Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Financial statements for the year ended 31 December 2019

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2019.

Principal activities

The principal activities of the Bank are banking and related financial services that also include Islamic Banking business. The principal activities of the subsidiary companies are set out in Note 8 to the financial statements. There have been no significant changes in these activities during the financial year.

Results

	Group and Bank RM'000
Profit before tax	299,174
Tax expense	(77,119)
Profit for the year attributable to owner of the Bank	222,055

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Bank was as follows:-

- In respect of the financial year ended 31 December 2018 as reported in the Director's Report of that year, a final ordinary dividend of 115.7 sen per ordinary share totalling RM200,898,000 paid on 18 July 2019.

The final dividend recommended by the Directors in respect of the financial year ended 31 December 2019 is 127.9 sen per ordinary share totaling RM222,055,000.

Reserves, provisions and allowances

There were no material transfers to or from reserves, provisions and allowances during the financial year under review other than those disclosed in the financial statements.

Directors of the Bank

Directors who served during the financial year until the date of this report are:

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Dato' Yusof Annuar bin Yaacob
Mr Steven Choy Khai Choon
Madam Koid Swee Lian
Mr Seamus Toal

Bad and doubtful debts and financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for impaired debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for impaired debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for impaired debts and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and of the Bank misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those set out in the Guidelines on Financial Reporting.

Directors' interests in shares

According to the Register of Directors' Shareholdings maintained by the Bank in accordance with the Companies Act 2016, the Directors holding office at year end who have beneficial interests in the shares of the Bank and its related corporations are as follows:

	Number of ordinary shares			
	Balance at 1.1.2019	Bought	Sold	Balance at 31.12.2019
Holding company				
Deutsche Bank Aktiengesellschaft				
Dato' Yusof Annuar bin Yaacob	-	3,238	(908)	2,330
Seamus Toal	-	44,358	-	44,358

	Number of ordinary shares			
	Balance at 1.1.2019	Awarded/ Granted	Exercised/ Vested	Balance at 31.12.2019
Holding company				
Deutsche Bank Aktiengesellschaft				
- DB Restricted Equity Units Plan				
Dato' Yusof Annuar bin Yaacob	24,477	17,327	(3,238)	38,566
Seamus Toal	40,799	14,453	(17,620)	37,632

None of the other Directors held or dealt in the shares of the Bank or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 26 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the share and options compensation plans operated by Deutsche Bank Aktiengesellschaft as disclosed in Note 35.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the year.

Indemnity and insurance costs

During the financial year, the total amount of insurance cost incurred for the Directors of the Bank net of Directors' contribution is RM390,032.

There were no indemnity and insurance cost effected for auditors of the Bank during the financial year.

Subsequent events

The event subsequent to the financial year end is disclosed in Note 38 to the financial statements .

Ultimate holding company

The Directors regard Deutsche Bank Aktiengesellschaft, a bank incorporated in Germany, as the immediate and ultimate holding company of the Bank during the financial year and until the date of this report.

Subsidiaries

The details of the Bank's subsidiaries are disclosed in Note 8 to the financial statements.

Auditors

The auditors, KPMG PLT, retire and are not seeking re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Director

....

Dato' Yusof Annuar bin Yaacob
Director

Kuala Lumpur

Date: 13 JUL 2020

Deutsche Bank (Malaysia) Berhad

(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)

and its subsidiaries

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 16 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Director

....

Dato' Yusof Annuar bin Yaacob
Director

Kuala Lumpur

Date: 13 JUL 2020

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
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and its subsidiaries

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, Liew Yeh Yin, being the officer primarily responsible for the financial management of Deutsche Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 16 to 132 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Liew Yeh Yin, NRIC: 671022-10-5258, MIA CA 8677, at Kuala Lumpur in the Federal Territory on 13 JUL 2020

....
Liew Yeh Yin

Before me:

PESURUHJAYA SUMPAH
W 632
[illegible]UGAM VASSOO
AMN
Tempoh Lantikan
1 Jul 2018 - 31 Dis 2020
MALAYSIA

No. 10-1 , Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

Deutsche Bank (Malaysia) Berhad

(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)

and its subsidiaries

Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Deutsche Bank (Malaysia) Berhad's Islamic Banking division during the year ended 31 December 2019. We have also conducted our review to form an opinion as to whether Deutsche Bank (Malaysia) Berhad's Islamic Banking division has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Deutsche Bank (Malaysia) Berhad's Islamic Banking division ("Division") is responsible for ensuring that the Division conducts its business in accordance with the Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Deutsche Bank (Malaysia) Berhad's Islamic Banking division, and to report to you.

We have assessed the Shariah review work carried out by Shariah Compliance Officer and internal Shariah audit.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Islamic Banking division has not violated the Shariah principles.

Company No. 199401026871 (312552-W)

In our opinion:

The contracts, transactions and dealings entered into by Deutsche Bank (Malaysia) Berhad's Islamic Banking division during the year ended 31 December 2019 that we have reviewed are in compliance with the Shariah principles.

We, the members of the Shariah Committee of Deutsche Bank (Malaysia) Berhad's Islamic Banking division, do hereby confirm that the operations of Deutsche Bank (Malaysia) Berhad's Islamic Banking division for the year ended 31 December 2019 have been conducted in conformity with the Shariah principles.

....

Dr. Sheikh Hussein Hamed Sayed Hassan
(Chairman of Shariah Committee)

....

Dr Muhammad Qaseem
(Member)

....

Dr Mohd Hilmi bin Ramli
(Member)

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DEUTSCHE BANK (MALAYSIA) BERHAD

(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)

Opinion

We have audited the financial statements of Deutsche Bank (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysian.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Shariah Committee's Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the Directors' Report and Shariah Committee's Report and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Bank are responsible for the preparation and presentation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Group and of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Bank.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foo Siak Chung
Approval Number: 03184/02/2022 J
Chartered Accountant

Petaling Jaya,

Date: 13 JUL 2020

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short-term funds	3.1	3,749,550	1,793,561	3,749,550	1,793,561
Deposits and placements with banks and other financial institutions	3.2	199,993	374,990	199,993	374,990
Reverse repurchase agreements		400,307	146,401	400,307	146,401
Financial securities	4	1,467,364	3,407,359	1,467,364	3,407,359
Loans, advances and financing	5	2,974,983	2,275,345	2,974,983	2,275,345
Other assets	6	1,240,510	1,283,639	1,240,510	1,283,639
Tax recoverable		7,406	15,188	7,406	15,188
Statutory deposit with Bank Negara Malaysia	7	10,000	20,000	10,000	20,000
Investments in subsidiary companies	8	-	-	20	20
Property and equipment	9	2,538	2,927	2,538	2,927
Right-of-use assets	10	2,139	-	2,139	-
Deferred tax assets	11	29,697	35,355	29,697	35,355
Total assets		10,084,487	9,354,765	10,084,507	9,354,785

Company No. 199401026871 (312552-W)

Statements of financial position as at 31 December 2019 (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Liabilities and equity					
Deposits from customers	12	5,331,773	4,226,840	5,331,793	4,226,860
Deposits and placements of banks and other financial institutions	13	1,249,128	1,514,300	1,249,128	1,514,300
Lease liabilities	14	2,157	-	2,157	-
Other liabilities	15	1,606,056	1,740,204	1,606,056	1,740,204
Total liabilities		8,189,114	7,481,344	8,189,134	7,481,364
Equity					
Share capital	16	531,362	531,362	531,362	531,362
Reserves	17	1,364,011	1,342,059	1,364,011	1,342,059
Total equity attributable to owner of the Bank		1,895,373	1,873,421	1,895,373	1,873,421
Total liabilities and equity		10,084,487	9,354,765	10,084,507	9,354,785

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Commitments and contingencies	31	88,963,721	97,386,346

The notes on pages 23 to 132 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2019

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Interest income	18	303,082	310,247
Interest expense	19	(97,037)	(90,854)
Net interest income		206,045	219,393
Net income from Islamic Banking Operations	37	2,759	3,460
Non-interest income	20	253,407	211,884
Operating income		462,211	434,737
Other operating expenses	21	(163,327)	(168,553)
Operating profit		298,884	266,184
Allowance written back / (made) for impairment	22	290	(2,084)
Profit before tax		299,174	264,100
Tax expense	27	(77,119)	(63,202)
Profit for the year		222,055	200,898
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt securities):			
Net change in fair value		1,095	(164)
Net amount transferred to profit or loss		(49)	205
Income tax effect relating to component of other comprehensive income		(251)	(10)
Other comprehensive income for the year		795	31
Total comprehensive income for the year		222,850	200,929
Earnings per share (sen)	28	127.9	115.7

The notes on pages 23 to 132 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Statements of changes in equity for the year ended 31 December 2019

		← Attributable to owner of the Bank →				
			Non-distributable	Distributable		
Group and Bank	Note	Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	Total reserves RM'000	Total RM'000
At 1 January 2019		531,362	40,077	1,301,982	1,342,059	1,873,421
Profit for the year		-	-	222,055	222,055	222,055
Other comprehensive income for the year		-	795	-	795	795
Total comprehensive income for the year		-	795	222,055	222,850	222,850
Dividend paid	29	-	-	(200,898)	(200,898)	(200,898)
Transfer of retained earnings to other reserves	17	-	5,000	(5,000)	-	-
At 31 December 2019		531,362	45,872	1,318,139	1,364,011	1,895,373
		Note 16	Note 17	Note 17		

Company No. 199401026871 (312552-W)

Statements of changes in equity for the year ended 31 December 2019 (continued)

Group and Bank	Note	Share capital RM'000	Non-distributable Other reserves RM'000	Distributable Retained earnings RM'000	Total reserves RM'000	Total RM'000
		← Attributable to owner of the Bank				→
At 1 January 2018		531,362	13,604	1,282,526	1,296,130	1,827,492
Profit for the year		-	-	200,898	200,898	200,898
Other comprehensive income for the year		-	31	-	31	31
Total comprehensive income for the year		-	31	200,898	200,929	200,929
Dividend paid	29	-	-	(155,000)	(155,000)	(155,000)
Transfer of retained earnings to other reserves	17	-	26,442	(26,442)	-	-
At 31 December 2018		531,362	40,077	1,301,982	1,342,059	1,873,421
		Note 16	Note 17	Note 17		

The notes on pages 23 to 132 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Statements of cash flows for the year ended 31 December 2019

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before tax	299,174	264,100
Adjustments for:		
Depreciation of property and equipment	1,098	2,987
Depreciation of right-of-use assets	1,876	-
Interest expense in lease liabilites	129	-
Allowance (written back)/made for impairment	(186)	1,871
Net unrealised gain/(loss) on revaluation of trading portfolio (including derivatives)	10,955	(307,295)
Operating profit/(loss) before changes in operating assets and liabilities	313,046	(38,337)
(Increase)/Decrease in operating assets:		
Reverse repurchase agreements	(253,906)	(77,359)
Financial securities	1,941,090	(1,960,170)
Loans, advances and financing	(699,501)	126,277
Other assets	(804,855)	(619,256)
Statutory deposit with Bank Negara Malaysia	10,000	80,000
Increase/(Decrease) in operating liabilities:		
Deposits from customers	1,104,933	(400,177)
Deposits and placements of banks and other financial institutions	(265,172)	855,357
Other liabilities	702,881	688,844
Cash generated from/(used in) operations	2,048,516	(1,344,821)
Net income taxes paid	(77,467)	(79,065)
Tax refunds received	13,537	-
Net cash generated from/(used in) operating activities	1,984,586	(1,423,886)

Company No. 199401026871 (312552-W)

Statements of cash flows for the year ended 31 December 2019 (continued)

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Cash flows from investing activity			
Purchase of property and equipment		(709)	(1,824)
Net cash used in investing activity		(709)	(1,824)
Cash flows from financing activities			
Payment of lease liabilities (Note 14)		(1,987)	-
Dividends paid		(200,898)	(155,000)
Net cash used in financing activities		(202,885)	(155,000)
Net increase/(decrease) in cash and cash equivalents		1,780,992	(1,580,710)
Cash and cash equivalents at 1 January		2,168,551	3,749,261
Cash and cash equivalents at 31 December	(i)	3,949,543	2,168,551

(i) Cash and cash equivalents comprise:

	2019 RM'000	2018 RM'000
Cash and short-term funds	3,749,550	1,793,561
Deposits and placements with banks and other financial institution	199,993	374,990
	3,949,543	2,168,551

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

Deutsche Bank (Malaysia) Berhad ("the Bank") is a public limited liability company incorporated and domiciled in Malaysia. The address of both its registered office and principal place of business is located at Level 18, Menara IMC, 8, Jalan Sultan Ismail, 50250 Kuala Lumpur. The consolidated financial statements of the Bank as at and for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Bank is principally engaged in banking and related financial services that also include Islamic Banking business, whilst the principal activities of the subsidiaries are stated at Note 8 to the financial statements.

The immediate and ultimate holding company of the Bank is Deutsche Bank Aktiengesellschaft, a bank incorporated in Germany.

The financial statements were approved and authorised for issue by the Board of Directors on 13 JUL 2020.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Pursuant to paragraph 10.5 of the Guidelines on Financial Reporting issued by Bank Negara Malaysia, all banking institutions are required to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1.0% over the total credit exposures, net of loss allowance for credit-impaired exposures. The Bank has complied with this minimum requirement as at 31 December 2019.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank:`

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRSs contained in the document entitled *"Annual Improvements to MFRS Standards 2018-2020"*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Bank plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2020 for those amendments, that are effective for annual periods beginning on or after 1 January 2020:
- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020: and,
- from the annual period beginning on 1 January 2022 for the amendment, that is effective for annual periods beginning on or after 1 January 2022.

The Group and the Bank do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Bank.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank.

(b) Basis of measurement

The financial statements of the Group and the Bank have been prepared on the historical cost basis, except as mentioned in the respective accounting policy notes.

The financial statements incorporate all activities relating to the Islamic Banking business which have been undertaken by the Group and the Bank. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Bank. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2(c)(vi) and 34.2 – Fair value of financial instruments
- Note 2(d)(i) – Impairment of financial assets
- Note 10 – Extensions options and incremental borrowing rates in relation to leases
- Note 11 – Deferred tax assets

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group and the Bank as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 36.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Bank also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Loss of control

Upon the loss of control of a subsidiary, the Bank derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Bank retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks and other financial institutions, and short-term deposits maturing within three months.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Under MFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt securities; FVOCI – equity investments; or fair value through profit or loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative assets. On initial recognition, the Group and the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Bank may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(a) Fair value through profit or loss (continued)

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Bank recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(vi) Determination of fair value

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Determination of fair value (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Determination of fair value (continued)

If prices and parameter inputs or assumptions are not observable, the appropriateness of fair value is subject to additional procedures to assess its reasonableness. Such procedures include performing revaluations using independently generated models, assessing the valuations against appropriate proxy instruments, performing sensitivity analysis and extrapolation techniques, and considering other benchmarks. Assessment is made as to whether the valuation techniques yield fair value estimates that are reflective of the way the market operates by calibrating the results of the valuation models. These procedures require the application of management judgement.

(vii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statements of financial position.

2. Significant accounting policies (continued)

(d) Impairment

i. Financial assets

The MFRS 9 'expected credit loss' model applies to all debt instruments that are measured at amortised cost or FVOCI, and to off-balance sheet credit exposures such as loan commitments and financial guarantees (hereafter collectively referred to as "Financial Assets").

Staged Approach to the Determination of Expected Credit Losses

MFRS 9 has a three stage approach to impairment for Financial Assets at the date of origination or purchase. This approach is summarised as follows:

- Stage 1: The Bank recognises a loss allowance at an amount equal to 12-month expected credit losses ("ECL"). This represents the portion of lifetime ECL from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

- Stage 2: The Bank recognises a loss allowance at an amount equal to lifetime ECL for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Asset. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

2. Significant accounting policies (continued)

(d) Impairment (continued)

i. Financial assets (continued)

- Stage 3: The Bank recognises a loss allowance at an amount equal to lifetime ECL, reflecting a Probability of Default (PD) of 100%, via the recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Group's definition of default is aligned with the regulatory definition.

Financial Assets that are credit-impaired upon initial recognition, if any, are categorised within Stage 3 with a carrying value already reflecting the lifetime ECL.

Significant Increase in Credit Risk

Under MFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs.

2. Significant accounting policies (continued)

(d) Impairment (continued)

i. Financial assets (continued)

Credit-impaired financial assets

The determination of whether a Financial Asset is credit impaired focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigants such as collateral or guarantees. Specifically, a Financial Asset is credit impaired and in Stage 3 when:

- The Bank considers the obligor is unlikely to pay its credit obligations to the Bank. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or

- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between 1) the contractual cash flows that are due to the Bank under the contract; and 2) the cash flows that the Bank expects to receive.

ii. Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

2. Significant accounting policies (continued)

(d) Impairment (continued)

ii. Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

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

2. Significant accounting policies (continued)

(e) Repurchase agreements

Reverse repurchase agreements are securities which the Bank commits to resell at future dates and are reflected as an asset.

Repurchase agreements are obligations which the Bank commits to repurchase at future dates and are reflected as a liability.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

(f) Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group or the Bank will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Renovations	5 – 10 years
Office equipment	4 – 10 years
Computer equipment and software	3 – 5 years
Furniture and fittings	5 – 10 years
Motor vehicles	4 – 5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

2. Significant accounting policies (continued)

(g) Leases

The Bank has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented in 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Bank is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Significant accounting policies (continued)

(g) Leases (continued)

(ii) Recognition and initial measurement

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank is reasonable certain not to terminate early.

2. Significant accounting policies (continued)

(g) Leases (continued)

(ii) Recognition and initial measurement (continued)

The Bank excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

2. Significant accounting policies (continued)

(g) Leases (continued)

(iii) Subsequent measurement (continued)

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

Previous financial year

Leases, where the Bank did not assume substantially all the risks and rewards of ownership were classified as operating lease and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line bases over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

2. Significant accounting policies (continued)

(h) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(i) Recognition of interest and financing income and expense

Interest and financing income and expense for all interest-bearing financial instruments are recognised in the statements of profit or loss and other comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank estimate cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Bank that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

(j) Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees are recognised as income based on time apportionment over the contractual period.

Dividends from securities are recognised when the right to receive payment is established.

2. Significant accounting policies (continued)

(k) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group and the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

(l) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as expense in the statements of profit or loss and other comprehensive income as incurred.

2. Significant accounting policies (continued)

(l) Employee benefits (continued)

(iii) Share-based compensation

The Group and the Bank participate in equity-settled and cash-settled share based compensation plan for the employees that is offered by the ultimate holding company, Deutsche Bank Aktiengesellschaft, a bank incorporated in Germany. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the profit of loss over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group and the Bank revise its estimates of the number of options that are expected to vest. The Group and the Bank recognise the impact of the revision of original estimates, if any, in the profit or loss.

(m) Earnings per ordinary share

The Group and the Bank present basic earnings per share ("EPS") data for their ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Bank by the weighted average number of ordinary shares outstanding during the year.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group or the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. Cash and cash equivalents

3.1 Cash and short-term funds

	Group and Bank	
	2019	2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	304,703	355,351
Money at call and deposit placements maturing within one month	3,444,847	1,438,210
	3,749,550	1,793,561

3.2 Deposits and placements with banks and other financial institutions

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed bank	-	374,990
Other financial institutions	199,993	-
	199,993	374,990

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3. Cash and cash equivalent (continued)

The following table shows reconciliations from the opening to the closing balance of the loss allowance for cash and cash equivalents.

Group and Bank	2019 12-month ECL	2019 Lifetime ECL not credit – impaired	2019 Lifetime ECL credit - impaired	2019 Total	2018 12-month ECL	2018 Lifetime ECL not credit – impaired	2018 Lifetime ECL credit - impaired	2018 Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents								
Balance at 1 January	219	-	-	219	7	-	-	7
Net remeasurement of loss allowance	(107)	-	-	(107)	204	-	-	204
New financial assets originated or purchased	19	-	-	19	15	-	-	15
Financial assets that have been derecognised	(15)	-	-	(15)	(7)	-	-	(7)
Balance at 31 December	116	-	-	116	219	-	-	219

4. Financial securities

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Debt securities at FVTPL		
Malaysian Government Securities	485,124	2,151,445
Malaysian Investment Issue	301,966	252,469
Cagamas bonds	235,062	200,000
Negotiable Instruments of Deposits	150,009	400,000
Treasury Bills	-	24,568
Corporate bonds	-	5,005
	1,172,161	3,033,487
Debt securities at FVOCI		
Malaysian Government Securities	222,902	272,281
Malaysian Investment Issue	70,710	-
Negotiable Instruments of Deposits	-	100,000
	293,612	372,281
Equity investments at FVOCI		
Unquoted shares in Malaysia	1,591	1,591
	1,467,364	3,407,359

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4. Financial securities (continued)

The following table show reconciliations from the opening to the closing balance of the loss allowance for debt securities at FVOCI.

Group and Bank	2019 12-month ECL RM'000	2019 Lifetime ECL not credit-impaired RM'000	2019 Lifetime ECL credit - impaired RM'000	2019 Total RM'000	2018 12-month ECL RM'000	2018 Lifetime ECL not credit – impaired RM'000	2018 Lifetime ECL credit - impaired RM'000	2018 Total RM'000
Debt securities at FVOCI								
Balance at 1 January	207	-	-	207	2	-	-	2
New financial assets originated or purchased	158	-	-	158	207	-	-	207
Financial assets that have been derecognised	(207)	-	-	(207)	(2)	-	-	(2)
Balance at 31 December	158	-	-	158	207	-	-	207

5. Loans, advances and financing

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
At amortised cost		
Overdrafts	63,513	176,310
Term loans - housing loans	8,323	10,131
- other term loans	727,285	313,954
Bills receivable	127,861	386,579
Trust receipts	171,530	44,009
Claims on customers under acceptance credits	1,905,015	1,365,775
Staff loans	52	887
	3,003,579	2,297,645
Unearned interest	(21,383)	(14,949)
Gross loans, advances and financing	2,982,196	2,282,696
Allowance for impaired loans and financing		
- Expected credit losses	(7,213)	(7,351)
Net loans, advances and financing	2,974,983	2,275,345

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5. Loans, advances and financing (continued)

The following table shows reconciliations from the opening to the closing balance of the loss allowance for loans, advances and financing.

	2019				2018			
Group and Bank	12-month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total	12-month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing at amortised cost*								
Balance at 1 January	5,146	623	1,582	7,351	4,652	357	675	5,684
Transfer to 12-month ECL	247	(18)	(229)	-	131	-	(131)	-
Transfer to lifetime ECL not credit-impaired	(2)	2	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	(613)	-	613	-	(493)	-	493	-
Net remeasurement of loss allowance	(864)	305	(19)	(578)	527	405	545	1,477
New financial assets originated or purchased	1,084	444	-	1,528	1,164	158	-	1,322
Financial assets that have been derecognised	(925)	(163)	-	(1,088)	(835)	(297)	-	(1,132)
Balance at 31 December	4,073	1,193	1,947	7,213	5,146	623	1,582	7,351

* The loss allowance in this table includes ECL on loan commitment and financial guarantees.

5. Loans, advances and financing (continued)

5.1 The maturity structure of gross loans, advances and financing are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Maturing within one year	2,804,093	2,109,664
More than one year to three years	170,659	163,682
More than three years to five years	1,266	1,401
Over five years	6,178	7,949
	2,982,196	2,282,696

5.2 Gross loans, advances and financing analysed by type of customer are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Domestic non-bank financial institutions	410,306	463,061
Domestic business enterprises	2,361,447	1,348,391
Individuals	8,375	11,018
Government and statutory bodies	74,240	73,836
Foreign entities	127,828	386,390
	2,982,196	2,282,696

5. Loans, advances and financing (continued)

5.3 Gross loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Fixed rate		
- Other fixed rate loans/financing	9,837	13,651
Variable rate		
- Base lending rate plus	225,194	110,976
- Cost plus	2,735,059	2,156,691
- Other variable rates	12,106	1,378
	2,982,196	2,282,696

5.4 Gross loans, advances and financing analysed by their economic sectors are as follows:

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Mining and Quarrying	150,215	150,235
Manufacturing	460,813	241,598
Construction	203,901	150,416
Wholesale & retail trade and restaurants & hotels	326,070	264,299
Transport, storage and communication	1,080,433	410,549
Finance, insurance and business services	678,147	980,745
Education, health and others	74,240	73,836
Household	8,375	11,018
Others	2	-
	2,982,196	2,282,696

5. Loans, advances and financing (continued)

5.5 Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Malaysia	2,854,368	1,896,306
China	751	4,740
India	118,661	288,405
Turkey	1,763	62,759
Others	6,653	30,486
	2,982,196	2,282,696

5.6 Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 January	2,965	2,032
Classified as impaired during the year	2,070	1,437
Reclassified as non-impaired during the year	(648)	(303)
Amounts recovered	(861)	(201)
At 31 December	3,526	2,965
Gross impaired loans as a percentage of gross loans, advances and financing	0.12%	0.13%

5. Loans, advances and financing (continued)

5.6 Movements in impaired loans, advances and financing are as follows: (continued)

5.6.1 Impaired loans, advances and financing analysed by economic sector and geographical distribution are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Household (Malaysia)	3,526	2,965

6. Other assets

	Group and Bank	
	2019	2018
	RM'000	RM'000
Interest/Income receivable	14,658	28,851
Margin placed with exchange	1,611	6,620
Derivative assets (Note 34.3)	884,393	890,488
Other debtors, deposits and prepayments	339,848	357,680
	1,240,510	1,283,639

7. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amount of which is determined as a set percentage of total eligible liabilities.

8. Investments in subsidiary companies

	Bank	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	20	20

8. Investments in subsidiary companies (continued)

Details of the subsidiaries which are incorporated in Malaysia are as follows:

Name	Principal activities	Effective ownership interest 2019	Effective ownership interest 2018
DB (Malaysia) Nominee (Tempatan) Sendirian Berhad	Nominee services	100%	100%
DB (Malaysia) Nominee (Asing) Sdn. Bhd.	Nominee services	100%	100%

All income and expenditure in respect of the subsidiary companies operations are taken up by the Bank.

The subsidiary companies are audited by KPMG PLT.

9. Property and equipment

Group and Bank	Renovations RM'000	Office equipment RM'000	Computer equipment and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January 2018	11,294	5,303	18,195	3,817	547	39,156
Additions	-	14	1,805	5	-	1,824
At 31 December 2018/ 1 January 2019	11,294	5,317	20,000	3,822	547	40,980
Additions	-	426	269	14	-	709
At 31 December 2019	11,294	5,743	20,269	3,836	547	41,689
Accumulated depreciation						
At 1 January 2018	11,249	5,036	15,085	3,587	109	35,066
Charge for the year	35	69	2,712	61	110	2,987
At 31 December 2018/ 1 January 2019	11,284	5,105	17,797	3,648	219	38,053
Charge for the year	3	76	851	59	109	1,098
At 31 December 2019	11,287	5,181	18,648	3,707	328	39,151
Carrying amounts						
At 1 January 2018	45	267	3,110	230	438	4,090
At 31 December 2018/ 1 January 2019	10	212	2,203	174	328	2,927
At 31 December 2019	7	562	1,621	129	219	2,538

10. Right-of-use assets

Group and Bank	Buildings RM'000
At 1 January 2019	4,015
Depreciation	(1,876)
At 31 December 2019	2,139

The Bank leases its building and store for 3 years.

Lease of the office building contains extension options exercisable by the Bank up to six years before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank has assessed and concluded that it is reasonably certain not to exercise the extension options.

Significant judgements and assumptions in relation to leases

The Bank assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Bank considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Bank also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Bank first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

11. Deferred tax assets

The recognised net deferred tax assets are attributable to the following:

	Group and Bank	
	2019 RM'000	2018 RM'000
Property and equipment - capital allowances	(36)	(63)
Others	29,733	35,418
	29,697	35,355

The movements in net deferred tax assets during the financial year are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 January	35,355	27,299
Adjustment on initial application of MFRS 9	-	(14)
Recognised in profit or loss (Note 27)	(5,407)	8,080
Recognised in other comprehensive income	(251)	(10)
At 31 December	29,697	35,355

12. Deposits from customers

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Demand deposits	5,000,687	3,885,051	5,000,707	3,885,071
Savings deposits	102	303	102	303
Fixed deposits	123,389	59,913	123,389	59,913
Other deposits	207,595	281,573	207,595	281,573
	5,331,773	4,226,840	5,331,793	4,226,860

12.1 The maturity structure of fixed deposits and other deposits are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Due within six months	188,142	185,534
More than six months to one year	1,470	31,212
More than five years	141,372	124,740
	330,984	341,486

12.2 The deposits are sourced from the following types of customers:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Business enterprises	4,742,810	3,600,871	4,742,830	3,600,891
Individuals	405	594	405	594
Foreign customers	123,658	76,942	123,658	76,942
Others	464,900	548,433	464,900	548,433
	5,331,773	4,226,840	5,331,793	4,226,860

13. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2019 RM'000	2018 RM'000
Other financial institutions	1,249,128	1,514,300

14. Lease liabilities

	Group and Bank 2019 RM'000
Leases as lessee (MFRS 16)	
Lease liabilities are payable as follows:	
Within 12 months	1,815
After next 12 months	342
	2,157

Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	Group and Bank 2019 RM'000
At 1 January 2019	4,015
Interest expense in lease liabilities	129
Net change from financing cash flows	(1,987)
At 31 December 2019	2,157

15 Other liabilities

	Group and Bank	
	2019 RM'000	2018 RM'000
Interest payable	2,587	2,148
Bills payable	23,561	42,640
Derivative liabilities (Note 34.3)	858,058	854,986
Employee benefits	22,023	18,903
Other liabilities	699,827	821,527
	1,606,056	1,740,204

16. Share capital

	Group and Bank			
	Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
Ordinary shares:				
Issued and fully paid	173,599	531,362	173,599	531,362

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

17. Reserves

	Group and Bank	
	2019 RM'000	2018 RM'000
Non-distributable:		
Regulatory reserve	45,000	40,000
Fair value reserve	872	77
	45,872	40,077
Distributable:		
Retained earnings	1,318,139	1,301,982
	1,364,011	1,342,059

The regulatory reserve is maintained to comply with Bank Negara Malaysia's Guidelines on Financial Reporting dated 27 September 2019 which requires the Bank to maintain in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1.0% of all credit exposures, net of loss allowance for credit impaired exposures.

During the current financial year, the Group and the Bank have transferred RM5,000,000 (2018: RM26,442,000) from their retained earnings to regulatory reserve in order to comply with the abovementioned requirement.

18. Interest income

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Loans, advances and financing	123,064	106,910
Money at call and deposit placements with financial institutions	84,815	99,521
Reverse repurchase agreements	3,538	3,718
Financial securities	91,526	100,049
Other interest income	139	49
	303,082	310,247

19. Interest expense

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Deposits and placements of banks and other financial institutions	37,220	32,973
Repurchase agreement	21	1
Deposits from customers	59,075	57,863
Other interest expense	721	17
	97,037	90,854

20. Non-interest income

	Group and Bank	
	2019	2018
	RM'000	RM'000
Fee income:		
Commissions	7,905	10,180
Service charges and fees	31,057	29,987
Guarantee fees	4,049	4,425
	43,011	44,592
Fee expense:		
Commissions	(5,834)	(5,001)
Service charges and fees	(14,801)	(11,812)
	(20,635)	(16,813)
Net fee income	22,376	27,779
Net gains from financial instruments:		
Net gain arising on financial securities:		
Realised gain	55,043	24,282
Unrealised gain	384	206
Net (loss)/gain arising on trading derivatives:		
Realised loss	(24,530)	(19,985)
Unrealised (loss)/gain	(11,339)	307,089
Foreign exchange gain/(loss)	192,620	(146,823)
Gross dividend income	568	88
Other income:		
Other operating income, net	18,285	19,248
	231,031	184,105
	253,407	211,884

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21. Other operating expenses

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Personnel costs		
- Salaries, allowances and bonuses	46,150	47,275
- Contributions to Employees' Provident Fund	7,207	7,776
- Others	5,679	13,837
Establishment costs		
- Rental	353	2,379
- Depreciation - property and equipment	1,098	2,987
- Depreciation - right-of-use assets	1,876	-
- Others	5,095	5,664
Marketing expenses	2,079	1,826
Administration and general expenses		
- Intercompany charges (Note 25)	81,840	74,393
- Communication	1,494	2,197
- Auditors' remuneration		
- statutory audit fee	141	141
- other services	93	93
- Professional fees	2,999	744
- Others	7,223	9,241
	163,327	168,553

The number of employees of the Group and the Bank at the end of the year was 198 (2018: 208).

22. Allowance written back / (made) for impairment

	Group and Bank	
	2019	2018
	RM'000	RM'000
Expected credit losses		
- loans, advances and financing	138	(1,667)
- cash and cash equivalents	103	(212)
- debt securities at FVOCI	49	(205)
	290	(2,084)

23. Related parties

Identity of related parties

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

The Group has related party relationship with its holding company, other related companies, Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 26.

23. Related parties (continued)

Other significant related party transactions and balances of the Group and the Bank are as follows:

2019	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	649	-	2,850
Fee income	12,260	-	819
Other operating income	9,489	-	8,796
	22,398	-	12,465
Expenditure			
Interest on deposits	25,248	-	10
Fee expenses	408	-	13,662
Other operating expenses	78,630	-	4,037
	104,286	-	17,709
Amount due from			
Cash and short-term funds	401,058	-	7,088
Other assets			
- Others	79,058	-	5,716
- Derivatives	153,108	-	34,285
	633,224	-	47,089

23. Related parties (continued)

2019	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due to			
Deposits and placements of banks and other financial institutions	626,645	20	54,378
Other liabilities			
- Others	46,839	-	4,893
- Derivatives	183,871	-	4,872
- Interest payable	1,252	-	8
	858,607	20	64,151

2018	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	1,811	-	2,095
Fee income	10,659	-	1,298
Other operating income	10,214	-	9,042
	22,684	-	12,435
Expenditure			
Interest on deposits	18,497	-	169
Fee expenses	354	-	10,754
Other operating expenses	70,790	-	4,398
	89,641	-	15,321

23. Related parties (continued)

2018	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due from			
Cash and short-term funds	198,091	-	101,098
Other assets			
- Others	47,259	-	3,996
- Derivatives	134,889	-	22,575
	380,239	-	127,669
Amount due to			
Deposits and placements of banks and other financial institutions	767,396	20	21,160
Other liabilities			
- Others	103,605	-	8,685
- Derivatives	197,302	-	3,151
- Interest payable	764	-	8
	1,069,067	20	33,004

24. Credit transactions and exposures with connected parties

	Group and Bank	
	2019 RM'000	2018 RM'000
Outstanding credit exposures with connected parties	247,393	419,077
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	10,025,703	8,373,088
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	2.47%	5.01%
- as a proportion of capital base	13.23%	22.73%
- which is non-performing	0%	0%

The above disclosure is presented in accordance with the requirements of Paragraph 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and corporate bonds issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

25. Intercompany charges

Below disclosure on intercompany charges is presented in accordance with the requirements of Paragraph 11.4(u) of Bank Negara Malaysia's Guidelines on Financial Reporting.

25.1 Intercompany charges analysed by type of services received are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Asia Pacific Head Office (Singapore) Charges	14,716	16,243
Global Overheads	10,171	7,285
Divisional Functions Transfer Pricing	2,933	4,062
Global Transaction Banking Charges - Deutsche Bank AG, Singapore	8,599	11,393
Group Technology & Operations Charges	33,463	32,130
Others	11,958	3,280
	81,840	74,393

25.2 Intercompany charges analysed by geographical distribution are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Singapore	45,513	49,082
United Kingdom	18,529	11,452
Germany	7,468	7,554
United States of America	5,940	4,313
Philippines	2,084	1,423
Others	2,306	569
	81,840	74,393

26. Key management personnel compensation

The key management personnel compensation are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Executive Directors		
Dato' Yusof Annuar bin Yaacob (Chief Executive Officer)		
- Salary and other remuneration	2,382	2,408
- Bonuses	622	808
- Benefits-in-kind	40	39
Seamus Toal		
- Salary and other remuneration	-	-
- Bonuses	-	-
- Benefits-in-kind	-	-
Non-Executive Directors		
Fees		
- Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	280	280
- Mr Steven Choy Khai Choon	150	150
- Madam Koid Swee Lian	150	150
Other remuneration		
- Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	48	54
- Mr Steven Choy Khai Choon	47	54
- Madam Koid Swee Lian	45	51
	3,764	3,994

26. Key management personnel compensation (continued)

The key management personnel compensation are as follows: (continued)

	Group and Bank	
	2019	2018
	RM'000	RM'000
Other key management personnel		
- Short-term employee benefits	10,131	14,083
- Share-based payments	549	291
	10,680	14,374

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

27. Tax expense

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Current tax expense		
Current year	73,500	69,412
(Over)/Under provision in prior year	(1,788)	1,870
	71,712	71,282
Deferred tax expense		
Origination and reversal of temporary differences	4,994	(3,677)
Under/(Over) provision in prior year	413	(4,403)
	5,407	(8,080)
	77,119	63,202

Reconciliation of tax expense

	2019 RM'000	2018 RM'000
Profit before tax	299,174	264,100
Tax at Malaysian tax rate of 24%	71,802	63,384
Non-deductible expenses	6,692	2,351
	78,494	65,735
Over provision in prior year	(1,375)	(2,533)
	77,119	63,202
Tax recognised directly in equity:		
Fair value reserve (Note 11)	251	10

28. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Profits attributable to ordinary shareholders	222,055	200,898
Weighted average number of ordinary shares - Issued ordinary shares during the year	173,599	173,599

	Group and Bank	
	2019 (sen)	2018 (sen)
Basic earnings per share	127.9	115.7

Diluted earnings per share

The Group and the Bank have no dilution in their earnings per ordinary share in the current financial year as the Group and the Bank do not have dilutive instruments.

29. Dividends

Dividends recognised by the Bank:

		Group and Bank	
2019	Sen per share	Total amount RM'000	Date of Payment
Final 2018 ordinary	115.7	200,898	18 July 2019
2018			
Final 2017 ordinary	89.3	155,000	11 July 2018

After the end of the reporting period, the Directors recommended final dividend of 127.9 per ordinary share totalling RM222,055,000 in respect of the financial year ended 31 December 2019. This dividend will be recognised in the subsequent financial year upon approval by the shareholders of the Bank.

30. Capital adequacy

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Components of Tier 1 and Tier 2 capital are as follows:		
Tier 1 capital		
Paid-up share capital	531,362	531,362
Other disclosed reserves	338	36
Retained profits	1,318,139	1,301,982
Less: Deferred tax assets	(29,697)	(35,355)
Total common equity tier 1/Total tier 1 capital	1,820,142	1,798,025
Tier 2 capital		
Expected credit losses ("ECL")*	5,266	5,769
Regulatory reserve	45,000	40,000
Total capital base	1,870,408	1,843,794
Common equity tier 1/Tier 1 capital ratio	19.423%	19.186%
Total capital ratio	19.959%	19.674%

* Refers to ECL for Stage 1 and Stage 2

30. Capital adequacy (continued)

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II – Risk-Weighted Assets) reissued on 2 February 2018. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") are 4.5% for CET1 Capital Ratio, 6.0% for Tier 1 Capital Ratio and 8.0% for Total Capital Ratio.

The capital conservation buffer required to be maintained in the form of CET1 Capital above the minimum regulatory capital adequacy ratios requirement is at 2.5%.

The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposure in Malaysia yet but may be applied by regulators in the future.

The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

RISK TYPE		Risk-Weighted Assets	
		2019 RM'000	2018 RM'000
1	Credit risk	5,399,155	4,945,990
2	Market risk	3,132,398	3,645,457
3	Operational risk	839,613	780,229
Total		9,371,166	9,371,676

31. Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows:

2019 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-
Transaction related contingent items	519,514	259,757	246,797
Short-term self liquidating trade related contingencies	75,372	15,074	13,516
Foreign exchange related contracts			
One year or less	13,110,350	282,876	235,748
Over one year to five years	1,705,634	159,315	159,315
Over five years	310,475	31,048	15,524
Interest/profit rate related contracts			
One year or less	230,127	835	579
Over one year to five years	270,000	6,497	2,948
Over five years	27,063	1,894	1,894
Equity related contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
Credit derivatives contract			
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	69,441,961	1,290,467	352,371
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	378,985	189,492	189,492
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,894,240	578,848	578,848
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	88,963,721	2,816,103	1,797,032

31. Commitments and contingencies (continued)

The off-balance sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows (continued):

2018 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-
Transaction related contingent items	599,291	299,646	285,918
Short-term self liquidating trade related contingencies	185,199	37,040	34,438
Foreign exchange related contracts			
One year or less	12,088,276	279,886	221,626
Over one year to five years	1,918,247	148,283	148,283
Over five years	350,131	38,118	21,042
Interest/profit rate related contracts			
One year or less	868,592	201,431	200,199
Over one year to five years	584,874	10,363	7,337
Over five years	27,063	2,165	433
Equity related contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
Credit derivatives contract			
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	77,054,912	1,600,811	351,278
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	743,120	371,560	371,560
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,966,641	593,328	591,131
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	97,386,346	3,582,631	2,233,245

32. Capital management

The wide variety of the Group's businesses requires the Group to identify, measure, aggregate and allocate capital among the businesses appropriately. The Group manages capital through a framework of principles, organisational structures as well as measurement and monitoring processes that are closely aligned with the activities of group divisions. While the Group capital management continuously evolves and improves, there can be no assurance that all market developments, in particular those of extreme nature, can be fully anticipated at all times.

The Group manages capital in a coordinated manner at all relevant levels within the organisation. This also holds true for complex products which the Group typically manages within the framework established for trading exposures. The structure of capital function is closely aligned with the structure of group divisions.

The Bank's regulatory capital is determined under Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework. The Bank's capital ratios complied with the minimum requirements set under this guideline. Information on the Group's and the Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of capital base are disclosed in Note 30.

33. Risk management

The Deutsche Bank Group ("DB Group") has extensive risk management procedures and policies in place. The identification, monitoring and management of all risks within the DB Group are integrated into the DB Group-wide risk management processes in order to optimise the risk mitigating effort. Risk management procedures and policies are the responsibility of the DB Group Risk Committee and encompass all types of risk which includes market risk, credit risk and liquidity risk, as well as non-financial risks (including operational risk), and reputational risks. These risk areas are actively managed by dedicated divisions such as the Market & Valuation Risk Management Division, Credit Risk Management Division, Liquidity Risk Management Division and Non-Financial Risk Management Division.

33. Risk management (continued)

Treasury is responsible for overall liquidity management of the Bank including managing day-to-day liquidity risk positions and ensuring they remain in line with the tolerance/risk appetite applied by Liquidity Risk Management Division. The Board regularly reviews reports from the respective regional divisions and is made aware of the risk exposure of the Bank and its ongoing management at each board meeting.

Risk management

The Group and the Bank has exposure to the following risks from its use of financial instruments:

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

Credit risk

Credit risk is the risk of any transactions giving rise to actual, contingent or potential claims against any counterparty, obligor or borrower, where the Group and the Bank bears the risk of loss if the counterparty, obligor or borrower defaults.

Risk management objectives, policies and processes for managing the risk

Policies for managing credit risk are determined by the DB Group Risk Committee, which also delegates credit authorities to independent Risk Officers. Divisional credit portfolio guidelines, credit strategies for the major industries, and product specific policies are the principal instruments to determine the Bank's risk appetite, as well as the framework for the measurement and management of credit risk. Approval of credit limits and management of exposure takes place within the framework of portfolio guidelines and credit strategies.

33. Risk management (continued)

Credit risk (continued)

Exposure to credit risk, credit quality and collateral

Principal exposures to credit risk in this regard are primarily represented by the carrying amounts of financial instruments and loans, advances and financing portfolios in the statements of financial position. The credit exposures arising from off-balance sheet activities have been disclosed in Note 31 to the financial statements.

(a) Credit quality of gross loans, advances and financing

	Group and Bank	
	2019 RM'000	2018 RM'000
Stage 1 : 12-month ECL	2,954,432	2,219,391
Stage 2 : Lifetime ECL not credit-impaired	24,238	60,340
Stage 3 : Lifetime ECL credit-impaired	3,526	2,965
Total	2,982,196	2,282,696

ECL Stage determination

(i) Stage 2: Lifetime ECL not credit-impaired

At initial recognition, loans which are not purchase or originated credit impaired ("POCI") are reflected in Stage 1. If there is a significant increase in credit risk the loans are transferred to Stage 2. Significant increase in credit risk is determined by using rating related and process related indicators as discussed below:

Rating-related indicators:

Based on dynamic change in counterparty probability of default ("PD") that is linked to all transactions with the counterparty, the lifetime PD at reporting date are compared to the expectations at the date of initial recognition. The loans would be considered as significant deteriorated if for the remaining lifetime of the PD of a transaction given current expectations exceeds the PD of the relevant threshold rating.

33. Risk management (continued)

Credit risk (continued)

(a) Credit quality of gross loans, advances and financing (continued)

ECL Stage determination (continued)

(i) Stage 2: Lifetime ECL not credit-impaired (continued)

Process-related indicators:

Process-related indicators are derived using existing risk management indicators, which allow the Bank to identify whether the credit risk of the loans has significantly increased. Such indicators but not limited to:

a) Obligors being added mandatorily to a credit watch list;
b) Obligors being mandatorily transferred to workout status;
c) Payments being 30 days or more overdue; or
d) In forbearance

On an ongoing basis, as long as the condition for one or more of the indicators is fulfilled and the loan is not recognised as defaulted, the loan will remain in Stage 2. If none of the indicator conditions is any longer fulfilled and the loan is not defaulted, the loan is transferred back to Stage 1. In case of default, the loan is allocated to Stage 3.

(ii) Stage 3: Lifetime ECL credit-impaired

Stage 3 is based on the status of the obligor being in default. Loans are deemed credit impaired and in Stage 3 when:

- The Bank considers the obligor is unlikely to pay its credit obligations to the Bank. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

33. Risk management (continued)

Credit risk (continued)

(b) Fair value of collateral held against loans, advances and financing to customers and banks

The Group and the Bank hold collateral against loans, advances and financing to customers in the form of mortgage interests over property and guarantees.

Fair value of housing loans collaterals are assessed on yearly basis based on independent valuation.

The fair value of property collateral held against outstanding loans, advances and financing to customers is as per below.

	Group and Bank	
	2019 RM'000	2018 RM'000
Against stage 1 : 12-month ECL	14,499	17,328
Against stage 2 : Lifetime ECL not credit-impaired	8,445	13,217
Against stage 3 : Lifetime ECL credit-impaired	13,039	10,149
	35,893	40,694

33. Risk management (continued)

Credit risk (continued)

(c) Credit quality of financial instruments

Set out below is the credit quality of assets analysed by external rating of the counterparties.

Group and Bank	Debt securities at FVTPL RM'000	Debt securities at FVOCI RM'000	Equity investments at FVOCI RM'000
2019			
Domestic Rating			
AAA+ to AA-	385,071	-	100
A+ to A-	787,090	293,612	-
Unrated	-	-	1,491
	1,172,161	293,612	1,591

33. Risk management (continued)

Credit risk (continued)

(c) Credit quality of financial instruments (continued)

Set out below is the credit quality of assets analysed by external rating of the counterparties. (continued)

Group and Bank	Debt securities at FVTPL RM'000	Debt securities at FVOCI RM'000	Equity investments at FVOCI RM'000
2018			
Domestic Rating			
AAA+ to AA-	600,000	100,000	100
A+ to A-	2,428,482	272,281	-
Unrated	5,005	-	1,491
	3,033,487	372,281	1,591

(d) Fair value of collateral held against derivative assets

The Group and the Bank hold collateral against derivative assets to banks and financial institutions counterparties in the form of cash of RM420,477,482 (2018: RM488,630,338) as at the reporting date.

Market risk

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

33. Risk management (continued)

Market risk (continued)

Risk management objectives, policies and processes for managing the risk

Deutsche Bank Group entities, including the Group and the Bank, use a combination of risk sensitivities, Value-at-Risk ("VaR"), sensitivities and stress testing metrics to manage market risks and establish limits. Steered by the DB Group Risk Committee, the Market & Valuation Risk Management team (MVRM), which is part of the DB Group's independent risk management function, is responsible for managing the market risk of the Bank. Limits, set commensurate to the risk appetite in terms of VaR, are communicated to the appropriate personnel along with the limit structure for each business division. The majority of the interest rate risk arising from non-trading asset and liability positions is transferred through internal hedges to Treasury and is thus managed on the basis of Banking Book Value-at-Risk.

A summary of the VaR position of the Bank's portfolios is as follows:

Group and Bank	At 31 December RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
2019				
Interest Rate Risk:				
Market Risk	3,069	2,744	5,298	1,257
Specific Risk	8	16	86	2
Foreign Exchange Risk	4,186	2,224	6,666	132
Commodity Risk	-	526	2,036	-
Equity Risk	-	151	919	-
Total VaR	5,062	3,771	7,344	1,529

33. Risk management (continued)

Market risk (continued)

Risk management objectives, policies and processes for managing the risk (continued)

A summary of the VaR position of the Bank's portfolios is as follows (continued):

Group and Bank	At 31 December RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
2018				
Interest Rate Risk:				
Market Risk	2,641	2,492	4,054	1,294
Specific Risk	53	23	109	1
Foreign Exchange Risk	4,676	2,279	5,632	350
Commodity Risk	1,274	906	4,470	145
Equity Risk	650	783	3,337	183
Total VaR	5,431	3,932	6,818	1,496

33. Risk management (continued)

Market risk (continued)

Value-at-Risk ("VaR")

VaR is a quantitative measure of the potential loss due to market movements, that will not be exceeded in a defined period of time, and with a defined confidence level.

The Bank adopts the DB Group's internal VaR model, which is based on Monte Carlo Simulation technique. VaR is calculated using a 99% confidence level and a one day holding period. One year of historical market data is used as input to calculate VaR. Risks not in value-at-risk are monitored and assessed on a regular basis through our Risk Not In VaR ("RNIV") framework.

Stressed Value-at-Risk ("SVaR") calculates a VaR based on a historical one year period of significant market stress.

DB Group's internal VaR model:

	VaR	SVaR
Methodology	Monte Carlo Simulation	Monte Carlo Simulation
Holding Period	1-day	1-day
Confidence Level	99%	99%
Trade Window	Most recent one year period	One year period of significant market stress (high levels of volatility in the top value-at-risk contributors)

DB Group regularly reviews and validates its VaR model.

33. Risk management (continued)

Market risk (continued)

Value-at-Risk ("VaR") (continued)

Value-at-risk model is subject to known limitations, including:

(a) The use of historical data may not be a good indicator of potential future events, particularly those that are extreme in nature. The "backward-looking" limitation can cause value-at-risk to understate or overstate risk.

(b) Assumptions concerning the distribution of changes in risk factors, and the correlation between the different risk factors, may not hold true, particularly during market events that are extreme in nature. While the Group believes the assumptions are reasonable, there is no standard value-at-risk methodology to follow. Different assumptions may produce different results.

(c) The one day holding period does not fully capture the market risk arising during periods of illiquidity, when positions cannot be closed out or hedged within one day.

(d) Value-at-risk does not indicate the potential loss beyond the 99th quantile.

(e) Intra-day risk is not captured.

33. Risk management (continued)

Liquidity risk

Liquidity risk is the risk to a bank's earnings and capital arising from the inability to timely meet obligations when they come due without incurring unacceptable losses.

Risk management objectives, policies and processes for managing the risk

The objective of the Liquidity Management ("LM") function is to ensure that the Bank can fulfill its payment obligations at all times at reasonable cost, without affecting daily operations of the Bank. All relevant and significant drivers of liquidity risk, on-balance sheet as well as off-balance sheet, are taken into account. Prices of all asset and liability types reflect their liquidity risk characteristics and the Bank's cost of funding. Liquidity Risk Management is a governance function which does not report to any business division and which adheres to the rules and regulations issued by BNM, in addition to the Basel Committee on Banking Supervision Principles for Sound Liquidity Risk Management and Supervision, the German Minimum Requirements for Risk Management ("MaRisk") as well as the upcoming regulatory requirements on liquidity risk under Basel III and Capital Requirements Regulation ("CRR").

Liquidity risk is managed through the Asset and Liability Committee ("ALCO"). This committee, chaired by the Treasurer, is responsible for both statutory and prudential liquidity management of the Bank including the approval of liquidity risk limits which are in line with the tolerance/risk appetite applied by Liquidity Risk Management ("LRM"). Decisions made by the ALCO for the Bank are submitted to the Board Risk Management Committee and Board of Directors for notification and for approval where necessary.

Liquidity risk is monitored through local liquidity regulations issued by Bank Negara Malaysia, such as Liquidity Coverage Ratio and the internal liquidity risk management policy. A prudent liquidity risk model is based on two main liquidity risk models such as stress testing and funding matrix. The Bank's stress testing methodology adequately reflects the Bank's business-specific risks and complexity embedded in its business model. Stress testing is monitored on a daily basis, reported to the ALCO at its regular meetings.

33. Risk management (continued)

Liquidity risk (continued)

(a) Maturity analysis of financial assets and financial liabilities based on remaining contractual maturity

The following tables present the maturity analysis for financial assets and financial liabilities as at 31 December 2019 and 31 December 2018:

Group 2019	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Cash and short-term funds	3,749,550	-	-	-	3,749,550
Deposits and placements with banks and other financial institutions	199,993	-	-	-	199,993
Reverse repurchase agreements	152,909	-	-	247,398	400,307
Financial securities	90,008	309,095	114,738	953,523	1,467,364
Loans, advances and financing	857,199	892,863	584,243	640,678	2,974,983
Derivative assets	59,483	173,588	101,493	549,829	884,393
Other assets	240,123	849	231	28,923	270,126
Statutory deposit with Bank Negara Malaysia	10,000	-	-	-	10,000
Total assets	5,359,265	1,376,395	800,705	2,420,351	9,956,716

33. Risk management (continued)

Liquidity risk (continued)

(a) Maturity analysis of financial assets and financial liabilities based on remaining contractual maturity (continued)

Group 2019	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Deposits from customers	5,167,581	21,350	1,470	141,372	5,331,773
Deposits and placements of banks and other financial institutions	1,043,684	205,444	-	-	1,249,128
Derivative liabilities	279,008	41,500	25,438	512,112	858,058
Other liabilities	518,531	55	8	-	518,594
Total liabilities	7,008,804	268,349	26,916	653,484	7,957,553

33. Risk management (continued)

Liquidity risk (continued)

(a) Maturity analysis of financial assets and financial liabilities based on remaining contractual maturity (continued)

Group 2018	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Cash and short-term funds	1,793,561	-	-	-	1,793,561
Deposits and placements with banks and other financial institutions	374,990	-	-	-	374,990
Reverse repurchase agreements	146,401	-	-	-	146,401
Financial securities	24,568	918,650	803,693	1,660,448	3,407,359
Loans, advances and financing	567,609	910,489	236,861	560,386	2,275,345
Derivative assets	81,852	140,231	105,632	562,773	890,488
Other assets	298,870	3,770	7,713	48,525	358,878
Statutory deposit with Bank Negara Malaysia	20,000	-	-	-	20,000
Total assets	3,307,851	1,973,140	1,153,899	2,832,132	9,267,022

33. Risk management (continued)

Liquidity risk (continued)

(a) Maturity analysis of financial assets and financial liabilities based on remaining contractual maturity (continued)

Group 2018	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Deposits from customers	4,096,132	5,037	931	124,740	4,226,840
Deposits and placements of banks and other financial institutions	1,514,300	-	-	-	1,514,300
Derivative liabilities	85,060	121,400	90,651	557,875	854,986
Other liabilities	645,534	88	32	-	645,654
Total liabilities	6,341,026	126,525	91,614	682,615	7,241,780

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 (2018: RM20,000) cash consolidated from the subsidiaries with remaining contractual maturity of up to 30 days.

33. Risk management (continued)

Liquidity risk (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities in the tables below will not agree to the carrying amounts reported in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Group 2019	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Deposits from customers	5,167,635	21,401	1,491	173,829	5,364,356
Deposits and placements of banks and other financial institutions	1,044,022	205,512	-	-	1,249,534
Derivative liabilities	286,726	73,823	58,389	388,346	807,284
Other liabilities	516,374	55	8	-	516,437
Total liabilities	7,014,757	300,791	59,888	562,175	7,937,611
Transaction related contingent items	25,925	134,352	173,466	185,771	519,514
Short-term self liquidating trade related contingencies	55,396	19,976	-	-	75,372
Total commitment and contingencies	81,321	154,328	173,466	185,771	594,886

33. Risk management (continued)

Liquidity risk (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

Group 2018	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Deposits from customers	4,096,133	5,037	931	206,897	4,308,998
Deposits and placements of banks and other financial institutions	1,514,809	-	-	-	1,514,809
Derivative liabilities	76,855	227,774	232,658	724,721	1,262,008
Other liabilities	645,534	88	32	-	645,654
Total liabilities	6,333,331	232,899	233,621	931,618	7,731,469
Transaction related contingent items	43,409	195,064	224,428	136,390	599,291
Short-term self liquidating trade related contingencies	44,923	140,276	-	-	185,199
Total commitment and contingencies	88,332	335,340	224,428	136,390	784,490

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 (2018: RM20,000) cash consolidated from the subsidiaries with remaining contractual maturity of up to 30 days.

Other commitments of RM3,273,225,000 (2018: RM3,709,761,000) consist of formal standby facilities and credit lines granted to customers by the Group and the Bank which remain undrawn as at the end of the reporting period, and are subject to drawdown on demand by customers.

33. Risk management (continued)

Operational Risk

Operational Risk Management Framework ("ORMF")

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes business and reputational risk. It forms a subset of the Bank's Non-Financial Risks, as does reputational Risk.

The governance of our operational risks follows the Bank's Three Lines of Defence ("3LoD") approach to manage all of its risks, financial and non-financial. The 3LoD approach aims to protect the Bank, its customers and shareholders against risk losses and resulting reputational damages. It seeks to ensure that all our operational risks are identified and covered, that accountabilities regarding the management of operational risks are clearly assigned and risks are taken on and managed in the best and long term interest of the Bank. The 3LoD approach and its underlying principles, i.e., the full accountability of the First Line of Defence ("1st LoD") to manage its own risks and the existence of an independent Second Line of Defence ("2nd LoD") to oversee and challenge risk taking and risk management within the Bank's defined risk appetite, apply to all levels of the Bank.

Deutsche Bank's Operational Risk appetite sets out the amount of Operational Risk we are willing to accept as a consequence of doing business. We take on operational risks consciously, both strategically as well as in day-to-day business. While the Bank may have no appetite for certain types of Operational Risk failures (such as serious violations of laws or regulations), in other cases a certain amount of Operational Risk must be accepted if the Bank is to achieve its business objectives. In case a residual risk is assessed to be outside our risk appetite, further risk reducing actions must be undertaken including further remediating risks, insuring risks or ceasing business.

Non-Financial Risk Management ("NFRM") is the Risk function for the Non-Financial Risk types of the Bank, including Operational Risk and owns the overarching ORMF.

33. Risk management (continued)

Operational Risk (continued)

Operational Risk Management Framework (continued)

The ORMF is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and remediate operational risks. Its components have been designed to operate together to provide a comprehensive approach to managing the Bank's most material operational risks. ORMF components include the setup of the 1st and 2nd LoD as well as roles and responsibilities for the Operational Risk management process and appropriate independent challenge, the Bank's approach to setting Operational Risk appetite and adhering to it, the Operational Risk type and control taxonomies, the minimum standards for Operational Risk management processes including tools, independent governance, and the Bank's Operational Risk capital model.

The Bank established and follows three OR governance standards including core roles and their respective mandates for the management of operational risks:

Operational risk governance standard I: NFRM owns the ORMF and determines the sufficient level of operational risk capital.

– As the 2nd LoD control function, NFRM defines the Bank's approach to operational risk appetite and monitors its adherence, breaches and consequences. It is the independent reviewer and challenger of the 1st LoD's risk and control assessments and risk management activities. NFRM provides the oversight of risk and control mitigation plans to return the Bank's operational risk to its risk appetite where required. It also establishes and regularly reports the Bank's operational risk profile and top risks.
– As the subject matter expert for operational risk, NFRM provides independent risk views to facilitate forward looking management of operational risks, actively engages with risk owners and facilitates the implementation of risk management and control standards across the Bank.
– NFRM is to ensure that sufficient capital is held to underpin the bank's operational risks. NFRM is accountable for the design, implementation and maintenance of the approach to determine the adequate level of capital required for operational risk for recommendation to the Management Board. This includes the calculation and allocation of operational risk capital demand and expected loss under the Advanced Measurement Approach ("AMA").

33. Risk management (continued)

Operational Risk (continued)

Operational Risk Management Framework (continued)

Operational risk governance standard II: Risk owners as the 1st LoD have full accountability for their operational risks and manage these against a defined risk specific appetite.

Risk owners are those roles in the Bank that generate risks, whether financial or non-financial. As heads of business divisions and infrastructure functions they must determine the appropriate organisational structure to identify their organisations' operational risk profile, implement risk management and control standards within their organisation, take business decisions on the mitigation or acceptance of operational risks within the risk appetite and establish and maintain primary controls.

Operational risk governance standard III: Risk Type Controllers ("RTCs") act as the 2nd LoD control functions for operational risks.

RTCs establish the framework and define risk appetite statements for the specific operational risk type they control. They monitor the risk type's profile against risk appetite and exercise a veto on risk appetite breaches. RTCs define the risk management and control standards and independently oversee and challenge risk owners' implementation of these standards as well as their risk-taking and management activities. RTCs establish independent operational risk governance and prepare aggregated risk type profile reporting. As risk type experts, RTCs define the risk type and its taxonomy and support and facilitate the implementation of risk management standards and processes in the 1st LoD. To maintain their independence, RTC roles are located only in infrastructure functions. Giving advice does not impact the independence of the RTCs.

34. Financial assets and liabilities

34.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL");
(b) Amortised cost ("AC"); and
(c) Fair value through other comprehensive income ("FVOCI")
  – Debt securities
  – Equity investments

Group 2019	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI-Debt securities RM'000	FVOCI-Equity investments RM'000
Financial assets					
Cash and short-term funds	3,749,550	3,749,550	-	-	-
Deposits and placements with banks and other financial institutions	199,993	199,993	-	-	-
Reverse repurchase agreements	400,307	-	400,307	-	-
Financial securities	1,467,364	-	1,172,161	293,612	1,591
Loans, advances and financing	2,974,983	2,974,983	-	-	-
Derivative assets (Note 34.3)	884,393	-	884,393	-	-
Statutory deposit with Bank Negara Malaysia	10,000	10,000	-	-	-
Other assets	270,126	270,126	-	-	-
	9,956,716	7,204,652	2,456,861	293,612	1,591
Financial liabilities					
Deposits from customers	5,331,773	5,331,773	-	-	-
Deposits and placements of banks and other financial institutions	1,249,128	1,249,128	-	-	-
Derivative liabilities (Note 34.3)	858,058	-	858,058	-	-
Other liabilities	518,594	518,594	-	-	-
	7,957,553	7,099,495	858,058	-	-

34. Financial assets and liabilities (continued)

34.1 Categories of financial instruments (continued)

Group 2018	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI-Debt securities RM'000	FVOCI-Equity investments RM'000
Financial assets					
Cash and short-term funds	1,793,561	1,793,561	-	-	-
Deposits and placements with banks and other financial institutions	374,990	374,990	-	-	-
Reverse repurchase agreements	146,401	-	146,401	-	-
Financial securities	3,407,359	-	3,033,487	372,281	1,591
Loans, advances and financing	2,275,345	2,275,345	-	-	-
Derivative assets (Note 34.3)	890,488	-	890,488	-	-
Statutory deposit with Bank Negara Malaysia	20,000	20,000	-	-	-
Other assets	358,878	358,878	-	-	-
	9,267,022	4,822,774	4,070,376	372,281	1,591
Financial liabilities					
Deposits from customers	4,226,840	4,226,840	-	-	-
Deposits and placements of banks and other financial institutions	1,514,300	1,514,300	-	-	-
Derivative liabilities (Note 34.3)	854,986	-	854,986	-	-
Other liabilities	645,654	645,654	-	-	-
	7,241,780	6,386,794	854,986	-	-

34. Financial assets and liabilities (continued)

34.1 Categories of financial instruments (continued)

The above disclosure is also applicable for the Bank level except that included in the deposits from customers is RM20,000 (2018: RM20,000) cash consolidated from the subsidiaries.

34.2 Determination of fair value and the fair value hierarchy

MFRS 13, *Fair Value Measurement* requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable as discussed in Note 2(c)(vi).

34. Financial assets and liabilities (continued)

34.2 Determination of fair value and the fair value hierarchy (continued)

34.2.1 Financial instruments carried at fair value

The following table shows the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2019			
Financial assets			
Reverse repurchase agreements	-	400,307	-
Financial securities	-	1,467,364	-
Derivative assets	-	852,142	32,251
	-	2,719,813	32,251
Financial liabilities			
Derivative liabilities	-	(854,331)	(3,727)
2018			
Financial assets			
Reverse repurchase agreements	-	146,401	-
Financial securities	-	3,407,359	-
Derivative assets	-	870,604	19,884
	-	4,424,364	19,884
Financial liabilities			
Derivative liabilities	-	(851,814)	(3,172)

34. Financial assets and liabilities (continued)

34.2 Determination of fair value and the fair value hierarchy (continued)

34.2.1 Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial assets		
Balance at 1 January	19,884	126,678
Total gain recognised in profit or loss:		
- *Settlements*	(18,632)	(1,154)
- *Attributable to gain/(losses) recognised relating to financial assets that have not been realised*	30,999	(105,640)
Balance at 31 December	32,251	19,884
Financial liabilities		
Balance at 1 January	(3,172)	(107,203)
Total gain recognised in profit or loss:		
- *Settlements*	1,503	104,701
- *Attributable to losses recognised relating to financial liabilities that have not been realised*	(2,058)	(670)
Balance at 31 December	(3,727)	(3,172)

The unrealised gains/(losses) have been recognised net within non-interest income in profit or loss as shown in Note 20.

34. Financial assets and liabilities (continued)

34.2 Determination of fair value and the fair value hierarchy (continued)

34.2.2 Financial instruments not carried at fair value

In respect of cash and short-term funds, other assets (excluding derivatives), statutory deposit with Bank Negara Malaysia, deposit with banks and other financial institutions, deposits and placements of banks and other financial institutions and other liabilities (excluding derivatives), the carrying amounts in the statements of financial position approximate their fair values due to the relatively short-term/on demand nature of these financial instruments.

The fair values of other financial assets/liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

Group	Carrying value RM'000	Fair value RM'000
2019		
Financial assets		
Loans, advances and financing	2,974,983	2,974,375
Financial liabilities		
Deposits from customers	5,331,773	5,335,701
2018		
Financial assets		
Loans, advances and financing	2,275,345	2,275,072
Financial liabilities		
Deposits from customers	4,226,840	4,240,832

34. Financial assets and liabilities (continued)

34.2 Determination of fair value and the fair value hierarchy (continued)

34.2.2 Financial instruments not carried at fair value (continued)

The disclosure is also applicable for the Bank level except that included in the deposits from customers is RM20,000 (2018: RM20,000) cash consolidated from the subsidiaries.

(a) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at reporting date offered for similar loans. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual assessment allowance for impaired debts and financing.

(b) Deposits from customers

The fair values for deposit liabilities payable on demand (demand and savings deposits) or with remaining maturities of less than one year are estimated to approximate their carrying values at reporting date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities.

The fair value of loans, advances and financing and deposits from customers shown above are classified under Level 3 within the fair value hierarchy disclosure in accordance to MFRS 7.

34. Financial assets and liabilities (continued)

34.3 Derivative financial instruments

The following table shows the notional and market values of the derivatives financial instruments as at 31 December 2019 and 31 December 2018:

		Group and Bank	
	Notional RM'000	Positive market value RM'000	Negative market value RM'000
2019			
Foreign exchange related contracts			
Forward exchange trades	36,651,394	223,823	(274,271)
Cross currency swaps	9,858,540	446,181	(398,581)
Foreign exchange options	991,637	10,169	(758)
Interest/Profit rate related contracts			
Swaption	245,119	13,499	-
Interest rate swap	37,348,920	190,721	(184,448)
	85,095,610	884,393	(858,058)
2018			
Foreign exchange related contracts			
Forward exchange trades	38,875,764	215,749	(195,726)
Cross currency swaps	9,519,734	548,296	(517,093)
Foreign exchange options	1,504,286	8,784	-
Interest/Profit rate related contracts			
Swaption	1,168,479	1,057	(1,503)
Interest rate swap	41,823,831	116,602	(140,664)
	92,892,094	890,488	(854,986)

34. Financial assets and liabilities (continued)

34.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank 2019	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Value of financial instruments subject to netting arrangement RM'000	Amount not offset in the statements of financial position: Collateral received/ pledged* RM'000	Net amount RM'000
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	680,173	-	680,173	(280,234)	(313,237)	86,702
- Interest/Profit rate related contracts	204,220	-	204,220	(120,311)	(114,122)	(30,213)
	884,393	-	884,393	(400,545)	(427,359)	56,489
Reverse repurchase agreements	400,307	-	400,307	-	(411,163)	(10,856)
	1,284,700	-	1,284,700	(400,545)	(838,522)	45,633

34. Financial assets and liabilities (continued)

34.4 Offsetting of financial assets and financial liabilities (continued)

Group and Bank 2019	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Value of financial instruments subject to netting arrangement RM'000	Amount not offset in the statements of financial position: Collateral received/ pledged* RM'000	Net amount RM'000
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	673,610	-	673,610	(280,234)	(144,494)	248,882
- Interest/Profit rate related contracts	184,448	-	184,448	(120,311)	(70,291)	(6,154)
	858,058	-	858,058	(400,545)	(214,785)	242,728

* Include securities accepted as collateral

34. Financial assets and liabilities (continued)

34.4 Offsetting of financial assets and financial liabilities (continued)

Group and Bank 2018	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Value of financial instruments subject to netting arrangement RM'000	Amount not offset in the statements of financial position: Collateral received/ pledged* RM'000	Net amount RM'000
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	772,829	-	772,829	(239,543)	(253,603)	279,683
- Interest/Profit rate related contracts	117,659	-	117,659	(66,143)	(11,197)	40,319
	890,488	-	890,488	(305,686)	(264,800)	320,002
Reverse repurchase agreements	146,401	-	146,401	-	(150,150)	(3,749)
	1,036,889	-	1,036,889	(305,686)	(414,950)	316,253

34. Financial assets and liabilities (continued)

34.4 Offsetting of financial assets and financial liabilities (continued)

Group and Bank 2018	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Value of financial instruments subject to netting arrangement RM'000	Amount not offset in the statements of financial position: Collateral received/ pledged* RM'000	Net amount RM'000
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	712,819	-	712,819	(239,543)	(97,968)	375,308
- Interest/Profit rate related contracts	142,167	-	142,167	(66,143)	(10,763)	65,261
	854,986	-	854,986	(305,686)	(108,731)	440,569

* Include securities accepted as collateral

34. Financial assets and liabilities (continued)

34.4 Offsetting of financial assets and financial liabilities (continued)

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and reverse repurchase agreements included in the amount not set-off in the statements of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

35. Equity compensation benefits

The Bank participates in the following share and options compensation plans operated by Deutsche Bank AG ("DB").

Share Plans

All awards represent a contingent right to receive DB common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award.

35. Equity compensation benefits (continued)

Deutsche Bank Share Scheme

Under the Deutsche Bank Share Scheme ("the Scheme"), selected employees are granted deferred share rights to receive DB shares at a specific future date. These may be granted as part of annual bonuses or as exceptional awards in the case of sign-ons, buy-outs or as retention incentives. The compensation expense is recognised on a straight line basis over the vesting period, which is generally three years for the annual awards.

DB Global Share Purchase Plan

The DB Group offers a broad-based employee share ownership plan entitled Global Share Purchase Plan ("GSPP"). The GSPP offers all active employees at participating Deutsche Bank entities the opportunity to purchase Deutsche Bank shares in monthly instalments over one year. At the end of the purchase cycle, the Bank matches the acquired stock in a ratio of one to one up to a maximum of ten free shares, provided that the employee remains at Deutsche Bank Group for another year. In total, about 11,180 staff from 18 countries enrolled in the eleventh cycles that began in November 2019.

DB Equity Plan

The DB Group made grants of share-based compensation under the DB Equity Plan. This plan represents a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends during the vesting period of the award.

The share awards granted under the terms and conditions of DB Equity Plan may be forfeited fully or partly if the recipient voluntarily terminates employment before the end of the relevant vesting period. Vesting usually continues after termination of employment in cases such as redundancy or retirement.

35. Equity compensation benefits (continued)

DB Equity Plan (continued)

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan was used for granting awards.

During the year, RM5,402,039 (2018: RM3,326,080) of expense was recognised in profit or loss.

Movements in the number of deferred share rights held by employees are as follows:

Group and Bank	2019 Number of deferred share rights	2018 Number of deferred share rights
Outstanding at 1 January	100,669	78,775
Granted during the year	75,195	32,656
Vested to employees during the year	(21,019)	(10,762)
Forfeited /lapsed during the year	(3,723)	-
Outstanding at 31 December	151,122	100,669

	2019 €'000	2018 €'000
Grant value of share awards outstanding at 31 December	1,431	1,191
Grant value of share awards issued to the Scheme in the year	533	433
Grant value of share awards vested to employees in the year	288	237

36. Changes in significant accounting policies

During the year, the Group and the Bank adopted MFRS 16, *Leases.*

Definition of a lease

On transition to MFRS 16, the Group and the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117, *Leases* and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Bank is a lessee, the Group and the Bank has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented in 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4.14%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount if any prepaid or accrued lease payment.

36. Changes in significant accounting policies (continued)

As a lessee (continued)

The Group and the Bank used the practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on financial statements

Since the Bank applied the requirements of MFRS 16 with the modified retrospective approach, the comparative information presented in 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018 as disclosed in the financial statements	5,110
Discounted using the incremental borrowing rate at 1 January 2019	4,015
Lease liabilities recognised at 1 January 2019	4,015

37. The operations of Islamic Banking

Statement of financial position as at 31 December 2019

Assets	Note	2019 RM'000	2018 RM'000
Cash and short-term funds	(a)	56,000	94,593
Financial securities	(b)	20,010	-
Other assets		66	8
Total assets		76,076	94,601
Liabilities and Islamic Banking funds			
Deposits from customers	(c)	35,196	54,449
Other liabilities	(d)	5,192	3,711
Tax payable		613	798
Total liabilities		41,001	58,958
Capital funds		25,000	25,000
Retained earnings		10,075	10,643
Islamic Banking funds		35,075	35,643
Total liabilities and Islamic Banking funds		76,076	94,601
Commitments and contingencies		-	-

37. The operations of Islamic Banking (continued)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	2019 RM'000	2018 RM'000
Income derived from investment of Islamic funds	2,759	3,460
Total net income	2,759	3,460
Other operating expenses	(194)	(135)
Operating profit	2,565	3,325
Allowance made for impairment	(12)	-
Profit before tax	2,553	3,325
Taxation	(613)	(798)
Profit for the year	1,940	2,527
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss		
Movement in fair value reserve (debt securities):		
Net change in fair value	13	-
Net amount transferred to profit or loss	12	-
Income tax effect relating to component of other comprehensive income	(6)	-
Other comprehensive income for the year	19	-
Total comprehensive income for the year	1,959	2,527

The notes on pages 130 to 132 are an integral part of these financial statements.

37. The operations of Islamic Banking (continued)

Statement of changes in Islamic Banking funds for the year ended 31 December 2019

	Capital funds RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2018	25,000	-	8,116	33,116
Profit and total comprehensive income for the year	-	-	2,527	2,527
At 31 December 2018/1 January 2019	25,000	-	10,643	35,643
Profit for the year	-		1,940	1,940
Other comprehensive income for the year	-	19	-	19
Total comprehensive income for the year	-	19	1,940	1,959
Dividend paid	-	-	(2,527)	(2,527)
At 31 December 2019	25,000	19	10,056	35,075

The Bank transferred RM25,000,000 paid-up capital funds to the Islamic Banking window on 20 April 2009.

37. The operations of Islamic Banking (continued)

Statement of cash flows
for the year ended 31 December 2019

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before tax	2,553	3,325
Operating profit before working capital changes	2,553	3,325
(Increase)/Decrease in operating assets	(20,049)	20
Decrease in operating liabilities	(17,772)	(21,859)
Cash used in operations	(35,268)	(18,514)
Income taxes paid	(798)	(2,579)
Net cash used in operations	(36,066)	(21,093)
Cash flows from financing activity		
Dividends paid	(2,527)	-
Net cash used in financing activity	(2,527)	-
Net decrease in cash and cash equivalents	(38,593)	(21,093)
Cash and cash equivalents at 1 January	94,593	115,686
Cash and cash equivalents at 31 December (Note 37(a))	56,000	94,593

37. The operations of Islamic Banking (continued)

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 (Now repealed and replaced by the Financial Services Act, 2013).

Shariah Committee

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.

During the financial year ended 31 December 2019, a total of 4 meetings were held. The Shariah Committee comprises the following members and the details of attendance of each member was as follows:

Members	Number of Shariah meetings attended
Dr Sheikh Hussein Hamed Sayed Hassan	4/4
Dr Muhammad Qaseem	4/4
Dr Mohd Hilmi bin Ramli	4/4

Basis of measurement

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Group and of the Bank as disclosed in Notes 1 and 2 to the financial statements of the Group and of the Bank and have been prepared on the historical cost basis, except as mentioned in the respective accounting policy notes.

37. The operations of Islamic Banking (continued)

(a) Cash and short-term funds

	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	56,000	94,593

(b) Financial securities

	2019 RM'000	2018 RM'000
Debt securities at FVOCI		
Malaysian Investment Issue	20,010	-

(c) Deposits from customers

	2019 RM'000	2018 RM'000
Non-Mudharabah		
Demand deposits	35,196	54,449

(d) Other liabilities

	2019 RM'000	2018 RM'000
Bills payable	12	12
Other liabilities	5,180	3,699
	5,192	3,711

(e) Capital adequacy

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

37. The operations of Islamic Banking (continued)

(e) Capital adequacy (continued)

Components of Tier I and Tier II capital:

	2019 RM'000	2018 RM'000
Tier 1 capital		
Capital funds	25,000	25,000
Other disclosed reserves	9	-
Retained earnings	10,056	10,643
Total common equity tier 1/Total tier 1 capital	35,065	35,643
Total Tier 2 capital	-	-
Capital base	35,065	35,643
Common equity tier 1/Tier 1 capital ratio	618.362%	498.808%
Total capital ratio	618.362%	498.808%

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category is as follows:

Risk Type		Risk-Weighted Assets	
		2019 RM'000	2018 RM'000
1	Credit risk	-	938
2	Market risk	-	1,875
3	Operational risk	5,671	4,333
Total		5,671	7,146

38. Events after the reporting period

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The Covid-19 pandemic has resulted in disruptions to business and various macro-economic impacts.

The Bank considers that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of the financial statements are authorised for issuance, the Covid-19 situation is still evolving and unpredictable. As a result, it is not practicable for the Bank to estimate the financial effect of Covid-19 at this juncture. The Bank is actively monitoring and managing the Bank's operations to minimise any impacts that may arise from Covid-19.