
DB Group Services (UK) Limited
Company number: 3077349

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

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STRATEGIC REPORT

For the year ended 31 December 2015

These financial statements have been prepared in accordance with FRS 101, Reduced Disclosure Framework ("FRS 101"), and represent first time adoption of this standard by DB Group Services (UK) Limited ("the Company"). In so doing, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the E.U. ("Adopted IFRSs"), but has made amendments, where necessary, in order to comply with the requirements of Companies Act 2006. The impact of this change is set out in Note 1 and 14.

OBJECTIVES

The Company is one of the indirect subsidiaries of 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 UK 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 scheme.

Market risk refers to the volatility of returns from movements in market prices (for example interest rates, share prices and exchange rates) before the affected 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 policies and procedures in place throughout the Group designed and implemented by the Group Compliance and Legal Functions.

KEY PERFORMANCE INDICATORS

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

	2015	2014
Average staff numbers	7,046	6,979
Administrative expenses	£1,905.4m	£1,970.8m
Net surplus in retirement benefits schemes	£802.3m	£690.7m*

Average full time employee numbers slightly increase by 1% in 2015. Decrease of 3% in administrative expenses is mainly due to reduction in share based payments. The surplus in retirement benefits schemes improved year on year mainly due to actuarial gains arising from changes in financial assumptions.

*2014 Refers to Restated Amount. Refer to Note 14.


CURRENT PERIOD PERFORMANCE

The results of the Company for the year ended 31 December 2015, after providing for taxation, show a result of £nil (2014: £nil; all expenses and revenue are recharged to DB group entities).

FUTURE OUTLOOK

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.

By order of the Board of Directors


J. Bagshaw
Company Secretary

REPORT OF THE DIRECTORS
For the year ended 31 December 2015**Directors**

The Directors of the Company who held office as at 31 December 2015 were as follows:

T. Lee
D. Hards
S. Ward
R. Tandon

A.W. Bartlett and J.L. Bagshaw were Joint Company Secretaries as at 31 December 2015.

Changes in the Directorship and Company Secretariat

D. Hogarth resigned 16 August 2015.

K. Traill resigned 25 February 2015.

There have been no further changes during the year or subsequent to the year-end.

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. During 2014 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 examine the working environment and implements adjustments where necessary.

Activities and Review of Business

The principal business is that of an employing company for the Group in the UK and its activities are driven by the staffing requirements of the operating subsidiaries of the Group to whom all costs and liabilities are recharged.

As a result of a letter of comfort from 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 accounts. The Directors do not envisage that there will be any substantial change for the foreseeable future in the operations of the Company.

The position of the Company as at 31 December 2015 is reflected in the audited balance sheet set out on page 9.

Future Outlook

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

Contingent Liabilities

IBOR civil actions

DBAG is also a defendant in a large number of IBOR-related civil actions in the United States. DBGS has been named as a defendant in three of these actions, each of which is a putative class action based on the alleged manipulation of a different benchmark interest rate: 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). DBGS is also among the defendants listed in a proposed Third Amended Complaint filed by the plaintiffs in Metzler Investment GmbH v. Credit Suisse Group AG, No. 11-cv-2613 (S.D.N.Y.), an action filed on behalf of a putative class of persons who engaged in exchange-based trading of certain Eurodollar financial instruments and were allegedly harmed by manipulation of USD LIBOR. The court has now granted plaintiffs in Metzler leave to file a Third Amended Complaint including both DBAG and DBGS, although that complaint has not yet been officially filed. It is possible that plaintiffs in other cases where DBAG is a defendant will seek to add DBGS as a defendant in the future. At this time, it is not possible to provide a reasonable estimate of potential liability in these actions.

The Directors of DBGS are of the view that, on the basis of the intragroup arrangements between DBGS and DBAG and the fact that DBAG is a co-defendant to these actions with DBGS, DBAG should ultimately bear any liability arising out of DBGS being named as a defendant in these civil actions.

Results and Dividends

The results of the Company for the year ended 31 December 2015, after providing for taxation, is £nil (2014: £nil). The Directors do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: £nil).

Statement of Director's Responsibilities in respect of the Strategic Report, Director's Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the 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. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

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 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 since the year-end; and
- an indication of likely future developments in the business of the Company.

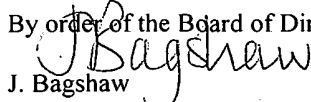
Disclosure of information to auditors

The Directors 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 auditors are unaware; and each Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP with therefore continue in office.

By order of the Board of Directors


J. Bagshaw
Company Secretary

Registered office
23 Great Winchester Street
London
EC2P 2AX

Dated: 22 SEPTEMBER 2016

Company number: 3077349

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DB GROUP SERVICES (UK) LIMITED**

We have audited the financial statements of DB Group Services (UK) Limited (the Company) for the year ended 31 December 2015 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices (APB's) Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mike Heath (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Dated 22 September 2016

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2015

	Note	<u>2015</u> <u>£m</u>	Restated <u>2014</u> <u>£m</u>
Turnover	1b	1,916.3	1,972.1
Administrative expenses	3	(1,915.5)	(1,970.8)
Other expense	1d	(20.9)	(66.6)
Other income	1d	20.9	66.6
OPERATING PROFIT		0.8	1.3
Interest receivable	4a	0.1	0.2
Interest payable	4b	(0.9)	(1.5)
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on result on ordinary activities		-	-
RESULT FOR THE FINANCIAL YEAR		-	-

The result for the year has arisen from continuing activities.


The notes on pages 11 to 33 form part of these financial statements.

BALANCE SHEET**As at 31 December 2015**

	Note	2015 £m	Restated 2014 £m
NON CURRENT ASSETS			
Pension Asset	5	812.5	702.0
CURRENT ASSETS			
Cash at bank	6	80.1	83.0
Debtors	7	1,186.8	1,475.0
Investments	8	1.8	2.8
		1,258.6	1,560.8
CREDITORS: amounts falling due within one year	9	(1,969.8)	(2,251.5)
Provisions for liabilities	10	(101.2)	-
NET CURRENT ASSETS / (LIABILITIES)			
		(802.3)	(690.7)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		10.2	11.3
Pension Liability	5	(10.2)	(11.3)
NET ASSETS			
		-	-
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account		-	-
Share bases payment reserve		-	-
SHAREHOLDERS FUNDS			
		-	-

The notes on pages 11 to 33 form part of these financial statements.

These financial statements were approved by the Board of Directors on 22 SEPTEMBER 2016


 Signed by R. TANDON
 For and on behalf of the Board of Directors
 Company number: 3077349

STATEMENT OF TOTAL COMPREHENSIVE INCOME**For the year ended 31 December 2015**

	<u>2015</u> <u>£m</u>	Restated <u>2014</u> <u>£m</u>
Result for the financial year	-	-
Remeasurement gains (losses) related to defined benefit post-retirement schemes	112.9	224.8
Loss recognized for re-charge of actuarial gain to group undertakings	(112.9)	(224.8)
Total comprehensive income for the financial year	-	-

Total comprehensive income for the year has arisen from continuing operations.

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2015**

	<u>Profit & Loss</u> <u>Account</u> <u>£m</u>	<u>Share based</u> <u>Payment reserve</u> <u>£m</u>	<u>Called Up</u> <u>Share Capital</u> <u>£m</u>	<u>Total</u> <u>£m</u>
Balance at 1 January 2015	-	-	-	-
Credit in relation to share based payments (Note 3)	-	176.3	-	176.3
Re-charge in relation to share based payments	-	(176.3)	-	(176.3)
Balance at 31 December 2015	-	-	-	-

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2014**

	<u>Profit & Loss</u> <u>Account</u> <u>£m</u>	<u>Share based</u> <u>Payment reserve</u> <u>£m</u>	<u>Called Up</u> <u>Share Capital</u> <u>£m</u>	<u>Total</u> <u>£m</u>
Balance at 1 January 2014	-	-	-	-
Credit in relation to share based payments (Note 3)	-	248.5	-	248.5
Re-charge in relation to share based payments	-	(248.5)	-	(248.5)
Balance at 31 December 2014	-	-	-	-

The notes on pages 11 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2015****1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework. They represent first time adoption of this standard by the Company.

In so doing, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU but has made amendments where necessary in order to comply with the requirements of Companies Act 2006.

An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 14.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for Share Capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of transactions with related parties;
- A statement of financial position for the beginning of the earliest comparative period; and
- The effects of new but not yet effective IFRSs.

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 these financial statements.

DB UK Holdings Limited, a company incorporated in the UK, is the Company's immediate controlling entity. Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany, is the Company's ultimate controlling entity, also being the ultimate parent company and the parent undertaking of the largest and smallest group for which group financial statements are drawn up.

Copies of the group financial statements prepared in respect of Deutsche Bank AG may be obtained from the Company Secretariat, Deutsche Bank AG, London branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB.

Accordingly, the relevant IFRSs have been referenced in the following notes where relevant.

(a) **CONVENTION**

These financial statements are prepared in accordance with the historical cost convention, except for financial instruments (including derivatives) and defined benefit obligations as disclosed below.

(b) **TURNOVER**

Turnover represents all the Company's staff and funding costs recharged to other group companies. Staff and funding costs are recognised on an accruals basis.

(c) **SHARE BASED COMPENSATION**

The costs of awards to employees that take the form of shares are recognised over the period of the employees' related performance. The schemes are classified as being equity settled. Share based compensation is accounted for in equity based on the fair value on the grant date with a corresponding charge in profit and loss spread evenly over the vesting period of the award. A corresponding liability to Deutsche Bank AG to settle the charge each year is charged to equity, and is also based on the fair value on grant date, spread evenly over the vesting period. The share awards may be forfeited fully or partly if the recipient voluntarily terminates employment before the end of the relevant vesting period. Vesting usually continues after termination of employment in cases such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

(d) **DERIVATIVES**

The Company enters into derivatives to economically hedge exposure to share based payment awards. The Company accounts for these contracts at fair value with movements in fair value reflected within the profit and loss (other income / other expenses). Recharges for fair value movements on derivatives are also charged to the profit and loss (other income / other expenses).

(e) **RETIREMENT BENEFITS**

Throughout 2015 the Company operated three defined benefit post-retirement schemes in the UK - two defined benefit pension schemes (DB (UK) Pension Scheme also referred to as Staff Scheme and the DB (UK) Senior Group Pension Scheme also referred to as Senior Scheme) and a smaller post-retirement medical benefit plan. The assets of the pension schemes are held separately from those of the Company. Pension scheme assets are measured using market values. Scheme liabilities are measured using a projected unit method to determine the present value of the defined benefit obligation and the related service costs, discounted at a rate derived from the yield of AA-rated corporate bonds. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates. Any pension scheme deficit or surplus is recognised in full.

The movement in the scheme surplus/deficit is split between operating and finance items which are recognised in the Profit and Loss Account and remeasurement gains and losses which are recognised in Other Comprehensive Income in the period in which they occur. The expected costs of pensions payable under the Company funded defined benefit schemes and of other unfunded retirement benefits are recognised in the Profit and Loss Account. The costs are assessed in accordance with the advice of qualified actuaries. The last formal actuarial valuation was carried out at 31 December 2012 for the pension schemes. For 31 December 2015 the accounting results of the pension schemes are calculated by rolling forward the results from the 31 December 2013 trustee annual funding update. The last formal actuarial valuation was carried out at 31 December 2013 for the post-retirement medical scheme. The last formal review of the post-retirement medical scheme was at 31 December 2015 based on a roll forward of the 2013 full valuation.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015**

1 ACCOUNTING POLICIES (Continued)

As the principal business of the Company is that of an employing company for the Deutsche Bank Group in the UK (the "Group"), all employee related costs including net defined benefit cost that are recognised by the Company are recovered fully from the Group through re-charges based on contractual arrangements ("reimbursement right asset"). Under those arrangements, any net defined benefit surplus is passed on to Group entities, in which case the reimbursement right asset is reported in the balance sheet as creditors. Pension costs that are charged to the Profit and Loss account are offset by an equal amount receivable, shown within "Turnover". Remeasurement gains and losses that are recorded within Other Comprehensive Income are offset by an equal amount payable or receivable, due to or from Group Companies.

The Company also operates a defined contribution pension arrangement, as a section within the DB (UK) Pension Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Profit and Loss Account represents the contributions payable to the scheme in respect of the accounting period.

(f) TAXATION

The Company is a "total recharge entity" where all costs incurred by the Company are fully recovered through recharge to Deutsche Bank group of Companies to whom employees of the Company have been provided. Accordingly, and as agreed with HMRC, the Company will have no taxable profit or loss for any reporting period for tax purposes and hence does not account for either current or deferred taxation.

(g) FOREIGN EXCHANGE

Transactions in foreign currencies are translated into Pounds Sterling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

(h) GOING CONCERN

As a result of a letter of comfort from 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 accounts. The Directors do not envisage that there will be any substantial change for the foreseeable future in the operations of the Company.

(i) KEY ESTIMATES

Retirement benefits are long-term liabilities whose value can only be estimated using assumptions about developments over a long period. The economic and demographic assumptions used for the purpose of compliance with IAS 19 are selected by the Company by applying the best estimate and ongoing plan principles. The Company has employed actuarial advice in arriving at the figures presented in note 5 of the financial statements. Any assumptions that are affected by economic conditions (financial assumptions) are based on market expectations, at the balance sheet date, for the period over which the obligations are settled.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****2 DIRECTORS' REMUNERATION**

	2015	2014
	£	£
Director Emoluments	141,949	151,871
Amounts Receivable under long term schemes	90,355	101,960
	232,304	253,831
	£	£
Company contributions to defined benefit pension schemes	-	-
Company contributions to money purchase pension schemes	2,348	613
Compensation for loss of office	-	-

During the year, 3 directors received shares or payments under long term incentive schemes totalling £90,355 (2014: 3 directors received shares or payments under long term incentive schemes totalling £101,960) The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £144,546 and the pension contributions were nil (2014: The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £200,790 and the pension contributions were nil).

	Number of Directors 2015	Number of Directors 2014
Retirement benefits are accruing to the following number of Directors under:		
Money Purchase Schemes	1	1
Defined Benefit Schemes	2	2

No Directors exercised any shares options under long term incentive schemes.

3 ADMINISTRATIVE EXPENSES

	2015	Restated 2014
	£m	£m
Wages and benefits	1,416.6	1,406.1
Social security costs	194.1	196.1
Compensation expense for share-based payments (Note 12)	176.3	248.5
Other pension costs (Note 5)	92.9	82.1
Restructuring activities	35.6	38.0
	1,915.5	1,970.8

	£	£
Audit of these financial statements	50,341	51,765

Auditor's remuneration for services to the Company has been borne by another group undertaking.

Average staff numbers during the year were as follows:	7,046	6,979
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NOTES TO THE ACCOUNTS**For the year-ended 31 December 2015**

4a INTEREST RECEIVABLE

Throughout 2015 the Company has received interest on its deposits with other group companies.

	2015 <u>£m</u>	2014 <u>£m</u>
Interest Income on deposits held	0.1	0.2

4b INTEREST PAYABLE

Throughout 2015 the Company has been charged on its borrowings with other group companies.

	2015 <u>£m</u>	2014 <u>£m</u>
Interest Expense on short term borrowings	(0.9)	(1.5)

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****5 POST-EMPLOYMENT BENEFIT PLANS****Nature of Plans**

The Company sponsors a number of post-employment benefit plans on behalf of its employees, both defined contribution plans and defined benefit plans. The plans are accounted for based on the nature and substance of the plan.

In the past the Company offered pension plans based on final pay prior to retirement under the rules of the Staff scheme and the Senior scheme. Both plans still form a significant part of the pension obligations for participants in deferred and payment status. However the pension plans were redesigned in 2011 for active employees still eligible to the plan to reduce the overall long-term risk exposure to the Company. Generally, for defined benefit plans the value of a participant's accrued benefit is based on each employee's remuneration and length of service; contributions to defined contribution plans are typically based on a percentage of each employee's remuneration. The rest of this note focuses predominantly on the Company's defined benefit plans.

In addition the Company also sponsors post-retirement medical benefits (PRM) for a number of retired employees under BUPA. This unfunded plan is closed to new members and represents a limited risk for the Company.

in £ m.	31 Dec 15				31 Dec 14			
	Staff Plan	Senior Plan	PRM plan	Total	Staff Plan	Senior Plan	PRM plan	Total
Defined benefit obligation related to								
Active plan participants	557.5	17.0	-	574.5	595.4	17.5	-	612.9
Participants in deferred status	1,401.5	176.4	-	1,577.9	1,417.3	174.8	-	1,592.1
Participants in payment status	442.5	298.1	10.2	750.8	505.1	329.4	11.3	845.8
Total defined benefit obligation	2,401.5	491.5	10.2	2,903.2	2,517.8	521.7	11.3	3,050.8
Fair value of plan assets	3,120.5	585.0	-	3,705.5	3,142.1	599.4	-	3,741.5
Funding ratio	129.9%	119.0%		127.6%	124.8%	114.9%		122.6%

Net Defined Benefit Asset / (Liability) as of the Period End Date

in £ m.	31 Dec 2015				31 Dec 2014			
	Staff Plan	Senior Plan	PRM Plan	Total	Staff Plan	Senior Plan	PRM Plan	Total
Defined Benefit Obligation	(2,401.5)	(491.5)	(10.2)	(2,903.2)	(2,517.8)	(521.7)	(11.3)	(3,050.8)
Fair Value of Assets	3,120.5	585.0	-	3,705.5	3,142.1	599.4	-	3,741.5
Surplus / (Deficit)	719.0	93.5	(10.2)	802.3	624.3	77.7	(11.3)	690.7

Split of Defined Benefit Asset / (Liability) Between Plans Showing an Asset and Plans Showing a Liability

in £ m.	31 Dec 2015				31 Dec 2014			
	Staff Plan	Senior Plan	PRM Plan	Total	Staff Plan	Senior Plan	PRM Plan	Total
Defined Benefit Asset	719.0	93.5	-	812.5	624.3	77.7	-	702.0
Defined Benefit (Liability)	-	-	(10.2)	(10.2)	-	-	(11.3)	(11.3)

The following amounts of expected benefit payments from the Company's defined benefit plans include benefits attributable to employees' past and estimated future service.

in £ m.	Staff Plan	Senior Plan	PRM	Total
Actual benefit payments 2015	55.5	20.0	0.7	76.2
Benefits expected to be paid 2016	36.4	17.8	0.8	55.0
Benefits expected to be paid 2017	42.1	18.7	0.8	61.6
Benefits expected to be paid 2018	45.6	19.2	0.8	65.6
Benefits expected to be paid 2019	50.8	20.5	0.8	72.1
Benefits expected to be paid 2020	57.5	21.7	0.8	80.0
Benefits expected to be paid 2021 – 2025	384.1	120.6	3.5	508.2
Weighted average duration of defined benefit obligation (in years)	21.3	15.4	10.1	

Governance and Risk

The Group maintains a Pensions Risk Committee to oversee its pension and related risks on a global basis. This Committee meets quarterly, reports directly to the Senior Executive Compensation Committee and is supported by the Pensions Operating Committee.

Within this context, the Group develops and maintains guidelines for governance and risk management, including funding, asset allocation and actuarial assumption setting. In this regard, risk management means the management and control of risks for the Company related to market developments (e.g., interest rate, credit spread, price inflation), asset investment, regulatory or legislative requirements, as well as monitoring demographic changes (e.g., longevity). Any plan changes follow a process requiring approval by Group Human Resources. To the extent that pension plans are funded, the assets held mitigate some of the liability risks, but introduce investment risk. The Company's largest post-employment benefit plan risk exposures relate to potential changes in credit spreads, price inflation and longevity, although these have been partially mitigated through the investment strategy adopted. Overall, the Group seeks to minimize the impact of pensions on the Company's financial position from market movements, subject to balancing the trade-offs involved in financing post-employment benefits, regulatory capital and constraints from local funding or accounting requirements. The Group measures its pension risk exposures on a regular basis using specific metrics developed by the Group for this purpose.

Funding

The Company maintains an external trustee to advise on the funding of the retirement benefit plan obligations. The trustee and the Company jointly agree contribution levels based on a separate funding valuation every third year. Generally the Company expects to receive an economic benefit from any surplus, typically by way of reduced future contributions. So in 2014 and 2015 there were no regular employer contributions paid into the Staff and Senior scheme plan assets, based on the Schedule of Contributions which came into effect on 1 December 2013. For 2016 no regular contribution are expected. There were no deficit contributions paid or required to the Staff scheme or Senior scheme during 2015 and 2014.

The post-retirement medical plan remains unfunded, its obligation is accrued on the balance sheet. The Company accrues for obligations over the period of employment and pays the benefits from Group assets when the benefits become due.

Actuarial Methodology and Assumptions

31 December is the measurement date for all plans. All plans are valued by independent qualified actuaries using the projected unit credit method.

The key actuarial assumptions applied in determining the defined benefit obligations at 31 December are presented below in the form of weighted averages.

	31 Dec 2015 %		31 Dec 2014 %	
Discount rate		3.9		3.7
Rate of price inflation – RPI		3.4		3.4
Rate of price inflation – CPI		2.3		2.3
Rate of nominal increase in future compensation levels		4.4		4.4
Rate of nominal increase for pensions in payment		3.3		3.2
Rate of nominal increase for pensions in deferment		2.3		2.3
Rate of nominal increase for medical expenses		5.1		6.1
	Staff Plan	Senior Plan	Staff Plan	Senior Plan
Assumed life expectancy in years at age 65				
For a male aged 65 at measurement date	23.4	23.8	23.6	24.0
For a female aged 65 at measurement date	25.0	25.0	25.2	25.3
For a male aged 45 at measurement date	25.1	25.5	25.4	25.8
For a female aged 45 at measurement date	26.9	26.9	27.1	27.1

The discount rate used at each measurement date is set based on a high quality corporate bond yield curve – derived based on bond universe information sourced from reputable third-party index providers and rating agencies – reflecting the timing, amount and currency of the future expected benefit payments for the respective plan. For longer durations where limited bond information is available, reasonable yield curve extrapolation methods are applied using respective actual swap rates and credit spread assumptions. Consistent discount rates are used across all plans in each currency zone.

Inflation assumption for the entity is based on RPI, with no allowance for an inflation risk premium. CPI assumption is RPI less 110bps a year.

The assumptions for the increases in future compensation levels and for increases to pensions in payment are developed separately for each plan, where relevant. Each is set based on the price inflation assumption and reflecting the Company's reward structure or policies, as well as relevant local statutory and plan-specific requirements.

Mortality assumptions have been set in accordance with current best practice in the United Kingdom. Future potential improvements in longevity have been considered and included. The post-retirement mortality assumption for males is 105% and 100% in respect of the Staff scheme and the Senior scheme, respectively, and for females it is 100 % in respect of both schemes of the SAPS Light tables with an allowance for future improvements in line with the CMI 2015 core projections assuming a long-term annual rate of improvement in mortality rates of 1.25% for men and women.

Reconciliation in Movement of Liabilities and Assets – Impact on Financial Statements

	2015				
in £ m.	Staff Plan	Senior Plan	Tilney	PRM	Total
Change in the present value of the defined benefit obligation:					
Balance, beginning of year	2,517.8	521.7	-	11.3	3,050.8
Defined benefit cost recognized in Profit & Loss					
Current service cost	20.6	0.4	-	-	21.0
Interest cost	92.9	19.0	-	0.4	112.3
Past service cost and gain or loss arising from settlements	2.9	-	-	-	2.9
Defined benefit cost recognized in Other Comprehensive Income					
Actuarial (gain) or loss arising from changes in financial assumptions	(84.3)	(11.3)	-	(0.7)	(96.3)
Actuarial (gain) or loss arising from changes in demographic assumptions	(36.9)	(7.0)	-	-	(43.9)
Actuarial (gain) or loss arising from experience	(56.0)	(11.3)	-	(0.1)	(67.4)
Cash flow and other changes					
Benefits paid	(55.5)	(20.0)	-	(0.7)	(76.2)
Balance, end of year	2,401.5	491.5	-	10.2	2,903.2
Change in fair value of plan assets:					
Balance, beginning of year	3,142.1	599.4	-	-	3,741.5
Defined benefit cost recognized in Profit & Loss					
Interest income	115.6	21.9	-	-	137.5
Defined benefit cost recognized in Other Comprehensive Income					
Return from plan assets less interest income	(79.1)	(15.7)	-	-	(94.8)
Cash flow and other changes					
Contributions by the employer	-	-	-	-	-
Benefits paid	(55.5)	(20.0)	-	-	(75.5)
Plan administration costs	(2.6)	(0.6)	-	-	(3.2)
Balance, end of year	3,120.5	585.0	-	-	3,705.5
Funded status, end of year = Net asset (liability) recognized	719.0	93.5	-	(10.2)	802.3

	2014				
in £ m.	Staff Plan	Senior Plan	Tilney Plan	PRM	Total
Change in the present value of the defined benefit obligation:					
Balance, beginning of year	2,188.7	477.9	46.2	11.3	2,724.1
Defined benefit cost recognized in Profit & Loss					
Current service cost	21.6	0.4	0.1	-	22.1
Interest cost	98.3	21.2	1.2	0.5	121.2
Past service cost and gain or loss arising from settlements	0.8	-	-	-	0.8
Defined benefit cost recognized in Other Comprehensive Income					
Actuarial (gain) or loss arising from changes in financial assumptions	257.2	42.1	-	(0.1)	299.2
Actuarial (gain) or loss arising from changes in assumptions	-	-	-	0.3	0.3
Actuarial (gain) or loss arising from experience	(12.1)	(3.6)	-	-	(15.7)
Cash flow and other changes					
Benefits paid	(37.7)	(16.3)	(0.6)	(0.7)	(55.3)
Acquisitions/Divestitures	-	-	(45.7)	-	(45.7)
Other	1.0	-	(1.2)	-	(0.2)
Balance, end of year	2,517.8	521.7	-	11.3	3,050.8
Change in fair value of plan assets:					
Balance, beginning of year	2,618.7	528.4	33.8	-	3,180.9
Defined benefit cost recognized in Profit & Loss					
Interest income	119.6	21.6	0.9	-	142.1
Defined benefit cost recognized in Other Comprehensive Income					
Return from plan assets less interest income	440.8	65.7	-	-	506.5
Cash flow and other changes					
Contributions by the employer	-	-	0.9	-	0.9
Benefits paid ³	(37.7)	(16.3)	(0.6)	-	(54.6)
Acquisitions/Divestitures	-	-	(34.3)	-	(34.3)
Other	0.7	-	(0.7)	-	-
Plan administration costs	-	-	-	-	-
Balance, end of year	3,142.1	599.4	-	-	3,741.5
Funded status, end of year = Net asset (liability) recognized	624.3	77.7	-	(11.3)	690.7

The Group sold Tilney in July 2014.

Expense of post-employment benefits

in £ m.	2015	2014
Expenses for defined benefit plans:		
Service cost	23.9	22.9
Net interest cost (income)	(25.2)	(20.9)
Total expenses defined benefit plans	(1.3)	2.0
Total expenses for defined contribution plans	94.2	80.1
Total expenses for post-employment benefit plans	92.9	82.1

Investment Strategy

The Company's investment objective is to protect the Company from adverse impacts of changes in the funding position of its defined benefit pension plans on key financial metrics, with a primary focus on immunizing the plans' IFRS funded status, while taking into account the plans' impact on other metrics, such as the Group's regulatory capital and local profit & loss accounts. Investment mandates allow for risk-taking through duration mismatches and asset class diversification with respect to the relevant investment benchmark.

To achieve the primary objective of immunizing the IFRS funded status of key defined benefit plans, the Company applies a liability driven investment (LDI) approach. Risks from mismatches between fluctuations in the present value of the defined benefit obligations and plan assets due to capital market movements are minimized, subject to balancing relevant trade-offs. This is achieved by allocating plan assets closely to the market risk factor exposures of the pension liability to interest rates, credit spreads and inflation. Thereby, plan assets broadly reflect the underlying risk profile and currency of the pension obligations.

Where the desired hedging level for these risks cannot be achieved with physical instruments (i.e. corporate and government bonds), derivatives are employed. Derivative overlays mainly include interest rate and inflation swaps. Other instruments are also used, such as credit default swaps and interest rate futures. In practice, a completely hedged approach is impractical, for instance because of insufficient market depth for ultra-long-term corporate bonds, as well as liquidity and cost considerations. Therefore, plan assets contain further asset categories to create long-term return enhancement and diversification benefits such as equity, real estate, high yield bonds or emerging markets bonds.

Plan asset allocation to key asset classes

The following table shows the asset allocation of the Company's funded defined benefit plans to key asset classes, i.e. exposures include physical securities in discretely managed portfolios and underlying asset allocations of any commingled funds used to invest plan assets.

Asset amounts in the following table include both "quoted" (i.e. Level 1 assets in accordance with IFRS 13 – amounts invested in markets where the fair value can be determined directly from prices which are quoted in active, liquid markets) only and in combination with "other" (i.e. Level 2 and 3 assets in accordance with IFRS 13) assets. The majority of the "other" assets are invested in Level 2 assets in accordance with IFRS 13, being primarily investment-grade corporate bonds. A relatively small element overall is in Level 3 assets in accordance with IFRS 13, being primarily real estate, insurance policies and derivative contracts.

in £ m.	Dec 31, 2015			Quoted and other assets Dec 31, 2014		
	Staff	Senior	Total	Staff	Senior	Total
Cash and cash equivalents	79.0	17.1	96.1	64.2	10.0	74.2
Equity instruments ¹	390.8	65.2	456.0	353.1	62.1	415.2
Investment-grade bonds ²						
Government	1,167.5	169.5	1,337.0	924.8	170.6	1,095.4
Non-government bonds	1,401.6	278.6	1,680.2	1,209.4	259.7	1,469.1
Non-investment-grade bonds						
Government	-	-	-	-	-	-
Non-government bonds	38.2	11.3	49.5	61.9	14.0	75.9
Structured products	153.0	31.2	184.2	233.9	52.3	286.2
Alternatives						
Real estate	79.6	20.9	100.5	72.0	18.8	90.8
Commodities	3.9	0.8	4.7	-	-	-
Other	24.9	3.8	28.7	-	-	-
Derivatives (Market Value)						
Interest rate	(57.1)	11.0	(46.1)	300.8	16.4	317.2
Credit	-	-	-	(0.5)	(0.1)	(0.6)
Inflation	(157.5)	(22.0)	(179.5)	(133.4)	(16.1)	(149.5)
Foreign exchange	(3.4)	(0.6)	(4.0)	26.3	5.1	31.4
Other	-	(1.8)	(1.8)	29.6	6.6	36.2
Total fair value of plan assets	3,120.5	585.0	3,705.5	3,142.1	599.4	3,741.5

31 Dec 14

in £ m.	Germany	United Kingdom	United States	Other Eurozone	Other Developed Countries	Emerging markets	Total
Cash and cash equivalents	-	76.4	0.1	(2.3)	-	-	74.2
Equity instruments	6.7	40.4	186.5	56.7	69.6	55.3	415.2
Government bonds (investment-grade and above)	6.5	1,030.0	4.7	5.3	45.7	3.2	1,095.4
Government bonds (non-investment-grade)	-	-	-	-	-	-	-
Non-government bonds (investment-grade and above)	31.9	830.1	216.1	285.4	72.6	33.0	1,469.1
Non-government bonds (non-investment-grade)	-	46.1	-	21.1	8.7	-	75.9
Structured products	-	286.2	-	-	-	-	286.2
Subtotal	45.1	2,309.2	407.4	366.2	196.6	91.5	3,416.0
Share	1%	67%	12%	11%	6%	3%	100%
Other asset categories							325.5
Fair value of plan assets							3,741.5

Plan assets at December 31, 2015 include derivative transactions with Deutsche Bank with a positive market value of £ 26 million (2014: £76m). The plan assets do not include any real estate which is used by Deutsche Bank.

Key Risk Sensitivities

The Company's defined benefit obligations are sensitive to changes in capital market conditions and actuarial assumptions. Sensitivities to capital market movements and key assumption changes are presented in the following table. Each market risk factor or assumption is changed in isolation. Sensitivities of the defined benefit obligations are approximated using geometric extrapolation methods based on plan durations for the respective assumption. Duration is a risk measure that indicates the broad sensitivity of the obligations to a change in an underlying assumption and provides a reasonable approximation for small to moderate changes in those assumptions.

For example, the discount rate duration is derived from the change in the defined benefit obligation to a change in the discount rate based on information provided by the local actuaries of the respective plans. The resulting duration is used to estimate the remeasurement liability loss or gain from changes in the discount rate. For other assumptions, a similar approach is used to derive the respective sensitivity results.

For the pension plans changes in capital market conditions will impact the plan obligations via actuarial assumptions – mainly discount rate and price inflation rate – as well as the plan assets. Consequently, to aid understanding of the Company's risk exposures related to key capital market movements, the net impact of the change in the defined benefit obligations and plan assets due to a change of the related market risk factor or underlying actuarial assumption is shown; for sensitivities to changes in actuarial assumptions that do not impact the plan assets, only the impact on the defined benefit obligations is shown.

Asset-related sensitivities are derived by using risk sensitivity factors determined by Deutsche Bank's Market Risk Management function. These sensitivities are calculated based on information provided by the plans' investment managers and extrapolated linearly to reflect the approximate change of the plan assets' market value in case of a change in the underlying risk factor.

in £ m.	31 Dec 2015		31 Dec 2014	
	Staff	Senior	Staff	Senior
Discount rate (–100 bp):				
(Increase) in DBO	(450)	(70)	(485)	(70)
Expected increase in plan assets	630	100	595	100
Expected net impact on funded status (de-) increase	180	30	110	30
Discount rate (+100 bp):				
Decrease in DBO	545	80	595	80
Expected (decrease) in plan assets	(630)	(100)	(595)	(100)
Expected net impact on funded status (de-) increase	(85)	(20)	-	(20)
Credit spread (–100 bp):				
(Increase) in DBO	(450)	(70)	(485)	(70)
Expected increase in plan assets	135	35	135	30
Expected net impact on funded status (de-) increase	(315)	(35)	(350)	(40)
Credit spread (+100 bp):				
Decrease in DBO	545	80	595	80
Expected (decrease) in plan assets	(135)	(35)	(135)	(30)
Expected net impact on funded status (de-) increase	410	45	460	50
Rate of price inflation (–50 bp): ¹				
Decrease in DBO	215	35	215	35
Expected (decrease) in plan assets	(210)	(30)	(175)	(25)
Expected net impact on funded status (de-) increase	5	5	40	10
Rate of price inflation (+50 bp): ¹				
(Increase) in DBO	(235)	(35)	(235)	(35)
Expected increase in plan assets	210	30	175	25
Expected net impact on funded status (de-) increase	(25)	(5)	(60)	(10)
Rate of real increase in future compensation levels (–50 bp):				
Decrease in DBO, net impact on funded status	10	-	15	-
Rate of real increase in future compensation levels (+50 bp):				
(Increase) in DBO, net impact on funded status	(10)	-	(15)	-
Longevity improvements by 10 %: ²				
(Increase) in DBO, net impact on funded status	(60)	(15)	(45)	(15)

¹ Incorporates sensitivity to changes in nominal increase for pensions in payment to the extent linked to the price inflation assumption.

² Estimated to be equivalent to an increase of around 1 year in overall life expectancy.

The sensitivities illustrate plausible variations over time in capital market movements and key actuarial assumptions. The Company is not in a position to provide a view on the likelihood of these capital market or assumption changes. While these sensitivities illustrate the overall impact on the funded status of the changes shown, the significance of the impact and the range of reasonable possible alternative assumptions may differ between the different plans that comprise the aggregated results. Even though plan assets and plan obligations are sensitive to similar risk factors, actual changes in plan assets and obligations may not fully offset each other due to imperfect correlations between market risk factors and actuarial assumptions. Caution should be used when extrapolating these sensitivities due to non-linear effects that changes in capital market conditions and key actuarial assumptions may have on the overall funded status. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in these sensitivities.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****6 CASH AT BANK AND IN HAND**

	<u>2015</u> <u>£m</u>	Restated <u>2014</u> <u>£m</u>
Cash at bank held with Deutsche Bank AG	80.1	83.0

7 DEBTORS

	<u>2015</u> <u>£m</u>	Restated <u>2014</u> <u>£m</u>
Trade Debtors	52.2	54.3
Other Trading Assets	24.7	11.7
Amounts owed by group undertakings	1,109.9	1,407.9
Prepayments and accrued income	-	1.1
	1,186.8	1,475.0

As at 31 December 2015 the Company had 27,443,238 call options (2014: 24,009,658 call options) in place with one share per option and an average strike price of €31.19 (2014 €33.25). The fair value of the options was £24.7m (2014: £11.7m). The call options are a hedging instrument to partly hedge future share liability. Gains/ (Losses) in the fair value of derivatives are offset by amounts payable to/ receivable from group counterparties.

8 INVESTMENTS (held as current assets)

	<u>2015</u> <u>£m</u>	Restated <u>2014</u> <u>£m</u>
Other Investments	1.8	2.8

The Investment related exclusively to Deutsche Bank AG shares. The shares held are scheduled to be delivered to participants of share-based compensation plans at future vesting dates.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****9 CREDITORS: Amounts falling due within one year**

	<u>2015</u>	Restated <u>2014</u>
	<u>£m</u>	<u>£m</u>
Amounts owed to group undertakings	1,082.8	1,288.2
Other creditors	79.3	93.8
Accruals and deferred income	807.7	869.5
	<u>1,969.8</u>	<u>2,251.5</u>

Amounts owed to group undertakings include the net asset in respect of the three (2014: three) defined benefit post-retirement schemes that is recharged to the operating subsidiaries of the Group.

10 PROVISIONS FOR LIABILITIES

	<u>2015</u>	Restated <u>2014</u>
	<u>£m</u>	<u>£m</u>
IBOR settlement provision	101.2	-
	<u>101.2</u>	<u>-</u>

On April 23, 2015, Deutsche Bank (DBAG) 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, Deutsche Bank agreed to pay penalties of U.S. \$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, DBAG 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 DBAG with one count of wire fraud and one count of price-fixing, in violation of the Sherman Act. In addition, DB Group Services (UK) Limited (DBGS) 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, DBGS agreed to pay a fine of U.S. \$150 million, which is included in the U.S. \$2.175 billion total amount above. The DOJ and DBGS further agreed that all or a portion of that fine may be paid by one or more related Deutsche Bank entities, including DBAG, on behalf of DBGS, consistent with Deutsche Bank policy and practice. It is expected that the fine will be imposed on DBGS at sentencing, which is currently scheduled for April 3, 2017. It is possible that the sentencing date could be postponed to accommodate the timing of an exemption that DBAG is seeking from the U.S. Department of Labor.

The Directors of DBGS note the provisions of the Plea Agreement and these, taken together with intragroup arrangements between DBGS and DBAG, lead the Directors to the view that DBAG should ultimately bear any financial penalty imposed on DBGS. The U.S. \$150 million (£101.2 million) is included as a provision in these financial statements with an equal and offsetting amount due from Group undertakings.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****11 SHARE CAPITAL**

	<u>2015</u> <u>Number</u>	<u>2014</u> <u>Number</u>
Authorised:		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
	<u>2015</u> <u>£</u>	<u>2014</u> <u>£</u>
Authorised:		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share.

12 SHARE BASED COMPENSATION

The Company made grants of share-based compensation under the Deutsche Bank (DB) Equity Plan and the broad-based employee share ownership plan entitled UK Employee Share Ownership Plan (UK ESOP).

The following table sets forth the basic terms of the DB Equity Plan.

Grant year(s)	Deutsche Bank Equity Plan	Vesting schedule	Early retirement provisions	Eligibility
2015/ 2014/ 2013	Annual Award	1/3: 12 months 1/3: 24 months 1/3: 36 months Or cliff vesting after 54 months	Yes Yes ²	Select employees as annual retention Members of Management Board or of Senior Management Group
	Retention/New Hire	Individual specification	Yes	Select employees to attract or retain key staff
	Annual Award - Upfront	Vesting immediately at grant	No	Regulated employees
2012/ 2011	Annual Award	1/3: 12 months 1/3: 24 months 1/3: 36 months	Yes	Select employees as annual retention
	Retention/New Hire	Individual specification	Yes	Select employees to attract or retain key staff
	Annual Award - Upfront	Vesting immediately at grant	No	Regulated employees
2010	Annual Award	Graded vesting in nine equal tranches between 12 months and 45 months Or cliff vesting after 54 months	Yes Yes	Select employees as annual retention Select employees as annual retention
	Retention/New Hire	Individual specification	No	Select employees to attract or retain key staff

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****12 SHARE BASED COMPENSATION (continued)****DB Equity Plan**

Awards granted under the terms and conditions of the DB Equity Plan represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends during the vesting period of the award.

An award, or portion of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions, however, allow continued vesting after voluntary termination of employment when certain conditions regarding age or tenure are fulfilled. Vesting usually continues after termination of employment in certain cases, such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

UK Employee Share Ownership Plan

The UK ESOP Plan is a UK Revenue and Customs approved scheme whereby employees voluntarily elect to purchase DB Group shares. The Company makes a matching contribution which is recognized as an expense on an accruals basis. In addition, eligible employees are granted options at the end of each year up to and including 2009, equivalent to the number of shares their contributions have purchased based on the average share price for the last 10 trading days in December. This resulted in options outstanding in 2014 and 2015 being issued at prices of € 24.17 and €43.85 per option. The fair value at grant date of the option is expensed on a straight line basis over the period from grant to vest (3 years). As at 31st December 2014 126,716 of outstanding options were exercisable. No options were granted or exercised in 2015. All outstanding options lapsed in 2015 so as at 31st December 2015 there were no remaining options held in the plan.

Compensation Expense

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date.

Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate or over the period of the tranches for those awards delivered in tranches. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations. The timing of expense recognition relating to grants which, due to early retirement provisions, include a nominal but non substantive service period are accelerated by shortening the amortization period of the expense from the grant date to the date when the employee meets the eligibility criteria for the award, and not the vesting date. For awards that are delivered in tranches, each tranche is considered a separate award and amortized separately.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****12 SHARE BASED COMPENSATION (continued)**

The entity recognised compensation expense related to share-based compensation plans, described above, as follows:

	<u>2015</u>	<u>2014</u>
	<u>£m</u>	<u>£m</u>
DB Equity Plan	174.8	241.8
UK ESOP	1.5	6.6
Total	<u>176.3</u>	<u>248.4</u>

As of 31 December 2015, unrecognised compensation costs related to non-vested share-based compensation was £104.6 million (2014: £168.2 million), which is expected to be recognised over an average period of approximately 2.07 years (2014: 2.33 years).

Recognised Amortisation expense for Unvested Stock Compensation Awards

As at 31st December 2015, the Company's life to date recognised amortisation expense in respect of unvested share based compensation awards totalled £257.9 million (31st December 2014: £223.6 million). This balance is based on the grant date value and is therefore at fixed values and represents that part of the ultimate commitment to its employee that has already been amortised.

Award Related Activities

The following table summarises the activity in plans involving share awards, which are those plans granting a contingent right to receive Deutsche Bank common shares after a specified period of time. It also includes the grants under the cash plan variant of the DB Equity Plan.

In thousands of units (except per share data)	share units	Weighted-average grant date fair value per unit
Balance at 31 December 2013	15,907	€33.59
Granted	9,540	€32.11
Issued	(9,926)	€34.87
Transferred/Forfeited	(282)	€33.02
Balance at 31 December 2014	15,239	€31.89
Granted	9,699	€24.94
Issued	(8,597)	€30.76
Transferred/Forfeited	(52)	€32.81
Balance at 31 December 2015	<u>16,289</u>	<u>€28.35</u>

In addition to the amounts shown in the table above, in March 2016 the Company granted awards of approximately 17.8 million units under the DB Equity Plan with an average grant date fair value of € 15.47 per unit.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****12 SHARE BASED COMPENSATION (continued)**

The following is a summary of the activity in the UK ESOP involving option awards for the years ended December 31, 2015 and 2014.

Award Related Activities (continued)

	Units ("000s")	Weighted-average grant date fair value per unit
Balance at 31 December 2013	273	€ 48.64
Granted	-	-
Exercised	(22)	€24.17
Forfeited	(133)	€46.02
Right Issue Increase	8	€35.05
Balance at 31 December 2014	126	€43.85
Granted	-	-
Exercised	-	-
Forfeited	(126)	€ 43.85
Balance at 31 December 2015	-	€-

As of 31 December 2015, the weighted-average remaining contractual life was 0 (31 December 2014: 1 year).

The tax expense realised, in other Deutsche Bank UK Group companies, in 2015 from delivery of shares under the UK ESOP Option plans was nil.

13 CONTINGENT LIABILITY**IBOR civil actions**

DBAG is also a defendant in a large number of IBOR-related civil actions in the United States. DBGS has been named as a defendant in three of these actions, each of which is a putative class action based on the alleged manipulation of a different benchmark interest rate: 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). DBGS is also among the defendants listed in a proposed Third Amended Complaint filed by the plaintiffs in Metzler Investment GmbH v. Credit Suisse Group AG, No. 11-cv-2613 (S.D.N.Y.), an action filed on behalf of a putative class of persons who engaged in exchange-based trading of certain Eurodollar financial instruments and were allegedly harmed by manipulation of USD LIBOR. The court has now granted plaintiffs in Metzler leave to file a Third Amended Complaint including both DBAG and DBGS, although that complaint has not yet been officially filed. It is possible that plaintiffs in other cases where DBAG is a defendant will seek to add DBGS as a defendant in the future. At this time, it is not possible to provide a reasonable estimate of potential liability in these actions.

The Directors of DBGS are of the view that, on the basis of the intragroup arrangements between DBGS and DBAG and the fact that DBAG is a co-defendant to these actions with DBGS, DBAG should ultimately bear any liability arising out of DBGS being named as a defendant in these civil actions.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****14 EXPLANATION OF TRANSITION TO FRS 101**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2015, the comparative information presented in these financial statements for the year ended 2014 and in the preparation of an opening FRS 101 balance sheet. In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of profit and loss for 2014

	Note	UK GAAP	Effect of transition to FRS 101	FRS 101
		£m	£m	£m
Turnover	1	1,971.3	0.8	1,972.1
Administrative expenses	3	(1,990.9)	20.1	(1,970.8)
Other expense	1d	(66.6)		(66.6)
Other income	1d	66.6		66.6
OPERATING (LOSS)/PROFIT		(19.6)		(1.3)
Interest receivable	4a	0.2		0.2
Financing income		20.9	(20.9)	0.0
Interest payable	4b	(1.5)		(1.5)
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION		-		-
Tax on result on ordinary activities		-		-

RESULT FOR THE FINANCIAL YEAR

£0.8m is related to pension past service cost. Under UK GAAP in accordance with paragraph 67 of FRS17, the past service cost recognized in P&L are nil. This is due to unrecognized surplus that was applied to extinguish the value of benefit improvements granted.

The Company's interest cost of scheme liabilities and expected return on scheme assets are reclassified to administrative expenses as these are part of compensation plans. These were presented as financing income under UK GAAP.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015****14 EXPLANATION OF TRANSITION TO FRS 101 (continued)**

Reconciliation of balance sheet for 2014

	Note	UK GAAP	Effect of Transition to FRS 101	FRS 101
		£m	£m	£m
NON CURRENT ASSETS				
Pension Asset	5	140.0	562.0	702.0
CURRENT ASSETS				
Loans		0.0		0.0
Cash at bank	6	83.0		83.0
Debtors	7	2,037.0	(562.0)	1,475
Investments	8	2.8		2.8
		2,122.8		1,560.8
CREDITORS: amounts falling due within one year	9	(2,122.8)	(128.7)	(2,251.5)
NET CURRENT ASSETS/(LIABILITIES)				
		-		(690.7)
TOTAL ASSETS LESS CURRENT LIABILITIES				
		140.0		11.3
Creditor amounts falling due after more than one year		(128.7)	128.7	-
Pension Liability	5	(11.3)		(11.3)
NET ASSETS				
		-		-
CAPITAL AND RESERVES				
Called up share capital	11	-		-
Profit and loss account		-		-
Share bases payment reserve		-		-
SHAREHOLDERS FUNDS				
		-		-

NOTES TO THE ACCOUNTS**For the year ended 31 December 2015**

14 EXPLANATION OF TRANSITION TO FRS 101 (continued)

Under UK GAAP, surpluses could only be recognized in the balance sheet if the surplus could be recovered either by a refund to the Company or by the reduction of future employer contributions.

UK GAAP clarified that the amount which could be recovered through reduced future contributions was the present value of the liability expected to arise from future service by current and future Scheme members less the present value of future employee contributions. A refund had to have been agreed by the Trustee at the balance sheet date.

As no refund had been agreed by the Trustee at the 31 December 2014, a maximum value on the asset equal to the present value of future service was placed. This value was lower than the current Scheme surplus and so some surplus was unrecognised.

The Senior Scheme had a surplus of £77.7m as at 31 December 2014 of which £2.2m was deemed to be recoverable. The Staff Scheme had a surplus of £624.3m as at 31 December 2014 of which £137.8m was deemed to be recoverable. The surplus of assets above this ceiling, being £562.0m, was not recognized in the 2014 financial statements. The recoverable surplus was calculated on an FRS 17 basis. Under FRS 101 and IFRS IAS 19 paragraph 65, the Company has recognized the pension surplus in full.

Effect of transition to FRS101 also leads to reduction £562.0m of both debtors and creditors due to netting.