of the Company are recharged to the Group, the profit for the year ended December 2019 is £nil (2018: £nil).

On 7 July 2019, Deutsche Bank AG announced a significant restructure of its business model in order to meet its aims to become more profitable and drive long-term growth. To execute this, the Bank will re-organise and significantly downsize its investment bank and aims to cut total costs by a quarter by 2022. While it is still very early on in the wider process, the position as it stands currently is that DB Group Services (UK) Limited is a service company that provides the services of its employees in the UK to other business entities (e.g. Deutsche Bank AG London Branch); ii) Deutsche Bank AG has confirmed it expects to continue to have a significant presence in the UK and will continue to use the services of DB Group Services (UK) Limited employees. As can be seen from the staff numbers above, there has been a modest reduction during 2019.

#### IBOR civil actions

The Group is a defendant in a large number of IBOR-related civil actions in the United States. The Company has been named as a defendant in four of these actions, each of which is a putative class action based on the alleged manipulation of a different benchmark interest rate: Metzler Investment GmbH v. Credit Suisse Group AG, No. 11-cv-2613 (S.D.N.Y.) (USD LIBOR Exchange-Based Action); Sullivan v. Barclays plc, No. 13-cv-2811 (S.D.N.Y.) (Euribor); Sonterra Capital Master Fund Ltd. v. Credit Suisse Group AG, No. 15-cv-0871 (S.D.N.Y.) (CHF LIBOR); and Sonterra Capital Master Fund, Ltd., v. UBS AG, No. 15-cv-5844 (S.D.N.Y.) (Yen LIBOR and Euroyen TIBOR).

## DB GROUP SERVICES (UK) LIMITED

### STRATEGIC REPORT (continued)

For the year ended 31 December 2019

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#### IBOR civil actions (continued)

On 16 September 2019, the court dismissed plaintiffs' second amended complaint in the CHF LIBOR class action (Sonterra Capital Master Fund Ltd. v. Credit Suisse Group AG), dismissing all claims against the Group and the Company. Plaintiffs have filed a notice of appeal.

The Directors of the Company are of the view that, on the basis of intragroup arrangements between the Company and the Group and the fact that the Group is a co-defendant to these actions with the Company, the Group should ultimately bear any liability arising out of DB Group Services (UK) Limited being named as a defendant in these civil actions.

#### IBOR settlement

On 23 April 2015, the Group entered into separate settlements with the U.S. Department of Justice (DOJ), the U.S. Commodity Futures Trading Commission (CFTC), the U.K. Financial Conduct Authority (FCA), and the New York State Department of Financial Services (NYSDFS) to resolve investigations into misconduct concerning the setting of LIBOR, EURIBOR, and TIBOR. Under the terms of these agreements, the Group paid penalties of US \$2.175 billion to the DOJ, CFTC and NYSDFS and GBP 226.8 million to the FCA.

As part of the resolution with the DOJ, the Group entered into a Deferred Prosecution Agreement with a three-year term pursuant to which it agreed (among other things) to the filing of a two-count criminal information in the United States District Court for the District of Connecticut charging the Group with one count of wire fraud and one count of price-fixing, in violation of the Sherman Act. The Deferred Prosecution Agreement expired on 23 April 2018, and the court subsequently dismissed the criminal information. In addition, the Company entered into a Plea Agreement with the DOJ, pursuant to which the Company pled guilty to a one-count criminal information filed in the same court and charging the Company with wire fraud. In the Plea Agreement, the Company agreed to pay a fine of US \$150 million, which is included in the US \$2.175 billion total amount above. The DOJ and the Company further agreed that all or a portion of that fine may be paid by the Group on behalf of the Company, consistent with Group policy and practice. The Company was sentenced in the District of Connecticut on 28 March 2017, and the Judge imposed the agreed-upon fine of US \$150 million. The fine was paid by the Group on the Company's behalf on 7 April 2017.

#### **Events after balance sheet date**

In January 2020, the Group's UK Senior defined benefit pension scheme was subject to a full Buy-In from a third party insurer. The insurance policy held by the plan qualifies as a plan asset. The premium paid was met from the scheme asset surplus, and no contribution from the Group was required. The recognition of the insurance policy and the disposal of current plan assets will negatively impact 'Other Comprehensive Income' in the Group's 2020 financial statements by approximately EUR 125m.

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. In considering going concern, The Company continues to closely monitor developments related to the outbreak of COVID 19. The potential impacts from COVID 19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. To assess any potential impact on the Company, the directors reassessed the components of funding, liquidity, and the financial position of the Company and have concluded that the going concern basis is still appropriate. The reassessment by management demonstrated that the Company has access to sufficient fundin and liquidity to withstand the current market condition. This is a non-adjusting event and an estimate of the financial effect cannot be made at the date of approving these financial statements as the situation remains a rapidly evolving one.

Due to dislocated markets in the first-quarter 2020 as a result of the worldwide COVID-19 pandemic, the Group experienced a net OCI gain in the amount of GBP 316m for the UK. The net gain is composed of GBP 387m reduced defined benefit pension plan liabilities coming predominantly from an increase in the discount rate due to widening credit spreads and reduced inflation assumptions. This gain was offset by approx. GBP 71m of mark-to-market losses attributed to the plan assets. Similar volatility was experienced during second-quarter 2020 with discount rates dropping below and inflation rates rising to a level near that of year-end. This resulted in a net OCI loss for GBP 189m split between gains on assets of GBP 482m and liability losses of GBP 671m. Overall, the net second-quarter OCI impact is a gain of GBP 127m.

#### **Future outlook**

Under an Inter Group Service Agreement dated 8 March 2002 and as subsequently amended from time to time (the "IGSA") the Company provides services to DBAG London Branch ("DB London") and certain other DB entities as listed in the IGSA (together, "The Customers"). The Customers have agreed under the IGSA to pay the Company the costs of providing the services provided under the IGSA. Each Customer also agrees to ensure that it maintains sufficient funds in the Company's bank account to meet their payment obligations. As a result of the IGSA, along with a letter of comfort provided by Deutsche Holdings No.2 Limited, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DB GROUP SERVICES (UK) LIMITED

**STRATEGIC REPORT (continued)**  
For the year ended 31 December 2019

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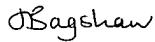
**Future outlook (continued)**

On 31 January 2020, the United Kingdom ("UK") formally left the European Union ("EU") ("Brexit"), by reaching an agreement with the EU. UK is now in the transition period which is due to end on 31 December 2020. The future impact of Brexit to the Company cannot be predicted but the Directors will continue to closely monitor developments and assess possible impacts of these developments on the Company. As at the date of this report the Directors have no reason to believe that any of these uncertain factors will have any impact on the Company given that the Company does not have any balances that are external to the Group.

The global spread of COVID-19 has resulted in governments taking varied actions towards stemming its spread and also bolstering economies. Consequently, the global economy has seen slowdown of economic activities in many sectors and increased volatility in the financial markets including the UK. Since the Company does not have any trading operations, COVID-19 is not expected to have any significant impact on the business. The Company is closely monitoring the spread of COVID-19, the actions and reactions of Government and the potential effects it will have on its business.

The outlook of the business is stable and it is expected that the Company will maintain its current level of activity.

By order of the Board of Directors



J.L. Bagshaw, Company Secretary

~~Director~~ Secretary

**Registered office**  
Winchester House  
23 Great Winchester Street  
London  
EC2P 2AX

Dated: 28 September 2020

Company number: 3077349

## DB GROUP SERVICES (UK) LIMITED

### DIRECTORS' REPORT

For the year ended 31 December 2019

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#### Directors

The directors of the Company who held office were as follows:

D. Hards  
T. Lee  
B. Pallas  
S. Ward (resigned from Board effective 31 March 2020)

#### Company secretary

A.W. Bartlett and J.L. Bagshaw as Joint Company Secretaries

#### Employees

The Company is committed to ensuring that employees share in the success of the Group and are kept informed of matters of concern to them in a variety of ways, including a regular corporate news magazine, numerous intranet sites and also regular email communications. The Company established a UK Employee Consultation Forum in 2005 to communicate and share information with employees and this forum meets regularly and includes elected employee representatives. Employees of the Company together with employees of the Group globally were encouraged to participate in a Corporate Identity Survey with a view to identifying and addressing issues of importance to employees.

All employees of the Company have the opportunity to purchase shares in Deutsche Bank AG through participation in the UK Employee Share Ownership Plan. The Group also has an active and comprehensive Corporate Social Responsibility programme which encompasses employee volunteering, charitable giving and community partnerships.

The Company seeks to recruit and appoint the best available person for a job and to encourage the development of all employees to their full potential. The Company promotes equality of opportunity. The Company is committed to providing support to employees with disabilities and carries out a personal assessment for each disabled employee to assess their needs. The Company operates a workstation assessment programme for all employees which examines the working environment and implements adjustments where necessary.

#### Corporate governance arrangements

During the year, the Company has been guided by the values and culture of the broader organisation and adheres to the policies, procedures and principles of the Group, as applicable, including the Board and Branch Governance Policy, which are applied on a consistent and group wide basis, as well as exercising its authority within the Matters Reserved for the Board.

#### S172

Consistent with the Group, the directors are committed to implementing and maintaining strong disciplines in their decision making. Insofar as the Board has made decisions during the financial year, it has had regard to s172 factors where relevant, particularly the likely consequences of such decisions in the long term and its impact for its staff.

Key decisions of the Board during the period centred on matters of benefit to employees forming part of broader benefit packages, including remuneration and reward and relating to DB share plans and pension arrangements. The Board considered hedging arrangements and delivery of shares to eligible employee participants of the Group share plans and other compensation arrangements, including carried interest plans for certain employees. With support from the Pensions & Benefits Team, the Board considered matters relating to changes to the Company's UK pension scheme arrangements, supporting obligations for the corporate trustee of the UK pension schemes to consult with the Company, in its capacity as sponsor. These included changes to the investment strategy and statement of investment principles. In its capacity as trustee of the DB Registered Life Assurance Plan, the Board considered matters relating to the distribution of death benefits in the event of deaths in service.

#### Desirability of the company maintaining a reputation for high standards of business conduct

The Group and the Company have responsibility to clients, investors, communities and employees and earning and maintaining the trust of these stakeholders is fundamental. The Board recognises that it relies on its employees to support and join with the Board in seeking to establish and maintain a reputation for high standards of business conduct and integrity. To this end, behavioural expectations are set out in the Group Code of Conduct (the "Code") which defines the cultural tone of the organisation. The Code is designed to ensure that employees conduct themselves ethically, with integrity, and in accordance with the Group's policies and procedures as well as the laws and regulations that apply to the Group globally.

#### Stakeholder engagement

In its decision making, the Company is mindful of the Group's strategic agenda and, as a business partner, the need to promote the success of the franchise in the region in the long term as well as remaining conscious of immediate capital requirements for the shareholder.

#### Wider stakeholder engagement

Given the nature and purpose of the Company, and with the exception of interaction with its employees, it has limited direct interaction with other stakeholders, which are overseen by the Group. In instances where it interacts with and is required to take into account the interests of broader stakeholders including suppliers, customers and others, the Company does so by applying and in accordance with relevant Group policies, procedures, principles and codes of conduct as well as its framework of prudent controls which enables vendor risk to be assessed and managed.

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2019**

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**Employee Engagement**

The Group's HR function is responsible for managing and overseeing the framework of policies and procedures in relation to the management and development of the Company's people, including amongst others, reward, recruitment, acquisition, development and mobility of talent, workforce planning, diversity and inclusion, reward, employee relations, performance, engagement and culture and delivery of HR information and services. The Board seeks to ensure a satisfactory dialogue with the Company on strategy, remuneration policy, resources and other relevant matters and to oversee the independence, autonomy and effectiveness of policies and procedures.

In seconding its staff to DB London, employee values and the required behaviours are reinforced throughout the Group through a variety of delivery mechanisms, some of which have been previously mentioned but include mandatory training for all staff; transparent dialogue on the principles underpinning core values at town hall meetings; and articles on the intranet.

The Group and the Company are keen to foster an environment that is open and inclusive and where opinions are valued. In serving clients, stakeholders and communities, the success of the Group and its employees is built on respect, collaboration and teamwork. To that end, a 'speak up' culture had been introduced which supports an open and honest dialogue across the organisation and also helps identify any areas for improvement. Such a culture promotes an environment where all employees feel comfortable, confident and empowered to voice concerns and challenge any behaviours or matters that could present potential conduct risk, such as violations of laws, rules and regulations or internal policies.

A range of channels are available to report any suspected misconduct including through Compliance and Legal teams as well as via a telephone and electronic platform reporting system, the Integrity Hotline.

Understanding what motivates and engages employees and how they perceive the work environment serves to improve employees' experience at work and open and regular dialogue is encouraged. Tools to support this include the dbPeople survey and the UK Employee Consultation Forum. The dbPeople survey enables the Group to measure commitment and enablement of the workforce, identify trends and develop actions to address gaps. The UK Employee Forum provides a platform for the Group to consult and openly share information about relevant organisational matters which collectively impact employees in the UK. Consultation allows communication to be transparent and, in seeking resolution on mutual issues of concern, ensures that the views of employees are considered before any final decisions are taken.

Reflecting the ambitions and needs of employees, a holistic approach is applied to performance management, which includes providing regular meaningful feedback and recognition, while holding people accountable and promoting continuous development. This approach is directly linked to the compensation framework and promotion process. In addition, a wide range of benefits are available to ensure employees' financial, social, mental and physical wellbeing are supported throughout all stages of their lives while employed by the Company.

A fair, transparent and sustainable approach is taken to employee remuneration and the compensation strategy is focused on a global, client-centric banking model, reinforced by safe and sound compensation practices that operate within the Group's capital, liquidity and risk-bearing capacity. The compensation framework aims to promote and reward sustainable performance and contributions at all levels of the organisation.

The Company filed its Gender Pay Gap Report during the period, which provided transparency around the difference in average earnings between women and men across the organisation. Efforts by the HR function of the Group to address the pay gap in line with the Group's existing goal to increase the participation of women at the bank, especially in the senior and higher-paying roles continued. External programmes are in place to inspire more young women over time to opt for science, technology, engineering or mathematics (STEM) subjects at school and to choose a career in the financial services industry.

**Dividends**

As the Company has no capital or reserves, it is not possible to pay a dividend for the year ended 31 December 2019 (2018: £nil).

**Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements**

The Directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Accordingly, they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

**DIRECTORS' REPORT (continued)**  
For the year ended 31 December 2019

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**Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements (continued)**

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures which have been disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors have confirmed that they spent time appropriate to their responsibilities on the affairs of the Company during the year.

The Directors have chosen, in accordance with section 414C(11) of the Companies Act 2006, to set out in its Strategic Report information that is otherwise required to be contained in the Directors' Report:

- an indication of financial risk management objectives and policies;
- details of important events affecting the Company (and any subsidiaries in its consolidation) since the end of the financial year; and
- an indication of likely future developments in the business of the Company.

**Disclosure of information to auditor**

The Directors of the Company who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

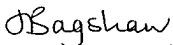
**Qualifying third party indemnity provision**

As at the date of approval of the financial statements, and during the year, a qualifying third party indemnity provision was in force for the benefit of the Company's Directors.

**Auditor**

During the year 2020 KPMG LLP will resign as Auditor of the Company, satisfying the European and national regulation requiring the auditors' rotation. Ernst & Young will be recommended by the Directors, at the next board meeting, as external Auditors for the financial year 2020.

By order of the Board of Directors



J.L. Bagshaw, Company Secretary

~~Director~~ Secretary

**Registered office**

Winchester House  
23 Great Winchester Street  
London  
EC2N 2DB

Dated: 28 September 2020

Company number: 3077349