

STRATEGIC REPORT

For the year ended 31 December 2019

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

Objectives

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

The primary objective of the Company is to provide processing and customer service support – in particular Client Lifecycle Management – across all major asset classes and products to other entities in the Group. The Company also provides a range of Technology, Anti-Financial Crime, Compliance and Human Resources services to other Group members. The Company supports more than 70 processes grouped across more than 20 major business lines including Derivatives, Interest Claims and Debt Client Service and Collateral Management. In exchange for these services revenues are recovered from its internal clients at a cost plus arms length pricing mark-up basis.

Section 172 Companies Act 2006 Statement

DBOI Global Services (UK) Limited ("DBOI" or the "Company") is a wholly owned indirect subsidiary of Deutsche Bank AG. The objective of the Company is to provide processing and customer service support across all major asset classes and products to other entities in the Group, as well as other infrastructure (Compliance, Legal, Human Resources) services to DB Group entities.

Consistent with the DB Group, the directors are committed to implementing and maintaining strong disciplines in their decision making. Insofar as the Board has made decisions during the financial year, it has had regard to s172 factors where relevant, particularly the likely consequences of such decisions in the long term and its impact for its staff. Board activities during the period centred on supervising the services it provides to other DB Group companies and employee related matters including pension scheme arrangements. During the period, the Board also considered and approved the DB Group consolidated Modern Slavery Statement for 2018:

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

In its decision-making, DBOI is mindful of the DB Group's strategic agenda and, as a business partner, the need to promote the success of the franchise in the region in the long term. Given the nature and purpose of DBOI, and with the exception of interaction with its employees, it has limited direct interaction with external stakeholders, which are overseen by the DB Group. Its primary stakeholders, namely other internal DB Group companies, are carefully managed through intra-group service agreements which set out the services provided and the associated key performance indicators. In instances where it interacts with and is required to take into account the interests of broader stakeholders including suppliers, customers and others with interests in the Company, DBOI does so by applying and in accordance with relevant DB Group policies, procedures, principles and codes of conduct as well as its framework of prudent controls which enables risk to be assessed and managed. The wider DB Group is committed to the Paris Pledge for Action and has recently been part of the first round of signatories to the UN Principles for Responsible Banking.

The Group's HR function is responsible for managing and overseeing the framework of policies and procedures in relation to the management and development of DBOI's people, including amongst others, reward, recruitment, acquisition, development and mobility of talent, workforce planning, diversity and inclusion, reward, employee relations, performance, engagement and culture and delivery of HR information and services. The Board seeks to ensure a satisfactory dialogue with the DB Group on strategy, remuneration policy, resources and other relevant matters and to oversee the independence, autonomy and effectiveness of policies and procedures. Employee values and the required behaviours are reinforced throughout the DB Group through a variety of delivery mechanisms including mandatory training for all staff; transparent dialogue on the principles underpinning core values at town hall meetings; and articles on the intranet.

The DB Group and DBOI are keen to foster an environment that is open and inclusive and where opinions are valued. In serving clients, stakeholders and communities, the success of the Group and its employees is built on respect, collaboration and teamwork. To that end, a 'speak up' culture had been introduced which supports an open and honest dialogue across the organisation and also helps identify any areas for improvement. Such a culture promotes an environment where all employees feel comfortable, confident and empowered to voice concerns and challenge any behaviours or matters that could present potential conduct risk, such as violations of laws, rules and regulations or internal policies. A range of channels are available to report any suspected misconduct including through Compliance and Legal teams as well as via a telephone and electronic platform reporting system, the Integrity Hotline.

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

The Board has sight of the Birmingham Leadership Forum ("BLF") which meets monthly to discuss actions affecting the Birmingham site. In addition to a number of DBOI board members being attendees of the BLF, extracts of the minutes are presented to the DBOI board on a quarterly basis and any relevant actions or discussions are escalated as appropriate.

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

Principal risks and uncertainties

The Company is subject to a number of risks. While the Directors acknowledge their responsibility for the overall management of these risks, as a wholly owned subsidiary of the Group, they are centrally managed within the risk and control functions of the Group.

The key business risk affecting the Company is considered to be the risk of process failure creating credit and/or reputational risk to the Group via, inter alia, payment error, client confidentiality breach or business interruption.

Market and Credit Risk

The Company's credit risk is primarily attributable to unsecured amounts owed by the Group. The Company monitors collections and performs an ageing analysis of the outstanding amounts on a monthly basis, in order to mitigate this risk.

The Company's activities expose it to the risk of changes in foreign currency exchange rates and interest rates. The Company's foreign exchange exposures are sold-off on a monthly basis while interest bearing assets and liabilities are rolled on a monthly basis, in order to mitigate these risks.

Operational Risk

The approach to Operational Risk follows the Group Operational Risk framework which covers all entities in the Group. Risks are monitored and reviewed on a regular basis by the Directors.

Key performance indicators

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

	<u>2019</u>	<u>2018</u>
Aged Intercompany Receivables % (>120 days)	35.2%	27.4%
Aged Intercompany Payables % (>120 days)	18.1%	6.3%
Internal movers	67	64
Diversity Statistic % (Male/Female)	60/40	60/40
Average training days per employee	2.59	4.42

Current period performance

The result of the Company for the year ended 31 December 2019 shows a post-tax profit of €5.6m (2018: post-tax profit of €6.4m).

The profit for the year was driven by the mark-up rate that was applied to the recharge of the Company's costs to other Group companies. The decrease in administrative expenses was mainly brought about by the decrease in Staff costs (Wages and Salaries, Social security costs and Other staff related costs), in occupancy costs due to decrease in allocation of 1 Brindley Place and professional fees.

The Company paid a €6.8m dividend during the year (2018: €5.8m).

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Events after the balance sheet date

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. The impact of COVID-19 is expected to continue on the global economy for the coming months with likely adverse effects on the operations and financial position of businesses. The Directors do not consider there to be a material impact on the operations and financial position of the Company. The Company has and continues to assess material risks and their implications to the business operations as a result of the global spread of COVID-19. As this is an evolving situation, emerging risks are reviewed and actively managed accordingly as they arise.

This is a non-adjusting event and an estimate of the financial effect cannot be made at the date of approving these financial statements as the situation remains a rapidly evolving one.

On 11 June 2020, the Company paid a dividend of €6,422,000 to its parent, DB UK Holdings Limited ("DBUKH").

On 2 September 2020, the Company terminated its prefunding of €46,900,000 with an offsetting impact on its restricted cash.

Future outlook

Nucleus Programme

The Nucleus Programme is a 10-year contractual agreement with Hewlett Packard Enterprise to address and transform an ageing and legacy technology estate. The ambition is to transform the way Deutsche Bank AG consumes, runs and manages technology infrastructure globally through the creation of a utility delivery model for technology infrastructure services. The Directors of the Company signed an accession agreement on 1 December 2015 with Deutsche Bank AG London Branch ("DB AG London Branch") as service provider to receive operational, application hosting and governance services specified in the services schedule of the Nucleus Programme.


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

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

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

By order of the Board of Directors


18.9.20 ALEX THOMAS - SECRETARY

Director / ~~Secretary~~

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Dated:

Company number: 06583053