STRATEGIC REPORT
For the year ended 31 December 2019

These Financial Statements have been prepared in accordance with Financial Reporting Standard ("FRS") 101 'Reduced Disclosure Framework'. In so doing, DB UK Bank Limited ("the Company") has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("EU") 'Adopted IFRSs', but has made amendments, where necessary, in order to comply with the requirements of the Companies Act 2006.

Objectives

The Company has a banking license to operate in the UK and is, therefore, authorized by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA (Financial Services Register number: 140848).

The Company is a wholly owned subsidiary undertaking of Deutsche Holdings Limited ("DHL"), itself a wholly owned subsidiary undertaking of DB Investments (GB) Limited ("DBIGB"), whose parent is Deutsche Bank Aktiengesellschaft ("Deutsche Bank A.G."). Deutsche Bank A.G. and its other subsidiaries are collectively referred to as "DB Group" in these Financial Statements.

The primary objective of the Company is to be the leading trusted advisor to wealthy United Kingdom ("UK") families with an international dimension to their lives, and to wealthy international families on the UK dimension of their global financial interests.

The principal operations of the Company are the provision of Wealth Management ("WM UK") services to High and Ultra High Net Worth individuals in the UK market. The regulated activities performed through the Company include Financial and Wealth planning, Discretionary Investment Management, Investment Advice, Provision of Custody, Trading and Settlement, and Lending. The Company was granted a variation of permission from the PRA and the FCA in February 2019 to enter into regulated mortgage contracts and has advanced regulated mortgage loans, to WM UK clients, during the year.

DB Group's Investment Bank Listed Derivatives ("LD") Asset Protection service, as booked in the Company between 2014 and 2018, was terminated following a strategic review of the offering by the LD business. The LD business informed all impacted clients of its intentions in quarter 4 2017 and existing clients were migrated to Deutsche Bank A.G. London branch in 2018.

Section 172 Companies Act 2006 Statement

The Company has one business line, WM UK. Wealth Management ("WM") is an integral part of the DB Private & Commercial Bank. The Global WM strategy is to be a leading trusted global expert advisor to wealthy clients with sophisticated international needs. The strategy is set at a group level and has three core objectives:

- Protect: strengthen business resilience and reduce risk to clients, DB UK Bank Ltd and the DB Group;
- Transform: transform the WM division's platforms, client experience and revenue model by implementing a global client segmentation framework and digital customer acquisition; and to rebalance the revenue model to one which is less capital intensive, has higher margin products and addresses the client segments to which WM is best suited to serve; and
- Grow: make substantial investments in people with global growth initiatives aligned to clients' needs and regional opportunities.

WM UK has built its strategy on these core objectives. The Board of the Company attended an annual strategy day on 21 October 2019 and discussed and received presentations on its broader strategic positioning as well as updates from business coverage and product areas. To support this, and in order to keep appraised of developments, the Board also required senior executives from each area, on a cyclical basis, to present an update to the Board at quarterly Board Meetings in order that it could monitor progress against plan. The business has made significant investment in 2019 to establish its brand and to grow its client base. The extent of the Board's decision making has to be viewed against this backdrop given that during the year, activities were focused on building out infrastructure, platforms and resources to support business growth targets.

The Company does not have its own dedicated staff, with UK staff employed by the DB Group employing entity, DB Group Services (UK) Limited. The Company therefore relies on the DB Group for the provision of all such Human Resource ("HR") services. For this, and for much of the strategic and policy direction, the Company is dependent on the DB Group both centrally and from Deutsche Bank A.G., London Branch. Within this constraint, the Board exercises its authority, principally in the broad overall strategy and in the control environment, all within the Matters Reserved for the Board.

In making decisions, the Board provides leadership for the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board also sets the Company's culture, values and standards with respect to relationships with its suppliers, customers and others with interests in the Company, including its employees and its sole member, DHL. The Board overseas the way the culture is embedded across the Company's executive management and the behaviours the Company should follow in pursuit of its business goals.

The directors are committed to implementing and maintaining strong discipline in their decision making, a commitment consistent with DB Group wide policy to maintain high standards of control and compliance at all levels across the DB Group. As a member of the DB Group, the Company is guided by the values and culture of the broader organisation, with the added context of the fiduciary responsibility the Company owes its clients. The Company's values which direct that culture and behaviours centre on:

- Integrity in all dealings whether it be with clients, partners, regulators or staff;
- Sustainable performance for clients and the Company, ensuring short term decision making is not the primary driver;
- Embracing the Company's fiduciary responsibilities and ensuring that the Company places the interests of its clients before all others;
- Innovation allowing the Company to operate more efficiently, but more importantly, to identify new investment solutions that address the needs of the Company's clients;
- Discipline in the application of standards and processes and not accepting compromise in relation to compliance with policy and regulatory requirements; and
- Operating in partnership with clients to maintain and build trust and with colleagues to improve the outcome for the Company's clients.

Insofar as the Board has made decisions during 2019, it has had regard to Section 172 ("s172") factors where relevant, particularly the likely consequences of such decisions in the long term and the desirability of the Company maintaining a reputation for high standards of business conduct. Decision making by the Board during the year has been limited and largely centred on matters relating to the Company's capital adequacy and liquidity, by way of approval of its Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"). In preparing the ICAAP, the Board Risk and Audit Committee considered the feedback from the regulator in its formal response to the PRA Supervisory Review and Evaluation Process ("SREP"). The Board also considered and approved the adoption of its risk appetite statement ("RAS") and Anti-Financial Crime ("AFC") RAS which served to set thresholds and risk appetite disciplines which the Board will take into account as part of its analysis in any future decision making. The thresholds defined by the RAS formed the basis of the development of the Board Risk and Audit Committee dashboard, metrics considered at each Board Risk and Audit Committee meeting and reported to the Board. As part of this analysis, during the year the Board considered and approved the relaxing of the loan booking thresholds allowing any maximum single client or client group exposure to exceed the former £50m threshold and to revert to a risk appetite threshold based a percentage of the regulatory limit of 25% of regulatory capital. The relaxation of the limit has reduced the number of loans over threshold sub participated to another DB Group entity, a decision which sought to maximise deal potential for the Company and its shareholder.

The Board recognises that it needs to foster relationships with its employees as a key driver of delivering the business strategy and 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. In relying on the DB Group for the provision of staff, the Company's values and the required behaviours have been, and continue to be, reinforced throughout the organisation through a variety of delivery mechanisms including mandatory training for all staff; transparent dialogue on the principles underpinning these values at town hall meetings; articles in the staff magazine and on the intranet; application of an employee 'red flag' system which has tangible actions applied for any breaches; and robust processes to investigate any potential breaches or incidents and follow up with appropriate and timely actions.

The senior management function for HR has overall responsibility for the management and oversight of the HR division's role and activities in respect of the DB Group staff providing services to the Company. The HR function is responsible for managing and overseeing the Company's framework, policies and procedures in relation to the management and development of its people, including amongst others, reward, recruitment, acquisition, development and mobility of talent, workforce planning, diversity and inclusion, reward, employee relations (including consultation through the UK Employee Forum), performance, engagement and culture, advisory for managers and delivery of HR information and services. The senior management function for HR is an attendee at quarterly Board Meetings and presents management information and escalates matters of broader culture impact and morale to the Board which may be appropriate as part of any strategic decision making. In considering such matters, the Board recognises that it needs to address diversity and to make improvements to gender disparity across the business given the benefits gained from richness of talent. To that end, the Board has requested that management and the senior management function for HR present initiatives as to how the organisation could better embrace diversity in its broadest sense and leverage opportunities to improve the trend.

In the broader management of business conduct and integrity, customer complaints handling, including the Company's compliance with regulatory dispute resolution requirements, is managed within the WM UK Chief Operating Officer division, with reporting of material matters and management information visible to the Board Risk and Audit Committee by way of the Board Risk and Audit Committee dashboard and escalations to the Board as appropriate. Matters requiring a decision of the Board in respect of any issues which may run against the risk appetite set by the business or DB Group strategy and negatively impact the franchise in the region will also be escalated to the Board. In considering the obligations owed by the Company to its sole shareholder, clients, employees, the regulator and other key stakeholders and in respect of any decisions required of the Board, it considers and challenges the regulatory, compliance and reputational risks that the business is facing and the procedures established to minimise or mitigate those risks through review and consideration of regular status reports from the dedicated Compliance representative. The Board also receives material updates from the Risk and Compliance teams on regulatory correspondence of which they have been made aware and developments which may impact the business related to the entity.

The Company relies on other DB Group entities not only for staff, but for services and infrastructure to support all its activities, as well as the services of external providers. The Company migrated its booking processes to an externally outsourced IT banking platform, Avaloq, ("ASSL") in 2015 with ASSL personnel supporting certain back office functions. ASSL's activities are central to the Company's business model. The Board recognises that it cannot outsource its responsibilities and that it remained accountable to the regulator for the actions of its vendors and for the appropriate oversight of the services provided to it. As such, outsourcing arrangements are reviewed and assessed on an ongoing basis through the DB Group Vendor Control Requirements Framework ("VCRF") with reporting to the Board Risk and Audit Committee and escalation to the Board where appropriate. As part of the VCRF process, ASSL is required to comply with the DB Group code of conduct as well as the DB Group's 2019 Slavery and Human Trafficking Statement concerning its approach to respecting human rights. In order to ensure best practice it is likewise applied to the supply chain, control processes are also in place at ASSL with respect to any chain sourcing to ensure that such vendors complied with both ASSL and DB Group policies, including their management of human rights due diligence for their vendors or subcontractors. Senior management from ASSL presented to the Board during the year as to the evolution of its new agile transformation model, successful delivery of which would be monitored and taken into account by the Board in any future decision making.

The Company's Chief Risk Officer ("CRO") is responsible for managing macro financial risk arising from climate and environment-related factors. Currently the client portfolio is relatively small and focused on mortgages, primarily prime central London and any immediate financial impact of climate change is therefore limited. However, as the portfolio develops in size and becomes more diverse, the Company would look to tailor a bespoke risk appetite and control framework with a focus on Real Estate as the primary exposure, leveraging that implemented at a DB Group level and incorporate into existing RAS and Board Risk and Audit Committee metrics. The metrics would serve to monitor both potential reputational risk from transactions as well as physical climate related risks to infrastructure, staff and key processes. The 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.

Risks and Uncertainties

Risks are monitored at the Company's Operating Council, Board Risk and Audit Committee and the Board.

Credit and Market Risk

The Company manages Credit Risk according to policies and guidelines set by the DB Group's Credit Risk Management function ("CRM"). CRM is responsible for setting DB Group's Credit Risk appetite globally and ensuring that DB Group's Credit Risk exposure is in line with this appetite and suitable for the businesses of the DB Group.

The Company has credit exposure in the form of collateralised loans to WM UK clients and collateralised and uncollateralised loans to the DB Group. Loans to WM UK clients (measured on a connected group risk basis) remain, below PRA limits and Board risk appetite throughout 2019. Exposures to the DB Group are within the limits allowed under the Core UK Group and Non-Core Large Exposures Group permissions granted by the PRA and renewed on 17 December 2018 and 24 December 2019 respectively.

There is minimal Market Risk in the Company as external assets are mainly funded on a term matched basis and there is minimal Foreign exchange exposure.

Non-Financial Risks

Non-Financial Risk is the risk of loss resulting from inadequate or failed internal processes, people behaviour, systems or external events. Non-Financial Risk includes the risk of reputational damage, but excludes business and strategy risk. Non-Financial Risk is managed by DB Group's Non-Financial Risk Management function ("NFRM").

The Company manages and tracks non-financial risks including operational risks using a central Risk Profile. The Profile is monitored on a monthly basis and updated with information provided in the Company's Operating Council and other business fora.

Liquidity Risk

The Company's liquidity strategy and its risk management framework are consistent with that of DB Group. This framework covers principles of long and short term risk tolerance, concentration risk, stress testing, funds transfer pricing, limits and contingency planning.

The Company sources financing from DB Group entities. Deposits from WM UK clients and all surplus cash is placed with DB Group. Liquidity is managed by the DB Group's Treasury function and a liquid asset buffer, to cover liquidity risk, is maintained in the form of reverse repurchase agreements with DB Group.

Regulatory Risk & Compliance

Robust controls are in place to ensure compliance with regulatory requirements including the Capital Requirements Regulation and associated guidance from the PRA.

The WM UK business must comply with the FCA's Client Money and Assets ("CASS") rules. The Company has allocated overall responsibility for oversight of compliance with the CASS rules to the Chief Operating Officer ("COO"). Day to day oversight of the operational effectiveness of the Company's CASS Systems and Controls is delegated to the Client Assets Oversight Officer ("CAOO"), who is subject to the certification regime and performs the significant harm function SHF1. The CAOO is supervised by the COO. A Client Assets Oversight Council provides challenge to the CAOO in the discharge of those responsibilities and receives management information and supporting documentation to do so. The CAOO provides half yearly and ad hoc (as required) updates to the Company's Board Risk and Audit Committee and reports annually to the Board on the maintenance of the CASS Resolution Pack and CASS Controls over the year. Documented escalation procedures are in place.

dbMortgages Redress programme

The Company historically operated a business branded as dbMortgages which ceased new lending in January 2008 and exited the market in 2017. In December 2010, a redress programme was launched by the Company, inviting customers to claim redress where lending decisions had been approved without adequate evidence of affordability. In December 2014, eligibility to claim such redress under the programme expired and the Company does not expect to recognize any additional claims in future. The Company has reviewed its provisions for existing claims as at 31 December 2019 and has provided £0.6m against its obligation (2018: £0.6m).

Key Performance and Risk Indicators ("KPIs"&"KRIs")

The Company's KPIs and KRIs enable oversight of the material risks of the Company while supporting and enabling the overall business strategy as approved by the Board. The Board sets KPI and KRI limits reflecting the Board's risk appetite to deliver its business objectives. A key objective of KPI and KRI selection is to ensure that the Company has sufficient financial resources to support the business at any given point in time, absorb market events and to meet regulatory requirements.

KPIs and KRIs are monitored regularly and at the Company's Board Risk and Audit Committee and in Board meetings and any breaches escalated. The key indicators, as at 31 December, are presented in the table below:

KPI/KRI Measure	Limit methodology	Board Risk Appetite	2019	2018
Regulatory Capital Ratio	In line with Board risk appetite and PRA prescribed requirement & guidance	>120%	599%	588%
Leverage Ratio	In line with Board risk appetite	>6%	51%	56%
Liquidity Coverage Ratio	In line with Board risk appetite	>120%	461%	936%

Regulatory Capital Ratio is a measure of total Regulatory Capital Resources relative to total PRA Capital Resources Requirement plus PRA buffers.

Leverage Ratio is a measure of Tier 1 Capital relative to on balance sheet assets and certain off balance sheet exposures.

Liquidity Coverage Ratio is a short term liquidity measure designed to ensure the Company has sufficient liquid assets to cover net stressed outflows in the next 30 days.

Current Period Performance

	Year Ended 31 December 2019 £000/%	Year Ended 31 December 2018 £000/%	Year on Year Change £000/%
Profit/(Loss) before tax	(17,236)	69,653	(86,889)
Profit/(Loss) after tax	(12,655)	72,726	(85,381)
Total Assets	1,317,381	1,086,717	230,664
Return on Assets	(1.31%)	6.41%	(7.72%)

Return on Assets is a measure of Profit and Loss before tax compared to Total Assets.

Financial Summary

The Company reports a post-tax loss of £12.7m for the year-ended 31 December 2019, a year-on-year decrease of £85.4m. The Profit for 2018 included a one-off gain of £81.5m on the sale of the Company's subsidiary Deutsche Trustee Company Limited, without this gain the 2018 result would have been a post-tax loss of £8.8m. The results for both 2018 and 2019 reflect the costs incurred on growing the WM UK business.

Balance Sheet Assets have increased by £231m year on year, mainly attributable to the growth of WM UK lending during 2019

No interim dividend was declared or paid during the year (2018: £nil). The Directors do not recommend the payment of a final dividend for the year (2018: £nil).

Future Outlook

The Company's business activities along with the key risks are set out in this Strategic Report and in the Risk Report (Note 28). The Company is expected to generate profit on its own account over the period from 2020 to 2024 in line with the new business model of the Company that has been implemented since 2017.

As part of its transformation and growth strategy, in 2017, the WM UK business completed work to consolidate its UK activities into the Company from other DB Group undertakings and, in addition, increase the scope of the UK product offering. In 2019 and 2018 WM UK has continued to grow the business based on a dedicated product strategy for key client segments and deliver a competitive product and services offering that responds to specific client needs.

The Company is reliant on the DB Group for the provision of all infrastructure services. The Company is also reliant on the DB Group for the provision of funding. In order to eliminate refinancing risks, assets are mainly funded on a matched term basis. All surplus funds of the Company are placed with the DB Group on either a secured or unsecured basis. If interest rates increase, there would be a positive impact on the Company's ability to generate interest income from placement of deposits with the DB Group.

The Company's indirect parent DBIGB is the recipient of a declaration of backing from Deutsche Bank A.G. and DBIGB in turn provides comfort letters to subsidiaries including the Company. This enables the Company to maintain its good standing and remain in a position to meet its obligations as they fall due.

Brexit

The Company's Senior Management (including Board representation) participate in a DB Wealth Management Brexit programme. The programme is working closely and aligned with the DB Group wide Brexit programme which also tracks regulatory developments and participates in industry wide advocacy groups. In addition the Company's Chief Executive Officer ("CEO") and COO attend a bi-weekly briefing session conducted by the WM Brexit programme manager. The CEO provides updates to the Company's Board and also, through membership of trade organisations (PIMFA and UK Finance), is able to engage with a wider industry perspective.

Following the end of the Brexit transitional period the Company may no longer be able to benefit from the right of establishment and freedom to provide financial services in the EU, dependent on the result of negotiations between the UK and the EU. As a result the Company may not be able to provide regulated services to clients domiciled in the EU. The number of clients impacted is small as the firm's target market is UK domiciled or international clients with a UK nexus domiciled outside the EU. The Company does not market it services actively to EU domiciled individuals or companies. As a result the potential financial impact is not considered material.

The WM UK business includes lending on property collateral both residential and commercial to High Net Worth clients. The portfolio is of high quality dominated by Prime London real estate with low loan to value ratios and personal guarantees. A review was completed in October 2019 of the impact of a Brexit or similar negative shock on WM's real estate exposures. This concluded that, given the conservative loan to value ratios and active management of the portfolio, any impact was expected to be manageable.

Management expects the UK market to continue to be attractive for High and Ultra-High Net Worth clients

The Company is reliant for funding on the DB Group, which has a wide range of funding sources, including debt issued in the EU. Client loans offered are mainly funded on a matched basis to reduce refinancing risk and client deposits are placed with DB Group on a matched basis. The vast majority of the Company's balance sheet is in UK sterling. Management does not anticipate any impact on funding requirements post Brexit or any direct impact on business levels attributable to the possible weakening of UK sterling.

Management has confirmed that they have no concern over the impact of Brexit, on existing staff or in terms of future recruitment.

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For the year ended 31 December 2019

Overall, the actual impact to the Company is not expected to be material but will depend on the outcome of the negotiations between the UK and the EU. The Company will have various response options to enable it to continue to service customers throughout the globe and any updates are closely monitored by Senior Management.

Post Balance Sheet Events

COVID 19

COVID 19 is a developing post balance sheet event which has the potential to have a material impact on business around the globe. However, at this point in time it is not possible to predict the specific repercussions of the COVID 19 pandemic on the global economy and on the Company's business model or results. It may be necessary for the Company to exercise some forbearance to clients during the pandemic although the impact of this is currently not expected to be significant and impairment provisions are not expected to be material. The Company's planned growth could also be delayed due to reduced opportunities but it is not possible currently to determine the impact.

The Company has completed some initial analysis on the possible impacts of a severe stress scenario on its financial position and does not believe that the COVID 19 pandemic will have a material impact on its ability to comply with PRA capital requirements or on its ability to continue as a going concern. The Company has a liquid asset buffer of £244m, in excess of total external client deposits of £104m. It also has a material capital surplus sufficient to absorb the impact of a severe stress on property prices.

Deutsche Bank and the Company have implemented business continuity measures in respect of COVID 19. The majority of staff are in a Work from Home scenario and able to operate effectively remotely.

There are no other material post Balance Sheet Events.

Going Concern

The risks most likely to adversely affect the Company's ability to continue as a going concern include a change of intention or ability of Deutsche Bank A.G., the Company's ultimate parent, to continue to support its operation, and the impact of COVID 19, which could result in an increase in the level of impairment in loans and advances to customers and loss of revenue. As explained above the Directors do not believe the impact of COVID 19 will be material to the Company. In relation to support from Deutsche Bank A.G., a declaration of backing has been given to DBIGB, the Company's ultimate UK holding company, by Deutsche Bank A.G. and DBIGB in turn issues a letter of comfort to the Company. The Directors of the Company have made enquiries of Deutsche Bank A.G. to understand that, as of the date of signing of these Accounts, Deutsche Bank A.G. has the ability and intent to continue supporting the Company.

The Directors have assessed the Company's ability to continue as a going concern and have concluded that there is no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the Company to continue as a going concern.

By order of the Board of Directors this 4th day of May 2020.

Benjamin Pallas
Director

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