

Deutsche Bank International Limited

**Financial statements**

**31 December 2010**

## Deutsche Bank International Limited

Table of Contents	Page
Company information	1
Directors' report	2-3
Independent auditors' report	4-5
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9 - 10
Notes to the financial statements	11 – 55

## **Deutsche Bank International Limited**

**Directors:**

M R Bisson  
E M Fletcher  
K W Johnson  
P E Shevlin  
R B Singleton  
A J Tautscher  
C G Woolcock  
L Warner

**Secretary:**

G S Clark (appointed 15 December 2010)  
N P Gorman (resigned 15 December 2010)

**Independent auditors:**

KPMG Channel Islands Limited  
Chartered Accountants  
5 St Andrew's Place  
Charing Cross  
St Helier  
Jersey  
Channel Islands

**Registered Office:**

St Paul's Gate  
New Street  
St Helier  
Jersey  
Channel Islands

# **Deutsche Bank International Limited**

## **Directors' report**

The directors submit their report and the audited financial statements for the year ended 31 December 2010.

### **Principal activities**

Deutsche Bank International Limited (the “Company”) is a wholly owned subsidiary of Deutsche Holdings (Malta) Limited, itself part of the larger Deutsche Bank Group, and 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.

### **Financial reporting framework**

It was decided that the Company would change the basis of preparation of the financial statements from United Kingdom Accounting Standards to International Financial Reporting Standards (“IFRS”) in order to align itself with the reporting framework of its ultimate parent company.

### **Results and dividend**

The total comprehensive income for the year ended 31 December 2010 is shown in the statement of comprehensive income on page 7.

An interim dividend of GBP 10,271,289 was declared during the year (2009 GBP:83,225,393; 2008 GBP:7,200,000).

### **Directors**

The directors of the Company who served during the year and up to the date the financial statements were approved are as stated on page 1, with the following exceptions:

J Wallace resigned as director on 2 July 2010

M R Bisson was appointed director on 17 March 2010

L Warner was appointed director on 23 September 2010

### **Independent Auditors**

KPMG Channel Islands Limited was re-appointed as auditors on 27th May 2010. They have expressed their willingness to continue in office.

By order of the board

Richard Singleton

Andreas Tautscher

21 March  
2011

## **Deutsche Bank International Limited**

### **Statement of Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those 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; and
- prepare the financial statements on the going concern basis (unless it is inappropriate to presume that the Company will continue in business).

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**KPMG Channel Islands Limited**

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Jersey JE4 8WQ  
Channel Islands

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Charing Cross, St Helier  
Jersey JE4 8WQ  
Channel Islands

**Independent auditor's report to the members  
of Deutsche Bank International Limited**

We have audited the financial statements of Deutsche Bank International Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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.

**Respective responsibilities of directors and auditors**

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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## **Independent auditor's report to the members of Deutsche Bank International Limited – continued**

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991, the Banking Business (Jersey) Law 1991, the Financial Services (Trust Company and Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2007 and the Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007.

### **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 financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Larry Catterson  
for and on behalf of KPMG Channel Islands Limited  
*Chartered Accountants*

23 March 2011

- The maintenance and integrity of the Deutsche Bank International Limited's website is the responsibility of the directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 23 March 2011. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 23 March 2011 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

## Deutsche Bank International Limited

### Statement of Financial Position

As at 31 December 2010

	Note	2010 GBP	2009 GBP	2008 GBP
<b>Assets</b>				
Cash and cash equivalents	10	2,024,023,643	2,677,991,639	3,793,883,668
Placements with banks	11	548,979,814	359,897,975	385,884,114
Loans and advances to customers	12	49,646,603	91,056,251	89,488,715
Property and equipment	13	789,972	769,466	980,499
Intangible assets	14	285,211	253,077	168,478
Investment in subsidiaries	15	775,200	775,200	6,287,925
Tax asset	9	1,213,194	919,616	-
Receivables from service relationships	25	63,675,543	44,298,899	45,147,867
Other assets	16	13,595,304	16,296,724	40,738,779
Employee benefits	17	14,766,223	12,970,800	12,351,600
		-----	-----	-----
<b>Total assets</b>		<b>2,717,750,707</b>	<b>3,205,229,647</b>	<b>4,374,931,645</b>
		=====	=====	=====
<b>Liabilities</b>				
Deposits from banks	18	145,042,217	166,151,724	120,506,656
Deposits from customers	19	2,343,070,242	2,814,102,107	3,941,152,213
Other short term borrowings	20	3,870,431	580,171	440,823
Payables from service relationships	25	24,347,541	3,863,002	6,125,403
Tax liabilities		2,118	-	4,713,223
Other liabilities	21	62,030,220	73,012,093	103,379,200
		-----	-----	-----
<b>Total liabilities</b>		<b>2,578,362,769</b>	<b>3,057,709,097</b>	<b>4,176,317,518</b>
		-----	-----	-----
<b>Equity</b>				
Share capital	22	15,000,000	15,000,000	15,000,000
Share premium	22	1,707,265	1,707,265	1,707,265
Retained earnings		122,680,673	130,813,285	181,906,862
		-----	-----	-----
<b>Total equity</b>		<b>139,387,938</b>	<b>147,520,550</b>	<b>198,614,127</b>
		-----	-----	-----
<b>Total liabilities and equity</b>		<b>2,717,750,707</b>	<b>3,205,229,647</b>	<b>4,374,931,645</b>
		=====	=====	=====

The financial statements on pages 6 to 55 were approved

by the Board of Directors on 21 March 2011

and signed on its behalf by:

Richard Singleton

Andreas Tautscher

Director

Director

The notes on pages 11 to 55 are an integral part of these financial statements.

## Deutsche Bank International Limited

### Statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 GBP	2009* GBP
<b>Continuing operations</b>			
Interest income		26,154,538	38,534,845
Interest Expense		(18,487,180)	(27,831,473)
		-----	-----
<b>Net interest income</b>		<b>7,667,358</b>	10,703,372
<b>Non interest income</b>			
Commission and fee income		7,298,294	7,252,188
Foreign exchange commissions		4,645,792	5,884,011
Dividend received from subsidiaries		2,522,316	13,092,977
Gains on disposal of investment securities		-	1,566
		-----	-----
		<b>14,466,402</b>	26,230,742
		-----	-----
<b>Operating income</b>		<b>22,133,760</b>	36,934,114
		-----	-----
<b>Non-interest expenses</b>			
Personnel expenses	7	(42,189,672)	(31,957,781)
Depreciation	13	(384,251)	(492,109)
Other expenses	8	(12,966,001)	(11,460,532)
Operating loss provision reversal/(charge)		3,351,012	(3,747,326)
Service relationships		34,755,761	23,001,655
		-----	-----
		<b>(17,433,151)</b>	(24,656,093)
		-----	-----
<b>Profit before income tax</b>		<b>4,700,609</b>	12,278,021
Income tax credit	9	248,568	329,273
		-----	-----
<b>Profit from continuing operations</b>		<b>4,949,177</b>	12,607,294
<b>Discontinued operations</b>			
Profit from discontinued operation	6	-	15,869,722
		-----	-----
<b>Profit for the year</b>		<b>4,949,177</b>	28,477,016
<b>Other comprehensive income, net of tax</b>			
Defined benefit plan actuarial losses	17	(2,611,000)	(5,552,000)
Deferred tax charge on pension surplus		(199,500)	(68,800)
		-----	-----
<b>Other comprehensive income, net of tax</b>		<b>(2,810,500)</b>	(5,620,800)
		-----	-----
<b>Total comprehensive income for the year</b>		<b>2,138,677</b>	22,856,216
		=====	=====

\*Note, certain figures have been reclassified but the re-classification did not have any effect on reserves.

The notes on pages 11 to 55 are an integral part of these financial statements.

## Deutsche Bank International Limited

### Statement of Changes in Equity

For the year ended 31 December 2010

	Note	Share capital ----- GBP	Share Premium ----- GBP	Retained earnings ----- GBP	Total ----- GBP
Balance at 1 January 2008		15,000,000	1,707,265	165,830,955	182,538,220
<b>Total comprehensive income for the period</b>					
Profit and loss		-	-	23,595,580	23,595,580
Other comprehensive income, net of tax		-	-	(319,673)	(319,673)
		-----	-----	-----	-----
Total comprehensive income		-	-	23,275,907	23,275,907
		-----	-----	-----	-----
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to shareholders	22	-	-	(7,200,000)	(7,200,000)
		-----	-----	-----	-----
Total contributions by and distributions to owners		-	-	(7,200,000)	(7,200,000)
		-----	-----	-----	-----
Balance at 31 December 2008		15,000,000	1,707,265	181,906,862	198,614,127
<b>Total comprehensive income for the period</b>					
Profit and loss		-	-	28,477,016	28,477,016
Other comprehensive income, net of tax		-	-	(5,620,800)	(5,620,800)
		-----	-----	-----	-----
Total comprehensive income		-	-	22,856,216	22,856,216
		-----	-----	-----	-----
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to shareholders	22	-	-	(83,225,393)	(83,225,393)
Capital contribution		-	-	9,275,600	9,275,600
		-----	-----	-----	-----
Balance at 31 December 2009		15,000,000	1,707,265	130,813,285	147,520,550
<b>Total comprehensive income for the period</b>					
Profit and loss		-	-	4,949,177	4,949,177
Other comprehensive income, net of tax		-	-	(2,810,500)	(2,810,500)
		-----	-----	-----	-----
Total comprehensive income		-	-	2,138,677	2,138,677
		-----	-----	-----	-----
<b>Transactions with owners, recorded directly in equity</b>					
Dividends to shareholders	22	-	-	(10,271,289)	(10,271,289)
		-----	-----	-----	-----
<b>Balance at 31 December 2010</b>		<b>15,000,000</b>	<b>1,707,265</b>	<b>122,680,673</b>	<b>139,387,938</b>
		=====	=====	=====	=====

The Capital contribution in 2009 comprised an amount owed by the Company to a sister company, Deutsche Bank International Trust Co Ltd (DBIT), the right to which DBIT waived in favour of the Company on 3rd April 2009 pursuant to a loan waiver agreement between the Company and DBIT of the same date.

The notes on pages 11 to 55 are an integral part of these financial statements.

## Deutsche Bank International Limited

### Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 GBP	2009 GBP
<b>Cash flows from operating activities</b>			
Profit for the year		4,949,177	28,477,016
<i>Adjustments for:</i>			
Depreciation	13	384,251	492,109
Defined benefit pension cost		756,000	880,000
Gain on sale of discontinued operation		-	(10,178,945)
Income tax credit		(248,568)	(329,273)
		-----	-----
<b>Operating profit before working capital changes</b>		<b>5,840,860</b>	<b>19,340,907</b>
<b>Changes in operating assets and liabilities</b>			
Placements with banks		(189,081,839)	25,986,139
Loans and advances to customers		41,409,648	(1,567,536)
Receivables from service relationships		(19,376,644)	848,968
Other assets		2,701,420	24,442,055
Deposits from banks		(21,109,507)	45,645,068
Deposits from customers		(471,031,865)	(1,127,050,106)
Other short term borrowings		3,290,260	139,348
Payables from service relationships		20,484,539	(2,262,401)
Other liabilities		(10,981,872)	(30,367,108)
		-----	-----
Cash generated from operating activities		(637,855,000)	(1,044,844,666)
Cash contribution to defined benefit pension		(5,361,960)	(7,120,000)
Income tax paid		(42,856)	(5,303,565)
		-----	-----
<b>Net cash generated from operating activities</b>		<b>(643,259,816)</b>	<b>(1,057,268,231)</b>
<b>Cash flow from investing activities</b>			
Proceeds from disposal of property and equipment		24,043	-
Acquisition of property and equipment		(428,800)	(281,076)
Proceeds from disposal of subsidiary		-	15,691,670
Expenditure on intangible asset		(32,134)	(84,599)
		-----	-----
<b>Net cash used in investing activities</b>		<b>(436,891)</b>	<b>15,325,995</b>
<b>Cash flow from financing activities</b>			
Capital contribution		-	9,275,600
Dividend paid	22	(10,271,289)	(83,225,393)
		-----	-----
<b>Net cash used in financing activities</b>		<b>(10,271,289)</b>	<b>(73,949,793)</b>
		-----	-----
<b>Net change in cash and cash equivalents</b>		<b>(653,967,996)</b>	<b>(1,115,892,029)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,677,991,639</b>	<b>3,793,883,668</b>
		-----	-----
<b>Cash and cash equivalents at end of year</b>		<b>2,024,023,643</b>	<b>2,677,991,639</b>
		=====	=====

## Deutsche Bank International Limited

### Statement of Cash Flows (continued)

*For the year ended 31 December 2010*

	<b>2010</b>	2009
	<b>GBP</b>	GBP
Supplemental disclosure of cash flows from operating activities:		
Interest received	<b>26,155,721</b>	43,390,540
Interest paid	<b>18,875,250</b>	33,106,564
Dividend received	<b>2,522,316</b>	13,092,977

The notes on pages 11 to 55 are an integral part of these financial statements.

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 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 Financial Services (Trust Company and Investment Business (Jersey) Order 2007. The Company also holds a Funds Service Business licence under the Financial Services (Fund Services Business) (Jersey) Order 2007.

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 (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](http://www.db.com).

The financial statements were authorised for issue by the directors on 21 March 2011.

### 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). These are the Company’s first financial statements in accordance with IFRS and IFRS 1 ‘first-time adoption of International Financial Reporting Standards’ has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in note 27.

#### (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 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 ‘Sterling’.

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 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 in the period in which the estimate is revised and in any future periods affected.

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:

- Going concern;
- Employee benefits under defined benefit obligations (see note 17);
- Recognition of deferred tax assets on tax losses carried forward (see note 9).

### 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. The accounting policies are consistent with those adopted by the Company in the previous year presented in these financial statements and in preparing the opening IFRS statement of financial position at 1 January 2009.

Previously the Company had prepared consolidated financial statements however from 31 December 2010 the Company has elected not to. See also note 3(t).

#### (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 at 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

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 3. Significant accounting policies (continued)

#### (b) *Interest*

Interest income and expense are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

#### (c) *Fees and commission*

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.

#### (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 Directors of the subsidiaries and paid to the Company.

#### (e) *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 derivatives are initially recognised on the date at which the Company becomes a party to the contractual provisions of the instrument.

##### (ii) 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.

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 form the same lender under substantially different terms.

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 3. Significant accounting policies (continued)

#### (iii) 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 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.

#### (iv) 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, minus any reduction for impairment.

#### (v) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows, excluding credit events not yet incurred, discounted at the assets' original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance against placements with banks. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

#### (f) *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.

#### (g) *Placements with banks*

Placements with banks are measured at amortised cost, less impairment losses.

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 3. Significant accounting policies (continued)

#### (h) *Loans and advances*

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company chooses to carry the loans and advances at fair value through profit or loss.

#### (i) *Other non-trading derivatives*

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

#### (j) *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 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.

##### (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	-	10 years
Office furniture and equipment	-	3 to 7 years

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

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 3. Significant accounting policies (continued)

#### (k) *Intangible assets*

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### (l) *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. 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.

#### (m) *Deposits*

Deposits are the Company's sources of debt funding.

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

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 3. Significant accounting policies (continued)

#### (n) 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 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.

Deferred tax relating to the defined benefit asset or liability is offset against the defined benefit asset or liability in accordance with IAS 19 "Employee benefits".

##### (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 consolidated 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.

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 3. Significant accounting policies (continued)

(n) *Employee benefits (continued)*

(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.

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.

(o) *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.

Deferred tax relating to the defined benefit asset or liability is offset against the defined benefit asset or liability in accordance with IAS 19 "Employee benefits".

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 3. Significant accounting policies (continued)

(p) *Dividends*

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

(q) *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.

(r) *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.

(s) *Financial guarantees*

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

(t) *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 IAS 27 paragraph 10.

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](http://www.db.com).

(u) *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.

## **Deutsche Bank International Limited**

### **Notes to Financial Statements**

*For the year ended 31 December 2010*

#### **3. Significant accounting policies (continued)**

*(v) Leased assets - lessee*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance 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.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's statement of financial position.

*(w) New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company, with the exception of:

- IFRS 9, *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to net income at a later date. However, dividends on such investments are recognised in net income, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in net income.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or at fair value.

## **Deutsche Bank International Limited**

### **Notes to Financial Statements**

*For the year ended 31 December 2010*

#### **3. Significant accounting policies (continued)**

*(w) New standards and interpretations not yet adopted (continued)*

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Company is currently in the process of evaluating the potential effect of this standard. Given the nature of the Company's operations, this standard is not expected to have a pervasive impact on the Company's financial statements.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 4. Financial assets and liabilities

##### Accounting classifications and fair value

The table below sets out the Company's classification of each class of financial assets and liabilities and their fair values (excluding accrued interest).

At 31 December 2010	Loans and receivables ----- GBP	Other amortised cost ----- GBP	Total carrying amount ----- GBP	Fair value ----- GBP
<i>Assets</i>				
Cash and cash equivalents	-	2,024,023,643	2,024,023,643	2,024,023,643
Placements with banks	-	548,979,814	548,979,814	548,979,814
Loans and advances to customers	49,646,603	-	49,646,603	49,646,603
Other assets	-	77,270,847	77,270,847	77,270,847
	49,646,603	2,650,274,304	2,699,920,907	2,699,920,907
	=====	=====	=====	=====
<i>Liabilities</i>				
Deposits with banks	-	145,042,217	145,042,217	145,042,217
Deposits with customers	-	2,343,070,242	2,343,070,242	2,343,070,242
Other short term borrowings	-	3,870,431	3,870,431	3,870,431
Other liabilities	-	86,377,761	86,377,761	86,377,761
	-	2,578,360,651	2,578,360,651	2,578,360,651
	=====	=====	=====	=====
At 31 December 2009	Loans and receivables ----- GBP	Other amortised cost ----- GBP	Total carrying amount ----- GBP	Fair value ----- GBP
<i>Assets</i>				
Cash and cash equivalents	-	2,677,991,639	2,677,991,639	2,677,991,639
Placements with banks	-	359,897,975	359,897,975	359,897,975
Loans and advances to customers	91,056,251	-	91,056,251	91,056,251
Other assets	-	60,595,623	60,595,623	60,595,623
	91,056,251	3,098,485,237	3,189,541,488	3,189,541,488
	=====	=====	=====	=====
<i>Liabilities</i>				
Deposits with banks	-	166,151,724	166,151,724	166,151,724
Deposits with customers	-	2,814,102,107	2,814,102,107	2,814,102,107
Other short term borrowings	-	580,171	580,171	580,171
Other liabilities	-	76,875,095	76,875,095	76,875,095
	-	3,057,709,097	3,057,709,097	3,057,709,097
	=====	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 4. Financial assets and liabilities (continued)

*Accounting classifications and fair value (continued)*

At 31 December 2008	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
	GBP	GBP	GBP	GBP
<i>Assets</i>				
Cash and cash equivalents	-	3,793,883,668	3,793,883,668	3,793,883,668
Placements with banks	-	385,884,114	385,884,114	385,884,114
Loans and advances to customers	89,488,715	-	89,488,715	89,488,715
Other assets	-	85,886,646	85,886,646	85,886,646
	89,488,715	4,265,654,428	4,355,143,143	4,355,143,143
<i>Liabilities</i>				
Deposits with banks	-	120,506,656	120,506,656	120,506,656
Deposits with customers	-	3,941,152,213	3,941,152,213	3,941,152,213
Other short term borrowings	-	440,823	440,823	440,823
Other liabilities	-	109,504,603	109,504,603	109,504,603
	-	4,171,604,295	4,171,604,295	4,171,604,295

#### 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:

##### *Introduction and overview*

- 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.

##### *Credit risk*

The Company is subject 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.

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 5. Financial risk management (continued)

The Company's primary exposure to credit risk arises through its loans 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.

#### *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.

Part of the bank's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which instruments mature.

A negative interest rate sensitivity gap exists when more liabilities than assets reprice during a given period. Although a negative gap position tends to benefit net interest income in a declining interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within repricing periods and among currencies.

Financial instruments are used to manage the Company's exposure to market risks and to take or alter the Company's positions in light of management's views on future movements in market prices. Derivatives are also used to provide clients with solutions to meet their commercial objectives.

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

Interest rate related contracts are swaps and forward rate agreements. Interest rate swaps generally involve the exchange of fixed and floating rate payment obligations, by reference to a notional underlying principal amount, but without any exchange of the underlying principal amounts. Forward Rate Agreements are contracts under which an amount equivalent to interest at a specified rate on a specified notional principal amount, is to be paid at a specified future date, but without any transfer of the underlying notional principal amount.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### *Interest rate risk control*

Although the Company uses a range of techniques to manage its market price risk, the main method involves the use of value at risk (VAR) limits. The VAR is the expected loss that will arise over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). This is calculated on the non-trading book position

Assuming a 99 per cent confidence level and a one day holding period, the VAR of the Company's book as at 31 December 2010 was £78,090 (2009: £32,840) (2008: £32,964) and the highest and lowest VAR's during 2010 were £89,250 and £3,660 (2009: £143,530 and £13,330) (2008: £402,811 and £10,462) respectively. This means, inter alia, that on the basis of the risks in the book at 31 December 2010, the Company expected not to incur a loss on its book of more than £78,090 (2009: £32,840) (2008: £32,964) in any one day more than 1 per cent of the time. Calculations use one year's worth of equally weighted data and assume zero correlation between different product areas.

The VAR figures disclosed above, for example, have the following main limitations:

- The historical data on which the calculations have been based may not necessarily reflect all the factors that are relevant to the estimation of VAR, give the correct weight to these factors, or be the best estimate of risk factor changes that will occur in the future;
- Using a one day time horizon does not fully capture the market price risk of positions that cannot be closed off within one day. Similarly, focusing on the maximum loss that is expected to be incurred 99 per cent of the time says little about the, admittedly smaller, losses that are expected to be incurred more frequently or the size of the losses in excess of the VAR that are expected to be incurred 1 per cent of the time; and
- The highest and lowest figures disclosed are based on calculations performed at the end of each business day, and the balance sheet date figure is also an end of day figure. The VAR during the course of a single day may change substantially and the end of day figure may not be representative of the figure at other times of the day.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### *Interest rate risk (continued)*

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 2010

	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
<i>Assets</i>					
Cash and cash equivalents	2,024,023,643	-	-	-	2,024,023,643
Placements with banks	426,150,540	115,466,074	4,863,200	2,500,000	548,979,814
Loans and advances to Customers	18,308,563	3,348,940	25,744,780	2,244,320	49,646,603
	-----	-----	-----	-----	-----
	2,468,482,746	118,815,014	30,607,980	4,744,320	2,622,650,060
	-----	-----	-----	-----	-----
<i>Liabilities</i>					
Deposits from banks	142,513,041	2,330,640	198,536	-	145,042,217
Deposits from customers	2,261,803,037	72,931,563	5,835,642	2,500,000	2,343,070,242
Other short term borrowings	3,870,431	-	-	-	3,870,431
	-----	-----	-----	-----	-----
	2,408,186,509	75,262,203	6,034,178	2,500,000	2,491,982,890
	-----	-----	-----	-----	-----
<i>Interest sensitivity gap</i>	60,296,237	43,552,811	24,573,802	2,244,320	130,667,170
	=====	=====	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### *Market risk (continued)*

##### *Interest rate risk (continued)*

At 31 December 2009

	Less than three months ----- GBP	Between three months and six months ----- GBP	Between six months and one year ----- GBP	Between one year and five years ----- GBP	Total ----- GBP
<b><i>Assets</i></b>					
Cash and cash equivalents	2,677,991,639	-	-	-	2,677,991,639
Placements with banks	227,191,782	112,106,409	13,599,784	7,000,000	359,897,975
Loans and advances to Customers	63,924,701	1,070,826	26,060,724	-	91,056,251
	-----	-----	-----	-----	-----
	2,969,108,122	113,177,235	39,660,508	7,000,000	3,128,945,865
	-----	-----	-----	-----	-----
<b><i>Liabilities</i></b>					
Deposits from banks	164,780,094	1,371,630	-	-	166,151,724
Deposits from customers	2,693,303,976	100,092,752	13,705,379	7,000,000	2,814,102,107
Other short term borrowings	580,171	-	-	-	580,171
	-----	-----	-----	-----	-----
	2,858,664,241	101,464,382	13,705,379	7,000,000	2,980,834,002
	-----	-----	-----	-----	-----
<b><i>Interest sensitivity gap</i></b>	110,443,881	11,712,853	25,955,129	-	148,111,863
	=====	=====	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### Market risk (continued)

##### Interest rate risk (continued)

At 31 December 2008

	Less than three months ----- GBP	Between three months and six months ----- GBP	Between six months and one year ----- GBP	Between one year and five years ----- GBP	Total ----- GBP
<b>Assets</b>					
Cash and cash equivalents	3,793,883,668	-	-	-	3,793,883,668
Placements with banks	206,929,386	148,857,445	10,995,943	19,101,340	385,884,114
Loans and advances to Customers	54,727,772	8,399,955	26,360,988	-	89,488,715
	-----	-----	-----	-----	-----
	4,055,540,826	157,257,400	37,356,931	19,101,340	4,269,256,497
	-----	-----	-----	-----	-----
<b>Liabilities</b>					
Deposits from banks	90,456,309	347,289	29,703,058	-	120,506,656
Deposits from customers	3,770,197,116	143,336,071	8,522,424	19,096,602	3,941,152,213
Other short term borrowings	440,823	-	-	-	440,823
	-----	-----	-----	-----	-----
	3,861,094,248	143,683,360	38,225,482	19,096,602	4,062,099,692
	-----	-----	-----	-----	-----
<b>Interest sensitivity gap</b>	194,446,578	13,574,040	(868,551)	4,738	207,156,805
	=====	=====	=====	=====	=====

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 5. Financial risk management (continued)

#### Market risk (continued)

##### Currency risk

The Company is exposed to currency risk through transactions in foreign currencies. The Company's main operations are in Sterling, Euro, United States Dollar and other foreign currencies. 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.

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

	<b>Financial assets 2010 GBP</b>	<b>Financial liabilities 2010 GBP</b>	<b>Net position 2010 GBP</b>
Pound sterling	1,022,406,119	901,301,438	121,104,681
United States dollar	778,561,954	776,840,207	1,721,747
Euro	756,151,608	758,740,955	(2,589,347)
Canadian dollar	31,352,609	30,991,419	361,190
Japanese Yen	10,147,566	10,285,061	(137,495)
Swiss Franc	23,069,530	23,102,092	(32,562)
Other foreign currencies	78,231,521	77,099,479	1,132,042
	-----	-----	-----
	<b>2,699,920,907</b>	<b>2,578,360,651</b>	<b>121,560,256</b>
	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### Market risk (continued)

##### Currency risk (continued)

	Financial assets 2009 GBP	Financial liabilities 2009 GBP	Net position 2009 GBP
Pound sterling	1,207,038,905	1,071,570,468	135,468,437
United States dollar	1,131,582,658	1,132,946,383	(1,363,726)
Euro	707,726,018	710,657,364	(2,931,346)
Canadian dollar	35,592,922	35,568,698	24,224
Japanese Yen	9,691,352	9,386,984	304,367
Swiss Franc	20,961,634	20,773,721	187,913
Other foreign currencies	76,947,999	76,805,478	142,522
	-----	-----	-----
	3,189,541,488	3,057,709,096	131,832,391
	=====	=====	=====

	Financial assets 2008 GBP	Financial liabilities 2008 GBP	Net position 2008 GBP
Pound sterling	1,552,614,790	1,360,909,260	191,705,529
United States dollar	1,576,782,211	1,576,893,155	(110,944)
Euro	1,067,746,224	1,065,481,598	2,264,626
Canadian dollar	37,405,109	37,375,780	29,329
Japanese Yen	17,743,071	17,584,003	159,068
Swiss Franc	60,889,124	61,410,767	(521,643)
Other foreign currencies	41,962,614	51,949,732	(9,987,117)
	-----	-----	-----
	4,355,143,143	4,171,604,295	183,538,848
	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

After taking into account the effect of any currency swaps, forward contracts and other derivatives, there were the following exposures in the non-trading book.

	Spot 2010 GBP	Forward 2010 GBP	Net position 2010 GBP
United States dollar	1,294,000	(1,271,000)	23,000
Euro	(2,855,000)	2,754,000	(101,000)
Canadian dollar	333,000	(332,000)	1,000
Japanese Yen	(161,000)	236,000	75,000
Swiss Franc	(41,000)	4,000	(37,000)
Other foreign currencies	980,000	(976,000)	4,000
	----- 450,000 =====	----- (415,000) =====	----- 35,000 =====
	Spot 2009 GBP	Forward 2009 GBP	Net position 2009 GBP
United States dollar	(1,482,000)	1,509,000	27,000
Euro	1,737,000	(1,409,000)	328,000
Canadian dollar	(7,000)	1,000	(6,000)
Japanese Yen	268,000	(231,000)	37,000
Swiss Franc	127,000	(131,000)	(4,000)
Other foreign currencies	27,000	(1,000)	26,000
	----- (670,000) =====	----- 262,000 =====	----- (408,000) =====
	Spot 2008 GBP	Forward 2008 GBP	Net position 2008 GBP
United States dollar	(1,401,000)	1,392,000	(9,000)
Euro	1,617,000	(1,222,000)	395,000
Canadian dollar	(14,000)	54,000	40,000
Japanese Yen	157,000	(206,000)	(49,000)
Swiss Franc	(596,000)	629,000	33,000
Other foreign currencies	248,000	(110,000)	138,000
	----- (11,000) =====	----- (537,000) =====	----- (548,000) =====

No sensitivity analysis has been performed on currency positions as owing to internal controls and currency matching policy, 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.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### *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. 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.

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

##### At 31 December 2010

	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
<i>Assets</i>						
Cash and cash equivalents	2,024,023,643	-	-	-	-	2,024,023,643
Placements with banks	426,150,540	115,466,074	4,863,200	2,500,000	-	548,979,814
Loans and advances to customers	18,308,563	3,348,940	25,744,780	2,244,320	-	49,646,603
Other assets	78,484,041	-	-	-	16,616,606	95,100,647
	----- 2,546,966,787	----- 118,815,014	----- 30,607,980	----- 4,744,320	----- 16,616,606	----- 2,717,750,707
	=====	=====	=====	=====	=====	=====
Gross forward Fx inflow	----- 912,938,000	----- 79,913,000	----- 21,716,000	----- 3,190,000	----- -	----- 1,017,757,000
	=====	=====	=====	=====	=====	=====
<i>Liabilities</i>						
Deposits from banks	142,513,041	2,330,640	198,536	-	-	145,042,217
Deposits from customers	2,261,803,037	72,931,563	5,835,642	2,500,000	-	2,343,070,242
Other short term borrowings	3,870,431	-	-	-	-	3,870,431
Other liabilities	86,379,879	-	-	-	139,387,938	225,767,817
	----- 2,494,566,388	----- 75,262,203	----- 6,034,178	----- 2,500,000	----- 139,387,938	----- 2,717,750,707
	=====	=====	=====	=====	=====	=====
Gross forward Fx outflow	----- 912,051,000	----- 81,231,000	----- 21,713,000	----- 3,190,000	----- -	----- 1,018,185,000
	=====	=====	=====	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### Liquidity risk (continued)

At 31 December 2009

	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
<b>Assets</b>						
Cash and cash equivalents	2,677,991,639	-	-	-	-	2,677,991,639
Placements with banks	227,191,783	112,106,409	13,599,783	7,000,000	-	359,897,975
Loans and advances to customers	63,924,701	1,070,826	26,060,724	-	-	91,056,251
Other assets	61,515,239	-	-	-	14,768,543	76,283,782
	3,030,623,362	113,177,235	39,660,507	7,000,000	14,768,543	3,205,229,647
Gross forward Fx inflow	909,043,000	145,827,000	5,744,000	-	-	1,060,614,000
<b>Liabilities</b>						
Deposits from banks	164,780,094	1,371,630	-	-	-	166,151,724
Deposits from customers	2,693,303,975	100,092,752	13,705,380	7,000,000	-	2,814,102,107
Other short term borrowings	580,171	-	-	-	-	580,171
Other liabilities	76,875,095	-	-	-	147,520,550	224,395,645
	2,935,539,335	101,464,382	13,705,380	7,000,000	147,520,550	3,205,229,647
Gross forward Fx outflow	909,925,000	145,761,000	5,740,000	-	-	1,061,426,000

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 5. Financial risk management (continued)

##### Liquidity risk (continued)

At 31 December 2008

	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
<b>Assets</b>						
Cash and cash equivalents	3,793,883,668	-	-	-	-	3,793,883,668
Placements with banks	206,929,386	148,857,445	10,995,943	19,101,340	-	385,884,114
Loans and Advances to customers	54,727,772	8,399,955	26,360,988	-	-	89,488,715
Other assets	85,886,646	-	-	-	19,788,502	105,675,148
	-----	-----	-----	-----	-----	-----
	4,141,427,472	157,257,400	37,356,931	19,101,340	19,788,502	4,374,931,645
	=====	=====	=====	=====	=====	=====
Gross forward Fx inflow	2,738,302,000	278,757,000	64,377,000	-	-	3,081,436,000
	=====	=====	=====	=====	=====	=====
<b>Liabilities</b>						
Deposits from Banks	90,456,309	347,289	29,703,058	-	-	120,506,656
Deposits from customers	3,770,197,116	143,336,071	8,522,424	19,096,602	-	3,941,152,213
Other short term borrowings	440,823	-	-	-	-	440,823
Other liabilities	114,217,826	-	-	-	198,614,127	312,831,953
	-----	-----	-----	-----	-----	-----
	3,975,312,074	143,683,360	38,225,482	19,096,602	198,614,127	4,374,931,645
	=====	=====	=====	=====	=====	=====
Gross forward Fx outflow	2,737,889,000	279,879,000	63,702,000	-	-	3,081,470,000
	=====	=====	=====	=====	=====	=====

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### *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. 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 JFSC.

Quantitative measures established by 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 2010, the Company met all regulatory capital adequacy requirements established by JFSC.

The Company's regulatory capital amount and its risk asset ratio at 31 December 2010 as well as JFSC's minimum requirements, are as follows:

	Actual	Minimum requirement
	----- GBP	----- GBP
Capital	118,627,000	68,064,000
	=====	=====
Risk asset ratio	19.17%	11.0%
	=====	=====

### *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.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 6. Discontinued operations

	<b>2010</b>	2009
	<b>GBP</b>	GBP
Securities lending business	-	242,162
Dividend from disposed subsidiaries	-	5,448,615
Gain on disposal of subsidiaries	-	10,178,945
	-----	-----
	-	15,869,722
	=====	=====
 <b>Securities lending business</b>		
	<b>2010</b>	2009
	<b>GBP</b>	GBP
Net Interest income	-	242,162
	-----	-----
	-	242,162
	=====	=====

The securities (stock) lending business represented the trading book of Deutsche Bank International Limited. All trading activities were discontinued from 30 September 2008.

#### Disposal of subsidiaries

Following a strategic review, it was decided that ownership of Deutsche Bank (Mauritius) Limited, Deutsche International Trust Corporation (Mauritius) Limited and Deutsche Bank Investments (Guernsey) Limited should transfer to Deutsche Holdings (Malta) Limited. This took place on May 7th 2009.

Profit & Loss on disposal of subsidiaries is calculated by comparing initial cost of investment in the subsidiary against proceeds received from the buyer.

The disposal of Deutsche Bank Mauritius Limited resulted in a gain to the Company of GBP2,277,240, based on an initial investment cost of GBP5,000,000 set against proceeds on disposal of GBP7,277,240.

The disposal of Deutsche International Trust Company Mauritius Limited resulted in a gain to the Company of GBP7,901,705, based on an initial investment cost of GBP12,725 set against proceeds on disposal of GBP7,914,430.

The disposal of Deutsche Bank Investments (Guernsey) Limited resulted in no gain or loss to the, based on an initial investment cost of GBP500,000 set against proceeds on disposal of GBP500,000.

The net effect from disposal of subsidiaries results in a gain to the Company of GBP10,178,945.

(See also note 15)

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 7. Personnel expenses

	2010 GBP	2009 GBP
Wages and salaries	12,446,250	10,403,955
Bonus & sign on costs	25,951,289	17,407,632
Compulsory social security contributions	498,589	555,130
Expenses for defined benefit pension plans	756,000	880,000
Contributions to defined contribution plans	790,633	805,198
Other benefits – non state mandated	667,569	477,707
Severance payments	1,011,476	1,439,599
Other compensation	67,866	(11,440)
	-----	-----
	<b>42,189,672</b>	<b>31,957,781</b>
	=====	=====

#### 8. Other expenses

	2010 GBP	2009 GBP
Premises expense	2,279,323	2,265,551
Furniture & equipment	147,584	204,459
IT Cost	1,369,982	846,406
Agency and other professional fees	2,944,043	2,635,923
Communication and data services	986,476	916,660
Non-compensation staff expense	619,946	417,767
Travel	3,035,223	2,480,455
Representation cost	267,520	362,067
Marketing	189,808	151,828
Regulatory, tax & insurance	547,562	670,436
Operational losses	257,743	191,018
Other	320,791	317,962
	-----	-----
	<b>12,966,001</b>	<b>11,460,532</b>
	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 9. Taxation

	2010 GBP	2009 GBP
<b>Current tax expense</b>		
Current year	-	31,504
Adjustments for prior years	4,511	362,633
	----- 4,511	----- 394,137
<b>Deferred tax expense</b>		
Deferred tax on tax losses carried forward	(245,149)	(723,410)
Available losses released as group relief	27,326	-
Adjustment for prior years	(35,256)	-
	----- (253,079)	----- (723,410)
Total income tax credit	----- (248,568)	----- (329,273)
	=====	=====
<b>Reconciliation of effective tax rate</b>		
	2010 GBP	2009 GBP
Profit before income tax – continuing operations	4,700,609	12,278,021
Profit for the year	----- 4,700,609	----- 12,278,021
	=====	=====
Income tax at 10%	470,061	1,227,802
<b>Effects of:</b>		
Expenses/write backs not deductible for tax purposes	911	9,389
Depreciation for the year in excess of / (less than) capital allowances	(3,293)	4,223
Dividend income from subsidiaries	(252,232)	(1,309,298)
Cash payments to defined benefit scheme in excess of IAS 19 charge to profit & loss	(460,596)	(624,022)
Tax credit	----- (245,149)	----- (691,906)
Available losses released as group relief	27,326	-
Adjustment for prior years deferred tax	(35,256)	-
Adjustment for prior years current tax	4,511	362,633
Total income tax credit	----- (248,568)	----- (329,273)
	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 9. Taxation – continued

Tax assets are attributable to the following:

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Tax loss carry forwards	<b>716,040</b>	723,410	-
Tax refund receivable	<b>456,654</b>	196,206	-
Payment on account	<b>40,500</b>	-	-
	<u><b>1,213,194</b></u>	<u>919,616</u>	<u>-</u>

A deferred tax liability of GBP1,640,777 (2009:1,441,000; 2008:1,372,000) arises on the employee benefits surplus. This has been netted against the employee benefits surplus in the statement of financial position. (see also note 17).

#### 10. Cash and cash equivalents

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Cash and cash equivalents	<b>2,024,023,643</b>	2,677,991,639	3,793,883,668
	<u><b>2,024,023,643</b></u>	<u>2,677,991,639</u>	<u>3,793,883,668</u>

#### 11. Placements with banks

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Less than 3 months	<b>426,150,540</b>	227,191,783	206,929,386
Over 3 months and up to 6 months	<b>115,466,074</b>	112,106,409	148,857,445
Over 6 months and up to 12 months	<b>4,863,200</b>	13,599,783	10,995,943
1 year to 2 years	<b>2,500,000</b>	4,500,000	12,101,340
Over 2 years	-	2,500,000	7,000,000
	<u><b>548,979,814</b></u>	<u>359,897,975</u>	<u>385,884,114</u>

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 12. Loans and advances to customers

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Overdrafts	<b>6,280,541</b>	13,277,451	15,840,001
Term Loans	<b>43,366,062</b>	77,778,800	73,648,714
	<b>-----</b>	-----	-----
	<b>49,646,603</b>	91,056,251	89,488,715
	<b>=====</b>	=====	=====
One day	<b>6,474,027</b>	12,910,426	16,054,007
Less than 3 months	<b>11,834,536</b>	51,014,276	38,673,765
Over 3 months and up to 6 months	<b>3,348,940</b>	1,070,826	8,399,955
Over 6 months and up to 12 months	<b>25,744,780</b>	26,060,723	26,360,988
More than one year	<b>2,244,320</b>	-	-
	<b>-----</b>	-----	-----
	<b>49,646,603</b>	91,056,251	89,488,715
	<b>=====</b>	=====	=====
	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Value of collateral held	<b>101,162,962</b>	220,381,405	89,488,715
	<b>=====</b>	=====	=====

There were no loans and advances past due or impaired as at the reporting date.

No loans to Directors were in place at the year end.

**Deutsche Bank International Limited**  
**Notes to Financial Statements**  
*For the year ended 31 December 2010*

**13. Property and equipment**

	<b>Office furniture and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
	----- <b>GBP</b>	----- <b>GBP</b>	----- <b>GBP</b>
<i>Cost</i>			
At 1 January 2008	7,860,748	3,314,893	11,175,641
Additions	81,445	2,001	83,446
	-----	-----	-----
At 31 December 2008	7,942,193	3,316,894	11,259,087
Additions	281,076	-	281,076
	-----	-----	-----
At 31 December 2009	8,223,269	3,316,894	11,540,163
Additions	424,140	4,660	428,800
Disposal	(22,327)	(9,904)	(32,231)
	-----	-----	-----
<b>At 31 December 2010</b>	<b>8,625,082</b>	<b>3,311,650</b>	<b>11,936,732</b>
	=====	=====	=====
<i>Depreciation</i>			
At 31 January 2008	7,118,030	2,667,959	9,785,989
Charge for the year	328,246	164,353	492,599
	-----	-----	-----
At 31 December 2008	7,446,276	2,832,312	10,278,588
Charge for the year	328,918	163,191	492,109
	-----	-----	-----
At 31 December 2009	7,775,194	2,995,503	10,770,697
Charge for the year	342,462	41,789	384,251
Disposal	(8,186)	(2)	(8,188)
	-----	-----	-----
<b>At 31 December 2010</b>	<b>8,109,470</b>	<b>3,037,290</b>	<b>11,146,760</b>
	=====	=====	=====
<i>Net book value</i>			
<b>At 31 December 2010</b>	<b>515,612</b>	<b>274,360</b>	<b>789,972</b>
	=====	=====	=====
At 31 December 2009	448,075	321,391	769,466
	=====	=====	=====
At 31 December 2008	495,917	484,582	980,499
	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 14. Intangible assets

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Software	<b>285,211</b>	253,077	168,478
	-----	-----	-----
	<b>285,211</b>	253,077	168,478
	=====	=====	=====

Additions during the year amounted to GBP32,134 (2009: GBP84,599) (2008: GBP168,478).

No amortisation is currently provided as the software is still under development.

#### 15. Investment in subsidiaries

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Deutsche International Custodial Services Limited	<b>500,000</b>	500,000	250,000
Deutsche International Corporate Services Limited	<b>275,000</b>	275,000	25,000
Deutsche Bank Nominees (Jersey) Limited	<b>100</b>	100	100
Deutsche Bank Services (Jersey) Limited	<b>100</b>	100	100
Deutsche Bank Mauritius Limited	-	-	5,000,000
Deutsche International Trust Corporation (Mauritius) Limited	-	-	12,725
Deutsche Bank Investments (Guernsey) Limited	-	-	500,000
Deutsche International Trust Corporation (C.I.) Limited	-	-	250,000
Deutsche International Trustee Services (C.I.) Limited	-	-	250,000
	-----	-----	-----
	<b>775,200</b>	775,200	6,287,925
	=====	=====	=====

All current subsidiaries are wholly owned Jersey incorporated companies.

#### *Group reorganisation*

Following a strategic review, it was decided that ownership of the Company should transfer from Deutsche International Holdings B.V to a new Holding Company, based in Malta. This transfer took place on May 6<sup>th</sup> 2009.

As part of the review, the Company's subsidiary entities were reviewed in order to optimise operating structure.

Ownership of Deutsche Bank (Mauritius) Limited, Deutsche International Trust Corporation (Mauritius) Limited and Deutsche Bank Investments (Guernsey) Limited were transferred to Deutsche Holdings (Malta) Limited. This took place on May 7<sup>th</sup> 2009.

Deutsche International Corporate Services Limited and Deutsche International Trust Corporation (C.I) Limited were merged effective from 25<sup>th</sup> February 2009.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 15. Investment in subsidiaries - continued

Deutsche International Custodial Services Limited and Deutsche International Trustee Services (C.I) Limited were merged effective from 25th February 2009.

The Profit & Loss on disposal of the subsidiaries was calculated by comparing initial cost of investment in the subsidiary against proceeds received from the buyer.

The disposal of Deutsche Bank Mauritius Limited resulted in a gain to the Company of GBP2,277,240, based on an initial investment cost of GBP5,000,000 set against proceeds on disposal of GBP7,277,240.

The disposal of Deutsche International Trust Company Mauritius Limited resulted in a gain to the Company of GBP7,901,705, based on an initial investment cost of GBP12,725 set against proceeds on disposal of GBP7,914,430.

The net effect from disposal of subsidiaries results in a gain to the Company of GBP10,178,945.

The directors are of the opinion that the carrying amount of the subsidiaries are not less than their realisable value.

#### 16. Other assets

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Fee and other income receivable	<b>3,383,470</b>	5,132,003	5,984,472
Customer assets in transit	<b>811,486</b>	815,540	-
Accrued interest receivable	<b>1,423,748</b>	1,424,931	6,280,626
Other assets	<b>7,976,600</b>	8,924,250	28,473,681
	-----	-----	-----
	<b>13,595,304</b>	16,296,724	40,738,779
	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 17. Employee benefits

##### *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 at 31 December 2010. As the plan is effectively closed, the absence of new members 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 method.

##### *Actuarial assumptions as at:*

	<b>2010</b>	2009	2008
	%	%	%
Pension increase rate	<b>3.70%</b>	3.70%	3.00%
Salary increase rate	<b>4.70%</b>	4.80%	4.00%
Deferred pension increase rate	<b>3.70%</b>	3.80%	3.00%
Return on assets	<b>5.00%</b>	5.40%	4.90%
Discount rate	<b>5.60%</b>	5.90%	5.90%

##### *Changes in the defined benefit pension surplus:*

	<b>2010</b>	2009	2008
	<b>GBP000</b>	GBP000	GBP000
Fair value of plan assets	<b>96,336</b>	85,747	76,001
Present (value ) of funded obligations	<b>(79,929)</b>	(71,335)	(62,277)
	-----	-----	-----
Net over funding in funded plans	<b>16,407</b>	14,412	13,724
Deferred tax liability	<b>(1,641)</b>	(1,441)	(1,372)
	-----	-----	-----
Net asset	<b>14,766</b>	12,971	12,352
		=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 17. Employee benefits (continued)

*Included in the statement of comprehensive income:*

	<b>2010</b>	2009	2008
	<b>GBP000</b>	GBP000	GBP000
Current service cost	<b>1,332</b>	1,126	1,366
Interest on obligation	<b>4,163</b>	3,631	3,377
Expected return on plan assets	<b>(4,739)</b>	(3,877)	(3,910)
	-----	-----	-----
Total included in personnel expenses	<b>756</b>	880	833
		=====	=====
Actuarial gain on plan assets	<b>2,407</b>	422	(2,848)
Actuarial losses on obligation	<b>(5,018)</b>	(5,974)	3,253
	-----	-----	-----
Actuarial loss recognised in other comprehensive income	<b>(2,611)</b>	(5,552)	405
		=====	=====
Cumulative actuarial loss recognised in other comprehensive income	<b>(11,675)</b>	(9,064)	(3,512)

*Forecast charge to be included in personnel expenses:*

	2011
	GBP000
Current service cost	1,403
Interest on obligation	4,427
Expected return on plan assets	(4,907)
	-----
Total included in personnel expenses	923

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 17. Employee benefits (continued)

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

	<b>2010</b>	2009	2008
	<b>GBP000</b>	GBP000	GBP000
Opening defined benefit obligation	<b>71,335</b>	62,277	62,073
Current service cost	<b>1,332</b>	1,126	1,366
Interest on obligation	<b>4,163</b>	3,631	3,377
Actuarial losses/(gains)	<b>5,018</b>	5,974	(2,848)
Benefits paid	<b>(1,919)</b>	(1,673)	(1,691)
Closing defined benefit obligation	<b>79,929</b>	71,335	62,277
	====:	====:	====:

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

	<b>2010</b>	2009	2008
	<b>GBP000</b>	GBP000	GBP000
Opening fair value of plan assets	<b>85,747</b>	76,001	74,477
Expected return on assets	<b>4,739</b>	3,877	3,910
Actuarial gains/(losses)	<b>2,407</b>	422	(3,253)
Contributions by employer	<b>5,362</b>	7,120	2,558
Benefits paid	<b>(1,919)</b>	(1,673)	(1,691)
Closing fair value of plan assets	<b>96,336</b>	85,747	76,001
	====:	====:	====:

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 17. Employee benefits (continued)

The Employer expects to contribute GBP5,379,000 to the Plan from 1 January 2011 to 31 December 2011.

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

	<b>2010</b>	2009	2008
	%	%	%
Equities	10	9	11
Government bonds	40	31	38
Corporate Bonds	39	48	45
Property	3	3	3
Cash and net position on derivatives	8	9	3
	-----	-----	-----
	100	100	100
	=====	=====	=====

Amounts for the current and previous periods are as follows:

	<b>2010</b>	2009	2008
	<b>GBP000</b>	GBP000	GBP000
Fair value of plan assets	<b>96,336</b>	85,747	76,001
Present value of defined benefit obligation	<b>(79,929)</b>	(71,335)	(62,277)
	-----	-----	-----
Surplus/(deficit)	<b>16,407</b>	14,412	13,724
	=====	=====	=====
Actuarial gains/(losses) on plan assets			
Amount	<b>2,407</b>	422	(3,253)
Percentage of plan assets	<b>2.50%</b>	0.50%	(4.30%)
	=====	=====	=====
Experience gains/(losses) on obligation			
Amount	<b>1,285</b>	2,156	594
Percentage of present value of defined benefit obligation	<b>1.60%</b>	3.00%	1.00%
	=====	=====	=====
Total actuarial gains/(losses) on obligation			
Amount	<b>(5,018)</b>	(5,974)	2,848
Percentage of present value of defined benefit obligation	<b>(6.30%)</b>	(8.40%)	4.60%
	=====	=====	=====

# Deutsche Bank International Limited

## Notes to Financial Statements

For the year ended 31 December 2010

### 17. Employee benefits (continued)

#### *Defined contribution scheme*

The Company also operates a money purchase plan. The pension charge for the year was GBP790,633 (2009:GBP805,198) (2008:GBP794,244). There were no outstanding contributions as at 31 December 2010 and 2008. All new employees will become members of the defined contribution scheme.

#### *Restricted cash and incentive plans*

Deutsche Bank AG grants restricted cash and incentive awards for selected employees. Certain of the Company's employees qualified for this scheme.

The awards form part of Deutsche Bank's compensation programme from January 2009 for cash plans and February 2010 for other incentive plans.

The award value will be 'converted' into a EUR value by reference to the 2008 year end Euro exchange rate for cash awards and 2009 year end Euro exchange rate for other incentive plans. An award premium, consisting of 7.5% additional value for cash awards or 5% for other incentives is also granted.

All awards are restricted until vesting. In order for the award to vest, the selected employees are required to remain an employee of Deutsche Bank through to the vesting date.

Restricted cash awards granted in January 2009 will vest as follows:

- 1/3 will vest on 4 January 2010
- 1/3 will vest on 4 January 2011
- 1/3 will vest on 4 January 2012

Restricted incentive awards granted in February 2010 will vest as follows:

- 33.34% will vest on 1 February 2011
- 33.33% will vest on 1 February 2012
- 33.33% will vest on 1 February 2013

Included in Other Liabilities in the statement of financial position

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Provision for retention awards	<b>7,772,840</b>	3,953,452	-

Included in Personnel expenses in the statement of comprehensive income

	<b>2010</b>	2009
	<b>GBP</b>	GBP
Retention awards	<b>5,781,049</b>	3,960,953

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 17. Employee benefits (continued)

##### *Deutsche Bank AG equity plan*

Deutsche Bank AG grants equity awards in the form of Restricted Equity units for selected employees. Certain of the Company's employees qualified for this scheme. The awards form part of eligible Company employees compensation since February 2008.

The value of units awarded is communicated to eligible employees during the annual compensation process. The equity award value will be converted into a number of notional Deutsche Bank Shares by reference to the previous year end Euro exchange rate and the average closing share price (on the Frankfurt Stock exchange) for the last 10 days trading of the January in the current reporting year.

A premium of 5% additional notional shares is also granted in recognition that the units do not attract dividends.

Equity awards are restricted until vesting. In order for the award to vest, the selected employees are normally required to remain an employee of Deutsche Bank through to the vesting date.

Any awards granted in February 2010 will vest as follows:

- 33.34% will vest during 2011
- 33.33% will vest during 2012
- 33.33% will vest during 2013

Included in Other Liabilities in the statement of financial position

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Provision for equity based compensation	<b>22,775,392</b>	28,129,390	44,103,886

Included in Personnel expenses in the statement of comprehensive income

	<b>2010</b>	2009
	<b>GBP</b>	GBP
Equity based compensation	<b>10,391,419</b>	1,548,390

#### 18. Deposits from banks

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Time deposits with remaining term to maturity:			
- Demand deposit	<b>77,136,955</b>	69,904,184	30,276,572
- Within 3 months	<b>65,376,086</b>	94,875,910	60,179,737
- Over 3 up to 6 months	<b>2,330,640</b>	1,371,630	347,289
- Over 6 up to 12 months	<b>198,536</b>	-	29,703,058
	-----	-----	-----
	<b>145,042,217</b>	166,151,724	120,506,656
	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 19. Deposits from customers

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Demand deposits	<b>1,220,865,782</b>	1,416,642,462	1,991,966,874
Time deposits with remaining term to maturity:			
- Within 3 months	<b>1,040,937,255</b>	1,276,661,514	1,778,230,243
- Over 3 up to 6 months	<b>72,931,563</b>	100,092,752	143,336,071
- Over 6 up to 12 months	<b>5,835,642</b>	13,705,379	8,522,424
- More than 1 year	<b>2,500,000</b>	7,000,000	19,096,601
	<b>2,343,070,242</b>	2,814,102,107	3,941,152,213
	=====	=====	=====

#### 20. Other short term borrowings

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Demand deposits	<b>3,870,431</b>	580,171	440,823
	<b>3,870,431</b>	580,171	440,823
	=====	=====	=====

Other short term borrowings are funds on the Company's nostro accounts at the year end pending settlement to a client or vendor's account.

#### 21. Other liabilities

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Provision for compensation costs	<b>40,249,022</b>	44,249,138	46,176,515
Other provisions	<b>997,482</b>	505,125	644,224
Sundry creditors and accruals	<b>13,708,533</b>	20,790,524	44,631,604
Customer assets in transit	<b>811,486</b>	815,540	-
Accrued interest payable	<b>6,263,697</b>	6,651,766	11,926,857
	<b>62,030,220</b>	73,012,093	103,379,200
	=====	=====	=====

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 22. Capital and reserves

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
<i>Authorised</i>			
20,000,000 ordinary shares of par value GBP1 each	<b>20,000,000</b>	20,000,000	20,000,000
<i>Issued and fully paid</i>			
15,000,000 ordinary shares	<b>15,000,000</b>	15,000,000	15,000,000
	=====	=====	=====
Share premium	<b>1,707,265</b>	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*

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Dividend paid GBP 0.68 per qualifying ordinary shares (2009 – GBP 5.54; 2008 – GBP 0.48)	<b>10,271,289</b>	83,225,393	7,200,000
	=====	=====	=====

An element of the 2009 dividend comprises an amount owed to the Company by the Company's indirect parent company Deutsche International Holdings (UK) Limited (DIHUK) of GBP72,739,370, the right to which the Company waived in favour of DIHUK on 3rd April 2009 pursuant to a loan waiver agreement between the Company and DIHUK of the same date.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 23. 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 recognised in the statement of financial position until the commitments are fulfilled or expired.

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

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Letters of credit	<b>3,531,091</b>	7,497,835	6,256,401
Financial guarantees	<b>22,580,214</b>	22,600,085	25,417,023
Interest rate related contracts	<b>27,921,253</b>	24,035,341	-
Forward foreign exchange contracts	<b>1,017,757,000</b>	1,060,614,000	3,081,476,000
Undrawn facilities – less than 1 year	<b>3,018,771</b>	10,596,861	108,810,612
	<b>1,074,808,329</b>	1,125,344,122	3,221,960,036

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

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Letters of credit	<b>3,531,091</b>	7,497,835	6,256,401
Financial guarantees	<b>22,580,214</b>	22,600,085	25,417,023
Interest rate related contracts	<b>43,338</b>	(144,581)	-
Forward foreign exchange contracts	<b>5,173,000</b>	5,046,363	19,729,629
Undrawn facilities – less than 1 year	<b>3,018,771</b>	10,596,861	108,810,612
	<b>34,346,414</b>	45,596,563	160,213,665

A substantial proportion of guarantees are fully matched by counter indemnities given by third parties.

Included in the Company guarantees is an amount for GBP12,948,000 (2009: GBP13,399,500) (2008: Nil) 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.

From time to time group companies may be the subject of claims and litigation, current, pending or threatened. The Directors believe that no such claims, either individually or in aggregate, will have a material effect on the Company's financial position

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 24. Operating leases

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
Future minimum rentals to be paid			
- less than one year	<b>1,581,899</b>	1,581,899	1,581,899
- between one and five years	<b>6,327,595</b>	6,327,595	6,327,595
- over five years	<b>20,109,079</b>	21,690,978	23,272,877
	-----	-----	-----
Total future minimum rentals payable	<b>28,018,573</b>	29,600,472	31,182,371
	=====	=====	=====

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

<b>Property</b>	<b>Start Date</b>	<b>End Date</b>	<b>Remaining Years</b>
St Paul's Gate, Jersey	18-Oct-96	17/10/2036	25
Dumaresq House, Jersey	11-Apr-00	24/12/2025	14
Lefebvre Court, Guernsey	01-Apr-98	31/03/2022	11
Lefebvre House, Guernsey	01-Oct-80	30/09/2022	11

The Company has sublet Dumaresq house and Lefebvre House to third parties.

Previously the Company leased a property in Kensington Place, Jersey. This lease was terminated on 30 November 2010.

During the year ended 31 December 2010, an amount of GBP1,510,289 was recognized as an expense in the statement of comprehensive income in respect of rent and lease expense (2009: GBP1,555,374; 2008: GBP1,560,451).

#### 25. 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.

## Deutsche Bank International Limited

### Notes to Financial Statements

For the year ended 31 December 2010

#### 25. Related party transactions (continued)

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

	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
<b>Statement of Financial Position</b>			
Cash and cash equivalents	<b>2,020,495,683</b>	2,651,502,682	3,773,082,468
Placements with banks	<b>548,979,814</b>	359,897,975	385,884,114
Investment in subsidiaries	<b>775,200</b>	775,200	6,287,925
Receivables from service relationships	<b>63,675,543</b>	44,298,899	45,147,867
Other assets	<b>846,885</b>	886,818	89,785
Deposits from banks	<b>(145,042,217)</b>	(166,151,724)	(120,506,656)
Deposits from customers	<b>(45,410,999)</b>	(48,747,180)	(268,178,426)
Other short term borrowings	<b>(3,398,788)</b>	(580,131)	-
Payables from service relationships	<b>(24,347,541)</b>	(3,863,002)	(6,125,403)
	<b>2010</b>	2009	2008
	<b>GBP</b>	GBP	GBP
<b>Statement of consolidated comprehensive income</b>			
Interest income	<b>23,329,287</b>	33,511,751	195,850,613
Interest expense	<b>(856,898)</b>	(2,671,896)	(13,832,039)
Commission and fee income	<b>955,802</b>	953,788	(1,778)
Dividend from subsidiaries	<b>2,522,316</b>	13,092,977	-
Service relationships	<b>34,755,761</b>	23,001,655	28,246,369
Income tax expense	<b>(27,326)</b>	-	-

#### *Transactions with directors*

Total remuneration of the directors for the year amounted to GBP858,399 (2009: GBP649,717) (2008: GBP1,247,693)

# **Deutsche Bank International Limited**

## **Notes to Financial Statements**

*For the year ended 31 December 2010*

### **27. First time adoption of IFRS**

These are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2010, the comparative information presented in these financial statements for the years ended 31 December 2009 and 2008 and in the preparation of an opening IFRS statement of financial position at 1 January 2009.

There are no material differences between the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows presented under IFRS and the Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, and Statement of Cash Flows presented previously under United Kingdom Accounting Standards.