Deutsche Bank International Limited

Financial statements

31 December 2019

Deutsche Bank International Limited

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Deutsche Bank International Limited

Company Information

Directors:	A J Dessain, Chairman D P O'Driscoll (resigned 31 March 2019) J D Foot P H Nunnerley R B Singleton G S Clark (appointed 11 November 2019) S J Stormer (resigned 26 September 2019)
Secretary:	G S Clark
Independent auditors:	KPMG Channel Islands Limited Chartered Accountants 37 Esplanade St Helier Jersey Channel Islands
Registered Office:	St Paul's Gate New Street St Helier Jersey Channel Islands JE4 8ZB

Deutsche Bank International Limited

Directors' report

The directors submit their report and the audited financial statements for the year ended 31 December 2019.

Principal activities, business review and future developments

Deutsche Bank International Limited (the "Company") is a wholly owned subsidiary of Deutsche Holdings (Luxembourg) S.à r.l, itself part of the larger Deutsche Bank Group, with the ultimate parent company being Deutsche Bank AG. The Company provides international banking, trust, corporate and investment management services on a world-wide basis to clients including private individuals, corporations, governments, financial institutions and investors.

On 14 February 2018 the Company entered into a Business Transfer Agreement, which resulted in the sale of the Banking and Custody Business to The Bank of N.T. Butterfield & Son Limited ("BoBL"). Clients have subsequently transferred to BoBL or exited to alternative providers. The Company is in the process of exiting its remaining Banking and Custody positions with a view to surrendering its Banking License. The Company's loss for the financial year ended 31 December 2019 in respect of this business amounted to GBP 9,005,905 (2018: GBP 11,946,100 loss).

Based on the Company's financial position as at 31 December 2019, the above sale has resulted in inflows from placements with banks and repayments of loans and advances of GBP 273,793,743 (2018: GBP 991,484,330) and GBP 10,913,697 (2018: GBP 17,980,280) respectively and outflows in respect of the deposit base of GBP 256,888,407 (2018: GBP 1,017,650,285). These items are reflected in assets held for sale and liabilities held for sale on the statement of financial position.

Whilst the Company intends to ultimately cease operating as a Banking & Custody provider, it does not impact the Directors' assessment of the Company's ability to continue to act as a going concern as the Company will continue to operate in respect of its long term premises and pension commitments.

The Directors have also considered the ability of the Company to meets its obligations as and when they fall due and concluded that sufficient capital exists to meet all current and future liabilities. In forming this conclusion, the Directors have prepared a forecast, including specific assessments around the funding requirements of the pension commitments, which in the Directors' opinion, indicates that the Company has sufficient reserves to meet all current and future obligations. In addition on 22 November 2018 Deutsche Bank AG unconditionally and irrevocably undertook to ensure the Company shall be funded in such a way that the Company shall at all times be able to meet its obligations in respect of its Defined Benefit Pension scheme as and when they fall due up to a maximum of GBP 60 million.

Results and dividend

The total comprehensive income for the year ended 31 December 2019 is shown in the statement of comprehensive income on page 8.

No dividends were declared during the year (2018: No dividends declared).

Deutsche Bank International Limited

Directors' report (continued)

Directors

The directors of the Company are as follows;

A J Dessain, Chairman
J D Foot
P H Nunnerley
R B Singleton
G S Clark

The directors of the Company who served during the year and up to the date the financial statements were approved are as stated above, with the following exceptions:

D P O'Driscoll resigned as a Director on 31 March 2019.

S J Stormer resigned as a Director on 26 September 2019.

G S Clark appointed as a Director on 11 November 2019.

Independent Auditors

KPMG Channel Islands Limited.

By order of the board

26 March 2020

Deutsche Bank International Limited

Statement of Directors' responsibilities

The directors are responsible for preparing 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 International Financial Reporting Standards and applicable law.

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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 (Jersey) Law 1991, the Banking Business (Jersey) Law 1991, the Financial Services (Trust Company and Investment Business (Accounts, Audit, and Reports)) (Jersey) Order 2007 and the Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007. They are responsible for 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, and 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor’s Report to the Members of Deutsche Bank International Limited

Our opinion is unmodified

We have audited the financial statements of Deutsche Bank International Limited (the “Company”), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019, and of the Company’s financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards;
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991; and
- have been prepared in accordance with The Financial Services (Trust Company and Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2007, The Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007, and The Banking Business (Jersey) Law 1991.

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 FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Deutsche Bank International Limited (continued)

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements including 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 this report and restrictions on its use by persons other than the Company's members, as a body

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

D. Alexander.

David Alexander

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants

Jersey

31 March 2020

Deutsche Bank International Limited

Statement of Financial Position
As at 31 December 2019

	Note	2019 GBP	2018 GBP
Assets			
Placements with banks	10	**87,000,000**	92,400,000
Property and equipment	11	**-**	230,022
Right-of-use assets	18	**4,326,514**	-
Finance lease receivables	18	**618,679**	-
Investment in subsidiaries	12	**1,430,200**	273,200
Receivables from service relationships	20	**3,001,534**	6,726,723
Other assets	13	**1,139,040**	1,338,525
Employee benefits surplus	14	**44,719,000**	39,643,000
Assets held for sale	6	**52,883,560**	338,555,202
Total assets		**195,118,527**	479,166,672
Liabilities			
Payables from service relationships	20	**1,508,091**	2,848,666
Other liabilities	15	**5,101,372**	7,829,484
Lease liabilities	18	**5,813,889**	-
Liabilities held for sale	6	**47,628,427**	329,425,945
Total liabilities		**60,051,779**	340,104,095
Equity			
Share capital	16	**15,000,000**	15,000,000
Share premium	16	**1,707,265**	1,707,265
Retained earnings		**118,359,483**	122,355,312
Total equity		**135,066,748**	139,062,577
Total liabilities and equity		**195,118,527**	479,166,672

The financial statements on pages 7 to 60 were approved and authorised for issue by the Board of Directors on 26 March 2020 and signed on its behalf by:

Director *Director*

The notes on pages 12 to 60 are an integral part of these financial statements.

Deutsche Bank International Limited

Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	**2019 GBP**	2018 GBP
Continuing operations			
Interest income		**1,668,768**	1,735,084
Rental income	18	**999,109**	537,210
Interest expense on lease liabilities	18	**(85,168)**	-
Operating income		**2,582,709**	2,272,294
Non-interest expenses			
Personnel expenses	7	**878,000**	382,000
Depreciation	11	**(763,842)**	(5,659,700)
Depreciation on right-of-use assets	18	**(874,850)**	-
Other expenses	8	**(710,209)**	400,979
Impairment loss on investment in subsidiaries	12	**(2,743,000)**	(3,047,000)
		(4,213,901)	(7,923,721)
Loss before income tax		**(1,631,192)**	(5,651,427)
Income tax expense	9	**(48,849)**	-
Loss for the year from continuing operations		**(1,680,041)**	(5,651,427)
Discontinued operations			
(Loss)/Profit from discontinued operations, net of tax	6	**(6,513,788)**	(7,672,988)
Loss for the year		**(8,193,829)**	(13,324,415)
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Defined benefit plan actuarial (loss)/gain	14	**4,198,000**	(3,786,000)
Deferred tax credit /(charge) on pension surplus		**-**	4,304,700
Other comprehensive income, net of tax		**4,198,000**	518,700
Total comprehensive income for the year		**(3,995,829)**	(12,805,715)

The notes on pages 12 to 60 are an integral part of these financial statements.

Deutsche Bank International Limited

Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share Capital GBP	Share Premium GBP	Retained Earnings GBP	Total GBP
Balance at 1 January 2018		15,000,000	1,707,265	135,161,027	151,868,292
Total comprehensive income for the period					
Loss for the period		-	-	(13,324,415)	(13,324,415)
Other comprehensive income, net of tax		-	-	518,700	518,700
Total comprehensive income, net of tax		-	-	(12,805,715)	(12,805,715)
Transactions with owners, recorded directly in equity					
Balance at 31 December 2018		15,000,000	1,707,265	122,355,312	139,062,577
Total comprehensive income for the period					
Loss for the period		-	-	(8,193,829)	(8,193,829)
Other comprehensive income, net of tax		-	-	4,198,000	4,198,000
Total comprehensive income, net of tax		-	-	(3,995,829)	(3,995,829)
Transactions with owners, recorded directly in equity					
Balance at 31 December 2019		**15,000,000**	**1,707,265**	**118,359,483**	**135,066,748**

The notes on pages 12 to 60 are an integral part of these financial statements.

Deutsche Bank International Limited

Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 GBP	2018 GBP
Cash flows from operating activities			
Loss for the year		**(8,193,829)**	(13,324,415)
Adjustments for:			
Depreciation	11	**763,842**	5,659,700
Undiscounted lease liabilities payment	18	**1,177,738**	-
Defined benefit pension (credit)/expense	7	**(878,000)**	(382,000)
Impairment loss on investment in subsidiaries	12	**2,743,000**	3,047,000
Income tax expense		**48,849**	-
Operating loss before working capital changes		**(4,338,400)**	(4,999,715)
Changes in operating assets and liabilities			
Placements with banks		**31,037,852**	47,352,269
Loans and advances to customers		**10,913,697**	17,980,280
Receivables from service relationships		**3,725,189**	1,924,911
Other assets		**1,163,687**	1,361,418
Finance lease receivables		**(618,679)**	-
Right-of-use assets		**(4,326,514)**	-
Deposits from banks		**(619,530)**	3,345,441
Deposits from customers		**(256,268,877)**	(1,020,995,726)
Other short term borrowings		**(10,794,819)**	(7,684,708)
Payables from service relationships		**(1,340,575)**	572,014
Other liabilities		**(16,842,404)**	6,948,540
Lease liabilities		**5,813,889**	-
Cash (used in)/generated from operating activities		**(242,495,484)**	(954,195,276)
Income tax and other tax payment		**(48,849)**	-
Interest paid on lease liabilities	18	**(85,168)**	-
Net cash (used in)/generated from operating activities		**(242,629,501)**	(954,195,276)
Cash flows from investing activities			
Acquisition of property and equipment		**(533,820)**	(1,036,788)
Investment in subsidiary		**(3,900,000)**	(3,000,000)
Net cash used in investing activities		**(4,433,820)**	(4,036,788)
Cash flows from financing activities			
Payment of lease liabilities		**(1,092,570)**	-
Net cash used in financing activities		**(1,092,570)**	-
Net change in cash and cash equivalents		**(248,155,891)**	(958,232,064)

Deutsche Bank International Limited

Statement of Cash Flows (continued)
For the year ended 31 December 2019

	2019 GBP	2018 GBP
Cash and cash equivalents at beginning of year	**385,142,969**	1,343,375,033
	---------------	---------------
Cash and cash equivalents at end of year	**136,987,078**	385,142,969
	=========	=========

The Statement of Cash Flows has been prepared on the aggregate basis of the Statement of Financial Position and Note 6 – Discontinued operations and disposal group held for sale.

	2019 GBP	2018 GBP
Supplemental disclosure of cash flows from operating activities:		
Interest received	**2,613,906**	10,196,473
Interest paid	**1,347,808**	6,246,305

The net cash flows from discontinued operations are shown in Note 6.

The notes on pages 12 to 60 are an integral part of these financial statements.

1. Reporting entity

Deutsche Bank International Limited (the "Company") was incorporated in Jersey in 1972.

The Company holds a banking licence and is subject to the provisions of the Banking Business (Jersey) Law 1991 and the Company is also licenced under the Financial Services (Jersey) Law 1998 to conduct Trust Company Business, Fund Services Business and Investment Business.

The Company is also subject to the provisions of The Banking Supervision (Bailiwick of Guernsey) Law 1994 and is licenced under section 6 of this law to take deposits.

The Company's principal activities include the provision of international banking, trust, corporate and investment management services.

The Company is a member of the Deutsche Bank Group and is a wholly-owned subsidiary of Deutsche Holdings (Luxembourg) S.à r.l. following a change in ownership, effective 30 November 2018 from Deutsche Holdings (Malta) Limited. The ultimate parent is Deutsche Bank AG ("DBAG"), a company incorporated in Germany. Copies of the annual financial statements of Deutsche Bank AG can be obtained from their website at www.db.com.

The financial statements were authorised for issue by the directors on 26 March 2020.

2. Basis of preparation

(a) *Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for derivatives which are measured at fair value and the defined benefit asset which is recognised as the net total fair value of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised gains and the present value of the defined benefit obligation.

(c) *Functional and presentation currency*

These financial statements are presented in Sterling (GBP), which is the Company's functional currency, and is rounded to the nearest 'Pound'.

2. Basis of preparation (continued)

(d) *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. The significant areas of estimation, uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Judgements

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Going concern.
- Allocation of held for sale assets and liabilities and income and expense from discontinued operations.

Assumptions and estimation uncertainties

- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Recognition of deferred tax assets on tax losses carried forward (see note 9).
- Employee benefits under defined benefit obligations (see note 14).
- Legal provisioning.
- Onerous contracts provisioning.
- Estimation of expected cessation costs for all disposal groups held for sale.
- Determination of incremental borrowing rates on lease liabilities.
- Determination of lease terms: determining whether the Company is reasonably certain that lessees will exercise or not exercise lease break options.

Management have made certain assumptions and estimates when calculating the future residual costs that are expected to be incurred due to the cessation of the banking and custody business. The amounts disclosed in Note 6 represent the directors' best estimate of the actual costs that will be incurred. However due to the inherent uncertainty over the actual outcome, whether due to specific decisions which have not yet been taken, or due to factors outside the Directors' control, the actual costs to be incurred may differ from the amounts disclosed.

3. Significant accounting policies

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

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* has been applied.

The Company has initially adopted IFRS 16 from 1 January 2019 and the changes have been reflected accordingly in the financial statements under Note 3 section (x) - *Leases* and Note 18.

Except for the changes mentioned above, the accounting policies are consistent with those adopted by the Company in the previous year presented in these financial statements.

(a) *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates the values were determined.

Forward foreign exchange contracts are valued at the balance sheet date using the applicable forward contract rate.

(b) *Interest*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date of amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense presented in the statement of comprehensive income includes interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

The Company charges negative interest on deposits in certain corporate accounts denominated in currencies with negative interest rates. The charge is calculated on the average cleared balance during the calendar month.

3. Significant accounting policies (continued)

(c) *Net fees and commissions*

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, administration fees and sales commissions are recognised in the statement of comprehensive income as the related services are performed. All income and expense are recognised on an accruals basis.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 then applies IFRS 15 to the residual.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(d) *Dividends received*

Dividend income is recognised when the right to receive income is established. Usually, this is when they have been approved by the Board of Directors of the subsidiaries.

(e) *Liquidity remuneration*

Liquidity remuneration represents a premium paid by Deutsche Bank AG for the upstreaming of a stable deposit base, which in turn allows for a more favourable liquidity modelling at a Deutsche Bank Group level. The liquidity remuneration is recognised on a straight line basis throughout the year.

(f) *Discontinued operations*

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operation; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operations meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets and liabilities identified as discontinued are classified as held for sale and measured at fair value through the profit or loss ("FVTPL") due to considerations outlined in Note 4a.

3. Significant accounting policies (continued)

(g) *Financial assets and liabilities*

(i) Recognition

The Company initially recognises placements with banks and deposits on the date that they are originated. All other financial assets and liabilities, including assets and liabilities designated at FVTPL, are initially recognised on the date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVOCI") ; or
- Amortised cost.

Fair value through profit of loss

Any financial asset that is held for trading or not classified as measured at amortised cost or FVOCI shall be assigned into the Other Business Model and is measured at FVTPL.

Additionally, any instrument for which the contractual cash flow characteristics are not Solely Payments of Principal and Interest ("SPPI") must be measured at FVTPL; even if held in a Hold to Collect or Hold to Collect and Sell business model.

Financial instruments are included in the Other Business Model and held for trading if they have been originated, acquired or incurred principally for the purpose of selling and repurchasing them in the near term, they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking.

3. Significant accounting policies (continued)

(g) *Financial assets and liabilities (continued)*

(ii) Classification (continued)

<u>Fair value through other comprehensive income</u>

A financial asset shall be classified and measured at FVOCI, if the financial asset is not designated as at FVTPL and meets the SPPI criteria and held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Under FVOCI, a financial asset is measured at its fair value with any movements being recognised in Other Comprehensive Income ("OCI") and is assessed for impairment under the new ECL model. The foreign currency translation effect for FVOCI assets is recognised in profit or loss, as the interest component by using the effective interest method.

<u>Amortised cost</u>

A financial asset is classified and subsequently measured at amortised cost if it is not designated as at FVTPL and meets the SPPI criterion and is held within a business model whose objective is to hold assets to collect contractual cash flows.

(iii) Derecognition

The Company derecognises a financial asset including derivatives when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that are created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired or when an existing financial liability is replaced by another from the same lender under substantially different terms.

3. Significant accounting policies (continued)

(g) *Financial assets and liabilities (continued)*

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts with the same counterparty and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and, for financial assets adjusted for any expected credit loss allowance.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

3. Significant accounting policies (continued)

(g) *Financial assets and liabilities (continued)*

(vi) Fair value measurement (continued)

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Company has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

3. Significant accounting policies (continued)

(g) *Financial assets and liabilities (continued)*

(vii) Fair value hierarchy (continued)

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(viii) Identification and measurement of impairment

IFRS 9 introduced a three stage approach to impairment, under the expected credit losses (ECL) model, for financial assets that are performing at date of origination or purchase. The ECL approach is summarised below:

- Stage 1: the Company recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

- Stage 2: the Company recognises a credit loss allowance at an amount equal to lifetime expected credit losses for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default that represents the probability of default occurring over the remaining lifetime of the financial asset.

- Stage 3: the Company recognises a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default of 100%, via the recoverable cash flows for the asset, for those financial assets that are credit impaired.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

3. Significant accounting policies (continued)

(h) *Cash and cash equivalents*

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with group companies and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) *Placements with banks*

Placements with banks are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(j) *Loans and advances*

Loans and advances represent discontinued operations and are designated as part of assets held for sale and measured at FVTPL.

(k) *Other non-trading derivatives*

If a derivative is not held for trading and is not a qualifying hedge relationship such as forward foreign currency contracts, all changes in its fair value are recognised immediately in profit or loss in the statement of comprehensive income.

(l) *Property and equipment*

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of items of property or equipment are determined by reference to their carrying amount and are recognised within other expenses in the statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

3. Significant accounting policies (continued)

(l) *Property and equipment (continued)*

(iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property and equipment. The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	- Lessor of 10 years and remaining occupation period
Office furniture and equipment	- Lessor of 3 to 7 years and period of cessation of business

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(m) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) *Deposits*

Deposits are the Company's main source of funding.

Deposits are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

3. Significant accounting policies (continued)

(o) Employee benefits

(i) Defined benefit pension scheme

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Defined benefit scheme assets are measured at fair value. For quoted securities the current bid price is taken as fair value. Defined benefit scheme liabilities are measured using the projected credit-unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained triennially from qualified actuaries appointed by the directors and updated for changes in the actuarial assumptions at each reporting date.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. Changes in the defined benefit asset or liability are recognised in the statement of comprehensive income.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts.

The contributions to defined contribution pension plans are recognised in the statement of comprehensive income when they are due in respect of services rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Short-term employee benefits

Short-term employee benefits are recognised in the statement of comprehensive income as the related services are provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of services rendered before the end of the reporting period and the liability can be estimated reliably.

(iv) Share based compensation

Compensation expense for equity awards in the ultimate parent company Deutsche Bank AG, is measured at the grant date based on the fair value of the share based award and 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.

3. Significant accounting policies (continued)

(o) Employee benefits (continued)

(iv) Share based compensation (continued)

Compensation expense for share based awards payable in cash is remeasured to fair value at each balance sheet date and recognised over the vesting period in which the related employee services are rendered. The related obligations are included in other liabilities until paid.

(p) *Income tax expense*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)

(q) *Dividends paid*

Dividends payable on ordinary shares are recognised in equity in the year in which they are declared.

(r) *Assets held for sale*

Non-current assets, or disposals groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying value and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, or employee benefit assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in the statement of comprehensive income.

(s) *Related parties*

For the purposes of these financial statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(t) *Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(u) *Financial guarantees and letters of credit*

Financial guarantees issued are initially measured at fair value and subsequently measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Under the terms of an agreement with Deutsche Bank Nominees (Jersey) Limited, a subsidiary of the Company, the Company has agreed to pay all the expenses incurred by the nominee.

3. Significant accounting policies (continued)

(v) *Investment in subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

Investments in subsidiaries are stated at cost less impairment losses.

The Company has elected not to prepare consolidated financial statements in accordance with the provisions of IFRS 10 paragraph 4.

The ultimate parent is Deutsche Bank AG, a company incorporated in Germany. Copies of the annual financial statements of Deutsche Bank AG can be obtained from their website at www.db.com.

(w) *Fiduciary activities*

These financial statements do not reflect assets and liabilities held in the Company's name in a fiduciary capacity or any income arising within such holdings.

(x) *Leases*

IFRS 16 was published in January 2016 and is applicable for the first time for entities with an annual reporting period beginning on or after 1 January 2019. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. No significant changes have been included for lessors.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases and other leases are classified as operating leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below and additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

3. Significant accounting policies (continued)

(x) *Leases (continued)*

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Rental income from operating leases was recognised on a straight-line basis over the term of the relevant lease.
Lease incentives granted are charged to the statement of comprehensive income over the term of the lease.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use if an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset- this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all of the economic benefits from use of an identified asset; and
- The Company has the right to direct the use of an identified asset.

3. Significant accounting policies (continued)

(x) *Leases (continued)*

Policy applicable from 1 January 2019 (continued)

The Company recognises right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the underlying asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index rate, initially measured using the index or rate as at commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-subsance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)

(x) *Leases (continued)*

Policy applicable from 1 January 2019 (continued)

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial drect costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contain options to extend or terminate the lease.

The Company has presented right-of-use assets and lease liabilities separately in the statement of financial position and a breakdown has been provided in note 18.When measuring lease liabilities, the present value of lease payments have been discounted using the incremental borrowing rate as at 1 January 2019.

As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operational lease under IAS 17 and accordingly has classified the sub lease at Lefebvre Court as a finance lease.

3. Significant accounting policies (continued)

(y) New standards and interpretations not yet adopted

At the date of authorisation of the financial statements of the Company for the period ended 31 December 2019 there were no new and amended Standards and Interpretations in issue for early adoption which would have impacted the Company's financial statements.

(z) Going concern

Management is required to make an assessment of an entity's ability to continue as a going concern. The Company prepares financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the Company shall disclose those uncertainties.

As outlined under Directors' report on page 2, whilst the Company intends to ultimately cease operating as a Banking and Custody provider it does not impact the Directors' assessment of the Company's ability to continue to act as a going concern as the Company will continue to operate in respect of its long term premises and pension commitments.

4. Financial assets and liabilities (continued)

Accounting classifications and fair value

The tables below analyse financial instruments at the reporting date, by the fair level hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total Carrying amount**
	GBP	**GBP**	**GBP**	**GBP**	**GBP**
Assets					
Placements with banks	**-**	**87,000,000**	**-**	**87,000,000**	**87,000,000**
Other assets	**-**	**4,140,574**	**-**	**4,140,574**	**4,140,574**
Assets held for sale	**-**	**50,183,083**	**2,700,477**	**52,883,560**	**52,883,560**
	-	**141,323,657**	**2,700,477**	**144,024,134**	**144,024,134**
Liabilities					
Other liabilities	**-**	**12,423,352**	**-**	**12,423,352**	**12,423,352**
Liabilities held for sale	**-**	**47,628,427**	**-**	**47,628,427**	**47,628,427**
	-	**60,051,779**	**-**	**60,051,779**	**60,051,779**

At 31 December 2018	Level 1	Level 2	Level 3	Total fair value	Total Carrying amount
	GBP	GBP	GBP	GBP	GBP
Assets					
Placements with banks	-	92,400,000	-	92,400,000	92,400,000
Other assets	-	8,065,248	-	8,065,248	8,065,248
Assets held for sale	-	324,941,028	13,614,174	338,555,202	338,555,202
	-	425,406,276	13,614,174	439,020,450	439,020,450
Liabilities					
Other liabilities	-	10,678,150	-	10,678,150	10,678,150
Liabilities held for sale	-	329,425,945	-	329,425,945	329,425,945
	-	340,104,095	-	340,104,095	340,104,095

There were no transfers in to or out of Level 3 during the year (2018: Nil).

4. Financial assets and liabilities (continued)

Accounting classifications and fair value (continued)

The following methods and assumptions were used to estimate the fair value of significant on-balance sheet financial instruments:

(a) Assets held for sale

These assets do not fall into a 'hold to collect' business model, as the intention is to dispose of them. These assets are measured at FVTPL and not at amortised cost less impairment, and align with accounting treatment under IFRS 5.

(b) Assets from continuing operations

Placements with banks and Receivables from service relationships are aligned to a 'hold to collect' business model and therefore accounted for at amortised cost less an expected credit loss ("ECL") model for impairment. Given the quality of counterparty credit ratings and their short term nature, placements with banks are considered to have a low credit risk at the reporting date. Accordingly they are recognised using the 12-month ECL without the need to first consider the changes in credit risk since initial recognition.

Classification of financial assets and financial liabilities

Placements with banks	IFRS 9 : Amortised cost
Receivables from service relationships	IFRS 9 : Amortised cost
Other assets	IFRS 9 : Amortised cost
Assets held for sale	IFRS 9 : Fair value through profit or loss
Other liabilities	IFRS 9 : Amortised cost
Payables from service relationships	IFRS 9 : Amortised cost
Liabilities held for sale	IFRS 9 : Fair value through profit or loss

5. Financial risk management

Risk is an integral element of banking. Risks include market, credit, liquidity, foreign exchange, and operational risk. The risks of the Company are managed at both a product and legal entity level, within the context of the Deutsche Bank group structure.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing the risks.

5. Financial risk management (continued)

Credit risk

The Company is exposed to credit risk by depositing cash and cash equivalents and placements with banks and through its issuance of loans, guarantees and letters of credit. The risk that counterparties might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Company deals with counterparties of good credit standing, and when appropriate, obtains collateral.

The Company's primary exposure to credit risk arises through the placement of deposits with Deutsche Bank Group and its loan and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. In addition, the Company is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued. Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Company's obligations. Collateral for guarantees and letters of credit is usually in the form of cash and securities.

Market risk

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are repriced at different times or in different amounts. In the case of floating rate assets and liabilities, the Company is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate and the Base Lending Rate and different types of interest.

The Company now runs a matched deposit book, with the only significant exposure to interest rate risk being in respect of the Company's own reserves on deposit.

Deutsche Bank International Limited

Notes to Financial Statements
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5. Financial risk management (continued)

Interest rate risk control

The Company monitors on a daily basis that the deposit book is matched, with the only significant mismatch relating to the placement of the Company's own reserves on deposit.

Risk management activities are aimed at optimising net interest income, given market interest rate levels are consistent with the Company's business strategies. The interest sensitivity gap analysis is summarised below:

At 31 December 2019

	Less than three months	Between three months and six months	Between six months and one year	Between one year and five years	Total
	GBP	GBP	GBP	GBP	GBP
Assets					
Placements with banks	**87,000,000**	**-**	**-**	**-**	**87,000,000**
Assets held for sale					
Placements with banks	**49,987,078**	**-**	**-**	**-**	**49,987,078**
Loans and advances to Customers	**2,700,477**	**-**	**-**	**-**	**2,700,477**
	139,687,555	**-**	**-**	**-**	**139,687,555**
Liabilities held for sale					
Deposits from banks	**7,416,575**	**-**	**-**	**-**	**7,416,575**
Deposits from customers	**37,754,389**	**-**	**-**	**-**	**37,754,389**
	45,170,964	**-**	**-**	**-**	**45,170,964**
Interest sensitivity gap	**94,516,591**	**-**	**-**	**-**	**94,516,591**

5. Financial risk management (continued)

Market risk (continued)

Interest rate risk control (continued)

At 31 December 2018

	Less than three months	Between three months and six months	Between six months and one year	Between one year and five years	Total
	GBP	GBP	GBP	GBP	GBP
Assets					
Placements with banks	92,400,000	-	-	-	92,400,000
Assets held for sale					
Placements with banks	292,742,969	31,037,852	-	-	323,780,821
Loans and advances to Customers	13,614,174	-	-	-	13,614,174
	398,757,143	31,037,852	-	-	429,794,995
Liabilities					
Deposits from banks	8,036,105	-	-	-	8,036,105
Deposits from customers	262,985,414	31,037,852	-	-	294,023,266
Other short term borrowings	10,794,819	-	-	-	10,794,819
	281,816,338	31,037,852	-	-	312,854,190
Interest sensitivity gap	116,940,805	-	-	-	116,940,805

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies. The Company's main operations are in Sterling, Euro and United States Dollar. As the currency in which the Company presents its financial statements is Sterling, the Company's financial statements are affected by movements in the exchange rates between these currencies and Sterling. The Company's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of comprehensive income. These expenses comprise of the monetary assets and monetary liabilities that are not denominated in the measurement currency of the Company.

During the period under review the Company, through the treasury unit, entered into derivative contracts in order to manage currency risk.

Exchange rate related derivatives are forward foreign exchange contracts which are used to hedge all exposure on deals booked on behalf of clients. Forward foreign exchange contracts are contracts for delivery of a specified amount of currency, at a specified exchange rate, at a specified forward date.

In general, the Company has a currency matching policy such that its currency exposure is considered to be minimal.

Deutsche Bank International Limited

Notes to Financial Statements
For the year ended 31 December 2019

5. Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2019 GBP	**Financial liabilities 2019 GBP**	**Net position 2019 GBP**
Pound sterling	**109,643,269**	**24,732,767**	**84,910,502**
United States dollar	**24,623,800**	**24,776,743**	**(152,943)**
Euro	**9,705,374**	**10,487,161**	**(781,787)**
Canadian dollar	**6,338**	**7,838**	**(1,500)**
Japanese Yen	**29,180**	**33,365**	**(4,185)**
Swiss Franc	**2,225**	**3,365**	**(1,140)**
Other foreign currencies	**13,948**	**10,540**	**3,408**
	144,024,134	**60,051,779**	**83,972,355**

	Financial assets 2018 GBP	Financial liabilities 2018 GBP	Net position 2018 GBP
Pound sterling	263,768,070	166,451,226	99,316,844
United States dollar	128,471,316	128,378,076	93,240
Euro	39,833,419	40,099,862	(266,443)
Canadian dollar	36,533	36,722	(189)
Japanese Yen	1,507,404	1,507,399	5
Swiss Franc	1,181,944	1,417,959	(236,015)
Other foreign currencies	4,221,764	4,212,851	8,913
	439,020,450	340,104,095	98,916,355

5. Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

After taking into account the effect of any currency swaps, forward contracts and other derivatives, there were the following exposures:

	Spot 2019 GBP	**Forward 2019 GBP**	**Net position 2019 GBP**
United States dollar	**(75,000)**	**-**	**(75,000)**
Euro	**94,000**	**-**	**94,000**
Japanese Yen	**(4,000)**	**-**	**(4,000)**
Swiss Franc	**4,000**	**-**	**4,000**
Other foreign currencies	**4,000**	**-**	**4,000**
	23,000	**-**	**23,000**

	Spot 2018 GBP	Forward 2018 GBP	Net position 2018 GBP
United States dollar	161,000	(125,000)	36,000
Euro	242,000	(207,000)	35,000
Japanese Yen	1,000	1000	2,000
Swiss Franc	(235,000)	234,000	(1,000)
Other foreign currencies	9,000	11,000	20,000
	178,000	(86,000)	92,000

No sensitivity analysis has been performed on currency positions as owing to internal controls and currency matching policy resulting in a minimal net exposure, the Company does not see a benefit to such analysis.

Although the Company is satisfied that the package of controls it uses to manage its market risk is an effective means of controlling that risk, it recognises that all measures of market price risk, when considered in isolation, have limitations.

Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

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5. Financial risk management (continued)

Liquidity risk (continued)

The Company continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Company's strategy. In addition, the Company holds a portfolio of liquid assets as part of its liquidity risk management strategies, and the Company now runs a matched deposit book.

The following table provides an analysis of the financial assets and liabilities of the Company to relevant maturity groupings based on the remaining periods of repayment. Maturities of financial assets and liabilities are summarised below:

At 31 December 2019

	Less than three months	**Between three months and six months**	**Between six months and one year**	**Between one year and five years**	**Others**	**Total**
	GBP	**GBP**	**GBP**	**GBP**	**GBP**	**GBP**
Assets						
Placements with banks	**87,000,000**	**-**	**-**	**-**	**-**	**87,000,000**
Other assets	**4,140,574**	**-**	**-**	**-**	**-**	**4,140,574**
Assets held for sale	**52,883,560**	**-**	**-**	**-**	**-**	**52,883,560**
	144,024,134	**-**	**-**	**-**	**-**	**144,024,134**
Gross forward Foreign exchange inflow	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities						
Other liabilities	**12,423,352**	**-**	**-**	**-**	**-**	**12,423,352**
Liabilities held for sale	**47,628,427**	**-**	**-**	**-**	**-**	**47,628,427**
	60,051,779	**-**	**-**	**-**	**-**	**60,051,779**
Gross forward Foreign exchange outflow	**-**	**-**	**-**	**-**	**-**	**-**

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5. Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2018

	Less than three months	Between three months and six months	Between six months and one year	Between one year and five years	Others	Total
	GBP	GBP	GBP	GBP	GBP	GBP
Assets						
Placements with banks	92,400,000	-	-	-	-	92,400,000
Other assets	8,065,248	-	-	-	-	8,065,248
Assets held for sale	307,517,350	31,037,852	-	-	-	338,555,202
	407,982,598	31,037,852	-	-	-	439,020,450
Gross forward Foreign exchange inflow	54,927,156	-	-	-	-	54,927,156
Liabilities						
Other liabilities	10,678,150	-	-	-	-	10,678,150
Liabilities held for sale	298,388,093	31,037,852	-	-	-	329,425,945
	309,066,243	31,037,852	-	-	-	340,104,095
Gross forward Foreign exchange outflow	54,913,082	-	-	-	-	54,913,082

5. Financial risk management (continued)

Capital management

The Company manages the level of share capital and revenue reserves to be maintained in order to meet regulatory capital requirements and enable the Company to operate and develop its financial service business.

The Company is subject to the regulatory capital requirements established by the Jersey Financial Services Commission (JFSC). Failure to meet the minimum capital requirements can initiate certain actions by the regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The JFSC follows the Bank of International Settlements capital adequacy regime. The Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items. The Company's capital amount and classifications are also subject to qualitative analysis by the JFSC.

Quantitative measures established by the JFSC to ensure capital adequacy require that the Company maintains a minimum amount of capital and a minimum ratio of risk-weighted assets to capital. Management believes that as of 31 December 2019, the Company met all regulatory capital adequacy requirements established by the JFSC.

The Company's regulatory capital amount and its risk asset ratio at 31 December 2019 as well as JFSC's minimum requirements, are as follows:

	Actual	Minimum requirement
	GBP	GBP
Reg Capital	78,387,000	8,037,000
Risk asset ratio	107.28%	11.0%

The Company's regulatory capital amount and its risk asset ratio at 31 December 2018 as well as JFSC's minimum requirements, was as follows:

	Actual	Minimum requirement
	GBP	GBP
Reg Capital	89,645,000	15,894,000
Risk asset ratio	62.04%	11.0%

5. Financial risk management (continued)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company has in place a robust system of internal controls aimed at minimising the incidence of operational losses.

6. Discontinued operations and disposal group held for sale

On 14 February 2018, the Company entered into a Business Transfer Agreement, which resulted in the sale of the Banking and Custody business to The Bank of N.T. Butterfield & Son Limited ("BoBL"). Clients have subsequently transferred to BoBL or exited to alternative providers. The Company is in the process of exiting its remaining Banking and Custody positions with a view to surrendering its Banking License.

There has been no impairment losses recorded in the Statement of Comprehensive Income in relation to the disposal of this business.

Deutsche Bank International Limited

Notes to Financial Statements
For the year ended 31 December 2019

6. Discontinued operations and disposal group held for sale (continued)

The results of the discontinued operations are detailed below:	**2019 GBP**	2018 GBP
Interest income	**756,344**	7,513,438
Income from negative interest charge	**16,168**	836,889
Interest expense	**(1,235,467)**	(6,057,449)
Net interest income	**(462,955)**	2,292,878
Net fee and commission income	**956,561**	4,903,945
Foreign exchange commissions	**179,652**	2,082,623
Other income	**280,677**	951,315
Operating income	**953,935**	10,230,761
Loan loss recovery/(charge)	**-**	-
Wages and salaries	**(3,598,382)**	(6,475,211)
Bonus & sign on costs	**(1,040,827)**	(2,301,898)
Compulsory social security contributions	**(150,021)**	(342,868)
Contributions to defined contribution plans	**619,932**	(588,322)
Other benefits – non state mandated	**(503,688)**	(934,464)
Severance payments	**(210,680)**	(2,323,136)
Other compensation	**30**	(3,284)
Personnel expenses	**(4,883,636)**	(12,969,183)
Furniture and equipment	**(24,443)**	(73,404)
IT costs	**(2,206,331)**	(2,678,919)
Agency and other professional fees	**(1,452,136)**	(2,975,057)
Communication and data services	**(586,708)**	(787,708)
Non-compensation staff expenses	**(118,427)**	(145,564)
Travel	**(87,796)**	(255,016)
Representation costs	**(34,736)**	(83,771)
Marketing	**-**	(13,559)
Regulatory, tax and insurance	**(430,797)**	(539,812)
Operational losses	**(200)**	(5,653)
Other	**(26,183)**	(93,979)
Other expenses	**(4,967,757)**	(7,652,442)
Service relationships	**2,383,671**	2,717,876
(Loss)/Profit from discontinued operations	**(6,513,788)**	(7,672,988)
Income tax expense	**-**	-
(Loss)/Profit from discontinued operations net of tax	**(6,513,788)**	(7,672,988)

6. Discontinued operations and disposal group held for sale (continued)

There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

The net cash flows from discontinued operations are detailed below;

	2019 GBP	2018 GBP
Net cash (used in)/generated by operating activities	**3,874,424**	(5,406,930)
Net cash flows for the year	**3,874,424**	(5,406,930)

The disposal group comprises the following assets and liabilities:

	2019 GBP	2018 GBP
Placements with banks	**49,987,078**	323,780,821
Loans and advances	**2,700,477**	13,614,174
Other assets	**196,005**	1,160,207
Assets held for sale	**52,883,560**	338,555,202
Deposits from banks	**7,416,575**	8,036,105
Deposits from customers	**37,754,389**	294,023,266
Other short term borrowings	**-**	10,794,819
Other liabilities	**2,457,463**	16,571,755
Liabilities held for sale	**47,628,427**	329,425,945

There were no loans and advances past due or impaired as at the reporting date (2018 GBP Nil). No loans to Directors were in place at the year end (2018 GBP Nil) . The fair value of collateral held in relation to loans and advances was nil. (2018: GBP 91,758,630).

7. Personnel expenses

	2019 **GBP**	2018 GBP
Credit for defined benefit pension plans (Note 14)	**(878,000)**	(382,000)
	(878,000)	(382,000)

Personnel expenses in the current year are being reported under discontinued operations with the exception of the cost of the defined benefit plan.

8. Other expenses

	2019 **GBP**	2018 GBP
Premises expenses	**710,209**	(400,979)
	710,209	(400,979)

Other expenses in the current year are being reported under discontinued operations with the exception of premises expenses.

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9. Taxation

	2019	2018
	GBP	GBP
Current tax credit/(expense)		
Current year – continuing operations	**(16,656)**	329,262
Current year – discontinued operations	**651,378**	483,544
Prior year under accrual	**(48,849)**	-
	585,873	812,806
Deferred tax expense		
Derecognition of excess tax losses	**(634,722)**	(812,806)
Total income tax expense	**(48,849)**	-

Reconciliation of effective tax rate

	2019	2018
	GBP	GBP
Loss before income tax from continuing operations	**(1,631,192)**	(5,651,427)
(Loss)/Profit before income tax from discontinued operations	**(6,513,788)**	(7,672,988)
Loss for the year	**(8,144,980)**	(13,324,415)
Income tax at 10%	**814,498**	1,332,442
Effects of:		
Expenses not deductible for tax purposes	**-**	(739)
Capital allowances for the year in excess of depreciation	**(153,676)**	(552,397)
Impairment loss on investment in subsidiaries	**(6,800)**	(4,700)
Prior year under accrual	**(48,849)**	-
Cash payments to defined benefit scheme in excess of IAS 19 charge to profit & loss	**(19,300)**	38,200
Tax credit	**585,873**	812,806
Derecognition of excess tax losses	**(634,722)**	(812,806)
Total income tax expense	**(48,849)**	-

9. Taxation (continued)

	2019	2018
	GBP	GBP
Deferred tax liability		
	-	-
	=========	=========

Deferred tax is no longer recognised in respect of the pension asset as it is anticipated that the Company will surrender its Banking licence, which will consequently result in a 0% tax rate.

10. Placements with banks

	2019	2018
	GBP	GBP
Less than 3 months	**87,000,000**	92,400,000
	---------------	---------------
	87,000,000	92,400,000
	=========	=========

	2019	2018
	GBP	GBP
Cash and cash equivalents	**87,000,000**	92,400,000
Placements with banks with an original maturity greater than three months	**-**	-
	---------------	---------------
	87,000,000	92,400,000
	=========	=========

Cash and cash equivalents are defined as placements with banks with an original maturity less than three months.

Following the announcement of the sale of the Banking and Custody business, placements with banks, with the exception of the placement of the Company's adjusted reserves, are now reported under assets held for sale (see note 6).

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11. Property and equipment

	Office furniture and equipment	Leasehold improvements	Total
	GBP	**GBP**	**GBP**
Cost			
At 1 January 2018	4,210,392	10,016,793	14,227,185
Additions	10,463	1,026,325	1,036,788
Disposals	-	-	-
At 31 December 2018	4,220,855	11,043,118	15,263,973
Additions	-	533,820	533,820
Disposals	-	-	-
At 31 December 2019	**4,220,855**	**11,576,938**	**15,797,793**
Depreciation			
At 1 January 2018	4,012,399	5,361,852	9,374,251
Charge for the year	198,556	5,461,144	5,659,700
Disposals	-	-	-
At 31 December 2018	4,210,955	10,822,996	15,033,951
Charge for the year	9,900	753,942	763,842
Disposals	-	-	-
As at December 2019	**4,220,855**	**11,576,938**	**15,797,793**
Net book value			
At 31 December 2019	**-**	**-**	**-**
At 31 December 2018	9,900	220,122	230,022

12. Investment in subsidiaries

	2019 GBP	2018 GBP
Deutsche International Custodial Services Limited	**205,000**	273,000
Deutsche International Corporate Services Limited	**1,225,000**	-
Deutsche Bank Nominees (Jersey) Limited	**100**	100
Deutsche Bank Services (Jersey) Limited	**100**	100
	1,430,200	273,200

All current subsidiaries are wholly owned Jersey incorporated companies.

As part of the impairment review process, the Company reviewed the financial position of Deutsche International Custodial Services Limited and its forecast financial performance over the remaining period of the wind down of its business operations. As the entity's net assets were below the cost of the investment, and the entity is forecasted to make a loss over the remaining period of the wind down, this has led to the recognition of an impairment loss of GBP68,000 (2018: GBP47,000) which has been recognised in the statement of comprehensive income in the item impairment loss on investment in subsidiaries.

Furthermore the Company reviewed the financial position of Deutsche International Corporate Services Limited and its forecast financial performance and its forecasted performance throughout the remaining period of the wind down of its business operations. In 2019, the Company had to make a capital injections of GBP3,900,000 (2018 GBP3,000,000) in Deutsche International Corporate Services Limited to keep the regulatory limit of 110% and notification limit of 130% with respect to the JFSC's Adjusted Net Liquid Assets requirement. The current assessment of the carrying value of the entity has resulted in an impairment loss of GBP2,675,000 (2018: GBP3,000,000) which has been recognised in the statement of comprehensive income of the Company.

13. Other assets

	2019 GBP	2018 GBP
Expenses prepaid	**667,778**	948,214
Other assets	**471,262**	390,311
	1,139,040	1,338,525

Following the announcement of the sale of the Banking and Custody business, the other assets related to these businesses are now reported under assets held for sale (see note 6).

14. Employee benefits surplus

Defined benefit pension scheme

The Company operates a final salary pension plan for its employees. Membership of the final salary plan is generally restricted to those full-time permanent staff that commenced employment on or before 1 July 1999. A full actuarial valuation of the final salary plan was carried out by a qualified actuary as at 31 December 2016. As the plan is closed, to new members this means that the average age of the active members will increase.

The plan is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the plan. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit credit method.

Actuarial assumptions as at:

	2019	2018
	%	%
Pension increase rate	**3.29%**	3.50%
Salary increase rate	**3.29%**	3.50%
Deferred pension increase rate	**3.29%**	3.50%
Discount rate	**1.91%**	2.70%

Changes in the defined benefit pension surplus:

	2019	2018
	GBP000	GBP000
Fair value of plan assets	**157,437**	149,804
Present value of funded obligations	**(112,718)**	(110,161)
Net over funding in funded plans	**44,719**	39,643

14. Employee benefits surplus (continued)

Included in the statement of comprehensive income:

	2019	2018
	GBP000	GBP000
Current service cost	**193**	694
Interest on obligation	**2,854**	2,852
Interest on plan assets	**(3,925)**	(3,928)
Total included in personnel expenses	**(878)**	(382)
Return on assets (not included in interest)	**12,601**	(7,549)
Actuarial gains/(losses) on obligation	**(8,403)**	3,763
Total remeasurements recognised in other comprehensive income	**4,198**	(3,786)
Cumulative amounts of remeasurements recognised in other comprehensive income	**9,929**	5,731

Forecast charge to be included in personnel expenses:

	2020
	GBP000
Current service cost	33
Net interest on net defined benefit obligation	(854)
Total forecasted credit to be included in personnel expenses	(821)

14. Employee benefits surplus (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2019 **GBP000**	2018 GBP000
Opening defined benefit obligation	**110,161**	117,775
Current service cost	**193**	694
Interest on obligation	**2,854**	2,852
Actuarial (gains)/losses	**8,403**	(3,763)
Benefits paid	**(8,893)**	(7,397)
Closing defined benefit obligation	**112,718**	110,161

Changes in the fair value of plan assets are as follows:

	2019 **GBP000**	2018 GBP000
Opening fair value of plan assets	**149,804**	160,822
Expected return on assets	**3,925**	3,928
Actuarial gains/(losses)	**12,601**	(7,549)
Benefits paid	**(8,893)**	(7,397)
Closing fair value of plan assets	**157,437**	149,804

14. Employee benefits surplus (continued)

The major categories of Plan assets as a percentage of the total Plan assets are as follows:

	2019	2018
	%	%
Equities	**14**	13
Government bonds	**34**	11
Corporate bonds	**40**	69
Cash and net position on derivatives	**12**	7
	100	100

14. Employee benefits surplus (continued)

Amounts for the current and previous periods are as follows:

	2019 GBP000	2018 GBP000
Fair value of plan assets	**157,437**	**149,804**
Present value of defined benefit obligation	**(112,718)**	**(110,161)**
Surplus	**44,719**	**39,643**
Return on assets (not included in interest)	**12,601**	**(7,549)**
Percentage of plan assets	**8.0%**	(5.0)%
Experience remeasurements on obligation	**1,033**	**309**
Percentage of present value of defined benefit Obligation	**0.9%**	0.3%
Total actuarial gains/(losses) on obligation	**(8,403)**	**3,763**
Percentage of present value of defined benefit obligation	**(7.5)%**	3.4%

Defined contribution scheme

The Company also operates a money purchase plan. The pension charge for the year was GBP258,068 (2018: GBP588,322). There were no outstanding contributions as at 31 December 2019 and 2018. All new employees will become members of the defined contribution scheme.

Included in Other Liabilities in the statement of financial position:

	2019 GBP	2018 GBP
Provision for retention awards	**1,020,485**	1,806,976

14. Employee benefits (continued)

Deutsche Bank AG equity plan (continued)

Included in Personnel expenses in the statement of comprehensive income

	2019 GBP	2018 GBP
Retention awards	**522,248**	1,723,845

Included in Other Liabilities in the statement of financial position

	2019 GBP	2018 GBP
Provision for equity based compensation	**86,632**	1,482,862

Included in Personnel expenses in the statement of comprehensive income

	2019 GBP	2018 GBP
Equity based compensation	**443,461**	116,508

15. Other liabilities

	2019 GBP	2018 GBP
Provision for operational losses	**76,736**	292,165
IFRS 9 provision	**51,354**	59,715
Other provisions	**2,738,387**	4,058,609
Sundry creditors and accruals	**2,219,755**	3,210,765
Intercompany balances pending settlement	**15,140**	208,230
	5,101,372	7,829,484

The other liabilities related to the Banking and Custody business arereported under liabilities held for sale (see note 6).

Other provisions includes provision for dilapidations, decommissioning and reinstatement GBP2,680,335 (2018: GBP3,970,319) which relates to the premises leases disclosed in note 18.

16. Capital and reserves

	2019 **GBP**	2018 GBP
Authorised		
20,000,000 ordinary shares of par value GBP1 each	**20,000,000**	20,000,000
Issued and fully paid		
15,000,000 ordinary shares	**15,000,000**	15,000,000
	========	========
Share premium	**1,707,265**	1,707,265
	========	========

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

All shares rank equally with regard to the Company's residual assets.

Dividends

	2019 **GBP**	2018 GBP
Dividend paid GBP Nil per qualifying ordinary shares (2017 – GBP Nil)	**-**	-
	======	======

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

17. Contingent liabilities

The Company provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended over the period of the facility. The commitments and contingent liabilities have off balance sheet credit risk because any organisational fees and accruals for probable losses are not recognised in the statement of financial position until the commitments are fulfilled or expired.

The contractual notional amounts of commitments and contingent liabilities are set out below:

	2019	2018
	GBP	GBP
Financial guarantees	**12,710,250**	13,468,500
Forward foreign exchange contracts	**-**	54,927,156
Undrawn facilities – less than 1 year	**-**	19,601,940
	12,710,250	87,997,596

Forward foreign exchange contracts represents client transactions made with the Company, which are in turn matched with corresponding deals with Deutsche Bank AG group counterparties.

The fair values of commitments and contingent liabilities are set out below:

	2019	2018
	GBP	GBP
Financial guarantees	**12,710,250**	13,468,500
Forward foreign exchange contracts	**-**	312,130
Undrawn facilities – less than 1 year	**-**	19,601,940
	12,710,250	33,382,570

Included in the financial guarantees is an amount for GBP12,710,250 (2018: GBP13,468,500) being a guarantee to subsidiary companies, Deutsche International Corporate Services Limited and Deutsche International Custodial Services Limited, relating to the excess payable on group insurance policies. This guarantee is for a maximum of €15,000,000.

18. Leases

	2019	2018
	GBP	GBP
Maturity analysis-contractual undiscounted cash flows		
- less than one year	**1,217,152**	1,230,291
- between one and five years	**3,455,055**	3,964,297
- over five years	**1,261,834**	2,163,144
Total undiscounted lease liabilities at 31 December	**5,934,041**	7,357,732

The Company has three separate lease contracts for premises as follows:

Property	**Start Date**	**End Date**	**Remaining Years**
St Paul's Gate, Jersey	18-Oct-96	30-Oct-26	7
Lefebvre Court, Guernsey	01-Apr-98	31-Mar-22	2
Oriel House, Jersey	15-Oct-18	15-Oct-20	1

The Company sublets part of the Lefebvre Court and St Paul's Gate premises to third parties. The sublease of the Lefebvre Court has been treated as a Finance lease asset following assessment that the risk and rewards resides with the tenant. St Paul's Gate sublease has been capitalised as Right-of-use asset, since the risk and rewards of ownership have been assessed as residing with the Company. Both tenants have break clauses which one tenant is expected to be exercise while the other even if they remain in place, the Company has the substantial exposure in terms of decommissioning and dilapidations. . The future minimum rentals receivable in respect of these premises are GBP2,184,308 (2018 GBP3,231,957). Oriel House has been assessed as a short term operating lease.

During the year ended 31 December 2019, an amount of GBP1,120,161 was recognised as an expense in the statement of comprehensive income in respect of rent and lease expense partially offset by GBP874,850 in respect of depreciation charge for right-of-use assets (2018: GBP1,580,961).

During the year ended 31 December 2019, an amount of GBP999,109 (2018: GBP537,210) was recognised as income in the statement of comprehensive income in respect of rental income on subleases that met the definition of operating leases.

18. Leases (continued)

	2019 GBP
Amounts included in the statement of financial position at 31 December	
Right-of-use assets	
Balance at 1 January 2019	**6,012,811**
Impairment provision at 1 January 2019	**(1,715,080)**
Depreciation charge for the year	**(874,850)**
Reversal of right-of-use impairment	**903,633**

Balance at 31 December 2019	**4,326,514**
	=========

	2019 GBP
Finance lease receivables	**618,679**
Lease liabilities	**5,813,889**
Current	**1,190,714**
Non current	**4,623,175**
Amounts included in the statement of comprehensive income at 31 December	
Interest on lease liabilities	**85,168**
Income from sub-leasing right of use-assets	**999,109**
Amounts included in the statement of cash flows at 31 December	
Total cash outflow for leases	**1,177,738**

19. Banking and Custody business cessation costs

Total cessation costs booked in these financial statements include:

- Accelerated depreciation charges to bring the net book value of all tangible assets down to nil by 31 December 2019. This has been estimated on the assumption of no residual value in the assets.
- Estimated reinstatement costs for the premises based on advice from the Deutsche Bank Corporate Real Estate team.
- Onerous lease provisions for the remainder of each lease from 31 December 2019 until the earlier of the lease end dates or break dates as disclosed in note 18.

The Company incurred a total of GBP403,752 for accelerated depreciation charges, dilapidations and reinstatement costs in the current year.

The Directors estimate that trading losses of GBP5.8m will be incurred from 31 December 2019 through to the date of cessation of the Banking and Custody business.

20. Related party transactions

The Company has a related party relationship with Deutsche Bank AG, the ultimate holding Company, with its affiliates and its Directors.

The Company has entered into a number of banking transactions with its related parties in the normal course of business. These include placements or loans to banks, deposits and fee income. These transactions were carried out on commercial terms and at market rates.

The net volumes of related party transactions, outstanding balances, the related expenses and income are as follows:

	2019 GBP	2018 GBP
Statement of Financial Position		
Placements with banks	**136,800,516**	415,454,921
Loans and advances	**2,700,477**	4,371,454
Investment in subsidiaries	**1,430,200**	273,200
Receivables from service relationships	**3,001,534**	6,726,723
Other assets	**125,728**	220,177
Deposits from banks	**(7,416,575)**	(8,036,105)
Deposits from customers	**(9,537,043)**	(24,800,794)
Other short term borrowings	**-**	(10,794,819)
Other liabilities	**-**	(507,633)
Payables from service relationships	**(1,508,091)**	(2,848,666)

20. Related party transactions (continued)

	2019 GBP	2018 GBP
Statement of Comprehensive Income		
Interest income and income other than interest income	**1,739,769**	8,815,097
Interest expense	**(128,747)**	(1,185,878)
Commission and fee income	**635,802**	609,396
Liquidity remuneration	**(59,982)**	1,021,396
Service relationships	**2,383,671**	2,717,876

The above has been prepared on an aggregated basis of continuing operations, discontinued operations and disposal group held for sale.

Transactions with directors

Total remuneration of the directors for the year amounted to GBP367,855 (2018: GBP558,250).

21. Subsequent events

The Directors have prepared an impact assessment in respect of COVID 19 which has been assessed to be a non-adjusting post balance sheet event. Given the Company is ultimately ceasing to operate as a Banking and Custody provider and will continue to operate in respect of its long term premises and pension commitments COVID 19 is not expected to have a material impact on the operations of the Company and its ability to continue as a going concern. There are no other subsequent events post year end.