DB GROUP SERVICES (UK) LIMITED

Company number: 3077349

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

STRATEGIC REPORT
For the year ended 31 December 2018

The Directors of DB Group Services (UK) Limited (the "Company") present their annual report and audited financial statements for the year ended 31 December 2018. 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:

	2018	2017
	£ million	£ million
Administrative expenses	1,940	1,925
Net surplus in retirement benefits schemes	912	912
	No.	No.
Average staff numbers	7,382	7,472

The movement of 1% in administrative expenses is mainly due to increase in cash bonus awards. Net surplus in retirement benefit schemes remains stable.

Current period performance
As the costs of the Company are recharged to the Group, the profit for the year ended December 2018 is £nil (2017: £nil).

<u>IBOR civil actions</u>
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).

On 13 July 2017, the Group and the Company entered into an agreement with plaintiffs to settle the USD LIBOR Exchange-Based Action (Metzler Investment GmbH v. Credit Suisse Group AG) for US$ 80 million. The settlement amount is already fully reflected in existing litigation reserves of the Group and no additional provisions have been taken for this settlement. On 11 October 2017, plaintiffs moved the court for preliminary approval of the settlement. The settlement agreement is subject to further review and approval by the court.

IBOR civil actions (continued)

On 21 July 2017, the Group and the Company entered into an agreement with plaintiffs to settle the Yen LIBOR and Euroyen TIBOR putative class actions (Laydon v. Mizuho Bank, Ltd. and Sonterra Capital Master Fund Ltd. v. UBS AG) for US$ 77 million. On 7 December 2017, the court granted the settlement final approval, formally dismissing the Group from the actions and the Company from the Sonterra action, in which it was a defendant. Under the terms of the settlement, the Group has paid US$77 million, and is no longer reflecting that amount in its litigation reserves.

On 10 May 2017, the Group and the Company entered into an agreement with plaintiffs to settle the EURIBOR putative class action (Sullivan v. Barclays plc) for US$ 170 million. On 18 May 2018, the court granted the settlement final approval, formally dismissing the Group and the Company from the action. Under the terms of the settlement, the Group has paid US$170 million, and is no longer reflecting that amount in its litigation reserves.

On 25 September 2017, the court dismissed plaintiffs' complaint in the CHF LIBOR class action (Sonterra Capital Master Fund Ltd. v. Credit Suisse Group), but gave plaintiffs an opportunity to file an amended complaint. Plaintiffs filed that amended complaint on 6 November 2017. Defendants moved to dismiss the amended complaint on 7 February 2018, and those motions are fully briefed.

The Directors of DBGS 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 DBGS 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

On 7th 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 i) 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) Ltd employees.

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.

As a result of Brexit we estimate that a number of business and infrastructure roles may need to move from the UK to EU. This is expected to be in the range of hundreds rather than thousands. The final outcome will depend on the outcome of the negotiations between UK and EU subsequent guidance from the regulators.

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

JBagshaw

~~Director~~ / Secretary
J. L. BAGSHAW

Registered office
Winchester House
23 Great Winchester Street
London
EC2N 2DB

Dated: 9 AUGUST 2019

Company number: 3077349

DIRECTORS' REPORT
For the year ended 31 December 2018

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

D. Hards	
T. Lee	
B. Pallas	(appointed 24 October 2018)
R. Tandon	(resigned 23 May 2018)
S. Ward	

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.

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.

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 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 2018 is reflected in the audited balance sheet set out on page 10.

Dividends
As the company has no capital or reserves, it is not possible to pay a dividend for the year ended 31 December 2018 (2017: £nil).

DIRECTORS' REPORT (continued)
For the year ended 31 December 2018

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*.

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

By order of the Board of Directors

JBagshaw

~~Director~~ / Secretary
J. L. BAGSHAW

Registered office
Winchester House
23 Great Winchester Street
London
EC2N 2DB

Dated: 9 AUGUST 2019

Company number: 3077349

Opinion
We have audited the financial statements of DB Group Services (UK) Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Statement of Total Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report
The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

We have nothing to report in these respects.

Matters on which we are required to report by exception
Under the Companies Act 2006, we required 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

Mike Heath

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

Dated: 9 August 2019

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2018

	Note	2018 £ million	2017 £ million
Turnover		1,941	1,926
Administrative expenses	2	(1,940)	(1,925)
Other operating income		203	28
Other operating expense		(203)	(28)
Interest payable and similar expenses to group undertakings		(1)	(1)
PROFIT BEFORE TAXATION		-	-
Tax charge on profit		-	-
PROFIT FOR THE FINANCIAL YEAR		-	-

The profit for the year has arisen from continuing operations.

The notes on pages 12 to 27 form part of these financial statements..

STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 £ million	2017 £ million
Profit for the financial year	-	-
OTHER COMPREHENSIVE INCOME		
Remeasurement gain related to defined benefit post-retirement schemes	22	192
Re-charge of remeasurement gain to group undertakings	(22)	(192)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	-	-

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

There were no other recognised gains and losses during the year.

The notes on pages 12 to 27 form part of these financial statements.

BALANCE SHEET
As at 31 December 2018

	Note	2018 £ million	2017 £ million
FIXED ASSETS			
Pension asset	4	922	922
		922	**922**
CURRENT ASSETS			
Amounts owed by group undertakings	5	918	1,154
Other debtors	6	13	161
Prepayments and accrued income		5	2
Investments	7	42	38
Cash at bank and in hand	8	97	94
		1,075	**1,449**
CREDITORS: Amounts falling due within one year			
Amounts owed to group undertakings	9	(1,238)	(1,466)
Other creditors including taxation and social security		(126)	(105)
Accruals and deferred income		(623)	(790)
		(1,987)	**(2,361)**
NET CURRENT LIABILITIES		**(912)**	**(912)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**10**	**10**
PROVISIONS FOR LIABILITIES			
Pensions and similar obligations	10	(10)	(10)
		(10)	**(10)**
NET ASSETS		-	-
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Revaluation reserve		-	-
Profit and loss account		-	-
SHAREHOLDER'S FUNDS		-	-

The notes on pages 12 to 27 form part of these financial statements.

These financial statements were approved by the Board of Directors and signed on its behalf by

Director
BEN PALLAS

Dated: 9/8/19

Company number: 3077349

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called up Share Capital £ million	Share based payment reserve £ million	Profit and Loss Account £ million	Total £ million
Balance at 1 January 2018	**0**	-	-	**0**
Profit for the financial year	-	-	-	-
Credit in relation to share based payments (Note 13)	-	(128)	-	**(128)**
Re-charge in relation to share based payments	-	128	-	**128**
Balance at 31 December 2018	**0**	-	-	**0**

For the year ended 31 December 2017

	Called up Share Capital £ million	Share based payment reserve £ million	Profit and Loss Account £ million	Total £ million
Balance at 1 January 2017	**0**	-	-	**0**
Credit in relation to share based payments (Note 13)	-	(123)	-	**(123)**
Re-charge in relation to share based payments	-	123	-	**123**
Balance at 31 December 2017	**0**	-	-	**0**

The notes on pages 12 to 27 form part of these financial statements.

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*.

In so doing, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union but has made amendments where necessary in order to comply with the requirements of Companies Act 2006. Accordingly, the relevant IFRSs have been referenced in the following notes where relevant.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of transactions with related parties; and
- The effects of new but not yet effective IFRSs.

As the Company is not a 'Financial Institution', as defined by the Financial Reporting Council, it has applied the exemptions available for disclosures required by IFRS 7, IFRS 13 and IAS 1.

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, he 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.

The Company is incorporated, registered and domiciled in England and Wales (UK) as a private limited company, limited by shares.

DB UK Holdings Limited, a company registered in England and Wales (UK), is the Company's immediate controlling entity.

Deutsche Bank Aktiengesellschaft ("Deutsche Bank AG"), a company incorporated in Germany, is the parent company, the ultimate controlling entity and the parent undertaking of the largest and smallest group of undertakings for which group financial statements are prepared, in accordance with IFRS. Its registered address is Taunusanlage 12, Frankfurt am Main,60325, Germany. Copies of the Group financial statements of this company are available to the public and may be obtained from Winchester House, 1 Great Winchester Street, London, EC2N 2DB.

(a) Changes in accounting policy
Since 1 January 2018, the Company has applied the new accounting standards IFRS 9 "Financial Instruments", which replaced IAS 39, and IFRS 15 "Revenue from Contracts with Customers". The adoption of the two new accounting standards did not have an impact on the financial statements of the Company. There were no other amendments to the accounting standards that are effective for the year ended 31 December 2018 that would have a material impact to the Company.

(b) Basis of measurement
These financial statements have been prepared on the historical cost basis, except where differing basis of measurements are stipulated below.

(c) Turnover
Turnover represents the recharge of Administrative Expenses to other Group companies.

(d) 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 the Group 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.

1 ACCOUNTING POLICIES (continued)

(e) Other operating income/expense
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 account (other income / other expenses).The profit or loss impact of fair value movements on derivatives is recharged to Group companies via the offsetting other operating income/expense category.

(f) Interest receivable and similar income and interest payable and similar expenses from/to Group undertakings
Interest receivable and payable are recognised in the profit and loss account as they accrue using the effective interest method.

The effective interest rate is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows. The estimated future cash flows used in this calculation include those determined by the contractual terms of the asset or liability, all fees that are considered to be integral to the effective interest rate, direct and incremental transaction costs, and all other premiums or discounts.

(g) Retirement benefits
Throughout 2018 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.

All retirement benefit plans accounted for as defined benefit plans are valued using the projected unit-credit method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates. Actuarial gains and losses are recognized in equity in the period in which they occur. The majority of the Company's benefit plans is funded.

As the principal business of the Company is that of an employing company for the Group in the UK, all employee related costs including net defined benefit costs 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 equity are offset by an equal amount payable or receivable, due to or from Group Companies..

The Company also operates a defined contribution pension arrangement. 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.

(h) Taxation
The Company is a "total recharge entity" where all costs incurred by the Company are fully recovered through recharge to the Group 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.

(i) 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.

(j) Going concern
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 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.

1 ACCOUNTING POLICIES (continued).

(k) *Critical accounting estimates and judgements*
The preparation of these financial statements requires the Directors to make estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

The significant accounting policy of the Company that involves critical accounting estimates relates to Retirement benefits.

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 12 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.

2 ADMINISTRATIVE EXPENSES

	2018	2017
	£ million	£ million
Wages and benefits	(1,420)	(1,454)
Social security costs	(190)	(204)
Other pension costs (Note 12)	(123)	(116)
Compensation expense for share-based payments (Note 13)	(128)	(123)
Restructuring activities	(79)	(28)
	(1,940)	(1,925)

Average number of people employed:

	2018	2017
No corporate title	284	316
Analyst	436	437
Associate	666	667
Assistant Vice President	1,244	1,287
Vice President	2,610	2,604
Director	1,579	1,591
Managing Director	563	570
Total average headcount	**7,382**	**7,472**

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

Auditor's Remuneration

	2018	2017
	£	£
Audit of these financial statements	76,300	66,300

3 DIRECTORS' EMOLUMENTS, TRANSACTIONS AND INTERESTS

a) Emoluments

	2018 £	2017 £
Directors' Emoluments	120,800	150,276
Amounts Receivable under long term schemes	8,508	91,451
	129,308	241,727

	£	£
Company contributions to money purchase pension schemes	0	1,077
Compensation for loss of office	0	90,378

During the year, 1 Director received shares or payments under long term incentive schemes totalling £8,508 (2017: 3 Directors received Group shares or payments under long term incentive schemes totalling £91,451).

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director were £85,000 (2017: £159,685) and the pension contributions were nil (2017: nil).

	Number of Directors 2018	Number of Directors 2017
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	0	1
Defined benefit schemes	1	1

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

b) Transactions

There were no amounts outstanding to the Directors of the Company as at 31 December 2018 (2017: £nil) or at any point during the year ended 31 December 2018. In this instance, the term Directors also covers individuals connected to directors as defined by s.252 of the Companies Act, 2006.

c) Interests

None of the Directors had any other disclosable interest in the shares or debentures of any UK group undertaking at the end of the year, or were granted or exercised any right to subscribe for shares in, or debentures of, any UK group undertaking during the year.

4 PENSION ASSETS

	2018			2017		
in £ million	**Staff Plan**	**Senior Plan**	**Total**	**Staff Plan**	**Senior Plan**	**Total**
Defined benefit obligation	(2,939)	(525)	(3,464)	(3,133)	(567)	(3,700)
Fair value of plan assets	3,738	648	4,386	3,929	693	4,622
Surplus	**799**	**123**	**922**	**796**	**126**	**922**

5 AMOUNTS OWED BY GROUP UNDERTAKINGS

	2018 £ million	2017 £ million
Compensation related receivables (Net)	619	634
Receivable related to Employee Investment Plan (EIP)	186	64
Receivable related to UK payroll activities	27	20
Receivable related to vesting activities	26	217
Recharge of P&L to debtors	23	191
Receivable from Deutsche Bank AG London for UK Witholding tax	22	22
Receivable related to call options	12	-
Other	3	6
	918	**1,154**

6 OTHER DEBTORS

	2018 £ million	2017 £ million
Call Options	-	151
Receivable from NFP Executive Benefits, LLC (external)	13	10
	13	**161**

Call options are used to hedge future share liability under the Share based payment schemes. As at 31 December 2018 the Company had 54,555,754 call options (2017: 67,532,986 call options) in place with one share per option and an average strike price of €16.50 (2017 €17.70). The fair value of the options was £398k (2017: £151m). Gains/ (Losses) in the fair value of the call options are offset by amounts payable to/ receivable from group undertakings.

Receivable from NFP Executive Benefits, LLC pertains to Employee Investment Plan (EIP). This is a form of employee benefit being managed by external counterparty.

7 INVESTMENTS (held as current assets)

	2018 £ million	2017 £ million
Shares in group undertakings	13	2
Other Investments	29	36
	42	**38**

Shares in group undertakings represent shares of Deutsche Bank AG held to be delivered to participants of share-based compensation plans at future vesting dates. Other investments reflect assets held as hedges to employee investment. The hedges will be realised at future vesting dates to offset liabilities within the related employing entities.

8 CASH AT BANK AND IN HAND

	2018 £ million	2017 £ million
Cash at bank held with group undertakings	97	94
	97	**94**

9 AMOUNTS OWED TO GROUP UNDERTAKINGS

	2018 £ million	2017 £ million
Short-term borrowing	(1,161)	(1,234)
Regional cost clearing account	(45)	(187)
Provision for Executive Fund Tracker	(25)	(28)
Pension related equity accounts	(7)	(13)
Other	-	(4)
	(1,238)	**(1,466)**

10 PROVISIONS FOR LIABILITIES

	2018 £ million	2017 £ million
Pensions	10	10
	10	**10**

Pension and similar obligations represent post-retirement medical benefits (PRM) for a number of retired employees under BUPA. Please also refer to Note 12 "Post-Employment Benefit Plans".

11 SHARE CAPITAL

	2018 Number	2017 Number
Authorised:		
Ordinary shares of £1 each	1,000	1,000
	-	-
Alloted, called up and fully paid:		
Ordinary shares of £1 each	2	2
	2	2

	2018 £	2017 £
Authorised:		
Ordinary shares of £1 each	1,000	1,000
	1,000	1,000
Alloted, called up and fully paid:		
Ordinary shares of £1 each	2	2
	2	2

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

12 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 a formula applied to final pensionable salary 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. Benefits accrued in these plans after 2010 are still calculated based on the defined benefit basis linked to a final pensionable salary but on terms that serve to reduce the overall long-term risk exposure to the Company relative to the pre 2011 basis. 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.

In line with IAS 19 disclosure requirements, 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.

Defined benefit obligation and net defined benefit asset/(liability) by participating status

				2018				2017
in £ million	Staff Plan	Senior Plan	PRM plan	Total	Staff Plan	Senior Plan	PRM plan	Total
Defined benefit obligation related to:								
Active plan participants	519	14		533	595	17	-	612
Participants in deferred status	1,881	172		2,053	2,076	218	-	2,294
Participants in payment status	539	339	10	888	462	332	10	804
Total defined benefit obligation	2,939	525	10	3,474	3,133	567	10	3,710
Fair value of plan assets	3,738	648	-	4,386	3,929	693	-	4,622
Net defined benefit asset / (liability)	799	123	(10)	912	796	126	(10)	912
Funding ratio	127%	123%		126%	125%	122%		125%

The Directors are not required to recognise an asset ceiling as, provided the Company remains a going concern, the trustees of the defined benefit plans do not have the power to unilaterally wind up the scheme or unilaterally augment benefits.

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

				2018				2017
in £ million	Staff Plan	Senior Plan	PRM plan	Total	Staff Plan	Senior Plan	PRM plan	Total
Defined Benefit Asset	799	123	-	922	796	126	-	922
Defined Benefit (Liability)	-	-	(10)	(10)	-	-	(10)	(10)
Net defined benefit asset / (liability)	799	123	(10)	912	796	126	(10)	912

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

in £ million	Staff Plan	Senior Plan	PRM Plan	Total
Actual benefit payments 2018	122	33	0	155
Benefits expected to be paid 2019	78	25	1	104
Benefits expected to be paid 2020	62	20	1	83
Benefits expected to be paid 2021	66	21	1	88
Benefits expected to be paid 2022	73	21	1	95
Benefits expected to be paid 2023	80	23	1	104
Benefits expected to be paid 2024 – 2028	505	116	3	624
Weighted average duration of defined benefit obligation (in years)	22	17	11	

12 POST-EMPLOYMENT BENEFIT PLANS (continued)

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, interest rates, 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

A trustee (DB Trustee Services Limited) is responsible for the overall management 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 2017 and 2018 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 and as superseded by updated Schedule of Contributions on 28 February 2017 (Staff and Senior Schemes) and 13 March 2018 (Staff Scheme only). For 2019 no regular contributions are expected. There were no deficit contributions paid or required to the Staff scheme or Senior scheme during 2018 and 2017.

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.

	2018	2017
Discount rate	2.7%	2.5%
Rate of price inflation – RPI	3.5%	3.5%
Rate of price inflation – CPI	2.4%	2.4%
Rate of nominal increase in future compensation levels	4.0%	4.5%
Rate of nominal increase for pensions in payment	3.3%	3.3%
Rate of nominal increase for pensions in deferment	2.4%	2.4%
Rate of nominal increase for medical expenses	5.1%	5.1%

	2018 Staff Plan	2018 Senior Plan	2017 Staff Plan	2017 Senior Plan
Assumed life expectancy in years at age 65				
For a male aged 65 at measurement date	23	24	23	24
For a female aged 65 at measurement date	25	26	25	26
For a male aged 45 at measurement date	25	26	25	26
For a female aged 45 at measurement date	27	28	27	28

12 POST-EMPLOYMENT BENEFIT PLANS (continued)

Actuarial Methodology and Assumptions (continued)

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 at 31 December 2018 for males is 100% and 90% in respect of the Staff and Senior scheme, respectively, and for females it is 90% and 80% in respect of the Staff and Senior scheme, respectively, of the self-administered pension scheme light tables ("SAPS S2 Light"). An allowance for future improvements has been included, in line with the CMI 2017 projections assuming a smoothing parameter of 8 and a long-term annual rate of improvement in mortality rates of 1.25% p.a. for men and women.

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

				2018
in £ million	**Staff Plan**	**Senior Plan**	**PRM Plan**	**Total**
Change in the present value of the defined benefit obligation:				
Balance, beginning of year	**3,133**	**567**	**10**	**3,710**
Defined benefit cost recognized in Profit & Loss				
Current service cost	27		-	27
Interest cost	78	14	-	92
Past service cost and gain or loss arising from settlements	15	1	-	16
Defined benefit cost recognized in Other Comprehensive Income				
Actuarial (gain) or loss arising from changes in financial assumptions	(148)	(18)	-	(166)
Actuarial (gain) or loss arising from changes in demographic assumptions	(38)	(5)	-	(43)
Actuarial (gain) or loss arising from experience	(6)	(1)	-	(7)
Cash flow and other changes				
Benefits paid	(122)	(33)	-	(155)
Balance, end of year	**2,939**	**525**	**10**	**3,474**
Change in fair value of plan assets:				
Balance, beginning of year	**3,929**	**693**	**-**	**4,622**
Defined benefit cost recognized in Profit & Loss				-
Interest income	98	17	-	115
Defined benefit cost recognized in Other Comprehensive Income				-
Return from plan assets less interest income	(165)	(28)	-	(193)
Cash flow and other changes				-
Benefits paid	(122)	(33)	-	(155)
Plan administration costs	(2)	(1)	-	(3)
Balance, end of year	**3,738**	**648**	**-**	**4,386**
Funded status, end of year = Net asset / (liability) recognized	799	123	(10)	912

12 POST-EMPLOYMENT BENEFIT PLANS (continued)

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

				2017
in £ million	**Staff Plan**	**Senior Plan**	**PRM Plan**	**Total**
Change in the present value of the defined benefit obligation:				
Balance, beginning of year	**3,242**	**604**	**11**	**3,857**
Defined benefit cost recognized in Profit & Loss				
Current service cost	29	1	-	30
Interest cost	84	16	-	100
Past service cost and gain or loss arising from settlements	4	-	-	4
Defined benefit cost recognized in Other Comprehensive Income				
Actuarial (gain) or loss arising from changes in financial assumptions	(30)	(8)	-	(38)
Actuarial (gain) or loss arising from changes in demographic assumptions	(9)	(4)	-	(13)
Actuarial (gain) or loss arising from experience	(17)	2	-	(15)
Cash flow and other changes				
Benefits paid	(170)	(44)	(1)	(215)
Balance, end of year	**3,133**	**567**	**10**	**3,710**
Change in fair value of plan assets:				
Balance, beginning of year	**3,895**	**697**	**-**	**4,592**
Defined benefit cost recognized in Profit & Loss				
Interest income	101	18	-	119
Defined benefit cost recognized in Other Comprehensive Income				
Return from plan assets less interest income	104	22	-	126
Cash flow and other changes				
Benefits paid	(170)	(44)	-	(214)
Plan administration costs	(1)	-	-	(1)
Balance, end of year	**3,929**	**693**		**4,622**
Funded status, end of year = Net asset / (liability) recognized	796	126	(10)	912

Expense of post-employment benefits

in £ million	**2018**	**2017**
Expenses for defined benefit plans:		
Service cost	43	34
Net interest cost / (income)	(23)	(19)
Total expenses defined benefit plans	20	15
Total expenses for defined contribution plans	103	101
Total expenses for post-employment benefit plans	**123**	**116**

12 POST-EMPLOYMENT BENEFIT PLANS (continued)

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 and real estate.

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.

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.

Quoted and other assets

			2018			2017
in £ million	**Staff Plan**	**Senior Plan**	**Total**	**Staff Plan**	**Senior Plan**	**Total**
Cash and cash equivalents	548	95	643	313	59	372
Equity instruments	438	74	512	442	75	517
Investment-grade bonds						
Government	553	75	628	907	131	1,038
Non-government bonds	2,119	399	2,518	1,823	350	2,173
Non-investment-grade bonds						
Non-government bonds	60	11	71	52	10	62
Structured products	5	1	6	297	60	357
Alternatives						
Real estate	36	10	46	83	21	104
Commodities	-	-	-	18	4	22
Other	17	3	20	27	5	32
Derivatives (Market Value)						
Interest rate	118	(2)	116	133	(1)	132
Credit	-	-	-	(1)	-	(1)
Inflation	(156)	(18)	(174)	(165)	(21)	(186)
Total fair value of plan assets	**3,738**	**648**	**4,386**	**3,929**	**693**	**4,622**

12 POST-EMPLOYMENT BENEFIT PLANS (continued)

Quoted assets only

	2018			2017		
in £ million	**Staff Plan**	**Senior Plan**	**Total**	**Staff Plan**	**Senior Plan**	**Total**
Cash and cash equivalents	12	15	27	-	20	20
Equity instruments	438	74	512	442	75	517
Investment-grade bonds [1]			-			-
Government	549	75	624	904	130	1,034
Credit	-	-	-	(1)	-	(1)
Total fair value of plan assets	**999**	**164**	**1,163**	**1,345**	**225**	**1,570**

1 Allocation of equity exposure is broadly in line with the typical index in the respective market, e.g. the equity portfolio's benchmark of the UK retirement benefit plans is the MSCI All Countries World Index.

The following tables show the asset allocation of the "quoted" and other defined benefit plan assets by key geography in which they are invested.

in £ million	**Germany**	**United Kingdom**	**United States**	**Other Eurozone**	**Other Developed Countries**	**Emerging markets**	**2018 Total**
Cash and cash equivalents	-	616	26				642
Equity instruments	9	46	289	71	45	53	513
Government bonds (investment-grade and above)	28	504	4	31	57	4	628
Non-government bonds (investment-grade and above)	115	1,509	259	386	230	19	2,518
Non-government bonds (non-investment-grade)	3	50	4	14	1	-	72
Structured products	-	5	-	-	-	-	5
Subtotal	155	2,730	582	502	333	76	4,378
Share of quoted assets	4%	62%	13%	11%	8%	2%	100%
Other asset categories							8
Fair value of plan assets							**4,386**

in £ million	**Germany**	**United Kingdom**	**United States**	**Other Eurozone**	**Other Developed Countries**	**Emerging markets**	**2017 Total**
Cash and cash equivalents	237	107	27	1	-	-	372
Equity instruments	11	35	262	81	51	77	517
Government bonds(investment-grade and above)	12	949	-	17	55	5	1,038
Non-government bonds (investment-grade and above)	47	1,225	195	198	495	13	2,173
Non-government bonds(non-investment-grade)	3	30	6	13	8	2	62
Structured products	-	358	-	-	-	-	358
Subtotal	310	2,704	490	310	609	97	4,520
Share of quoted assets	7%	60%	11%	7%	13%	2%	100%
Other asset categories							102
Fair value of plan assets							**4,622**

There are not any derivative transactions with the Group on plan assets 31 December 2018 (2017: nil). The plan assets do not hold any material shares of the Group nor include any real estate which is used by the Group.

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.

12 POST-EMPLOYMENT BENEFIT PLANS (continued)

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 the Group'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.

		2018		2017
in £ million	Staff Plan	Senior Plan	Staff Plan	Senior Plan
Discount rate (–50 bp):				
(Increase) in DBO [3]	(335)	(45)	(365)	(50)
Expected increase in plan assets	345	45	395	55
Expected net impact on funded status (de-) increase	10	-	30	5
Discount rate (+50 bp):				
Decrease in DBO [3]	310	40	320	45
Expected (decrease) in plan assets	(345)	(45)	(395)	(55)
Expected net impact on funded status (de-) increase	(35)	(5)	(75)	(10)
Credit spread (–50 bp):				
(Increase) in DBO [3]	(335)	(45)	(365)	(50)
Expected increase in plan assets	95	20	95	20
Expected net impact on funded status (de-) increase	(240)	(25)	(270)	(30)
Credit spread (+50 bp):				
Decrease in DBO [3]	310	40	320	45
Expected (decrease) in plan assets	(95)	(20)	(95)	(20)
Expected net impact on funded status (de-) increase	215	20	225	25
Rate of price inflation (–50 bp): [1]				
Decrease in DBO [3]	275	35	275	40
Expected (decrease) in plan assets	(215)	(25)	(245)	(30)
Expected net impact on funded status (de-) increase	60	10	30	10
Rate of price inflation (+50 bp): [1]				
(Increase) in DBO [3]	(280)	(35)	(295)	(40)
Expected increase in plan assets	215	25	245	30
Expected net impact on funded status (de-) increase	(65)	(10)	(50)	(10)
Rate of real increase in future compensationlevels (–50 bp):				
Decrease in DBO, net impact on funded status [3]	10	-	10	-
Rate of real increase in future compensationlevels (+50 bp):				
(Increase) in DBO, net impact on funded status [3]	(5)	-	(10)	-
Longevity improvements by 10 %: [2]				
(Increase) in DBO, net impact on funded status [3]	(80)	(15)	(95)	(20)

1 Incorporates sensitivity to changes in nominal increase for pensions in payment and deferment 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.
3 DBO refers to Defined Benefit Obligation

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.

13 SHARE BASED COMPENSATION AND SHARE OWNERSHIP

The company made grants of share-based compensation under the Group Equity Plan and the broad-based employee share ownership plan entitled UK Employee Share Ownership Plan. The shares held are scheduled to be delivered to participants of share-based compensation plans at future vesting dates.

Grant year(s)	The Group Equity Plan	Vesting Schedule	Eligibility
2018	Annual Award (CIB)	1/4: 12 months[1] 1/4: 24 months[1] 1/4: 36 months[1] 1/4: 48 months[1]	Select employees as annual performance-based compensation
	Annual Award (non-CIB)	1/3: 12 months[1] 1/3: 24 months[1] 1/3: 36 months[1]	Select employees as annual performance-based compensation
	Annual Award (Senior Management)	1/5: 12 months[1] 1/5: 24 months[1] 1/5: 36 months[1] 1/5: 48 months[1] 1/5: 60 months[1]	Members of Management Board or of Senior Management
	Retention/New Hire	Individual specification	Select employees to attract and retain the best talent
	Annual Award – Upfront	Vesting immediately at grant[2]	Regulated employees
2017	Annual Award	1/4: 12 months[1] 1/4: 24 months[1] 1/4: 36 months[1] 1/4: 48 months[1]	Select employees as annual performance-based compensation
		Or cliff vesting after 54 months[1]	Members of Management Board or of Senior Management
	Retention/New Hire	Individual specification	Select employees to attract and retain the best talent
	Annual Award – Upfront	Vesting immediately at grant[3]	Regulated employees
	Key Retention Plan (KRP)[4]	1/2: 50 months[5] 1/2: 62 months[5]	Material Risk Takers (MRTs)
		Cliff vesting after 43 months	Non-Material Risk Takers (non-MRTs)
2016	Annual Award	1/4: 12 months[1] 1/4: 24 months[1] 1/4: 36 months[1] 1/4: 48 months[1]	Select employees as annual performance-based compensation
		Or cliff vesting after 54 months[1]	Members of Management Board or of Senior Management
	Retention/New Hire	Individual specification	Select employees to attract and retain the best talent
	Annual Award – Upfront	Vesting immediately at grant[3]	Regulated employees
	Key Position Award (KPA)[6]	Cliff-vesting after 4 years[3]	Select employees as annual retention

13 SHARE BASED COMPENSATION AND SHARE OWNERSHIP (continued)

Grant year(s)	The Group Equity Plan	Vesting Schedule	Eligibility
2015/ 2014	Annual Award	1/3: 12 months[1] 1/3: 24 months[1] 1/3: 36 months[1]	Select employees as annual performance-based compensation
		Or cliff vesting after 54 months[1]	Members of Management Board or of Senior Management Group
	Retention/New Hire	Individual specification	Select employees to attract and retain the best talent
	Annual Award – Upfront	Vesting immediately at grant[7]	Regulated employees

1 For employees of certain legal entities, deferred equity is replaced with restricted shares due to local regulatory requirements.
2 For members of the Management Board or the Senior Management and all other InstVV-regulated employees a further retention period of 12 months applies.
3 For members of the Management Board or of the Senior Management and all other regulated employees a further retention period of six months applies.
4 The Key Retention Plan (KRP) is referenced as the "Retention Award Program" in the Bank's Compensation Report. Equity-based awards granted under this program in January 2017 reaches a certain share are subject to an additional share price hurdle, meaning this award proportion only vests in the event that the Bank's share price
5 For Material Risk Takers (MRTs) share delivery takes place after a further retention period of twelve months
6 A predefined proportion of the individual's KPA is subject to an additional share price hurdle, meaning this award proportion only vests in the event that the Bank's share price reaches a certain share target price
7 For members of the Management Board share delivery takes place after a retention period of three years. For all other regulated employees share delivery takes place after a retention period of six months.

The Group Equity Plan

Awards granted under the terms and conditions of the Group Equity Plan represent a contingent right to receive the Group 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.

13 SHARE BASED COMPENSATION AND SHARE OWNERSHIP (continued)

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.

The Company recognised expenses in relation to share-based compensation and employee share ownership plans, as follows:

	2018	2017
	£ million	£ million
The Group Equity Plan	(128)	(123)
Total	**(128)**	**(123)**

As of 31 December 2018, unrecognised compensation costs related to non-vested share-based compensation was £135 million (2017: £209.9 million), which is expected to be recognised over an average period of approximately 10.25 years (2017: 3.2 years).

Recognised Amortisation expense for Unvested Stock Compensation Awards

As at 31st December 2018, the Company's life to date recognised amortisation expense in respect of unvested share based compensation awards totalled £270 million (2017: £286 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 Group common shares after a specified period of time. It also includes the grants under the cash plan variant of the Group Equity Plan.

	share units ("000s")	Weighted-average grant date fair value per unit €
Balance at 31 December 2016	**28,334**	**28.35**
Granted	12,171	12.33
Issued	(8,320)	21.25
Transferred/Forfeited	(222)	20.51
Balance at 31 December 2017	**31,963**	**15.11**
Granted	13,969	12.31
Issued	(7,080)	35.74
Transferred/Forfeited	(36)	10.27
Balance at 31 December 2018	**38,816**	**9.28**

In addition to the amounts shown in the table above, in March 2019 the Company granted awards of approximately 14,189,048 units under the Group Equity Plan with an average grant date fair value of €7.98 per unit.