Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)
(Incorporated in Malaysia)

Basel II Pillar 3 Report
31 December 2015

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Introduction

Bank Negara Malaysia ("BNM") announced a two-phase approach for implementing the standards recommended by the Bank of International Settlement set out in "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II) in Malaysia.

In the first phase, banking institutions are required to adopt the Standardised Approach for credit risk by the end of 2008. In the second phase, qualified banking institutions are allowed to migrate directly to the Internal Rating-Based approach (IRB Approach) in January 2010. Banks on the Standardised Approach are not mandated to migrate to the IRB Approach.

Deutsche Bank (Malaysia) Berhad ("the Bank") operates under the BNM's Risk Weighted Capital Adequacy Framework (Basel II – Risk Weighted Assets) "RWCAF" and Capital Adequacy Framework (Capital Components). The computation of the risk weighted assets is consistent with Pillar 1 requirements set out by the Basel Committee on Banking Supervision ("BCBS") and the Islamic Financial Services Board ("IFSB") in their respective documents – *"International Convergence of Capital Measurement and Capital Standards: A Revised Framework"* issued in June 2006 and the *"Capital Adequacy Standard"* issued in December 2005. BNM had proposed some customisations to the BCBS specification in an effort to avoid under estimation of risk within the industry as well as to ensure suitability of the framework in the local environment.

The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

The information provided herein has been reviewed and verified by competent independent internal parties and certified by the Bank's Chief Executive Officer. The information is not audited as there is no requirement for external auditing of these disclosures under the BNM's RWCAF. The Pillar 3 Disclosure will be published in the Bank's website, www.db.com/malaysia.

1 Scope of Application

Deutsche Bank (Malaysia) Berhad and its subsidiaries ("DBMB Group") are incorporated and domiciled in Malaysia. DBMB Group is principally engaged in all aspect of banking and related financial services which includes Islamic Banking ("IBW") business.

The principles of consolidation used for regulatory capital purpose are not identical to those used for DBMB Group's financial statements, which are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The subsidiary companies of the Bank, which are incorporated in Malaysia, are consolidated with the financial statements of the Bank. The accounting policy for consolidation is provided in Note 2(a) to the Financial Statements.

2 Capital Adequacy

2.1 Deutsche Bank (Malaysia) Berhad's Approach

The Bank manages risk and capital through a framework of principles, organisational structures, as well as measurement and monitoring processes that are closely aligned with the activities of the Bank's divisions.

The Deutsche Bank Group ("DB Group") Treasury function manages the Bank's capital at group level and locally in each region. The allocation of financial resources, in general, and capital, in particular, favors business portfolios with the highest positive impact on the Bank's profitability and shareholder value.

Regional capital plans covering the capital needs of DB Group's branches and subsidiaries are prepared on an annual basis and presented to the DB Group Investment Committee (GIC). At a country level, capital is maintained on the basis of the local regulator's requirements. It is overseen by the local Asset and Liability Committee ("ALCO"). Its mandate is to manage capital, funding, and liquidity risk.

2.2 Risk Weighted Assets and Capital Requirements

	2015		2014	
	Risk Weighted Assets	Min Capital Requirement at 8%	Risk Weighted Assets	Min Capital Requirement at 8%
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Credit Risk	4,367,429	349,393	4,504,483	360,359
Market Risk	3,706,633	296,531	4,650,706	372,056
Operational Risk	559,457	44,757	502,402	40,192
Total	**8,633,519**	**690,681**	**9,657,591**	**772,607**
Islamic Banking Window				
Credit Risk	1,103	88	1,487	119
Market Risk	206	16	199	16
Operational Risk	3,033	243	3,631	290
Total	**4,342**	**347**	**5,317**	**425**

Table 1 - Risk Weighted Capital Ratio and Tier 1 capital

	2015		2014	
	Total Capital Ratio	CET1 / Tier 1 Capital Ratio	Total Capital Ratio	CET1 / Tier 1 Capital Ratio
Deutsche Bank (Malaysia) Berhad	19.567%	19.323%	16.361%	16.155%
Islamic Banking Window	707.543%	707.543%	559.684%	559.684%

2 Capital Adequacy (continued)

2.2 Risk Weighted Assets and Capital Requirements (continued)

Table 2 – Risk weighted assets and capital requirements for credit risk (2015)

31-Dec-2015

RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets	Minimum Capital Requirement at 8%
Credit Risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures				
Sovereigns/Central Banks #	678,451	148,311	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	2,026,106	2,026,106	733,076	58,646
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
Corporates	1,104,133	1,104,133	1,103,181	88,254
Regulatory Retail	830	830	622	50
Residential Mortgages	18,037	18,037	6,434	515
Higher Risk Assets	-	-	-	-
Other Assets	105,883	105,883	103,992	8,319
Equity Exposure	1,631	1,631	1,861	149
Defaulted Exposures	2,667	2,667	2,667	213
Total On-Balance Sheet Exposures	**3,937,738**	**3,407,598**	**1,951,833**	**156,146**
Off-Balance Sheet Exposures				
OTC Derivatives	4,385,033	2,563,700	1,413,468	113,077
Credit Derivatives	46,251	46,251	21,206	1,696
Direct Credit Substitutes	-	-	-	-
Transaction related contingent Items	498,969	496,067	456,566	36,525
Short Term Self Liquidating trade related contingencies	94,240	94,240	81,346	6,508
Other commitments, such as formal standby facilities and credit lines	477,821	477,821	443,010	35,441
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	**5,502,314**	**3,678,079**	**2,415,596**	**193,247**
Total On and Off- Balance Sheet Exposures	**9,440,052**	**7,085,677**	**4,367,429**	**349,393**

Under RWCAF, exposures to the Federal Government of Malaysia, Bank Negara Malaysia, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.

2 Capital Adequacy (continued)

2.2 Risk Weighted Assets and Capital Requirements (continued)

Table 2.1 - Risk weighted assets and capital requirements for credit risk (2014)

31-Dec-2014

RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets	Minimum Capital Requirement at 8%
Credit Risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures				
Sovereigns/Central Banks #	252,996	109,774	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,088,492	1,088,492	443,731	35,498
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
Corporates	1,081,970	1,081,970	1,080,006	86,400
Regulatory Retail	777	777	583	47
Residential Mortgages	20,612	20,612	7,382	591
Higher Risk Assets	-	-	-	-
Other Assets	98,299	98,299	95,521	7,642
Equity Exposure	1,631	1,631	1,861	149
Defaulted Exposures	3,233	3,233	3,233	259
Total On-Balance Sheet Exposures	**2,548,010**	**2,404,788**	**1,632,317**	**130,586**
Off-Balance Sheet Exposures				
OTC Derivatives	3,666,559	2,985,079	1,624,405	129,953
Credit Derivatives	75,774	75,774	23,629	1,890
Direct Credit Substitutes	-	-	-	-
Transaction related contingent Items	664,806	664,165	588,751	47,100
Short Term Self Liquidating trade related contingencies	48,060	48,060	35,941	2,875
Other commitments, such as formal standby facilities and credit lines	635,445	635,445	599,440	47,955
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	**5,090,644**	**4,408,523**	**2,872,166**	**229,773**
Total On and Off- Balance Sheet Exposures	**7,638,654**	**6,813,311**	**4,504,483**	**360,359**

Under RWCAF, exposures to the Federal Government of Malaysia, Bank Negara Malaysia, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.

Table 3 – Risk weighted assets and capital requirements for market risk (2015)

31-Dec-2015

RISK TYPE	Gross Exposures		Risk Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000		RM'000	RM'000	RM'000	RM'000
Large Exposures Risk Requirements	-	-	-	-	-	-
Market Risk	**Long Position**	**Short Position**				
Interest Rate Risk	131,548,434	126,030,607	2,026,095	-	-	162,088
Foreign Currency Risk	1,413,543	116,911	1,413,538	-	-	113,083
Options	33,151	-	267,000	-	-	21,360
	132,995,128	126,147,518	3,706,633	-	-	296,531

2 Capital Adequacy (continued)

2.2 Risk Weighted Assets and Capital Requirements (continued)

Table 3.1 - Risk weighted assets and capital requirements for market risk (2014)

31-Dec-2014

RISK TYPE	Gross Exposures		Risk Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000		RM'000	RM'000	RM'000	RM'000
Large Exposures Risk Requirements	-	-	-	-	-	-
Interest Rate Risk	151,177,076	145,748,689	2,447,518	-	-	195,801
Foreign Currency Risk	1,930,148	280,156	1,930,350	-	-	154,428
Options	10,079	-	272,838	-	-	21,827
	153,117,303	146,028,845	4,650,706	-	-	372,056

For interest rate risk, the gross exposures represent the sum of notional and mark-to-market value.
For foreign currency risk, the gross exposures represent net open position.
For options, the gross exposures represent net market value of option portfolio.

Table 4 – Risk weighted assets and capital requirements for operational risk (2015)

31-Dec-2015

RISK TYPE	Gross Exposures		Net Exposures	Risk Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
Operational Risk	-	-	-	559,457	-	-	44,757

Table 4.1 - Risk weighted assets and capital requirements for operational risk (2014)

31-Dec-2014

RISK TYPE	Gross Exposures		Net Exposures	Risk Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
Operational Risk	-	-	-	502,402	-	-	40,192

Table 5 – Risk weighted assets and capital requirements arising from Large Exposure Risk

31-Dec-2015 & 31-Dec-2014

RISK TYPE	Gross Exposures		Net Exposures	Risk Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
Large Exposures Risk Requirements	-	-	-	-	-	-	-

The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's RWCAF.

2 Capital Adequacy (continued)

2.3 Capital Structure

2.3.1 Main Features of Capital Instruments

The Bank's total regulatory capital is made up of Tier 1 and Tier 2 capital and the sum of Tier 1 and Tier 2 capital is also referred to as Total Capital.

Tier 1 capital consists primarily of ordinary paid-up share capital, share premium, statutory reserve fund and retained profits less deferred tax assets.

Share capital is the issued and fully paid share capital and there is no obligation to pay dividend to the shareholders. However, as per DB Group internal policy, all distributable profits (according to local GAAP) of a subsidiaries, that have not been previously approved for retention under a capital request, must be remitted as a dividend to the parent company and up the legal entity chain to the ultimate parent to support DB Group's dividend capacity.

Tier 2 capital consists of collective assessment allowance and regulatory reserve.

Deferred tax assets are excluded from the computation of the Bank's capital base.

2.3.2 Components of Capital

Table 6 – Components of Tier 1 and Tier 2 capital:

	Group and Bank	
	31-Dec-15 RM'000	31-Dec-14 RM'000
Tier 1 capital		
Paid-up share capital	173,599	173,599
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Retained profits	988,748	876,399
Less: Deferred tax assets	(26,543)	(22,330)
Total Common Equity Tier 1 / Tier 1 Capital	1,668,289	1,560,153
Tier 2 Capital		
Collective assessment allowance	7,460	6,414
Regulatory Reserve	13,558	13,558
Total Capital	1,689,307	1,580,125
Common equity tier 1 / Tier 1 Capital Ratio	19.323%	16.155%
Total capital ratio	19.567%	16.361%

3 Risk Management

3.1 Risk and Capital Management

Risk Management Principles

DB Group actively takes risks in connection with its business and as such the following principles underpin risk management within DB Group:

— Risk is taken within a defined risk appetite;
— Every risk taken needs to be approved within the risk management framework;
— Risk taken needs to be adequately compensated;
— Risk should be continuously monitored; and
— A strong risk management culture helps reinforcing DB Group's resilience.

DB Group expects its employees to behave in a manner that maintains a strong risk culture by taking a holistic approach to managing risk and return and by effectively managing the bank's risk, capital and reputational profile.

To reinforce these behaviors the DB Group has launched a number of group-wide activities, including mandatory trainings on risk awareness. The DB Group also has regular communications, including from our Board members, on the importance of a strong risk culture.

Risk Management Framework

The wide variety of the DB Group's businesses requires it to identify, measure, aggregate and manage its risks effectively, and to allocate its capital among its businesses appropriately. DB Group operates as an integrated group though its division, business units and infrastructure functions. Risk and capital are managed through a framework of principles, organisational structures, as well as measurement and monitoring processes that are closely aligned with the activities of the DB Group's divisions and business units:

- Core risk management responsibilities are embedded in the DB Group Management Board and appropriately delegated to senior risk management committees responsible for execution and oversight. The DB Group Supervisory Board regularly monitors the risk and capital profile.
- DB Group operates a three-lines of defense risk management model whereby business management, risk management oversight and assurance roles are played by functions independent of one another.
- Risk strategy and risk appetite are defined based on the DB Group's strategic plans in order to align risk, capital and performance targets.
- Reviews will be conducted across the DB Group to verify that sound risk management practices and a holistic awareness of risk exist across the organization and to help each business manage the balance between their risk appetite and reward.
- All major risk classes are managed via risk management processes, including credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and risk concentrations.
- Appropriate monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics. Where applicable modeling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes.
- Effective systems, processes and policies are a critical component of the DB Group's risk management capability.

3 Risk Management (continued)

3.1 Risk and Capital Management (continued)

At the local level, the Board Risk Management Committee (BRMC) of the Bank regularly reviews reports from the respective divisions and is made aware of the risk exposure of the Bank and its ongoing management at each meeting. The risks areas are actively managed by dedicated divisions such as the DB Group Market Risk Management, DB Group Credit Risk Management, DB Group Treasury, and DB Group Operational Risk.

Risk and Capital Management Organisation

The DB Group's Chief Risk Officer (CRO), who is a member of the DB Group Management Board, is responsible for the identification, assessment, management and reporting of risks arising within operations across all businesses and risk types. The below functional committees are central to the Risk function:

- The DB Group's Risk Executive Committee identifies controls and manages all risks including risk concentrations at the DB Group. To fulfil this mandate, the DB Group's Risk Executive Committee is supported by sub-committees that are responsible for dedicated areas of risk management, including several policy committees.
- The DB Group's Capital and Risk Committee oversees and controls integrated planning and monitoring of the DB Group's risk profile and capital capacity, ensuring alignment of risk appetite, capitalization requirements and funding needs with the DB Group, divisional and sub-divisional business strategies.
- The DB Group's Reputational Risk Committee ensures oversight, governance and coordination of Reputational Risk management in the Group on behalf of the Management Board. It also provides for an appropriate look-back and lessons learnt process.
- The DB Group's Portfolio Risk Committee supports the DB Group's Risk Executive Committee and the DB Group's Capital and Risk Committee with particular emphasis on the management of DB Group wide risk patterns. The DB Group's Portfolio Risk Committee, has responsibility for group-wide stress testing, and approval of product-related risk limits on portfolio level. It also oversees DB Group's Internal Capital Adequacy Assessment Process ("ICAAP") ensuring compliance with respective regulatory requirements and policy setting for local ICAAPs.
- Multiple members of the DB Group's Capital and Risk Committee are also members of the DB Group Investment Committee, ensuring a close link between both committees as proposals for strategic investments are analyzed by the DB Group Investment Committee. Depending on the size of the strategic investment, it may require approval from the DB Group Investment Committee, the DB Group Management Board or even the DB Group Supervisory Board. The development of the strategic investment is monitored by the DB Group Investment Committee on a regular basis.

3 Risk Management (continued)

3.1 Risk and Capital Management (continued)

Risk and Capital Management Organisation (continued)

Dedicated Risk units are established with the mandate to:
- Ensure that the business conducted within each division is consistent with the risk appetite that the DB Group Capital and Risk Committee has set within a framework established by the DB Group Management Board;
- Formulate and implement risk and capital management policies, procedures and methodologies that are appropriate to the businesses within each division;
- Approve credit, market and liquidity risk limits;
- Conduct periodic portfolio reviews to ensure that the portfolio of risks is within acceptable parameters; and
- Develop and implement risk and capital management infrastructures and systems that are appropriate for each division.

The heads of the DB Group's Risk units, who are the members of the DB Group's Risk Executive Committee, are responsible for the performance of the units and report directly to the DB Group's Chief Risk Officer.

The Group Risk Office comprises dedicated risk units focusing on cross risk issues. The Risk units provide increased focus on holistic / Group wide risk management and comprehensive, cross-risk oversight and reporting:
- Driving strategic cross-risk initiatives, strengthening the risk culture in the bank
- Establishing greater cohesion between defining portfolio strategy and governing execution
- Providing strategic and forward-looking perspective on key risk issues (ie risk appetite)
- Fostering implementation of consistent risk management standards across DB's local entities

The DB Group's Finance and Group Audit departments support the Risk function where they operate independently of both the group divisions and of the Risk function.

The Bank has set up a Head of Risk Malaysia function, and has filled this position starting March 2015. The Head of Risk Malaysia has an oversight function across the various risk types, and is also chairing the Risk Exposure Committee which acts as the key local approval body.

3 Risk Management (continued)

3.2 Risk Strategy and Appetite

DB Group's risk strategy statement is expressed as follows:
— balanced performance across business units;
— positive development of earnings quality;
— compliance with regulatory capital requirements;
— capital adequacy; and
— stable funding and strategic liquidity allowing for business planning within the liquidity risk tolerance and regulatory requirements.

DB Group defines its risk strategy and risk appetite on the basis of the strategic plans to ensure alignment of risk, capital and performance targets.

DB Group conducts an annual strategic planning process which considers its future strategic direction, decisions on key initiatives and the allocation of resources to the businesses. DB Group's plan comprises profit and loss, capital supply and capital demand, other resources, such as headcount, and business-specific key performance indicators. This process is performed at the business division and business unit level covering the next three years, projected onto a five-year period for purposes of the goodwill impairment test. In addition, the first year is detailed on a month by month basis (operative plan). DB Group Strategy & Planning and Finance coordinate the strategic planning process and present the resulting strategic plan to the DB Group Executive Committee and DB Group Management Board for discussion and final approval. The final plan is also presented to the DB Group Supervisory Board at the beginning of each year.

DB Group's strategic plans include the Risk & Capital Plan and risk appetite, which allows the DB Group to:
— set capital adequacy goals with respect to risk, considering the DB Group's strategic focus and business plans;
— assess the DB Group's risk-bearing capacity with regard to internal and external requirements (i.e. regulatory and economic capital); and
— apply stress testing to assess the impact on the capital demand, capital base and liquidity position.

Risk appetite is an expression of the maximum level of risk that the DB Group is prepared to accept in order to deliver its business objectives. The risk appetite statement defines the DB Group-level risk tolerance that is translated into financial targets for business divisions and risk limits, targets or measures for major risk categories throughout the DB Group. The setting of the risk appetite thus ensures that risk is proactively managed to the level desired by the DB Group Management Board and shareholders and is congruent with the DB Group's overall risk appetite statement. The DB Group Management Board reviews and approves the risk appetite on an annual basis to ensure that it is consistent with the DB Group strategy, business environment and stakeholder requirements. Risk appetite tolerance levels are set at different trigger levels, with clearly defined escalation and action schemes. In cases where the tolerance levels are breached, it is the responsibility of the Group Risk Office to bring it to the attention of respective risk committees, and ultimately the DB Group's Chief Risk Officer.

3 Risk Management (continued)

3.2 Risk Strategy and Appetite (continued)

Amendments to the risk and capital strategy must be approved by the DB Group Chief Risk Officer or the full DB Group Management Board, depending on significance.

3.3 Risk Management Tools

The DB Group uses a comprehensive range of quantitative methodologies for assessing and managing risks. As a matter of policy, the DB Group continually assesses the appropriateness and the reliability of its quantitative tools and metrics in light of the DB Group's changing risk environment. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories. The advanced internal tools and metrics the DB Group currently uses to measure, manage and report its risk are:

3.3.1 Economic Capital

Economic capital measures the amount of capital DB Group needs to absorb very severe unexpected losses arising from the DB Group's exposures. "Very severe" in this context means that economic capital is set at a level to cover with a probability of 99.98% the aggregated unexpected losses within one year. DB Group calculates economic capital for the default risk, transfer risk and settlement risk elements of credit risk, for market risk, for operational risk and for general business risk. DB Group continuously reviews and enhances its economic capital model as appropriate. It uses economic capital to show an aggregated view of its risk position from individual business lines up to its consolidated Group level. In addition, the Group considers economic capital, in particular for credit risk, when the Group measures the risk-adjusted profitability of its client relationships.

3.3.2 Expected Loss

The DB Group uses expected loss as a measure of the credit and operational risk. Expected loss is a measurement of the loss the DB Group can expect within a one-year period from these risks as of the respective reporting date, based on historical loss experience. When calculating expected loss for credit risk, the DB Group takes into account credit risk ratings, collateral, maturities and statistical averaging procedures to reflect the risk characteristics of different types of exposures and facilities. All parameter assumptions are based on statistical averages of up to seven years based on the DB Group's internal default and loss history as well as external benchmarks. The DB Group uses expected loss as a tool of the risk management process and as part of the DB Group's management reporting systems. The DB Group also considers the applicable results of the expected loss calculations as a component of its collectively assessed allowance for credit losses included in its financial statements. For operational risk the DB Group determines the expected loss from statistical averages of internal loss history, recent risk trends as well as forward looking expert estimates.

3 Risk Management (continued)

3.3 Risk Management Tools (continued)

3.3.3 Value at Risk

The DB Group uses the value-at-risk approach to derive quantitative measures for trading book market risks under normal market conditions. The Group's value-at-risk figures play a role in both internal and external (regulatory) reporting. For a given portfolio, value-at-risk measures the potential future loss (in terms of market value) that, under normal market conditions, will not be exceeded with a defined confidence level in a defined period. The value-at-risk for a total portfolio represents a measure of diversified market risk (aggregated using pre-determined correlations) in that portfolio.

3.3.4 Stress Testing

Credit, market and operational risk as well as liquidity risk are subject to a program of regular stress tests. The DB Group's Portfolio Risk Committee oversees the inventory of stress tests used for managing the DB Group's risk appetite, reviews the results and proposes management action, if required. The DB Group's Portfolio Risk Committee monitors the effectiveness of the stress test process and drives continuous improvement of the DB Group's stress testing framework. It is supported by a dedicated DB Group Stress Testing Oversight Committee which has the responsibility for the definition of the DB Group-wide stress test scenarios, ensuring common standards and consistent scenarios across risk types, and reviewing the DB Group-wide stress test results. The stress testing framework at DB Group level comprises regular group-wide stress based on a consistent macroeconomic global downturn scenario, annual reverse and capital plan relevant stress test as well as ad-hoc scenarios.

DB Group also supplements its risk type specific analysis of credit, market, operational and liquidity risk with stress testing. For credit risk management purposes, DB Group performs stress tests to assess the impact of changes in general economic conditions or specific parameters on its credit exposures or parts thereof as well as the impact on the creditworthiness of the DB Group's portfolio. For market risk management purposes, DB Group performs stress tests because value-at-risk calculations are based on relatively recent historical data, only purport to estimate risk up to a defined confidence level and assume good asset liquidity. Therefore, they only reflect possible losses under relatively normal market conditions. Stress tests help the DB Group determine the effects of potentially extreme market developments on the value of its market risk sensitive exposures, both on the DB Group's highly liquid and less liquid trading positions as well as its investments. The correlations between market risk factors used in the DB Group's current stress tests are estimated from historic volatile market conditions and proved to be consistent with those observed during recent periods of market stress. DB Group uses stress testing to determine the amount of economic capital the DB Group needs to allocate to cover its market risk exposure under the scenarios of extreme market conditions DB Group selects for its simulations. For operational risk management purposes, DB Group performs stress tests on its economic capital model to assess its sensitivity to changes in key model components, which include external losses. For liquidity risk management purposes, DB Group performs stress tests and scenario analysis to evaluate the impact of sudden stress events on its liquidity position.

3 Risk Management (continued)

3.4 Risk Reporting and Measurement Systems

The DB Group has centralised risk data warehouses and systems supporting regulatory reporting and external disclosures, as well as internal management reporting for credit, market, operational and liquidity risk. The DB Group's risk infrastructure incorporates the relevant legal entities and business divisions and provides the basis for tailor-made reporting on risk positions, capital adequacy and limit utilisation to the relevant functions on a regular and ad-hoc basis. Established units within DB Group Finance and Risk assume responsibility for measurement, analysis and reporting of risk while ensuring sufficient quality and integrity of risk related data.

The main reports on risk and capital management that are used to provide the central governance bodies with information relating to DB Group risk exposures are the following:
— DB Group's Risk & Capital Profile which is presented quarterly to the DB Group Management Board. It comprises an overview of the current risk, capital and liquidity situation of the DB Group incorporating information on regulatory capital and economic capital adequacy.
— Stress tests are performed quarterly and reported to the DB Group Management Board. These are supplemented, as required, by ad-hoc stress tests.

3.5 Capital Management

The DB Group's Treasury function manages the DB Group's capital at group level and locally in each region.
Treasury implements the DB Group's capital strategy, which itself is developed by the DB Group Capital and Risk Committee and approved by the DB Group Management Board. The Group is committed to maintain its sound capitalisation. Overall capital demand and supply are constantly monitored and adjusted, if necessary, to meet the need for capital from various perspectives. The Bank's strategic plan, announced on 29 October 2015, includes key financial targets and their glide path until 2020.

The allocation of capital, determination of the DB Group's funding plan and other resource issues are presented to and approved by the DB Group Capital and Risk Committee.

The DB Group conducts an annual planning process to determine the DB Group's future strategic direction, decide on key initiatives and allocate resources to the businesses. The DB Group's plan comprises profit and loss, capital supply and capital demand, other resources, such as headcount, and business-specific key performance indicators. Based upon a range of economic scenarios, the business areas discuss their strategic development with the required risk management functions in order to align their revenue potential with the Group's risk appetite/resources. The approved planned risk-weighted assets and capital deduction items form the basis for quarterly capital demand limits by business area. The risk and performance plans feed into DB Group's Treasury capital and liquidity planning. Depending on the development of risk-weighted assets and capital deduction items, DB Group's Treasury regularly updates contingency measures in light of the Group's Tier 1 capital ratio target.

3 Risk Management (continued)

3.5 Capital Management (continued)

Regional capital plans covering the capital needs of the DB Group's branches and subsidiaries are prepared on an annual basis and presented to the DB Group Investment Committee. Local Asset and Liability Committees attend to the needs of legal and regulatory capital requirements under the stewardship of regional Treasury teams. Furthermore, they safeguard compliance with requirements such as restrictions on dividends allocable for remittance to Deutsche Bank AG or on the ability of the Group's subsidiaries to make loans or advances to the parent bank. In developing, implementing and testing the DB Group's capital and liquidity, the DB Group takes such legal and regulatory requirements into account.

4 Credit Risk

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower, or obligor. These transactions are typically part of traditional non-trading lending activities (such as loans and contingent liabilities), traded bonds and debt securities for sale or direct trading activity with clients (such as OTC derivatives, FX forwards and forward Rate Agreements). The DB Group distinguishes between three kinds of credit risk:

- Default risk is the risk that counterparties fail to meet contractual obligations in relation to claims described above.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. Settlement risk arises whenever the exchange of cash, securities and/or other assets is not simultaneous leaving DB Group exposed to a potential loss where the counterparty could default.
- Country risk is the risk that DB Group may experience unexpected default or settlement risk and subsequent losses, in a given country, due to a range of macro economic or social events primarily affecting counterparties in that jurisdiction including: a material deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, or disruptive currency depreciation or devaluation. Country risk also includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to non-residents due to direct sovereign intervention.

4.1 Credit Risk Management Principles and Strategy

Credit risk is actively managed and monitored in accordance with defined DB Group credit procedures and policies. Every new credit facility and every extension or change of an existing credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires approval at the appropriate authority level.

A basic and key element of the credit approval process is a detailed risk assessment of each credit-relevant counterparty. The DB Group's risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures applied to the ongoing exposure.

4 Credit Risk (continued)

4.1 Credit Risk Management Principles and Strategy (continued)

DB Group client selection is achieved in collaboration with business division counterparts who stand as a first line of defence. In all DB Group divisions, consistent standards are applied in the respective credit decision processes.

DB Group actively aim to prevent undue concentration and tail-risks (large unexpected losses) by maintaining a diversified credit portfolio. Client, industry, country and product-specific concentrations are assessed and managed against risk appetite. DB Group maintains underwriting standards aiming to avoid large directional credit risk on a counterparty and portfolio level.

The key credit risk measures the DB Group applies for managing credit portfolio, including transaction approval and the setting of risk appetite, are internal limits and credit exposures under these limits. In determining the credit limit for a counterparty, DB Group consider the counterparty's credit quality. Credit limits and credit exposures are both measured on a gross and net basis where net is derived by deducting hedges and certain collateral from respective gross figures. For derivatives, DB Group looks at current market values and the potential future exposure over the lifetime of a transaction. DB Group generally also take into consideration the risk return characteristics of individual transactions and portfolios.

In addition to determining counterparty credit quality and DB Group's risk appetite, DB Group also use various credit risk mitigation techniques to optimize credit exposure and reduce potential credit losses. Credit risk mitigations are applied in the following forms:
- Comprehensive and enforceable credit documentation with adequate terms and conditions.
- Collateral held as security to reduce losses by increasing the recovery of obligations.
- Risk transfers, which shift the probability of default risk of an obligor to a third party including hedging executed.
- Netting and collateral arrangements which reduce the credit exposure from derivatives and repo- and repo-style transactions.

4.2 Past Due Loans

The Bank considers loans to be past due once contractually agreed payments on principal and/or interest remain unpaid by the borrower. Generally the Bank distinguishes between loans that are less than three (3) months past due and loans being past due for three (3) months or more.

4 Credit Risk (continued)

4.3 Impairment of Loan and Allowance for Loan Losses

Loans, advances and financing of the Bank are classified as impaired when they fulfill either of the following criteria:

- principal or interest or both are past due for three (3) months or more;
- where a loan is in arrears for less than three (3) months, the loan exhibits indications of significant credit weaknesses; or
- where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

At each statement of financial position date, the Bank assesses whether there is objective evidence that a loan is impaired. A loan is impaired and impairment losses are incurred if:
- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognitions of the loan and up to the reporting date,
- the loss event had an impact on the estimated future cash flows of the loan, and
- a reliable estimate of the loss amount can be made

Credit Risk Management's loss assessments are subject to regular review in collaboration with Group Finance. The results of this review are reported to and approved by an oversight committee comprised of Group Finance and Risk senior management.

To allow management to determine whether a loss event has occurred on an individual basis, all significant counterparty relationships are reviewed periodically. This evaluation considers current information and events related to the counterparty, such as the counterparty experiencing significant financial difficulty or a breach of contract, for example, default or delinquency in interest or principal payments.

If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the present value of expected future cash flows discounted at the loan's original effective interest rate established upon reclassification to loans, including cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The carrying amount of the loans is reduced by the use of an allowance account and the amount of the loss is recognised in the profit or loss as a component of the provision for credit losses.

The collective assessment of impairment is principally to establish an allowance amount relating to loans that are either individually significant but for which there is no objective evidence of impairment, or are not individually significant but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable.

4 Credit Risk (continued)

4.4 Geographic distribution of credit exposures, broken down in significant areas by major types of gross credit exposures

Table 7

Credit Exposure	Geography						31-Dec-15
Category	America RM000	Europe RM000	India RM000	Malaysia RM000	Singapore RM000	Others RM000	Total RM000
Sovereigns/Central Banks	-	-	-	684,953	-	-	684,953
Banks, DFIs & MDBs	182,375	307,557	60,733	3,891,910	278,159	429,681	5,150,415
Public Sector Entities	-	-	-	-	-	-	-
Insurance Companies, Securities Firms and Fund Managers	-	-	-	13,635	-	-	13,635
Corporates	-	167,189	-	3,204,411	90,386	-	3,461,986
Regulatory Retails	-	-	-	830	-	-	830
Residential Mortgages	-	-	-	18,052	-	-	18,052
Other Asset	-	-	-	105,883	-	-	105,883
Equity Exposure	-	-	-	1,631	-	-	1,631
Defaulted Exposures	-	-	-	2,667	-	-	2,667
Grand Total	182,375	474,746	60,733	7,923,972	368,545	429,681	9,440,052

Table 7.1

Credit Exposure	Geography						31-Dec-14
Category	America RM'000	Europe RM'000	India RM'000	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
Sovereigns/Central Banks	-	-	-	252,996	-	-	252,996
Banks, DFIs & MDBs	295,436	449,965	79,699	2,659,406	293,731	440,660	4,218,897
Public Sector Entities	-	-	-	5,520	-	-	5,520
Insurance Companies, Securities Firms and Fund Managers	-	-	-	8,710	-	-	8,710
Corporates	16	103,851	-	2,852,336	65,518	6,243	3,027,964
Regulatory Retails	-	-	-	777	-	-	777
Residential Mortgages	-	-	-	20,627	-	-	20,627
Other Asset	-	-	-	98,299	-	-	98,299
Equity Exposure	-	-	-	1,631	-	-	1,631
Defaulted Exposures	-	-	-	3,233	-	-	3,233
Grand Total	295,452	553,816	79,699	5,903,535	359,249	446,903	7,638,654

4 Credit Risk (continued)

4.5 Distribution of exposures by sector, broken down by major types of gross credit exposures

Table 8

Credit Exposure	Sector											31-Dec-15
Category	Construction RM000	Education, Health & Others RM000	Electricity, Gas & Water Supply RM000	Finance, Insurance, Real Estate & Business Activities RM000	Household RM000	Manufacturing RM000	Mining & Quarrying RM000	Others RM000	Primary Agriculture RM000	Transport, Storage & Communication RM000	Wholesale & Retail Trade & Restaurants & Hotels RM000	Total RM000
Sovereigns/Central Banks	-	-	-	684,953	-	-	-	-	-	-	-	684,953
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	0
Banks, DFIs & MDBs	-	-	-	5,150,415	-	-	-	-	-	-	-	5,150,415
Insurance Companies, Securities Firms and Fund Managers	-	3,703	-	9,932	-	-	-	-	-	-	-	13,635
Corporates	64,832	500	250,386	856,126	-	1,707,221	73,145	147,056	9,314	77,031	276,375	3,461,986
Regulatory Retail	-	-	-	-	830	-	-	-	-	-	-	830
Residential Mortgages	-	-	-	-	18,052	-	-	-	-	-	-	18,052
Other Assets	-	-	-	105,883	-	-	-	-	-	-	-	105,883
Equity Exposure	-	-	-	1,631	-	-	-	-	-	-	-	1,631
Defaulted Exposures	-	-	-	-	2,667	-	-	-	-	-	-	2,667
Grand Total	64,832	4,203	250,386	6,808,940	21,549	1,707,221	73,145	147,056	9,314	77,031	276,375	9,440,052

Table 8.1

Credit Exposure	Sector											31-Dec-14
Category	Construction RM'000	Education, Health & Others RM'000	Electricity, Gas & Water Supply RM'000	Finance, Insurance, Real Estate & Business Activities RM'000	Household RM'000	Manufacturing RM'000	Mining & Quarrying RM'000	Others RM'000	Primary Agriculture RM'000	Transport, Storage & Communication RM'000	Wholesale & Retail Trade & Restaurants & Hotels RM'000	Total RM'000
Sovereigns/Central Banks	-	-	-	252,996	-	-	-	-	-	-	-	252,996
Public Sector Entities	-	-	-	5,520	-	-	-	-	-	-	-	5,520
Banks, DFIs & MDBs	-	-	-	4,218,897	-	-	-	-	-	-	-	4,218,897
Insurance Companies, Securities Firms and Fund Managers	-	-	-	8,710	-	-	-	-	-	-	-	8,710
Corporates	77,664	51,131	163,747	652,331	-	1,175,780	163,323	60,897	230,983	101,097	351,011	3,027,964
Regulatory Retail	-	-	-	-	777	-	-	-	-	-	-	777
Residential Mortgages	-	-	-	-	20,627	-	-	-	-	-	-	20,627
Other Assets	-	-	-	98,299	-	-	-	-	-	-	-	98,299
Equity Exposure	-	-	-	1,631	-	-	-	-	-	-	-	1,631
Defaulted Exposures	-	-	-	-	3,233	-	-	-	-	-	-	3,233
Grand Total	77,664	51,131	163,747	5,238,384	24,637	1,175,780	163,323	60,897	230,983	101,097	351,011	7,638,654

4 Credit Risk (continued)

4.6 Residual contractual maturity breakdown by major types of gross credit exposures

Table 9

Credit Exposure	Maturity			31-Dec-15
	Up to 1year	1-5 year	> 5 years	Total RM000
Sovereigns/Central Banks	684,953	-	-	684,953
Public Sector Entities	-	-	-	-
Banks, DFIs & MDBs	2,801,182	1,874,446	474,787	5,150,415
Insurance Cos, Securities Firms & Fund Managers	9,900	32	3,703	13,635
Corporates	1,956,844	1,433,338	71,803	3,461,985
Regulatory Retail	830	-	-	830
Residential Mortgages	2,914	15	15,124	18,053
Other Assets	105,883	-	-	105,883
Equity Exposure	1,631	-	-	1,631
Defaulted Exposures	-	-	2,667	2,667
Grand Total	5,564,137	3,307,831	568,084	9,440,052

Table 9.1

Credit Exposure	Maturity			31-Dec-14
	Upto 1year	1-5 year	> 5 years	Total RM'000
Sovereigns/Central Banks	252,996	-	-	252,996
Public Sector Entities	5,520	-	-	5,520
Banks, DFIs & MDBs	1,954,593	1,644,125	620,179	4,218,897
Insurance Cos, Securities Firms & Fund Managers	5,680	-	3,030	8,710
Corporates	2,386,525	573,139	68,300	3,027,964
Regulatory Retail	777	-	-	777
Residential Mortgages	20,612	15	-	20,627
Other Assets	98,299	-	-	98,299
Equity Exposure	1,631	-	-	1,631
Defaulted Exposures	3,233	-	-	3,233
Grand Total	4,729,866	2,217,279	691,509	7,638,654

4 Credit Risk (continued)

4.7 Impaired loans and impairment provisions by sector

Table 10: Impaired loans, advances and financing analysed by economic purpose which are wholly incurred in Malaysia are as follows:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Purchase of landed properties - residential	2,982	3,537
	2,982	3,537

4.8 Reconciliation of loan impairment provisions

Table 11: Movements in gross impaired loans, advances and financing which are all wholly incurred in Malaysia:

	Group and Bank	
	2015	2014
	RM'000	RM'000
Balance at 1 January	3,537	4,614
Classified as impaired during the year	517	372
Reclassified as non-impaired during the year	(864)	(1,204)
Amount recovered	(208)	(196)
Amount written off	-	(49)
At 31 December	2,982	3,537
Gross impaired loans as a percentage of gross loans, advances and financing	0.22%	0.26%

4 Credit Risk (continued)

4.8 Reconciliation of loan impairment provisions (continued)

Table 11.1: Movements in collective assessment allowance for impaired loans, advances and financing which are all wholly incurred in Malaysia:

	Group and Bank	
	2015	2014
	RM'000	RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	8,807	10,623
Allowance / (Reversal) made during the year	461	(1,816)
At 31 December	9,268	8,807

Table 11.2: Movements in individual assessment allowance for impaired loans, advances and financing which are all wholly incurred in Malaysia:

	Group and Bank	
	2015	2014
	RM'000	RM'000
<u>Individual Assessment Allowance</u>	Household	Household
At 1 January	304	403
Allowance made during the year:	42	47
Amount written off	-	(47)
Amount recovered	(31)	(99)
At 31 December	315	304
Direct impact to Income Statement:		
Impairment writen off	-	(47)
Impairment recovered	(31)	(99)
	(31)	(146)

4 Credit Risk (continued)

4.9 Standardised Approach to Credit Risk

Under the standardised approach for credit risk, the determination of capital requirements is based on an approach that links predefined risk weights by BNM to predefined asset class to which the credit exposure is assigned across sovereigns, central banks, public sector entities, banks, corporates, residential mortgages, regulatory retail portfolios, non-performing loans, high risk exposures and other assets. These credit exposures are risk-weighted based on recognised external credit ratings.

For Sovereigns, Corporates and Banking Institutions, external ratings are used to assign risk weights. These external ratings must come from BNM approved rating agencies, known as External Credit Assessment Institutions ("ECAI"); namely
(a) Standard & Poor's ("S&P")
(b) Moody's Investors Services ("Moody's")
(c) Rating Agency Malaysia Berhad ("RAM")
(d) Malaysian Rating Corporation Berhad ("MARC")

The Bank uses ratings from these agencies as part of its day to day business. External ratings for the counterparty are determined as soon as a relationship is established and these ratings are tracked and kept updated. Assessments provided by approved ECAI are mapped to credit quality steps as prescribed by BNM. Where a counterparty or exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each exposure must be assigned to one of the five credit quality rating categories defined in the table below. For counterparty exposure class of Banking Institutions, those with original maturity of below three months and denominated in RM are all risk-weighted at 20% regardless of credit rating.

Sovereigns and Central Banks

Rating Category	Standard & Poor's Rating Services (S&P)	Moody's Investors Service (Moody's)	Risk weight
1	AAA to AA-	Aaa toAa3	0%
2	A+ to A-	A1 to A3	20%
3	BBB+ to BBB-	Baa1 to Baa3	50%
4	BB+ to B-	Ba1 to B3	100%
5	CCC+ to D	Caa1 to C	150%
Unrated			100%

Banking Institutions

Rating Category	S&P	Moody's	RAM Rating Services Berhad (RAM)	Malaysian Rating Corporation Berhad (MARC)	Risk weight	Risk weight (original maturity of 6 months or less)	Risk weight (original maturity of 3 months or less)
1	AAA to AA-	Aaa to Aa3	AAA to AA3	AAA to AA-	20%	20%	20%
2	A+ to A-	A1 to A3	A1 to A3	A+ to A-	50%	20%	
3	BBB+ to BBB-	Baa1 to Baa3	BBB1 to BBB3	BBB+ to BBB-	50%	20%	
4	BB+ to B-	Ba1 to B3	BB1 to B3	BB+ to B-	100%	50%	
5	CCC+ to D	Caa1 to C	C1 to D	C+ to D	150%	150%	
Unrated					50%	20%	

4 Credit Risk (continued)

4.9 Standardised Approach to Credit Risk (continued)

Corporates

Rating Category	S&P	Moody's	RAM	MARC	Risk weight
1	AAA to AA-	Aaa to Aa3	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B1 to D	B+ to D	150%
Unrated					100%

Table 12: Rated and Unrated Counterparties (2015)

CREDIT EXPOSURE (31-Dec-2015)	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys S&P	Aaa to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	B1 to B3 BB+ to B-	Caa1 to C CCC+ to D	Unrated Unrated
On and Off Balance-Sheet Exposures							
Sovereigns/Central Banks		-	684,953	-	-	-	-
Total	684,953	-	684,953	-	-	-	-

CREDIT EXPOSURE (31-Dec-2015)	Ratings of Banking Institutions by Approved ECAIs						
	Moodys S&P RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	B1 to B3 BB+ to B- BB1 to B3 BB+ to B-	Caa1 to C CCC+ to D C1 to D C+ to D	Unrated Unrated Unrated Unrated
On and Off Balance-Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,967,325	1,380,467	1,138,571	-	-	664,052
Total	5,150,415	1,967,325	1,380,467	1,138,571	-	-	664,052

CREDIT EXPOSURE (31-Dec-2015)	Ratings Corporate by Approved ECAIs					
	Moodys S&P RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated
On and Off Balance-Sheet Exposures Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	13,635
Corporates		35,064	47,924	19,633	-	3,359,365
Regulatory Retail		-	-	-	-	830
Residential Mortgages		-	-	-	-	18,052
Other Assets		-	1,891	-	-	103,992
Equity Exposure		1,348	-	-	-	283
Defaulted Exposure		-	-	-	-	2,667
Total	3,604,684	36,412	49,815	19,633	-	3,498,824

4 Credit Risk (continued)

4.9 Standardised Approach to Credit Risk (continued)

Table 12.1: Rated and Unrated Counterparties (2014)

CREDIT EXPOSURE (31-Dec-2014)	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys S&P	Aaa to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	B1 to B3 BB+ to B-	Caa1 to C CCC+ to D	Unrated Unrated
On and Off Balance-Sheet Exposures							
Sovereigns/Central Banks		-	252,996	-	-	-	-
Total	252,996	-	252,996	-	-	-	-

CREDIT EXPOSURE (31-Dec-2014)	Ratings of Banking Institutions by Approved ECAIs						
	Moodys S&P RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	B1 to B3 BB+ to B- BB1 to B3 BB+ to B-	Caa1 to C CCC+ to D C1 to D C+ to D	Unrated Unrated Unrated Unrated
On and Off Balance-Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,231,373	2,133,625	457,165	-	-	396,734
Total	4,218,897	1,231,373	2,133,625	457,165	-	-	396,734

CREDIT EXPOSURE (31-Dec-2014)	Ratings Corporate by Approved ECAIs					
	Moodys S&P RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated
On and Off Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities		-	-	-	-	5,520
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	8,710
Corporates		28,467	78,455	52,700	-	2,868,342
Regulatory Retail		-	-	-	-	777
Residential Mortgages		-	-	-	-	20,627
Other Assets		-	2,960	-	-	95,339
Equity Exposure		1,348	-	-	-	283
Defaulted Exposure		-	-	-	-	3,233
Total	3,166,761	29,815	81,415	52,700	-	3,002,831

The Bank has opted for the comprehensive approach for credit risk mitigation ("CRM") which takes into account the scaling factor when applying the standard haircut.

4 Credit Risk (continued)

4.9 Standardised Approach to Credit Risk (continued)

The following table shows the DBMB Group's exposure values in the standardised approach by risk weight. The information is shown after credit risk mitigation obtained in the form of eligible financial collateral, guarantees and credit derivatives.

Table 13 – Risk Weights under the Standardised Approach (2015)

31-Dec-2015

Risk Weights	Exposures after Netting & Credit Risk Mitigation												Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	154,813	-	-	-	-	-	-	-	1,891	-	-	-	156,704	-
20%	-	-	1,588,645	3,703	35,064	-	-	-	-	-	-	-	1,627,412	325,482
35%	-	-	-	-	-	-	17,229	-	-	-	-	-	17,229	6,030
50%	-	-	2,217,831	-	278,239	-	808	-	-	-	-	-	2,496,878	1,248,439
75%	-	-	-	-	-	830	-	-	-	-	-	-	830	622
100%	-	-	6,604	9,932	2,661,798	-	2,667	-	103,992	-	-	1,611	2,786,604	2,786,606
1250%	-	-	-	-	-	-	-	-	-	-	-	20	20	250
Total Exposures	154,813	-	3,813,080	13,635	2,975,101	830	20,704	-	105,883	-	-	1,631	7,085,677	4,367,429
Risk-Weighted Assets by Exposures	-	-	1,433,248	10,672	2,807,932	622	9,101	-	103,992	-	-	1,861	4,367,428	
Average Risk Weight	0.0%	0.0%	37.6%	78.3%	94.4%	74.9%	44.0%	0.0%	98.2%	0.0%	0.0%	114.1%	61.6%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

4 Credit Risk (continued)

4.9 Standardised Approach to Credit Risk (continued)

Table 13.1 – Risk Weights under the Standardised Approach (2014)

31-Dec-2014

Risk Weights	Exposures after Netting & Credit Risk Mitigation												Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/Investment	Securitisation	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	109,774	-	-	-	-	-	-	-	2,778	-	-	-	112,552	-
20%	-	-	1,180,945	-	28,467	-	-	-	-	-	-	-	1,209,412	241,882
35%	-	-	-	-	-	-	19,495	-	-	-	-	-	19,495	6,823
50%	-	-	2,356,472	-	74,631	-	1,117	-	-	-	-	-	2,432,220	1,216,110
75%	-	-	-	-	-	777	-	-	-	-	-	-	777	583
100%	-	5,520	-	8,710	2,924,240	-	3,233	-	95,521	-	-	1,611	3,038,835	3,038,835
1250%	-	-	-	-	-	-	-	-	-	-	-	20	20	250
Total Exposures	109,774	5,520	3,537,417	8,710	3,027,338	777	23,845	-	98,299	-	-	1,631	6,813,311	4,504,483
Risk-Weighted Assets by Exposures	-	5,520	1,414,425	8,710	2,967,248	583	10,615	-	95,521	-	-	1,861	4,504,483	
Average Risk Weight	0.0%	100.0%	40.0%	100.0%	98.0%	75.0%	44.5%	0.0%	97.2%	0.0%	0.0%	114.1%	66.1%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

4 Credit Risk (continued)

4.10 Credit Risk Mitigation under Standardised Approach

In addition to determining counterparty credit quality and the DB Group's risk appetite. Various risk mitigation techniques are proactively employed in order to reduce the risk in the Bank's credit portfolio. Risk mitigants are predominantly considered in three broad categories:

- Risk transfers, which shift the probability of default risk of an obligor to a third party;
- Collateral, which improves the recovery of obligations; and
- Netting, which reduces the credit risk exposure from derivatives and repo-style transactions.

Risk transfers to third parties form a key part of the Bank's overall risk management process and are executed in various forms, including outright sales, single name and portfolio hedging.

Collateral is used in various forms in order to mitigate the inherent risk in Bank's credit portfolio by reducing the loss severity of individual transactions.

For CRM purposes, the Bank adopts the comprehensive approach for collateralised transactions which allows greater offset of collateral against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. The collateral value is subject to standard supervisory haircuts and collateral haircuts.

To mitigate credit risk from derivatives, the Bank makes frequent use of margining arrangements. In these cases, counterparties post collateral periodically (usually daily) in the form of cash or liquid securities to cover outstanding trading positions. The Bank also engages in reciprocal margining agreements with counterparties under ISDA agreements where the Credit Support Annex ("CSA") contain provisions whereby margining thresholds will vary in relation to the credit ratings of the respective parties.

For capital adequacy purposes, eligible cash collateral is deducted from the gross credit exposure and this net balance will be used as the basis of calculating the capital requirement. For non-cash collateral, a regulatory haircut is applied to both the gross credit exposure and the value of the collateral, and these adjusted amounts are used as the basis of calculating the capital requirement.

Table 14 shows gross credit exposures by Basel II portfolio (Corporate, Sovereign and Bank) under the Standardised approach and the amount of risk exposure which is mitigated by BNM's defined eligible collateral, guarantees or credit derivatives.

Concentrations within Credit Risk Mitigation

Concentrations within credit risk mitigations taken may occur if a number of guarantors and credit derivative providers with similar economic characteristics are engaged in comparable activities with changes in economic or industry conditions affecting their ability to meet contractual obligations.

The Bank uses a comprehensive range of quantitative tools and metrics to monitor its credit risk mitigating activities. Limits are established across all product categories including guarantees and credit derivative exposures used as risk mitigation. Limits exist at an individual guarantor or credit derivative provider level as part of the general credit risk management process and are also monitored on a portfolio basis with regard to industries, countries and other factors.

4 Credit Risk (continued)

4.10 Credit Risk Mitigation under Standardised Approach (continued)

Guarantees and credit derivative contracts are primarily entered into with banks and insurance companies. The majority of these exposures carry a rating within the investment grade band.

Table 14 Credit Risk Mitigation (2015)

31-Dec-2015

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures				
Sovereigns/Central Banks	678,451	-	530,140	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	2,026,106	-	-	-
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
Corporates	1,104,133	424,611	-	-
Regulatory Retail	830	-	-	-
Residential Mortgages	18,037	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	105,883	-	-	-
Equity Exposure	1,631	-	-	-
Defaulted Exposures	2,667	-	-	-
Total On-Balance Sheet Exposures	**3,937,738**	**424,611**	**530,140**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	4,385,033	-	1,821,333	-
Credit Derivatives	46,251	-	-	-
Direct Credit Substitutes	-	-	-	-
Transaction related contingent Items	498,969	-	2,902	-
Short Term Self Liquidating trade related contingencies	94,240	-	-	-
Other commitments, such as formal standby facilities and credit lines	477,821	-	-	-
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	**5,502,314**	**-**	**1,824,235**	**-**
Total On and Off- Balance Sheet Exposures	**9,440,052**	**424,611**	**2,354,375**	**-**

4 Credit Risk (continued)

4.10 Credit Risk Mitigation under Standardised Approach (continued)

Table 14.1 Credit Risk Mitigation (2014)

31-Dec-2014

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures				
Sovereigns/Central Banks	252,996	-	143,222	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,088,492	-	-	-
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
Corporates	1,081,970	356,563	-	-
Regulatory Retail	777	-	-	-
Residential Mortgages	20,612	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	98,299	-	-	-
Equity Exposure	1,631	-	-	-
Defaulted Exposures	3,233	-	-	-
Total On-Balance Sheet Exposures	2,548,010	356,563	143,222	-
Off-Balance Sheet Exposures				
OTC Derivatives	3,666,559	-	681,480	-
Credit Derivatives	75,774	-	-	-
Direct Credit Substitutes	-	-	-	-
Transaction related contingent Items	664,806	-	641	-
Short Term Self Liquidating trade related contingencies	48,060	-	-	-
Other commitments, such as formal standby facilities and credit lines	635,445	-	-	-
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	5,090,644	-	682,121	-
Total On and Off- Balance Sheet Exposures	7,638,654	356,563	825,343	-

4 Credit Risk (continued)

4.11 Off Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Credit Exposure

The Bank defines its credit exposure as all transactions where losses might occur due to the fact that counterparties may not fulfill their contractual payment obligations. Counterparty credit exposure arises from the Bank's traditional non-trading lending activities which include elements such as loans and contingent liabilities. Counterparty credit exposure also arises via the Bank's direct trading activity with clients in certain instruments which include OTC derivatives, FX forwards and Forward Rate Agreements. A default risk also arises from the Bank's positions in traded credit products such as bonds. The Bank calculates the gross amount of the exposure without taking into account any collateral, other credit enhancement or credit risk mitigating transactions. In Table 15 below, the Bank shows details about several of its main credit exposure categories, namely loans, irrevocable lending commitments, contingent liabilities, over-the-counter ("OTC") derivatives, tradable assets and repo style transactions following the FRS-principles for consolidation.

Credit Exposure from Derivatives

Exchange-traded derivative transactions (e.g., futures and options) are regularly settled through a central counterparty, the rules and regulations of which provide for daily margining of all current and future credit risk positions emerging out of such transactions.

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to banks and customers. Also, the Bank enters into collateral support annexes ("CSA") to master agreements in order to further reduce the Bank's derivatives-related credit risk. These CSA generally provide risk mitigation through periodic (usually daily) margining of the covered exposure. The CSA also provides for the right to terminate the related derivative transactions upon the counterparty's failure to honor a margin call. As with netting, when the Bank believes the CSA is enforceable, the Bank reflects this in its exposure measurement.

Exposure value calculation

In respect of exposure values calculation for regulatory capital purposes, OTC traded products are calculated according to the Counterparty Credit Risk ("CCR") mark to market method. This is calculated as a sum of the current replacement cost and the potential future credit exposure. The current replacement cost is the MYR equivalent amount owed by the counterparty to the Bank for various financial derivative transactions. The potential future credit exposure is an add-on based on a percentage of the notional principal of each transaction. Such percentages are prescribed by BNM in the Basel II - RWCAF guidelines and vary according to the underlying asset class and tenor of each trade.

4 Credit Risk (continued)

4.11 Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

Credit Risk Limit Setting and Monitoring Credit Limits

Credit limits set forth the maximum credit exposures the Bank is willing to assume over specified periods. They relate to products, conditions of the exposure and other factors. Credit limits are established by the DB Group Credit Risk Management function via the execution of assigned credit authorities. Credit authority reflects the mandate to approve new credit limits as well as increases or the extension of existing credit limits. Credit authority is generally assigned to individuals as personal credit authority according to the individual's professional qualification and experience.

Ongoing active monitoring and management of credit risk positions is an integral part of the Bank's credit risk management activities. Monitoring tasks are primarily performed by the divisional risk units in close cooperation with the Bank's portfolio management function.

Credit counterparties are allocated to credit officers. The individual credit officers have the relevant expertise and experience to manage the credit risks associated with these counterparties and their associated credit related transactions. It is the responsibility of each credit officer to undertake ongoing credit monitoring for their allocated portfolio of counterparties. The Bank also has procedures in place intended to identify at an early stage credit exposures for which there may be an increased risk of loss. In instances where the Bank has identified counterparties where problems might arise, the respective exposure is generally placed on a watchlist. The Bank aims to identify counterparties that, on the basis of the application of the Bank's risk management tools, demonstrate the likelihood of problems well in advance in order to effectively manage the credit exposure and maximise the recovery. The objective of this early warning system is to address potential problems while adequate options for action are still available. This early risk detection is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to such exposures.

Credit Ratings Downgrade

The Bank has collateral arrangements under CSA which contains rating triggers as at 31 December 2014. In the event of one-notch downgrade, additional collateral required to be posted was estimated at RM 70.0 million.

Credit Derivatives

The Bank has no credit derivatives transactions for its own credit portfolio except for its intermediation activities.

4 Credit Risk (continued)

4.11 Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

Table 15: Off-Balance Sheet and Counterparty Credit Risk (2015)

31-Dec-2015 Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	-		-	-
Transaction related contingent Items	997,938		498,969	456,566
Short Term Self Liquidating trade related contingencies	471,201		94,240	81,346
Foreign exchange related contracts				
One year or less	9,732,796	134,519	289,204	273,484
Over one year to five years	6,915,014	805,632	1,116,077	510,014
Over five years	311,586	71	34,312	17,237
Interest/Profit rate related contracts				
One year or less	1,136,150	380	2,952	2,202
Over one year to five years	872,040	10,123	31,010	18,646
Over five years	33,663	-	3,703	741
Equity related contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	97,580,200	2,696,548	2,954,026	612,350
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	29	-	15	15
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,389,030		477,806	442,995
Total	120,439,647	3,647,273	5,502,314	2,415,596

4 Credit Risk (continued)

4.11 Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

Table 15.1: Off-Balance Sheet and Counterparty Credit Risk (2014)

31-Dec-2014 Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	-		-	-
Transaction related contingent Items	1,329,612		664,806	588,751
Short Term Self Liquidating trade related contingencies	240,302		48,060	35,940
Foreign exchange related contracts				
One year or less	13,418,768	172,094	382,891	256,376
Over one year to five years	6,636,804	221,448	599,083	561,653
Over five years	378,907	607	46,042	22,922
Interest/Profit rate related contracts				
One year or less	2,278,851	6,717	12,084	4,485
Over one year to five years	8,612,779	52,790	219,661	98,834
Over five years	2,475,868	54,558	246,811	100,639
Equity related contracts				
One year or less	66,755	-	6,675	3,338
Over one year to five years	115,265	-	11,527	5,763
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	178,944	-	5,505	2,338
Over one year to five years	877,502	18,898	50,352	17,356
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	100,458,502	1,453,736	2,161,702	574,330
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	29	-	15	15
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,177,150		635,430	599,426
Total	140,246,038	1,980,848	5,090,644	2,872,166

5 Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity prices, foreign exchange rates and commodity prices), the correlations among them and their levels of volatility.

The primary objective of DB Group Market Risk Management is to ensure that the DB Group's business units optimise the risk-reward relationship and do not expose it to unacceptable losses. To achieve this objective, DB Group Market Risk Management works closely together with risk takers (the business units) and other control and support groups.

5.1 Market Risk Management Framework

The DB Group's primary instrument to manage trading market risk is the limit setting process. The DB Group's Management Board, supported by DB Group Market Risk Management, which is part of the DB Group's independent risk function, sets a Group-wide value-at-risk and economic capital limits for the market risk in the trading book. DB Group Market Risk Management sub-allocates this overall limit to the group divisions and individual business areas based on anticipated business plans and risk appetite. Within the individual business areas, the DB Group business heads or the DB Group entities' Chief Operating Officers may establish business limits by sub-allocating the DB Group Market Risk Management limit down to individual portfolios or geographical regions. VaR limits for the Bank are endorsed by the BRMC and the Bank's Board of Directors ("BOD").

The majority of the interest rate and foreign exchange risks arising from non-trading assets and liability positions has been transferred through internal hedges to Global Markets within the Bank and is thus managed on the basis of value-at-risk as reflected in our trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, in general foreign exchange risk is mitigated through match funding the investment in the same currency.

5.2 Quantitative Risk Management Tools

Value-At-Risk

Value-at-risk ("VaR") is a quantitative measure of the potential loss (in value) of trading positions due to market movements that will not be exceeded in a defined period of time and with a defined confidence level.

The DB Group's value-at-risk for the trading businesses is based on its own internal value-at-risk model, which is calculated using a 99% confidence level and a holding period of one day. This means the DB Group estimates that there is a 1 in 100 chance that a mark-to-market loss from the DB Group's trading positions will be at least as large as the reported value-at-risk.

The DB Group uses historical market data to estimate value-at-risk, with an equally weighted 261 trading day history. The calculation employs a Monte Carlo Simulation technique, and we assume that changes in risk factors follow a well-defined distribution, e.g. normal, lognormal, or non-normal (t, skew-t, Skew-Normal). To determine the DB Group's aggregated value-at-risk, the DB Group uses observed correlations between the risk factors during this 261 trading day period.

5 Market Risk (continued)

5.2 Quantitative Risk Management Tools (continued)

Value-At-Risk (Continued)

The DB Group's value-at-risk model is designed to take into account the following risk factors: interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices, as well as their implied volatilities and common basis risk. The model incorporates both linear and, especially for derivatives, non-linear effects of the risk factors on the portfolio value.

The value-at-risk measure enables the DB Group to apply a constant and uniform measure across all of the DB Group's trading businesses and products. It allows a comparison of risk in different businesses, and also provides a means of aggregating and netting positions within a portfolio to reflect correlations and offsets between different asset classes. Furthermore, it facilitates comparisons for the DB Group's market risk both over time and against the daily trading results.

The DB Group continuously analyses potential weaknesses of the DB Group's value-at-risk model using statistical techniques such as back-testing, but also rely on risk management experience and expert opinion. Back-testing provides an analysis of the predictive power of the value-at-risk calculations based on actual experience. The DB Group compares the hypothetical daily profits and losses under the buy-and-hold assumption with the estimates from the DB Group's value-at-risk model.

The value-at-risk measures are used by the Bank for internal control purposes. The regulatory capital computation for market risk is based on the Standardised Approach prescribed by BNM.

Market Risk Stress Testing

Stress testing is a key risk management technique, which evaluates the potential effects of extreme market events and extreme movements in individual risk factors. It is one of the core quantitative tools used to assess the market risk of DB Group's positions and complements VaR and Economic Capital. Market Risk Management DB Group performs several types of stress testing to capture the variety of risks: Portfolio stress testing, individual business-level stress tests, Event Risk Scenarios, and also contributes to Group wide stress testing.

Portfolio Stress Testing measures the profit and loss impact of potential market evens based on pre-defined scenarios of different severities, which are either historical or hypothetical and defined at a macro level. For individual business-level stress tests, market risk managers identify relevant risk factors and develop stress scenarios relating either to macro-economic or business specific developments. Business-level stress test capture idiosyncratic and basis risks.

Event risk scenarios measures the profit and loss impact of historically observable events or hypothetical situation on trading positions for specific emerging market countries and regions. The bank's trading book exposure to an individual country is stressed under a single scenario, which replicates market movements across that country in times of significant market crisis and reduce liquidity.

5 Market Risk (continued)

5.3 Standardised Approach to Market Risk Capital Charge

Under the standardised approach for market risk defined by BNM, the market risk capital charge is divided into interest / profit rate risk, equity risk, foreign exchange risk and commodities risk charges. The capital charges for interest / profit rate and equity are applied to the current market value of the interest / profit rate and equity related financial instruments or positions in the trading book. The capital charge for foreign exchange risk and commodities risk however are applied to all foreign currency and commodities positions. Some of the foreign exchange commodity positions will be reported and hence evaluated at market value, while some may be reported and evaluated at book value.

The Standardised market risk approach is based on a building block approach where standardised supervisory capital charge is applied separately to each risk category. Interest / profit rate sensitive instruments are normally affected by general risk charges in market interest / profit rate, known as general risk and charges in factors related to a specific issuer, in particular issuer’s credit quality, which would affect the instrument, known as specific risk.

Interest / profit rate risk
The capital requirements for general risk are designed to capture the risk of loss arising from changes in market interest / profit rate. Positions are allocated across a maturity ladder template of time bands and the capital charge is then calculated as the sum of four components:

- The net short or long weighted position across the entire time bands.
- The smaller proportion of the matched positions in each time band to capture basis risk
- The larger proportion of the matched positions across different time bands to capture yield curve risk; and
- A net charge or positions in options, where appropriate.

Foreign exchange risk
Under the standardised approach, single currency position and the risk inherent in a banking institution’s mix of net long and short positions in different currencies need to be measured, and capital charge of 8% of the higher total net long or total net short foreign currency position will be applied.

5.4 Risk weighted assets and capital requirements for market risk

Table 16: Risk weighted assets and capital requirements for market risk

	31-Dec-2015	31-Dec-2014
Mnimum Capital Requirement at 8%	Standardised Approach RM’000	Standardised Approach RM’000
Interest Rate Risk	162,088	195,801
Equity Position Risk	-	-
Foreign Exchange Risk	113,083	154,428
Commodity Risk	-	-
Options	21,360	21,827
Total Risk Weighted Assets for Market Risk	3,706,633	4,650,706

6 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal risk but excludes business and reputational risk

DB Group have categorized operational risks into the following risk types:

- Origination & Execution Risk is the risk that deficiencies and/ or errors in the origination of products/ services/ transactions, their execution, inappropriate business practices, or contractual obligations will result in losses.
- Fraud Risk is the risk of incurring losses as a result of an intentional act or omission by an employee or by a third party involving dishonesty, for personal and/ or business gain, to avoid personal and/ or business loss, or to conceal improper or unauthorized activity. This includes the falsification or alteration of records and reports, facilitation, breach of trust, intentional omission, misrepresentation, concealment, misleading, and the abuse of one's position.
- Business Continuity Risk is the risk of incurring losses resulting from the interruption of normal business activities, i.e. interruptions to our infrastructure as well as to the infrastructure that supports our businesses (including third party vendors) and the communities in which we are located.
- Regulatory Compliance Risk is the risk of incurring regulatory sanctions (including restrictions on business activities, fines or enhanced reporting requirements), financial and/ or reputational damage arising from our failure to comply with applicable laws, rules and regulations.
- Information Technology Risk is the risk that our information technology will lead to quantifiable losses due to inadequate information technology and processing in terms of manageability, exclusivity, integrity, controllability, and continuity.
- Information Security Risk is the risk of an event which could result in the compromise of organizational assets, including, but not limited to, unauthorized use, loss, damage, disclosure or modification of organization assets. It includes the risk of cyber threats on the organization.
- Vendor Risk arises from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/ or services provided by a vendor, and other impacts to the vendor itself.
- Fiduciary Service Risk is the risk to fail to act in the best interest of our clients when advising, investing, accounting for or safeguarding client assets, including the failure to prevent, detect or correct negligence and/ or violations of fiduciary responsibilities, and the failure to appropriately address fiduciary conflicts of interests that may arise.
- Financial Reporting and Recording Risk is the risk that a mis-reporting or mis-recording in the financial statements results in an operational risk related event and, potentially, an operational risk related loss.
- Real Estate Risk or Facilities and Infrastructure risk is the risk of incurring a loss resulting from damage to or the loss-of-use of the bank's Facilities/ Infrastructure.
- Staff Risk is the risk that shortcomings in processes and procedures related to the employment of internal staff either directly generate a loss or indirectly contribute to the occurrence of events in other risk categories.
- Tax Compliance Risk describes operational risk related to the filing of tax returns and other tax related tasks-, e.g. failure to file advance tax returns, being subject to a tax audit, or incurring tax payments etc.
- Transaction Processing Risk is the risk that deficiencies in transaction processing or in our internal processes or controls result in losses. The risk is caused by human error, IT applications system failure and inadequate process design.
- Legal Risk may materialize in any of the above risk types due to the fact that in each type, we may be the subject of a claim or proceedings alleging non-compliance with contractual or other legal or statutory responsibilities; or we may otherwise be subject to losses allegedly deriving from other legal circumstances.

6 Operational Risk (continued)

Organisational Structure

For DB Group, the Head of Operational Risk Management ("ORM") chairs the Non-Financial Risk Operating Forum (NFR OpFo), which is a permanent decision preparing Council of the Non-Financial Risk Executive Committee (NFR ExCo) and is composed of the divisional control officers from our 1st Line of Defense divisions and our key internal control officers or Risk Type control function from the 2nd Line of Defense.
The NFR ExCo owns the mandate is to ensure the oversight, governance and coordination of the Non-Financial Risk management in the Deutsche Bank Group on behalf of the Management Board and to establish a cross-risk and holistic perspective of the key Non-Financial Risks of the Group.
The Head of ORM has the authority to execute veto on key decisions and to approve the operational risk policy framework.

While the day-to-day operational risk management lies with the DB Group's business divisions and infrastructure functions, the DB Group's Operational Risk Management function manages the cross divisional and cross regional operational risk as well as risk concentration and ensures a consistent application of the DB Group's operational risk management strategy across the Group. Based on this Business Partnership Model the DB Group ensures close monitoring and high awareness of operational risk.

Strengthening controls through "Three Lines of Defense"
The Three Lines of Defense program is an integral part of DB Group's strategic agenda. It was initiated in the fourth quarter of 2013 by the Management Board in the context of heightened regulatory standards. The program builds on lessons learned from past control failures and aims to reinforce Deutsche Bank's non-financial risk management capabilities and compliance culture across all corporate divisions and infrastructure functions. Furthermore, it is intended to maintain consistency across the ongoing control enhancement initiatives throughout the bank.

DB Group defines the three Lines of Defense as follows:

- The First Line of Defense includes all corporate divisions and selected infrastructure functions. First Line of Defense units are ultimately accountable for all risks and controls in their business processes.
- The Second Line of Defense encompasses all control functions such as Risk, Compliance, Legal, Human Resources, Finance and Tax. These are responsible for the design of Deutsche Bank's control framework and independent risk assessment. Second Line of Defense units are independent from the First Line of Defense.
- The Third Line of Defense is Group Audit which is responsible for providing independent and objective assurance on the effectiveness of risk management, internal controls and governance processes.

In 2014, the program performed a systematic review of DB Group's non-financial risk and control organizations and supporting management processes. This led to the following changes:

- The Bank established dedicated control units in each First Line of Defense to reinforce the division's accountability for the management of their control environment.
- The risk and control responsibilities across the Second Line of Defense control functions were realigned within a common risk and control framework. For selected risks new initiatives were launched to further strengthen Deutsche Bank's control framework.
- The risk and control assessment approach was enhanced towards an integrated framework shared by all three Lines of Defense to ensure the use of common standards.

6 Operational Risk (continued)

Organisational Structure (continued)

Key themes for 2015 were the further build-out of the control organisation, the rollout of the enhanced risk and control assessment framework as well as continuing the work across all three Lines of Defense regarding specific control enhancements. This also includes the rollout of the enhanced three Lines of Defense model into the regions.

Managing Operational Risk

DB Group manage operational risk based on a Group-wide consistent framework that enables us to determine our operational risk profile in comparison to our risk tolerance, to systematically identify operational risk themes and concentrations, and to define risk mitigating measures and priorities. The global operational risk framework is applicable to all risk types included in the definition for operational risk.

In order to cover the broad range of operational risk types as outlined in the definition of operational risk, DB Group framework contains a number of operational risk management techniques. These aim to efficiently manage the operational risk in our business and are used to identify, assess and mitigate operational risks:

- The continuous collection of operational risk loss events, as a prerequisite for operational risk management, includes detailed analyses, the identification of mitigating actions, and timely information of the senior management. All losses above € 10,000 are collected in our "db-Incident Reporting System" ("dbIRS"). Locally, DBMB Group collects losses with a Zero threshold arising from operational risk events in the DB Group's "db-Incident Reporting System".
- The Lessons Learned process is triggered for events, including near misses, above € 1 million. This process includes, but is not limited to:
  - systematic risk analyses, including a description of the business environment in which the loss occurred, previous events, near misses and event-specific Key Risk Indicators ("KRI"),
  - consideration of any risk management decisions connected with the specific risk taken,
  - root cause analyses,
  - review of control improvements and other actions to prevent or mitigate the recurrence, and
  - assessment of the residual operational risk exposure
- The Lessons Learned process is an important means of identifying emerging areas of risk and to define appropriate risk mitigating actions. All corrective actions are captured and monitored for resolution via action plans in our tracking system "dbTrack". Issues with the performance of all corrective actions is managed in the NFR Framework implementation Forum and reported on a monthly basis to senior management via the NFR OpFo.
- We systematically utilize information on external loss events occurring in the banking industry to prevent similar incidents from happening to us, e. g. by particular deep dive analyses or risk profile reviews.
- In addition to internal and external loss information, scenarios are utilized and actions are derived from them. The set of scenarios consists of relevant external scenarios provided by a public database and internal scenarios. The latter are generated to complete our risk profile.
- Regular operational risk profile reports at a Group level for our business divisions, for the countries in which we operate and for our infrastructure functions, are reviewed and discussed with the departments' senior management. Regular risk profile reviews enable us to detect changes in the business units' risk profiles as well as risk concentrations across the Group early on, and to take appropriate corrective actions.
- We assess and approve the impact of changes on our risk profile as a result of new products, outsourcing activities, strategic initiatives, and acquisitions and divestments.

6 Operational Risk (continued)

Managing Operational Risk (continued)

- Once operational risks are identified, mitigation is required following the "as low as reasonably practicable (ALARP)" principle by balancing the cost of mitigation with the benefits thereof, and formally accepting the residual operational risk. Risks which violate applicable national or international regulations and legislation cannot be accepted; once identified, such risks must always be mitigated.
- The group monitors risk mitigating measures identified via operational risk management techniques for resolution within the group's tracking tool "dbTrack". Higher than important residual operational risks need to be accepted by the impacted first line divisions and by fulfilling the minimum requirements of the relevant Policies and Procedures.
- We perform top risk analyses in which the results of the aforementioned activities are considered. The Top Risk Analyses are a primary input for the annual operational risk management strategy and planning process. Besides the operational risk management strategic and tactical planning, we define capital and expected loss targets which are monitored on a regular basis within a quarterly forecasting process.
- We continuously seek to enhance the process to assess whether identified issues require a broader approach across multiple entities and locations within Deutsche Bank. A review of material findings is performed in order to assess their relevance to areas of the Bank other than where they originated.
- KRIs are used to monitor the operational risk profile and alert the organization to impending problems in a timely fashion. KRIs allow the monitoring of the bank's control culture and business environment and trigger risk mitigating actions. They facilitate the forward looking management of operational risks, based on early warning signals returned by the KRIs.
- In our bottom-up self assessment ("SA") process, which is conducted at least annually, areas with high risk potential are highlighted, and risk mitigating measures to resolve issues are identified. On a regular basis we conduct risk workshops aiming to evaluate risks specific to local legal entities and the countries we operate in, and take appropriate risk mitigating actions.

For DB Group, additional functions, methodologies and tools implemented by the responsible divisions are utilized to complement the global operational risk framework and specifically address the risk types. These include but are not limited to:

— A "Legal Risk Management" ("LRM") function in the Legal Department was established in 2013. This function is exclusively dedicated to the identification and management of legal risk. In addition to being used for reporting purposes, LRM's analysis is applied to our control framework as it relates to legal risk in order to promote that it is sufficiently robust, including remediation of highlighted issues (whether via new or existing initiatives); and also as a further means of Legal's input being a significant decision-making criterion for our businesses. The LRM function has a mandate to undertake a broad variety of tasks aimed at proactively managing legal risk, including: devising, implementing and overseeing an annual Legal Risk Assessment Program; agreeing and participating in resulting portfolio reviews and mitigation plans; and administering the Legal Lessons Learned process. The LRM function also coordinates Legal's response to DB's Three Lines of Defense program.

— The "Legal Risk Assessment Program" enables us to analyze existing and historic legal risks and, importantly, to better assess the potential for future legal risk events. This requires the participation of the business division (represented by Divisional Control Officer, "DCO"), Legal Advisory, LRM and ORM, and involves a primary self-assessment on pre-defined terms by the business and a secondary assessment by the relevant Legal Advisory teams in order to form a global view of that business' products, activities and locations.

6 Operational Risk (continued)

Managing Operational Risk (continued)

— The "Legal Lessons Learned process" is a means of identifying, on a quarterly basis, legal risks arising from our activities; and of devising appropriate steps to remediate, mitigate or prevent such risks in future. The Legal Lessons Learned process is a retrospective one, whereby existing or completed matters are considered with a view to identifying legal lessons that can be learned from those matters and taking such steps as may be necessary for those legal lessons to be learned. Overall management of the Legal Lessons Learned process is the responsibility of the LRM function, working with ORM, DCO and the Legal Department via its Operating Committees.
— The operational risk from outsourcing is managed by the Vendor Risk Management (VRM) Process and documented in the VRM database. The outsourcing risk is assessed and managed for all outsourcing arrangements individually, following the Vendor Risk Management Policy and in line with the overall ORM framework. A broad governance structure is established to promote appropriate risk levels.
— Fraud Risk is managed based on section 25a of the German Banking Act (KWG) as well as other legal and regulatory requirements via a risk based approach, governed by the Global Anti-Fraud Policy and corresponding Compliance and Anti-Money-Laundering (AML) framework. In line with regulatory requirements, a global risk assessment is performed on a regular basis. Within the general management of operational risks, dedicated Fraud Risk relevant aspects are part of the self assessment process.
— Deutsche Bank manages Business Continuity (BC) Risk with its Business Continuity Management (BCM) Program which outlines core procedures for the relocation or the recovery of operations in response to varying levels of disruption. Within this program, each of our core businesses functions and infrastructure groups set up, maintain and periodically test business continuity plans ("BC Plans") to promote continuous and reliable service. The BCM Program has defined roles and responsibilities which are documented in corporate standards. Compliance with these standards is monitored regionally by dedicated business continuity teams. Reporting to the Group Resiliency Committee, which is a sub-committee of the Group Operating Committee, is a quarterly requirement. Furthermore, key information on the established BCM control environment feed into operational risk KRIs .
— The operational risk in Technology is managed within the technology area, following international standards for IT management. Applications and IT infrastructure are catalogued and assessed on a regular basis. Stability monitoring is established. Key outcomes of the established assessment and control environment are used as input for operational risk metrics such as KRIs or self assessments.
— A new Operational Risk Assessment Policy for Change-the-Bank Processes has been implemented for material systems and process changes. All material change initiatives are assessed for operational risks stemming from process/systems changes via an embedded ORM framework for change-the-bank operational risk assessments. Identified risks and mitigating actions are tracked in Deutsche Bank's system as mentioned above.

Operational Risk Management Target Operating Model

DB Group is currently redefining the responsibilities for managing operational risks within the Group under adoption of the Three Lines of Defense program. Key changes and improvements within the Three Lines of Defense model affect the roles and responsibilities of the 1st and 2nd lines of defense, risk taxonomies and the organizational structure of ORM. Regarding risk taxonomies ORM takes the 2nd line control function responsibility for the following non-financial risk types: transaction processing risk, project and transformation risk and reputational risk. This will be reflected in the organizational structure of ORM.

6 Operational Risk (continued)

Measuring Operational Risks

For risk management purposes on a global group level, DB group uses an Advanced Measurement Approach (AMA) framework across all divisions and legal entities to calculate the regulatory capital requirements for Operational Risk. Locally, DBMB uses the Basic Indicator Approach (BIA) to assess its local regulatory capital requirements for Operational Risk. The operational risk capital charge using BIA is equal to the average of a fixed percentage (15%) of positive annual gross income over the previous three years. Gross income figures are categorised into twelve quarters (equivalent to three years) and if the annual gross income for any given year is negative or zero, the figure shall not be included for the purposes of calculating the operational risk charge.

The Bank’s total operational risk capital charge is the sum of operational risk capital charge for conventional banking operations and operational risk capital charge for Islamic banking operations.

7 Liquidity Risk

The objective of the Liquidity Risk Management (LRM) function is to ensure that the DB Group can fulfill its payment obligations at all times for both expected and unexpected current and future cash flows and collateral needs at reasonable cost, without affecting daily operations of DB Group. All relevant and significant drivers of liquidity risk, on balance sheet as well as off-balance sheet, must be taken into account. Prices of all asset and liability types need to reflect their liquidity risk characteristics and DB Group’s cost of funding.

At the country level, Treasury is responsible for overall liquidity risk management of DB Group, including the setting of liquidity risk limits. Day-to-day funding and cash management of the branch and other DB Group subsidiaries is undertaken by central Pool, acting within the parameters set by Treasury and the local Asset & Liability Committee (ALCO). Liquidity risk is monitored through the Bank Negara Malaysia New Liquidity Framework and the internal DB Malaysia liquidity risk management policy. Ongoing liquidity management is discussed as a regular item at the DB Malaysia ALCO meeting, which takes place as stated in the ALCO Terms of Reference (ToR). At the ALCO meeting, DB Malaysia’s liquidity position, the limit utilization, changes in exposure and liquidity policy compliance is presented to the committee.

DB Malaysia has implemented a comprehensive toolbox that ensures the prudent liquidity risk management such as (1) Stress testing, (2) funding matrix. The liquidity stress testing reflects market-wide and bank specific shocks as well as a combination of both by relevant assets and liabilities classes to ensure the risk taken by DB Malaysia is in line with the approved risk appetites. The funding matrix addresses the long-term liquidity risk management issue of DB Malaysia, identifies the excess or shortfall of assets over liabilities in each time bucket, The funding matrix ensures all term assets are term funded therefore reducing stress on the short term liquidity positions.

7 Liquidity Risk (continued)

Further to the above, the Basel Committee published new standards for an 'International framework for liquidity risk measurement, standards and monitoring'. Within this framework two newly developed regulatory ratios have been introduced, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), as well as some additional monitoring tools. At country level, Bank Negara Malaysia has implemented LCR effective June 2015. For NSFR, Basel III observation period reporting document has been issued by Bank Negara Malaysia. This sets out the reporting instructions and provides guidance on the interpretation of key items under NSFR. NSFR will be effective by January 2018.

8 Equity Investments in the Banking Book

Equity investments which are neither consolidated for regulatory purposes nor deducted from the Bank's own funds are held as equity positions in the regulatory banking book. In the Bank's consolidated statement of financial position, these equity investments are classified as "Financial investments available-for-sale ("AFS")".

9 Interest Rate Risk in the Banking Book

Interest rate risk in the non-trading portfolios is transferred through internal hedges to Global Markets within the Corporate and Investment Bank and is thus managed on the basis of value-at-risk as reflected in the Bank's value-at-risk numbers. There is no interest rate risk in the Banking Book of the Bank. Further details on interest rate risk in Trading Book can be found in Note 31 to the Financial Statements.

10 Islamic Banking Operations

BNM had given its approval on 22 August 2007 for the Bank to conduct Islamic banking business under Section 124 of the Banking and Financial Institutions Act 1989.

10.1 Shariah Governance

The Bank conducts Islamic Banking through its Islamic Banking Window ("IBW") which commenced business on 20 April 2009.

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles. The committee currently comprises Dr Hussain Hamed Sayed Hassan, Dr Muhammad Qaseem and Encik Mohd Hilmi bin Ramli.

The Bank has obtained approval from BNM to operate with 3 Shariah Committee members.

10 Islamic Bank Operations (continued)

10.2 Restricted Profit Sharing Investment Accounts ('RPSIA')

These deposits are used to fund specific financing and follow the principle of Mudharabah which state that profits will be shared with the Bank as Mudharib and losses shall be borne solely by depositors.

In accordance with BNM's guidelines on the Recognition and Measurement of Profit Sharing Investment Account ('PSIA') as Risk Absorbent, the credit and market risks on the assets funded by the PSIA are excluded from the risk weighted capital ('RWCR') calculation.

As at 31 December 2015, RPSIA assets excluded from the RWCR calculation amounted to nil (2014 Nil).

10.3 Islamic Banking Window - Capital Adequacy

The capital adequacy ratios of the Islamic banking business of the DBMB Group are computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The DBMB Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Table 17: Risk weighted assets and capital requirement

	2015		2014	
	Risk Weighted Assets	Min Capital Requirement at 8%	Risk Weighted Assets	Min Capital Requirement at 8%
Islamic Banking Window	RM'000	RM'000	RM'000	RM'000
Credit Risk	1,103	88	1,487	119
Market Risk	206	16	199	16
Operational Risk	3,033	243	3,631	290
Total	**4,342**	**347**	**5,317**	**425**

10 Islamic Banking Operations (continued)

10.3 Islamic Banking Window - Capital Adequacy (continued)

Table 17.1: Risk weighted capital ratio and Tier 1 capital

	Islamic Banking Window	
	31-Dec-15 RM'000	31-Dec-14 RM'000
Tier 1 capital		
Paid-up share capital	25,000	25,000
Share premium	-	-
Statutory reserve	-	-
Retained profits	5,718	4,757
Less: Deferred tax assets	-	-
Total Tier 1 Capital	30,718	29,757
Tier 2 Capital		
Collective assessment allowance	-	-
Total Capital	30,718	29,757
Less: Investments in subsidiary companies	-	-
Capital Base	30,718	29,757
Tier 1 Capital Ratio	707.543%	559.684%
Risk-Weighted Capital Ratio	707.543%	559.684%

The capital ratios have been computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB).

10 Islamic Banking Operations (continued)

10.4 Islamic Banking Window - Risk Weighted Assets and Capital Requirements for Credit Risk

Table 18: Islamic Banking Window - Risk Weighted Assets and Capital Requirements for Credit Risk (2015)

31-Dec-2015

RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
Credit Risk	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures						
Sovereigns/Central Banks	67,968	67,968	-	-	-	-
Public Sector Entities	-	-	-	-	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	206	206	103	-	-	8
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Regulatory Retail	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-	-
Other Assets	1,000	1,000	1,000	-	-	80
Equity Exposure	-	-	-	-	-	-
Defaulted Exposures	-	-	-	-	-	-
Total On-Balance Sheet Exposures	69,174	69,174	1,103	-	-	88
Off-Balance Sheet Exposures						
OTC Derivatives	-	-	-	-	-	-
Credit Derivatives	-	-	-	-	-	-
Defaulted Exposures	-	-	-	-	-	-
Total for Off-Balance Sheet Exposures	-	-	-	-	-	-
Total On and Off- Balance Sheet Exposures	69,174	69,174	1,103	-	-	88

Table 18.1: Islamic Banking Window - Risk Weighted Assets and Capital Requirements for Credit Risk (2014)

31-Dec-2014

RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
Credit Risk	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures						
Sovereigns/Central Banks	74,254	74,254	-	-	-	-
Public Sector Entities	-	-	-	-	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	199	199	100	-	-	8
Insurance Companies, Securities Firms and Fund Managers	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Regulatory Retail	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-	-
Other Assets	1,387	1,387	1,387	-	-	111
Equity Exposure	-	-	-	-	-	-
Defaulted Exposures	-	-	-	-	-	-
Total On-Balance Sheet Exposures	75,840	75,840	1,487	-	-	119
Off-Balance Sheet Exposures						
OTC Derivatives	-	-	-	-	-	-
Credit Derivatives	-	-	-	-	-	-
Defaulted Exposures	-	-	-	-	-	-
Total for Off-Balance Sheet Exposures	-	-	-	-	-	-
Total On and Off- Balance Sheet Exposures	75,840	75,840	1,487	-	-	119

Deutsche Bank (Malaysia) Berhad

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10 Islamic Banking Operations (continued)

10.4 Islamic Banking Window - Risk Weighted Assets and Capital Requirements for Credit Risk (continued)

Table 19: Islamic Banking Window - Risk Weights Under the Standardised Approach (2015)

31-Dec-2015

Risk Weights	Exposures after Netting & Credit Risk Mitigation												Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity Exposures		
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
0%	67,968	-	-	-	-	-	-	-	-	-	-	-	67,968	-
20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	206	-	-	-	-	-	-	-	-	-	206	103
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	1,000	-	-	-	1,000	1,000
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	67,968	-	206	-	-	-	-	-	1,000	-	-	-	69,174	1,103
Risk-Weighted Assets by Exposures	0%	-	103	-	-	-	-	-	1,000	-	-	-	1,103	
Average Risk Weight	-	-	50.0%	-	-	-	-	-	100.0%	-	-	-	1.6%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

10 Islamic Banking Operations (continued)

10.4 Islamic Banking Window - Risk Weighted Assets and Capital Requirements for Credit Risk (continued)

Table 19.1: Islamic Banking Window - Risk Weights Under the Standardised Approach (2014)

31-Dec-2014

Risk Weights	Exposures after Netting & Credit Risk Mitigation												Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	74,254	-	-	-	-	-	-	-	-	-	-	-	74,254	-
20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	199	-	-	-	-	-	-	-	-	-	199	100
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	1,387	-	-	-	1,387	1,387
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	74,254	-	199	-	-	-	-	-	1,387	-	-	-	75,840	1,487
Risk-Weighted Assets by Exposures	-	-	100	-	-	-	-	-	1,387	-	-	-	1,487	
Average Risk	0%	-	50.3%	-	-	-	-	-	100.0%	-	-	-	2.0%	
Deduction from Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	