

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

Financial statements for the year  
ended 31 December 2021



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# Deutsche Bank (Malaysia) Berhad

Company Registration No. 199401026871 (312552-W)

(Incorporated in Malaysia)

## and its subsidiaries

### Statement of Corporate Governance 2021

#### CEO's Statement

Despite the encouraging signs in the earlier part of 2021, the short-term growth outlook has weakened due to a myriad of factors. These include supply chain issues and soaring energy prices (especially in much of Europe), which have contributed to the boost in inflation. Additionally, the emergence of the Omicron strain of Covid-19 poses another risk for the global economy. The growth seen by the US earlier in the year is set to slow as the effects of stimulus starts to wear off. There has been a broadening of inflation, which will take a considerable amount of time to dissipate. As a result, there are expectations that the Fed will start hiking rates in 2022. In the Eurozone, the Omicron variant and supply shortages are creating temporary headwinds. However, excess savings, a resilient labour market and high vaccination rates are aiding in recovery.

On the local front, the expected growth of the economy in 2021 was curtailed by the introduction of stricter movement restrictions put in place during the beginning of the second half of the year. The resulting impact to economic activity has seen a contraction in most sectors, with a resulting decline in the economy. This was further compounded by the decline in domestic demand and investment activity. However, the Monetary Policy Committee ("MPC") assessed that the global economy remains on a recovery path, driven by further progress in vaccination coverage and further relaxation of containment measures.

Despite challenging domestic and external environment, the Bank remained resilient and recorded income before taxes of RM143.7 million and net profit of RM109.4 million for the financial year ended 31 December 2021. This translates to earnings per share of 63.0 sen in 2021.

The Bank reported return on equity of 7.6% whilst liquidity profile continues to be strong with total deposits at RM6.6 billion. The Bank's Internal Capital Adequacy Assessment ("ICAAP") and the capitalization level remains healthy and robust with overall and common equity tier 1 capital ratio reported at 24.43% and 23.76% respectively as at 31 December 2021.

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## CEO's Statement (continued)

### Notable deals and Awards

Below are the awards won by the Bank in the year 2021:

- Asiamoney's Top FX rankings;
- Asiamoney's FX market leader;
- The Asset Awards – Best Fund Administrator for Retail Funds;
- The Asset Awards – Best Domestic Custodian;
- The Asset Awards – Best client solutions – Best Payments & Collection Solution.

### Bank Ratings

In September 2021, RAM has reaffirmed the Bank's long and short term ratings of AA1 and P1 respectively, with a stable outlook.

### Business plan and strategy

We remain focused on building our franchise, with emphasis on tapping client flows in foreign exchange, fixed income, interest rate derivatives, credit derivatives, structured transactions, money markets, repo, capital market instruments, cash management, securities services, trade finance and Islamic banking. Our objectives remain as a client focussed organisation and building a global network of balanced businesses underpinned by strong capital and liquidity.

The Bank stands firmly committed to Corporate Responsibility ("CR"). Over the course of the year, we continued to work with the Deutsche Bank Asia Foundation ("DBAF") to support local projects relating to education, corporate volunteering, sustainability and community development. We regard these CR initiatives as investments in our own future.

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## CEO's Statement (continued)

### Outlook

Going into 2022, the growth momentum is expected to improve, supported by the expansion in global demand and higher private sector expenditure. The risks, similar to the previous year, includes a potential worsening in supply chain disruptions, as well as the emergence of new Covid-19 variants necessitating containment measures.

The Bank remains competitive with the solid frameworks around capital and liquidity management, risk controls and enhanced internal processes. We continue to be relentless in our commitment towards client centricity and in driving product innovation to deliver sustainable performance.

The Bank looks forward to contribute to the economic growth and wellbeing of the communities in which we operate and to create positive impact for our clients, investors, employees and society at large.

Dato' Yusof Annuar bin Yaacob  
Chief Executive Officer

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## Board of Directors

### Composition of the Board

As at 31 December 2021, the Board of the Bank comprised five Directors of which three were Independent Non-Executive Directors. The Board members were as follows:

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin  
Chairman - Independent Non-Executive Director

Dato' Yusof Annuar bin Yaacob  
Chief Executive Officer ("CEO") - Non-Independent Executive Director

Madam Koid Swee Lian  
Independent Non-Executive Director

Mr. Chong Kin Leong  
Independent Non-Executive Director

Mr. Seamus Toal  
Non-Independent Executive Director

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## Board of Directors (continued)

### Key information and background of Directors

#### Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin was appointed to the Board of the Bank on 28 April 2016 and succeeded the role as non-executive Chairman of the Bank on 1 January 2017.

Tunku Dato' Mahmood Fawzy received his Bachelor of Arts (Hons) Business Studies degree from the Polytechnic of Central London (now known as Westminster University), Masters in Business Administration from the University of Warwick and the Diploma in Marketing from the Chartered Institute of Marketing. Tunku Dato' Mahmood Fawzy is a Fellow of the Institute of Corporate Directors Malaysia, Member of the Australian Institute of Company Directors, Malaysian Institute of Management and Malaysian Institute of Corporate Governance.

Tunku Dato' Mahmood Fawzy draws on a wealth of governance, management and cross border experience in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services, across several international locations including the United Kingdom, New Zealand, South Africa and Malaysia.

Tunku Dato' Mahmood Fawzy was previously a board member of Malaysia Airports Holdings Berhad, Hong Leong Islamic Bank Berhad, Pos Malaysia Bhd, SapuraKencana Petroleum Bhd/ Kencana Petroleum Berhad, Ethos Capital One Sdn Berhad, The Federation of Investment Managers Malaysia, Energy Africa Limited, Engen Limited in South Africa, Telekom Malaysia Berhad and its subsidiaries Webe Digital Sdn Berhad and VADS Berhad, Hong Leong Assurance Berhad and Hong Leong MSIG Takaful Berhad.

Tunku Dato' Mahmood Fawzy currently sits on the board of Hong Leong Asset Management Berhad and AIA General Berhad.



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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Dato' Yusof Annuar bin Yaacob

Dato' Yusof Annuar bin Yaacob was appointed as Executive Director and Chief Executive Officer of the Bank on 20 February 2014. Dato' Yusof qualified from the Chartered Institute of Management Accountants.

Dato' Yusof has distinguished experience in the telecommunication industry and over 18 years of experiences in investment banking, financial management, accounting and corporate management of international firms.

Prior to joining the Bank, Dato' Yusof was the Managing Director and Chairman of the Investment Banking Division, Goldman Sachs Malaysia Sdn Bhd. Dato' Yusof held positions as Executive Director/Chief Financial Officer of Axiata Group Berhad and served as a Board Member of several public listed companies both local and international.

#### Madam Koid Swee Lian

Madam Koid Swee Lian was appointed to the Board of the Bank on 7 December 2016. Madam Koid was a scholar of Bank Negara Malaysia ("BNM") to read law in the Law Faculty of the University of Malaya. She graduated with a Bachelor of Laws Degree in 1981 and was admitted to the Malaysia Bar in 1983. Madam Koid has been with BNM for more than 32.5 years until her retirement and she has served in various capacities including as Board member and CEO of BNM's Credit Counselling and Debt Exposure Management Agency ("AKPK"). She was previously a board member of Hong Leong Capital Berhad.

Madam Koid was appointed by the Securities Commission Malaysia as a Public Interest Director on the Board of The Federation of Investment Managers Malaysia and chairs one of its Board Committees. Her directorships in other companies include HLA Holdings Sdn Bhd, Genting Berhad and Hong Leong Assurance Berhad.

She was appointed as an advisor for the Consumer Financial Education Initiative of the Financial Planning Association of Malaysia from 1 August 2015 to 30 June 2019. She entered into a Service Agreement with the ICLIF Leadership and Governance Centre ("ICLIF") as a coach and facilitator for ICLIF's Programmes from 27 October 2017 to 31 December 2019.

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Mr. Chong Kin Leong

Mr. Chong Kin Leong was appointed to the Board of the Bank on 22 November 2021. Mr. Chong graduated with a Bachelor of Accounting (Hons) from University of Malaya, he also is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr. Chong has more than 40 years of experience in all aspects of financial and business management in the corporate sector, financial institutions and auditing. He started work with Peat Marwick Mitchell & Co. (now known as KPMG) in 1981. He joined Sime Darby Berhad in 1985 where he held various roles in the corporate head office and subsidiaries involved in manufacturing and marketing and plantations. Thereafter, he joined Rashid Hussain Berhad in 1993 and was promoted to Finance Director in 1995. In May 2003, he joined Genting Berhad as Executive Vice President - Finance/ Chief Financial Officer until his retirement in December 2018.

Mr Chong currently sits on the board of AIA Public Takaful Bhd, AIA General Berhad, Press Metal Aluminium Holdings Berhad, Cagamas Holdings Berhad and The Community Chest.

#### Mr. Seamus Toal

Mr. Seamus Toal was appointed to the Board of the Bank on 27 July 2017. Mr. Toal is a graduate of the Columbia Senior Executive Program, a Fellow of the Institute of Bankers and Finance Singapore and Associate Member of the Association of Corporate Treasurers.

Mr. Toal started his career with National Westminster Bank in 1986 and moved on to various senior positions in Deutsche Bank Group across various regions. Mr. Toal has more than 30 years of experience in the banking industry. He is currently the Managing Director/ Chief Risk Officer Asia Pacific of Deutsche Bank Group with oversight across all risk categories, credit, market, liquidity, operational and information and resilience and responsible for implementation of risk strategies, vision, policies and direction.

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Role and Responsibilities of the Board

The Board's role is to effectively supervise the affairs of the Bank, to deliberate and approve significant policies and strategies that are proposed by management and to ensure its compliance with all regulatory and statutory obligations.

The Board reviews the Bank's business plans, strategies and financial performance periodically to ensure that it achieves its objectives and provides regular oversight of the Bank's business operations and performance. The Board also reviews and approves proposals to hire new key Senior Management officers, to ensure that the affairs of the Bank are administered by qualified and competent officers.

The roles of the Chairman and CEO are separate and distinct to ensure an appropriate balance of role, responsibility, authority and accountability. These two positions are held by different individuals and the division in the roles of the Chairman and the CEO is clearly defined in the terms of reference. The Independence Non-Executive Chairman assumes an important role in encouraging a healthy debate on critical issues and brings to the Board the required level of independence and professional skepticism.

#### Board Training

To keep abreast of current market developments, the Board is encouraged to attend public programmes, seminars, training or talks on areas related to their roles and responsibilities. Training programmes on specific subjects or areas can be requested and arranged internally.

Directors received training by attending external seminars, training sessions and talks and through reading materials. They had also attended talks, dialogues sessions and focus group sessions organised by FIDE Forum, an initiative of the alumni members of the Financial Institutions Directors' Education Programme, set out to enhance corporate governance practices in the boards of financial institutions and to develop world class directors who are advocates of best practices and excellence in corporate governance.

During the year, the Directors had attended the following training programmes, seminars and workshops:

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
2021 Amundi World Investment Forum - Alternative Roads: Mirage or Regime Shift?	<ul style="list-style-type: none"> <li>• Geopolitics – Is a new equilibrium swinging into place?</li> <li>• Macroeconomics – Massive spending: new rules?</li> <li>• Market Narratives – From storyline to bottom line</li> <li>• Inequalities – Tackling inequalities in the Covid era</li> <li>• Climate – Climate change: high pressure front</li> <li>• Democratisation of Finance – Technology and the democratisation of finance</li> </ul>
Joint Committee on Climate Change (JC3) Flagship Conference 2021: #FinanceForChange: Sustainability as a business strategy for financial institution	<ul style="list-style-type: none"> <li>• Panel session: The role of finance</li> <li>• Fireside chat: Sustainability as a strategy</li> <li>• Panel session: Sustainability principles and resources</li> </ul>
Anti-Money Laundering and Counter Financing of Terrorism (“AML-CFT”) Training for Directors	<ul style="list-style-type: none"> <li>• AML-CFT related matters</li> </ul>
Shariah Governance Training	<ul style="list-style-type: none"> <li>• Understanding Shariah risk and governance functions</li> </ul>
IFRS 17 Insurance Contracts Briefing	<ul style="list-style-type: none"> <li>• An overview of the Standard explaining the core concepts</li> </ul>
Environmental, Social & Governance (“ESG”) Briefing and Training	<ul style="list-style-type: none"> <li>• An overview of an ESG framework</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
FIDE-FORUM's Engagement Session on "Shaping the Future of FI Board Leadership"	<ul style="list-style-type: none"> <li>• Insights and views of the CEOs on the roles and responsibilities of the Board leaders of FIs in enhancing the Board Leadership Framework</li> </ul>
In-house Training : Deutsche Bank Connect2 Learn	<ul style="list-style-type: none"> <li>• Compliance – The Essentials of Managing our Conflicts of interest</li> <li>• Compliance – Personal Account Dealing – Refresher for APAC Origination &amp; Advisory</li> <li>• Compliance – FIC Supervision Training (Self-Enrolment)</li> <li>• Compliance – Code of Conduct</li> <li>• Compliance – Your Supervisory Duties as a Manager</li> <li>• Compliance – Tracker for Deal Logging, Conflict Clearing, and Insider Logging Training</li> <li>• Compliance – The Essentials of Market Participation and Banking Rules</li> <li>• Compliance – The Essentials of our Duties to Customers</li> <li>• Compliance - Lead by Example: The Do's and Don'ts of Effective Supervision</li> <li>• Anti-Financial Crime – Accountable Client Owner Training</li> <li>• Anti-Financial Crime – Global AML, Counter Terrorist and Proliferation Financing and Prevention of the Facilitation of Tax Evasion</li> <li>• Anti-Financial Crime – Anti-Fraud, Bribery and Corruption</li> <li>• Anti-Financial Crime – Sanctions Essentials</li> <li>• Business – O&amp;A – APAC Expert Series – Listing regime for SPACs</li> <li>• Suitability &amp; Appropriateness IB-FIC-O&amp;A Training</li> <li>• Human Resources – Speak up, Listen Up</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
	<ul style="list-style-type: none"> <li>• Understanding KYC Policy Waivers Training</li> <li>• Politically Exposed Persons</li> <li>• Event Driven Review</li> <li>• Client Exit</li> <li>• Guarantor</li> <li>• Legal – The Essentials of Data Protection &amp; Privacy and Records Management</li> <li>• Sanctions Risk Acceptance Process Training</li> <li>• Expected Nature and Purpose of Relationship and Account Activity Review – IB O&amp;A &amp; TCG</li> <li>• An introduction to Salesforce for KYC</li> <li>• Understanding Correspondent Relationships for CB/ FIC</li> <li>• Expected Nature and Purpose of Relationship and Account Activity Review for CB</li> <li>• Crisis Management Fundamentals Training – 2021</li> <li>• Chief Security Office – Global Information Security Awareness</li> <li>• Understanding Your Deferred Awards (2021 version)</li> <li>• Speak Up, Listen Up virtual handout</li> </ul>
Monetary Authority of Singapore's Guidelines on Individual Accountability & Conduct	<ul style="list-style-type: none"> <li>• An overview of the Guidelines and clarifications to the accountability and conduct required of employees of the bank</li> </ul>
Market Outlook 2021: Pathway to Recovery	<ul style="list-style-type: none"> <li>• House views on what investment opportunities will emerge post-pandemic</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
Investment Management Association of Singapore - Bloomberg Investment Conference 2021	<ul style="list-style-type: none"> <li>• The Future of Capital: There's opportunity in disruption</li> <li>• Coming of age of China's capital market</li> <li>• The decade of impact on Asia's ESG playbook</li> <li>• Alternative data sources in climate change and building the sustainable portfolio</li> <li>• How will digital assets &amp; blockchain reshape the investment industry?</li> <li>• Winning fintech ideas in asset management</li> </ul>
FIDE FORUM: Rethinking Our Approach to Cyber Defence in Financial Institutions ("FIs")	<ul style="list-style-type: none"> <li>• Key potential threats to FIs in 2021 and the future, especially in the ASEAN region</li> <li>• What must FIs do to better mitigate such threats</li> <li>• Key metrics FIs can use to better gauge their organisations' cyber defence preparedness</li> </ul>
BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know	<ul style="list-style-type: none"> <li>• Key attributes of the Standard and why they are important to insurers and takaful operators</li> <li>• Insights on the impact of the Standard on strategy, governance and operations of insurers and takaful operators</li> <li>• Potential issues/ problems that may arise during the planning and implementation stages of the Standard</li> <li>• Key milestones and progress that the Board should take note of for seamless transition from existing practice to the Standard's implementation in 2023</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
BNM-FIDE FORUM Dialogue: The Role of Independent Director in Embracing Present and Future Challenges	<ul style="list-style-type: none"> <li>Engagement with senior officials of BNM to discuss substantive matters that concern FIs' Boards with respect to current and future developments in the economy and financial services industry on the topic of training</li> </ul>
BNM-FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector	<ul style="list-style-type: none"> <li>Engagement with senior officials of BNM to discuss substantive matters that concern FIs' Boards with respect to current and future developments in the economy and financial services industry on the topic of training</li> </ul>
BNM-FIDE FORUM Dialogue on Risk Management in Technology ("RMiT"): Insights 1 year on	<ul style="list-style-type: none"> <li>Progress of the RMiT policy document implementation in the financial services industry</li> <li>Challenges faced by the industry</li> <li>Key focus areas moving forward</li> </ul>
BNM-FIDE FORUM on Sustainability	<ul style="list-style-type: none"> <li>Bursa's take on the level of sustainability management, especially in the areas of climate risk, among corporates in Malaysia today and the factors necessary for future success at the industry level. What are measures that Bursa will take to ensure the meeting of sustainability targets?</li> <li>Bursa's insights on the changes that should take place in corporates, and specifically in FIs, today in order to achieve sustainability goals</li> <li>Bursa's views on the role of the Board in leading the organisation to achieve sustainability goals and the types of competencies required at the Board level</li> </ul>



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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
BNM-FIDE FORUM: The 2050 Net Zero Carbon Emissions Target: Finance's Role	<ul style="list-style-type: none"> <li>• Major barrier to net zero finance lies in the structure of financial markets</li> <li>• Benchmarking is a way of discovering what is the best performance being achieved</li> <li>• Mapping the ongoing good practices and examples, enabling environment drivers as well as key institutions</li> <li>• Net zero finance poses opportunities and risks that Boards should be aware of and address</li> </ul>
FIDE FORUM's Board Effectiveness Evaluation Industry Briefing	<ul style="list-style-type: none"> <li>• Discussions on Board Effectiveness Evaluation framework that is customised and contextualised for the Board of FIs in Malaysia</li> </ul>
FIDE FORUM: Risk Management in Information Technology & Digital Transformation	<ul style="list-style-type: none"> <li>• Discussions on governance and strategy with regards to FIs' management of technology risk</li> </ul>
BNM-FIDE FORUM - Dialogue on Risk Based Capital Framework for Insurers and Takaful Operators	<ul style="list-style-type: none"> <li>• Discussions on Risk Based Capital Framework-related matters</li> </ul>
Dialogue with the Governor of BNM	<ul style="list-style-type: none"> <li>• Discussions on substantive matters that concern the Boards of FIs</li> </ul>
Audit Committee ("AC") Conference 2021: Agility, Empathy and Resilience: How the AC will Thrive in the New Normal	<ul style="list-style-type: none"> <li>• Strategies and best practices that ACs can use to pivot to a more effective approach for good governance</li> </ul>
MyCC & Competition Law – Past, Present & Future in Conjunction with MyCC's 10 years Anniversary	<ul style="list-style-type: none"> <li>• MyCC 10th Year Anniversary Celebration Launching of the 'New Face of MyCC'</li> <li>• MyCC in a Nutshell from the perspective of a competition expert</li> <li>• Roundtable Session: MyCC &amp; Competition Law, Past, Present &amp; Future</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
Research Advocacy on Launch of The Malaysia Board Diversity Study & Index	<ul style="list-style-type: none"> <li>• Key Dimensions of Malaysia Board Diversity Index: Gender, Age, Tenure, Board Independence</li> <li>• Cultural Diversity, International Expertise, Domain/ Functional Expertise &amp; Industry Expertise</li> </ul>
Implementing Amendments in the Malaysian Code on Corporate Governance ("MCCG")	<ul style="list-style-type: none"> <li>• Exposure to leading practices by companies that have adopted and disclosed meaningful governance practices</li> <li>• Provided with tools and sample policies to improve governance practices in their own companies so as to comply with the updated MCCG</li> </ul>
Section 17A Malaysian Anti-Corruption Commission Act 2009	<ul style="list-style-type: none"> <li>• Overview on Section 17A of the Act</li> <li>• Parallels with the UK offence and lessons learnt in the UK</li> </ul>
Board's Role on Cyber Risk Management & Governance	<ul style="list-style-type: none"> <li>• Latest updates on increasingly sophisticated and advanced cyber threats and risks to promote greater security and integrity that could help organisations to remain cyber resilient</li> <li>• Recognize emerging cyber risk exposure across business organisations</li> <li>• Identify cyber attack and its consequences to the organization</li> <li>• Describe cyber risk governance principles that are aligned to international standards</li> <li>• Discuss Board's role and responsibilities in line with emerging risk exposure</li> </ul>
ESG State of the Union	<ul style="list-style-type: none"> <li>• ESG Asset &amp; Wealth Management</li> <li>• Taking stock of the market place</li> <li>• Challenges for Sustainable Investing: Education, Guidance and Fast Changing Information</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
The New Reality of Cyber Hygiene	<ul style="list-style-type: none"> <li>• Organization's posture</li> <li>• Embedding cyber security into your business</li> <li>• Growing cyber security expertise</li> <li>• Develop a positive cyber security culture</li> <li>• Develop a baseline &amp; identify crown jewels</li> <li>• Understand cyber security threat</li> <li>• Cyber security management</li> <li>• Implement effective cyber security measurements</li> <li>• Collaborate with suppliers and partners</li> <li>• Planning response to cyber incidents</li> <li>• Board to ensure cyber hygiene practices are embedded and sustained to safeguard the organization against cyber-attack</li> </ul>
The Rise of 'Govcoins' & What's Next for Crypto	<ul style="list-style-type: none"> <li>• Explore government-backed digital currencies, the decentralization of finance and the future of cryptocurrencies</li> </ul>
Launch of the Capital Market Masterplan 3 (2021 to 2025) by the Securities Commission Malaysia	<ul style="list-style-type: none"> <li>• 3 Development thrusts: Catalysing Competitive Growth, Empowering Investors For A Better Future, and Shaping A Stakeholder Economy With Sustainable And Responsible Investment &amp; Islamic Capital Market</li> <li>• 3 Regulatory Thrusts: Embedding Shared Accountability, Prioritizing Efficiency &amp; Outcomes, and Embracing The Digital Age</li> </ul>
Audit Oversight Board Conversation with ACs	<ul style="list-style-type: none"> <li>• Good practices for ACs in supporting audit quality</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Seminars/ Workshops	Description of training
34th International Investment Funds Association Conference	<ul style="list-style-type: none"> <li>• Long-term implications of the Covid pandemic on international markets, investor behaviour, etc.</li> <li>• Promotion of ESG objectives through asset management</li> <li>• Global regulatory development: IOSCO Committee priorities &amp; areas of focus</li> <li>• Innovation in client service: explore impact of technology on the advisory relationship, etc.</li> </ul>
Federation of Investment Managers Malaysia Annual Conference: Scams on the rise – Protect your investments	<p>Moderator: Madam Koid Swee Lian on the following topics:</p> <ul style="list-style-type: none"> <li>• Learn about investment fraud</li> <li>• The various tactics being used in scams</li> <li>• How to protect your investment and where you should seek help and/or report misconducts</li> <li>•</li> </ul>
Briefing on ESG	<ul style="list-style-type: none"> <li>• Introduction to Sustainability and the necessity for good ESG disclosure</li> <li>• Managing ESG concerns from an investment holding perspective and the way forward for company</li> </ul>
2022 Budget Seminar and Briefing on Cost Optimisation and Robotic Process Automation (“RPA”)/Artificial Intelligence (“AI”)/ Tax Computation Automation (“TCA”) Walkthrough by Deloitte Tax Services Sdn Bhd	<ul style="list-style-type: none"> <li>• 2022 Budget: changes and updates</li> <li>• RPA, AI and TCA technologies to transform businesses</li> </ul>
AIA Internal Training - Fundamentals of Takaful	<ul style="list-style-type: none"> <li>• Understanding on the principles, concepts and underlying contracts applied in Takaful</li> </ul>
Intentional Integrity: How Smart Companies Can Lead an Ethical Revolution	<ul style="list-style-type: none"> <li>• Process for leaders to foster and manage a culture of integrity of work</li> </ul>

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Board Training (continued)

Training Programmes/ Workshops	Seminars/ Programmes	Description of training
Mandatory Accreditation Programme ("MAP") for Directors of Public Listed Companies		All modules under MAP covering areas such as latest corporate governance principles, fiduciary duties, sustainability agenda, stakeholder capitalism, reputation and crisis management

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Frequency and Conduct of Board Meetings

The Board meets on a regular basis to review the Bank's financial performance, risk positions and minutes of meetings of the Bank's various internal governance committees. Special Board meetings are convened for purposes such as to assess business proposals or address issues that require the immediate decision of the Board.

The agenda and board papers are furnished to Directors for their perusal in advance prior to the Board meeting to enable them to have sufficient time to review the agenda papers and provide informed views and comments during the deliberations at Board meetings. The relevant management staff are invited to the Board meetings to provide additional input and clarification to the issues or business proposals.

The attendance of each director at the Board meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	8/8 (100%)
Dato' Yusof Annuar bin Yaacob	8/8 (100%)
Madam Koid Swee Lian	8/8 (100%)
Mr. Seamus Toal	8/8 (100%)
Mr. Chong Kin Leong <sup>#</sup>	NA
Mr. Steven Choy Khai Choon <sup>*</sup>	3/3 (100%)

<sup>NA</sup> Not Applicable

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup> Retired on 28 June 2021

#### Directors' Independence

To ensure transparency in corporate governance as well as to promote independent oversight by the Board, the Bank has put in place its internal guidelines that the maximum tenure of a new Independent Director who is appointed from January 2017 onwards, shall be capped at 9 years, subject to the approval by the Board and BNM for such tenure to extend beyond 9 years whilst existing Independent Directors may continue to serve on the Board until the expiry of their terms as approved by BNM.

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## Board of Directors (continued)

### Key information and background of Directors (continued)

#### Directors' remuneration

RM'000

#### Non-Executive Directors

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	330
Madam Koid Swee Lian	199
Mr. Chong Kin Leong <sup>#</sup>	16
Mr. Steven Choy Khai Choon <sup>*</sup>	96

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup>Retired on 28 June 2021

#### Executive Director

Mr. Seamus Toal	-
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#### Executive Director (CEO)

	<u>Fixed remuneration</u>			<u>Variable remuneration</u>		
	Fixed Pay	Other	Benefits-in-kind	Non deferred	Deferred	
	RM'000	RM'000	RM'000	Cash RM'000	Cash RM'000	Shares RM'000
Dato' Yusof Annuar bin Yaacob	1,962	500	39	420	558	557

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## Board Committees

The following Board Committees assist the Board in the discharge of its role and responsibilities. The terms of reference and the composition of these Committees are set out below. In line with the requirements of BNM's Corporate Governance policy document, the Board Committees comprise three independent non-executive Directors and is chaired by an independent director. The Directors have the necessary skills, knowledge and experience relevant to the responsibilities of the Board Committee.

### (a) Nominating and Remuneration Committee

#### Membership and composition

In 2021, the Nominating and Remuneration Committee ("NRC") comprises the following Independent Non-Executive Directors of the Board:

Madam Koid Swee Lian<sup>@</sup> - Chairperson  
 Mr. Chong Kin Leong<sup>#</sup> - Vice Chairman  
 Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member  
 Mr. Steven Choy Khai Choon<sup>\*</sup> - Chairman

<sup>@</sup> Redesignated as Chairperson on 22 November 2021

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup> Retired on 28 June 2021

The NRC comprises three independent non-executive Directors. There were 5 meetings held by the NRC during the financial year.

#### Terms of Reference

Its responsibilities are as follows:

- To establish minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a director. The committee is also responsible for establishing minimum requirements for the CEO's post. The requirements and criteria must be approved by the full Board.
- To assess and recommend to the Board the nominees for directorship, Board committee membership as well as nominees for the CEO's post and Shariah Committee membership. This includes assessing directors, Shariah Committee members and CEO for appointment and re-appointment, before an application for approval is submitted to Bank Negara Malaysia. In considering the appointment of a CEO or nominees for directorship and Shariah Committee membership, the Board shall take into consideration the requirements of the regulator and the recommendation of the representatives of the Shareholder, whether at a regional or global level.



## Board Committees (continued)

### (a) Nominating and Remuneration Committee

#### Terms of Reference (continued)

- To oversee the overall composition of the Board, in terms of the appropriate size and skills and the balance between executive directors, non-executive directors and independent directors through annual review. Such composition of the Board shall always include two representatives of the Group's Regional Management.
- To recommend to the Board the removal of a director/CEO from the Board/ Management team if the director/CEO is found to be ineffective, errant and negligent in discharging their responsibilities.
- To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees, determine whether a director is independent and the performance of the CEO and other key Senior Management officers.
- To recommend the remuneration of the Shariah Committee members for the full board's approval and that the remuneration shall commensurate and reflect the roles and responsibilities of the Shariah Committee.
- To ensure that all directors receive an appropriate continuous training programme in order to keep abreast with latest developments in the industry;
- To oversee the appointment, management succession planning and performance evaluation of key Senior Management officers and Shariah Committee members.
- To recommend to the Board the removal of key Senior Management officers if they are ineffective, errant and negligent in discharging their responsibilities.
- To assess on an annual basis, that the directors and key Senior Management officers continue to be "Fit and Proper" persons and are not disqualified under sections 59 & 60 of the Financial Services Act 2013 ("FSA") and sections 69 & 70 of the Islamic Financial Services Act 2013 ("IFSA").

## Board Committees (continued)

### (a) Nominating and Remuneration Committee

#### Terms of Reference (continued)

- To recommend a framework of remuneration for directors, Shariah Committee members, CEO and Senior Management officers for the full Board's approval. The remuneration framework should support the Bank's risk culture, objectives and strategy and should reflect the responsibility and commitment, which goes with Board membership and responsibilities of the CEO and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain directors of calibre, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind.
- To review and recommend the preliminary performance of the Bank and provide feedback/ recommendations on the compensation level of the Bank to the Group's APAC Regional Office to ensure rewards are aligned with the Bank's performance and local industry benchmarks.
- To recommend specific remuneration packages for executive directors and the CEO. The remuneration package should be structured such that it is competitive and consistent with the Bank's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short term performance to avoid incentives for excessive risk taking. As for non-executive directors and independent directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. In addition, the remuneration of each board member may differ based on their level of expertise, knowledge and experience.
- To recommend the appointment, remuneration and termination of the Head of Compliance for the full Board's approval.
- Periodically review the remuneration of directors on the Board, particularly on whether remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

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## Board Committees (continued)

### (a) Nominating and Remuneration Committee

#### Frequency and Conduct of Meetings

Meeting shall be held at least once a year with a view to discussing the above issues or such other times as the NRC deems appropriate. The attendance of each director at NRC meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Madam Koid Swee Lian <sup>@</sup> - Chairperson	5/5 (100%)
Mr. Chong Kin Leong <sup>#</sup> - Vice Chairman	NA
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member	5/5 (100%)
Mr. Steven Choy Khai Choon <sup>*</sup> - Chairman	2/2 (100%)

<sup>NA</sup> Not Applicable

<sup>@</sup> Redesignated as Chairperson on 22 November 2021

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup> Retired on 28 June 2021

### (b) Audit and Examination Committee

#### Membership and composition

In 2021, the Audit and Examination Committee ("AEC") comprises the following Independent Non-Executive Directors of the Board:

Mr. Chong Kin Leong<sup>#</sup> - Chairman  
 Madam Koid Swee Lian - Vice Chairperson  
 Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member  
 Mr. Steven Choy Khai Choon<sup>\*</sup> - Chairman

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup> Retired on 28 June 2021

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## Board Committees (continued)

### (b) Audit and Examination Committee

#### Terms of Reference

Its responsibilities are as follows:

- To support the Board in ensuring there is a reliable and transparent financial reporting process.
- To oversee the effectiveness of the internal audit function.
- To foster a quality audit by exercising oversight over the external auditor, in accordance with the expectations set out in the policy document on External Auditor.
- Review and update the Board on all related party transactions.
- Review the accuracy and adequacy of the Chairman's statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- Monitor compliance with the Board's conflicts of interest policy.
- Review third-party opinions on the design and effectiveness of the Bank's internal control framework (where available).

#### Frequency and Conduct of Meetings

The AEC shall hold regular meeting, at least once every quarter and should report regularly to the Board. The attendance of each director at AEC meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Mr. Chong Kin Leong <sup>#</sup> - Chairman	NA
Madam Koid Swee Lian - Vice Chairperson	4/4 (100%)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member	4/4 (100%)
Mr. Steven Choy Khai Choon* - Chairman	2/2 (100%)

<sup>NA</sup> Not Applicable

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup>Retired on 28 June 2021

## Board Committees (continued)

### (c) Board Risk Management Committee

#### Membership and composition

In 2021, the Board Risk Management Committee (“BRMC”) comprises the following Independent Non-Executive Directors of the Board:

Madam Koid Swee Lian - Chairperson  
 Mr. Chong Kin Leong<sup>#</sup> - Vice Chairman  
 Tunku Dato’ Mahmood Fawzy bin Tunku Muhiyiddin - Member  
 Mr. Steven Choy Khai Choon\* - Vice Chairman

<sup>#</sup> Appointed on 22 November 2021

\*Retired on 28 June 2021

#### Terms of Reference

Its responsibilities are as follows:

- To review and recommend the overall risk management strategies, policies and risk appetite framework for Board’s approval.
- To review and assess adequacy of risk management policies and frameworks including but not limited to technology-related matters, in identifying, measuring, monitoring and controlling risk and the extent to which these policies are operating effectively.
- To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the licensed institution’s risk taking activities.
- To review management’s periodic reports on market risk exposure, specific risk portfolio composition and risk management activities is supported by overall adequacy of capital and liquidity buffers of the Bank.
- To review minutes of Management Committee (“MANCO”), Operations Committee (“OPCO”) and Asset and Liability Committee (“ALCO”) meetings to be made aware of the business activities of the Bank and that the organisation units are operating within the parameters of the Bank’s risk appetite framework for specific types of risks.
- To review Malaysia Risk Council (“MYRC”) Minutes and credit and new product/product variation recommendations including compliance with legal and regulatory requirements.
- Review minutes of Shariah Committee meetings to be made aware of the Islamic Banking business operations and provide oversight on the overall compliance with Shariah.
- To ensure Senior Management monitors and control the Bank’s risk and is consistent with approved strategies and policies as approved by the Board.
- To provide oversight and advice to the Board on the current market risk exposures of the Bank and future risk strategy.

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## Board Committees (continued)

### (c) Board Risk Management Committee (continued)

- To review information on the key exposures and the associated risk tolerance of the Bank and provide high level information on the scope and outcome of any stress-testing programme to the Board.
- In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the NRC.

#### Frequency and Conduct of Meetings

The BRMC shall hold regular meeting, at least once every quarter and should report regularly to the Board. The attendance of each director at BRMC meetings during the financial year is set out below:-

Name of Directors	Attendance at Meetings
Madam Koid Swee Lian - Chairperson	4/4 (100%)
Mr. Chong Kin Leong <sup>#</sup> - Vice Chairman	NA
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin - Member	4/4 (100%)
Mr. Steven Choy Khai Choon* - Vice Chairman	2/2 (100%)

<sup>NA</sup> Not Applicable

<sup>#</sup> Appointed on 22 November 2021

<sup>\*</sup>Retired on 28 June 2021

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## Internal Audit and Internal Control Activities

The Bank has a local Group Audit function led by the Chief Internal Auditor – Malaysia. The local audit team in the Bank represents Group Audit in Malaysia and is also supported by resources from the Group Audit Asia Pacific regional team in Singapore.

Chief Internal Auditor – Malaysia has a functional reporting line to the Bank’s Audit and Examination Committee and the Group Audit Country Head - Malaysia and Thailand. Group Audit provides updates on the Audit plan to the Audit and Examination Committee on a quarterly basis. Audits are primarily coordinated by the Chief Internal Auditor – Malaysia with oversight from the Group Audit Country Head - Malaysia and Thailand. Additional ‘subject matter expertise’ is also provided by Principal Audit Managers mainly based in Singapore, across business functions and products as required.

Group Audit provides a risk-based approach to examine, evaluate and report objectively on the adequacy of both the design and operating effectiveness of the systems of internal control and the effectiveness of risk management and governance processes. The Audit and Examination Committee reviews the Bank audit plan, progress and reports issued.

## Remuneration

Deutsche Bank Group is a truly global organisation with compensation principles and policies established at a global level. Compensation plays an integral role in the successful delivery of our strategic objectives. Attracting, developing and retaining talent on a global basis is central to our compensation strategy. The cornerstone of this is the concept of pay for performance, within a sound risk management and governance framework, and with due consideration of market factors and societal values.

It is the full intention of the Bank to ensure that the Compensation Policy is applicable on a global basis in order to foster a fair and transparent approach to compensation across all jurisdictions. Notwithstanding this, the Bank is mindful that the specific nature of local operations should be considered and respected when making decisions and the input of local management sought to ensure this. In view of this and in accordance with Bank Negara Malaysia’s Guidelines on Corporate Governance for Licensed Institutions, the Bank’s NRC is in place to ensure corporate governance and oversight by the Board.

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## Remuneration (continued)

### Compensation of the Employees

The content of the 2021 Employee Compensation Report is based on the qualitative and quantitative remuneration disclosure requirements outlined in Article 450 No. 1 (a) to (j) Capital Requirements Regulation ("CRR") in conjunction with Section 16 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung – InstVV) issued by German authority.

This Compensation Report takes a group-wide view and covers all consolidated entities of the Deutsche Bank Group. In accordance with regulatory requirements, equivalent reports for 2021 are prepared for the following Significant Institutions within Deutsche Bank Group: BHW Bausparkasse AG, Germany; Deutsche Bank Luxembourg S.A., Luxembourg; Deutsche Bank S.p.A., Italy; Deutsche Bank Mutui S.p.A., Italy and Deutsche Bank S.A.E., Spain.

### Regulatory Environment

Ensuring compliance with regulatory requirements is an overarching consideration in our Group Compensation Strategy. Deutsche Bank Group strive to be at the forefront of implementing regulatory requirements with respect to compensation and will continue to work closely with our prudential supervisor, the European Central Bank ("ECB"), to be in compliance with all existing and new requirements.

As an EU-headquartered institution, Deutsche Bank Group is subject to the Capital Requirements Regulation / Directive ("CRR / CRD") globally, as transposed into German national law in the German Banking Act and InstVV. Deutsche Bank Group have already comprehensively adopted the rules in its current version, InstVV 4.0 effective September 25, 2021, for all of Deutsche Bank subsidiaries and branches world-wide to the extent required in accordance with Section 27 InstVV. As a Significant Institution within the meaning of InstVV, Deutsche Bank Group identifies all employees whose work is deemed to have a material impact on the overall risk profile (Material Risk Takers or MRTs) in accordance with the updated criteria stipulated in the German Banking Act and in the Commission Delegated Regulation 2021/923. MRTs are, as in the past years, identified at a Group level and at the level of Significant Institutions. Moreover, as per the requirements which came into force in 2021 and in accordance with the German Banking Act, Deutsche Bank Group also identifies MRTs for all CRR institutions at a solo level.

Taking into account more specific sectorial legislation and in accordance with InstVV, some of Deutsche Bank's subsidiaries (in particular within the DWS Group) fall under the local transpositions of the Alternative Investments Fund Managers Directive ("AIFMD") or the Undertakings for Collective Investments in Transferable Securities Directive ("UCITS"). Deutsche Bank Group also identify MRTs in these subsidiaries. Identified employees are subject to the remuneration provisions outlined in the Guidelines on sound remuneration policies under AIFMD/UCITS published by the European Securities and Markets Authority ("ESMA").



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## Remuneration (continued)

## Regulatory Environment (continued)

Deutsche Bank Group takes into account the regulations targeted at employees who engage directly or indirectly with the bank's clients, for instance as per the local transpositions of the Markets in Financial Instruments Directive II – MiFID II. Accordingly, we have implemented specific provisions for employees deemed to be Relevant Persons to ensure that they act in the best interest of our clients.

Where applicable, Deutsche Bank Group is also subject to specific rules and regulations implemented by local regulators. Many of these requirements are aligned with the InstVV. However, where variations are apparent, proactive and open discussions with regulators have enabled us to follow the local regulations whilst ensuring that any impacted employees or locations remain within the bank's overall Group Compensation Framework. This includes, for example, the identification of Covered Employees in the United States under the requirements of the Federal Reserve Board. In any case, Deutsche Bank Group apply the InstVV requirements as minimum standards globally.

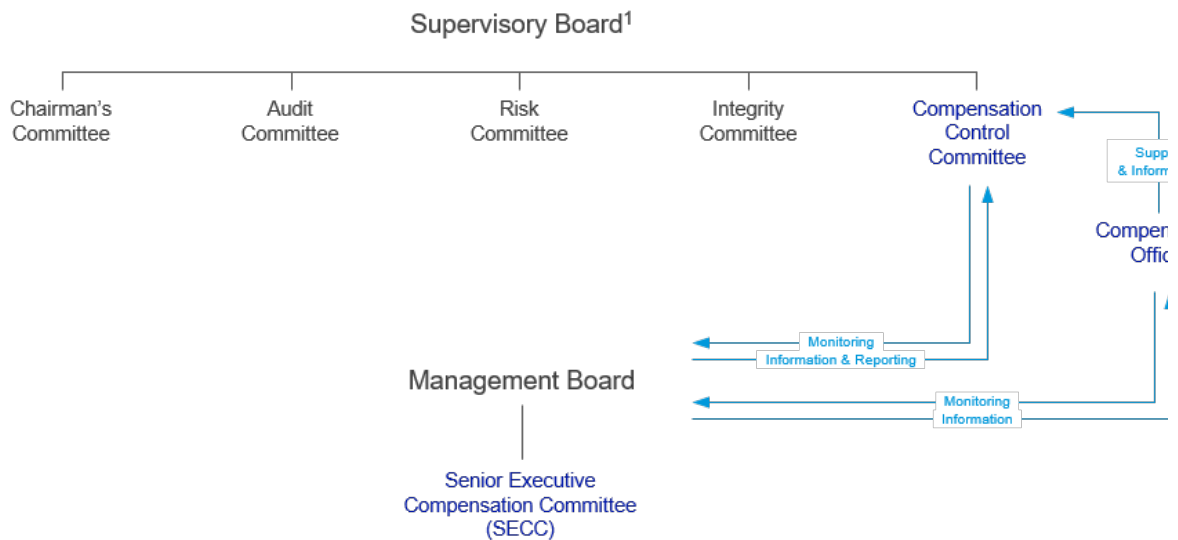
## Remuneration (continued)

### Compensation Governance

Deutsche Bank Group has a robust governance structure enabling it to operate within the clear parameters of its Compensation Strategy and Policy. In accordance with the German two-tier board structure, the Supervisory Board governs the compensation of the Management Board members while the Management Board oversees compensation matters for all other employees in the Group. Both the Supervisory Board and the Management Board are supported by specific committees and functions, in particular the Compensation Control Committee (“CCC”), the Compensation Officer, and the Senior Executive Compensation Committee (“SECC”).

In line with their responsibilities, the bank’s control functions are involved in the design and application of the bank’s remuneration systems, in the identification of MRTs and in determining the total amount of Variable Compensation (“VC”). This includes assessing the impact of employees’ behavior and the business-related risks, performance criteria, granting of remuneration and severances as well as ex-post risk adjustments.

#### Reward Governance structure



<sup>1</sup> Does not comprise a complete list of Supervisory Board Committees.

## Remuneration (continued)

## Compensation Governance (continued)

### Compensation Control Committee (CCC)

The Supervisory Board has set up the CCC to support in establishing and monitoring the structure of the compensation system for the Management Board Members of Deutsche Bank Group. Furthermore, the CCC monitors the appropriateness of the compensation systems for the employees of Deutsche Bank Group, as established by the Management Board and the SECC. The CCC reviews whether the total amount of variable compensation is affordable and set in accordance with the risk, capital and liquidity situation as well as in alignment with the business and risk strategies. Furthermore, the CCC supports the Supervisory Board in monitoring the MRT identification process.

The CCC consists of the Chairperson of the Supervisory Board and five further Supervisory Board Members, three of which are employee representatives. The Committee held five meetings in the calendar year 2021. The members of the Risk Committee attended two meetings as guests. Further details can be found in the Report of the Supervisory Board within the Annual Report.

### Compensation Officer

The Management Board, in cooperation with the CCC, has appointed a Group Compensation Officer to support the Supervisory Boards of Deutsche Bank Group and of the bank's Significant Institutions in Germany in performing their compensation related duties. The Compensation Officer is involved in the conceptual review, development, monitoring and application of the employees' compensation systems, the MRT identification and remuneration disclosures on an ongoing basis. The Compensation Officer performs all relevant monitoring obligations independently, provides an assessment on the appropriateness of the design and practices of the compensation systems for employees at least annually and regularly supports and advises the CCC.

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## Remuneration (continued)

### Compensation Governance (continued)

#### Senior Executive Compensation Committee (SECC)

The SECC is a delegated committee established by the Management Board which has the mandate to develop sustainable compensation principles, to prepare recommendations on Total Compensation levels and to ensure appropriate compensation governance and oversight. The SECC establishes the Compensation and Benefits Strategy and Policy. Moreover, using quantitative and qualitative factors, the SECC assesses Group and divisional performance as a basis for compensation decisions and makes recommendations to the Management Board regarding the total amount of annual variable compensation and its allocation across business divisions and infrastructure functions.

In order to maintain its independence, only representatives from infrastructure and control functions who are not aligned to any of the business divisions are members of the SECC. In 2021, the SECC's membership comprised of the Global Head of Human Resources and the Chief Financial Officer as Co-Chairpersons, as well as the Chief Risk Officer (the latter two are Management Board Members), the Global Head of Compliance, the Global Head of Performance & Reward as well as an additional representative from both Finance and Risk as voting members. The Compensation Officer, the Deputy Compensation Officer and an additional representative from Finance participated as non-voting members. The SECC generally meets on a monthly basis but with more frequent meetings during the compensation process. It had 16 meetings in total with regard to the compensation process for performance year 2021.

## Remuneration (continued)

### Compensation Strategy

Deutsche Bank Group recognizes that its compensation framework plays a vital role in supporting its strategic objectives. It enables us to attract and retain the individuals required to achieve our bank's objectives. The Compensation and Benefits Strategy is aligned to Deutsche Bank Group business strategy, risk strategy, and to its corporate values and beliefs as outlined below.

#### Five key objectives of our compensation practices

- To support the delivery of the bank's client-focused, global bank strategy by attracting and retaining talent across its full range of diverse business models and country locations
- To support the long-term, sustainable performance and development of the bank and a corresponding risk strategy
- To promote and support long-term performance based on cost discipline and efficiency
- To ensure that the bank's compensation practices are safe, by way of risk-adjusting performance outcomes, preventing inappropriate risk taking, ensuring sustained compatibility with capital and liquidity planning, and complying with regulation
- To apply and promote the bank's corporate values of integrity, sustainable performance, client centricity, innovation, discipline and partnership

#### Core remuneration principles

- Align compensation to shareholder interests and sustained bank-wide profitability, taking account of risk, including environmental, social and governance (ESG) risk
- Apply a gender-neutral, simple and transparent compensation design
- Maximize sustainable performance, both at the employee and the bank-wide level
- Attract and retain the best talent
- Calibrate compensation to reflect different divisions and levels of responsibility
- Ensure compliance with regulatory requirements

## Remuneration (continued)

### Group Compensation Framework

Our compensation framework, generally applicable globally across all regions and business lines, emphasizes an appropriate balance between Fixed Pay ("FP") and Variable Compensation ("VC") – together forming Total Compensation ("TC"). It aligns incentives for sustainable performance at all levels of Deutsche Bank Group whilst ensuring the transparency of compensation decisions and their impact on shareholders and employees. The underlying principles of our compensation framework are applied to all employees equally, irrespective of differences in seniority, tenure, gender or ethnicity.

Pursuant to CRD and the requirements subsequently adopted in the German Banking Act, Deutsche Bank Group is subject to a ratio of 1:1 with regard to fixed-to-variable remuneration components, which was increased to 1:2 with shareholder approval on May 22, 2014 with an approval rate of 95.27 %, based on valid votes by 27.68 % of the share capital represented at the Annual General Meeting. Nonetheless, the bank has determined that employees in specific infrastructure functions should continue to be subject to a ratio of at least 1:1 while Control Functions as defined by InstVV are subject to a ratio of 2:1.

Deutsche Bank Group has assigned a Reference Total Compensation ("RTC") to eligible employees that describes a reference value for their role. This value provides our employees orientation on their FP and VC. Actual individual TC can be at, above or below the Reference Total Compensation, depending on VC decisions.

Fixed Pay is used to compensate employees for their skills, experience and competencies, commensurate with the requirements, size and scope of their role. The appropriate level of FP is determined with reference to the prevailing market rates for each role, internal comparisons and applicable regulatory requirements. FP plays a key role in permitting us to meet our strategic objectives by attracting and retaining the right talent. For the majority of our employees, FP is the primary compensation component.

Variable Compensation reflects affordability and performance at Group, divisional, and individual level. It allows us to differentiate individual performance and to drive behavior through appropriate incentives that can positively influence culture. It also allows for flexibility in the cost base. VC generally consists of two elements – the Group VC Component and the Individual VC Component.

The Group VC Component is based on one of the overarching goals of the compensation framework – to ensure an explicit link between VC and the performance of the Group. To assess our annual achievements in reaching our strategic targets, the four Key Performance Indicators ("KPIs") utilised as the basis for determining the 2021 Group VC Component were: Common Equity Tier 1 ("CET 1") Capital Ratio, Leverage Ratio, Adjusted Costs, and Post-Tax Return on Tangible Equity ("RoTE"). These four KPIs represent the bank's capital, leverage, profitability, and cost targets.

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## Remuneration (continued)

### Group Compensation Framework (continued)

The Individual VC Component is delivered either in the form of Individual VC, generally applicable for employees at the level of Vice President (“VP”) and above, or as Recognition Award, generally applicable for employees at the level of Assistant Vice President (“AVP”) and below. In case of negative performance contributions or misconduct, an employee’s VC can be reduced accordingly and can go down to zero. VC is granted and paid out subject to Group affordability. Under our compensation framework, there continues to be no guarantee of VC in an existing employment relationship. Such arrangements are utilized only on a very limited basis for new hires in the first year of employment and are subject to the bank’s standard deferral requirements.

#### Key components for the compensation framework

Vice President and above		Assistant Vice President and below <sup>1</sup>	
	Reference Total Compensation		
Individual VC			Recognition Award
Group VC Component		Reference Total Compensation	Group VC Component
Fixed Pay			Fixed Pay

<sup>1</sup> Some Assistant Vice Presidents and below in select entities and divisions are eligible for Individual VC in lieu of the Recognition Award.

Individual VC takes into consideration a number of financial and non-financial factors, including the applicable divisional performance, the employee’s individual performance, conduct, and adherence to values and beliefs, as well as additional factors such as the bank’s strategic decisions and retention considerations.

Recognition Awards provide the opportunity to acknowledge and reward outstanding contributions made by the employees of lower seniority levels in a timely and transparent manner. Generally, the overall size of the Recognition Award budget is directly linked to a set percentage of FP for the eligible population and it is currently paid out twice a year, based on a review of nominations and contributions in a process managed at the divisional level.

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## Remuneration (continued)

### Group Compensation Framework (continued)

In the context of InstVV, severance payments are considered variable compensation. The bank's severance framework ensures full alignment with the respective InstVV requirements.

Employee benefits complement Total Compensation and are considered FP from a regulatory perspective, as they have no direct link to performance or discretion. They are granted in accordance with applicable local market practices and requirements. Pension expenses represent the main element of the bank's benefits portfolio globally.



## Remuneration (continued)

### Determination of performance-based Variable Compensation

In 2021, Deutsche Bank Group continued to put a strong focus on our governance related to compensation decision-making processes. A robust set of rule-based principles for compensation decisions with close links to the performance of both business and individual were applied.

The total amount of VC for any given performance year is initially determined at Group level, taking into account the bank's profitability, solvency, and liquidity position and then allocated to divisions and infrastructure functions based on their performance in support of achieving the bank's strategic objectives.

In a first step, Deutsche Bank Group assesses the bank's profitability, solvency and liquidity position in line with its Risk Appetite Framework, including a holistic review against the bank's multi-year strategic plan to determine what the bank "can" award in line with regulatory requirements (i.e. Group affordability). In the next step, Deutsche Bank Group assesses divisional risk-adjusted performance, i.e. what the bank "should" award in order to provide an appropriate compensation for contributions to the bank's success.

When assessing divisional performance, a range of considerations are referenced. Performance is assessed in the context of financial and – based on Balanced Scorecards – non-financial targets. The financial targets for front-office divisions are subject to appropriate risk-adjustment, in particular by referencing the degree of future potential risks to which Deutsche Bank Group may be exposed, and the amount of capital required to absorb severe unexpected losses arising from these risks. For the infrastructure functions, the financial performance assessment is mainly based on the achievement of cost targets. While the allocation of VC to infrastructure functions, and in particular to control functions, depends on the overall performance of Deutsche Bank Group, it is not dependent on the performance of the division(s) that these functions oversee.

At the level of the individual employee, we have established Variable Compensation Guiding Principles, which detail the factors and metrics that have to be taken into account when making Individual VC decisions. Our managers must fully appreciate the risk-taking activities of individuals to ensure that VC allocations are balanced and risk-taking is not inappropriately incentivized. The factors and metrics to be considered include, but are not limited to, (i) business delivery ("What"), i.e. quantitative and qualitative financial, risk-adjusted and non-financial performance metrics, and (ii) behavior ("How"), i.e. culture, conduct and control considerations such as qualitative inputs from control functions or disciplinary sanctions. Generally, performance is assessed based on a one year period. However, for Management Board members of Significant Institutions, the performance across three years is taken into account.

## Remuneration (continued)

### Variable Compensation Structure

Our compensation structures are designed to provide a mechanism that promotes and supports long-term performance of our employees and our bank. Whilst a portion of VC is paid upfront, these structures require that an appropriate portion is deferred to ensure alignment to the sustainable performance of the Group. For both parts of VC, we use Deutsche Bank Group shares as instruments and as an effective way to align compensation with Deutsche Bank Group sustainable performance and the interests of shareholders.

We continue to go beyond regulatory requirements with the scope as well as the amount of VC that is deferred and our minimum deferral periods. The deferral rate and period are determined based on the risk categorization of the employee, the division and the business unit. Where applicable, we start to defer parts of variable compensation for MRTs where VC is set at or above € 50,000 or where VC exceeds 1/3 of TC. For non-MRTs, deferrals start at higher levels of VC. MRTs are on average subject to deferral rates in excess of the minimum 40 % (60 % for Senior Management) as required by InstVV. For MRTs in Material Business Units ("MBU") we apply a deferral rate of at least 50 %. The VC threshold for MRTs requiring at least 60 % deferral is set at € 500,000.

Furthermore, Directors and Managing Directors in Corporate Bank ("CB"), Investment Bank ("IB") or Capital Release Unit ("CRU") are subject to a VC deferral rate of 100 % with respect to any VC in excess of € 500,000. Moreover, if Fixed Pay for these employees exceeds an amount of € 500,000, the full VC is deferred.

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## Remuneration (continued)

### Variable Compensation Structure (continued)

As detailed in the table below, deferral periods range from three to five years, dependent on employee groups. For MRTs the minimum deferral period was increased from three years to four years in compliance with InstVV 4.0 requirement, applicable as of 2021.

#### Overview on 2021 Award Types (excluding DWS Group)

Award Type	Description	Beneficiaries	Deferral Period	Retention Period	Proportion
Upfront: Cash VC	Upfront cash portion	All eligible employees	N/A	N/A	MRTs with VC $\geq$ € 50,000 or where VC exceeds 1/3 of TC: 50 % of upfront VC  Non-MRTs with 2021 TC $\leq$ € 500,000: 100 % of upfront VC
Upfront: Equity Upfront Award ("EUA")	Upfront equity portion (linked to Deutsche Bank's share price over the retention period)	All MRTs with VC $\geq$ € 50,000 or where VC exceeds 1/3 of TC  All employees with 2021 TC $>$ € 500,000	N/A	Twelve months	50 % of upfront VC
Deferred: Restricted Incentive Award ("RIA")	Deferred cash portion	All employees with deferred VC	Equal tranche vesting: MRTs: 4 years Sen. Mgmt. 1: 5 years Other: 3 years	N/A	50 % of deferred VC
Deferred: Restricted Equity Award ("REA")	Deferred equity portion (linked to Deutsche Bank's share price over the vesting and retention period)	All employees with deferred VC	Equal tranche vesting: MRTs: 4 years Sen. Mgmt. 1: 5 years Other: 3 years	Twelve months for MRTs	50 % of deferred VC

N/A – Not applicable

<sup>1</sup> For the purpose of Performance Year 2021 annual awards, Senior Management is defined as DB AG MB-1 positions; voting members of Business Division Top Executive Committees; MB members of Significant Institutions; respective MB-1 positions with managerial responsibility. For the specific deferral rules for the Management Board of DB AG refer to the Compensation Report for the Management Board.

Our employees are not allowed to sell, pledge, transfer or assign a deferred award or any rights in respect to the award. They may not enter into any transaction having an economic effect of hedging any variable compensation, for example offsetting the risk of price movement with respect to the equity-based award. Our Human Resources and Compliance functions, overseen by the Compensation Officer, work together to monitor employee trading activity and to ensure that all our employees comply with this requirement.

## Remuneration (continued)

### Ex-post Risk Adjustment of Variable Compensation

In line with regulatory requirements relating to ex-post risk adjustment of variable compensation, we believe that a long-term view on conduct and performance of our employees is a key element of deferred VC. As a result, all deferred awards are subject to performance conditions and forfeiture provisions as detailed below.

Overview on Deutsche Bank Group performance conditions and forfeiture provisions of Variable Compensation granted for Performance Year 2021

Provision	Description	Forfeiture
Solvency and Liquidity	If at the quarter end preceding vesting and release, any one of the following falls below a defined Risk Appetite threshold: CET1 Capital Ratio; Leverage Ratio; Economic Capital Adequacy Ratio; Liquidity Coverage Ratio; Liquidity Reserves	Between 10% and 100% of the next tranche of deferred award due for del / of the Equity Upfront Award, depend on the Risk Appetite threshold and th extent the Group / Divisional PBT condition(s) is/ are met
Group PBT	If for the financial year end preceding the vesting date adjusted Group PBT is negative <sup>1</sup>	Between 10% and 100% of the next tranche of deferred award due for del depending on the extent Solvency an Liquidity condition is met and whethe Divisional PBT condition is met (if applicable)
Divisional PBT	If for the financial year end preceding the vesting date adjusted Divisional PBT is negative <sup>1</sup>	Between 10% and 100% of the next tranche of deferred award due for del depending on the extent Solvency an Liquidity condition is met and whethe Group PBT condition is met
Forfeiture Provisions <sup>2</sup>	<ul style="list-style-type: none"> <li>- In the event of an internal policy or procedure breach, breach of any applicable laws or regulations, or a Control Failure</li> <li>- If any award was based on performance measures or assumptions that are later deemed to be materially inaccurate</li> <li>- Where a Significant Adverse Event occurs, and the Participant is considered sufficiently proximate</li> <li>- If forfeiture is required to comply with prevailing regulatory requirements</li> </ul>	Up to 100 % of undelivered awards
Clawback	In the event an InstVV MRT participated in conduct that resulted in significant loss or regulatory sanction/supervisory measures; or failed to comply with relevant external or internal rules regarding appropriate standards of conduct	100 % of award which has been deli before the second anniversary of the vesting date for the award

<sup>1</sup> Considering clearly defined and governed adjustments for relevant Profit and Loss items (e.g., business restructurings; impairments of goodwill or intangibles).

<sup>2</sup> Other provisions may apply as outlined in the respective plan rules

## Remuneration (continued)

### Senior Managements & Material Risk Takers' Remuneration for 2021

	Senior Management**		Material Risk Takers <sup>1</sup>		Total RM'000
	RM'000	No	RM'000	No	
Fixed Remuneration					
Cash	3,428	7	3,635	1	7,063
Other	1	1	-	-	1
Variable					
- Non Deferred Cash	874	7	501	1	1,375
- Deferred Cash	16	1	1,037	1	1,053
Shares	22	1	1,265	1	1,287
Guaranteed bonus	-	-	-	-	-
Sign On bonus	-	-	-	-	-
Severance Payments	-	-	2,515	2	2,515
Others	734	7	880	1	1,614
Outstanding deferred remuneration					
- Non Deferred Cash	-	-	-	-	-
- Deferred Cash	16	1	2,047	1	2,063
Shares	45	1	2,916	1	2,961
Exposure to implicit & explicit adjustments					
- Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments	-	-	-	-	-
- Total amount of reductions during the financial year due to ex-post explicit adjustments	-	-	-	-	-
- Total amount of reductions during the financial year due to ex-post implicit adjustment	-	-	-	-	-

<sup>1</sup> Refers to locally identified risk takers who can materially commit or control significant amounts of the Bank's resources or whose actions are likely to have a significant impact on the bank's risk profile.

\*\* Excluding CEO

## Management Report

Board meetings are structured around a pre-set agenda and regular reports from the management on risk management, key operating, financial, legal, compliance and regulatory matters and minutes of committee meetings are circulated to keep Directors abreast with the performance of the Bank.

## Corporate Social Responsibility

Our corporate social responsibility (“CSR”) initiatives contribute to the bank’s stated purpose of enabling economic growth and societal progress. They are how we make a positive impact for people and communities. The strategic focus of our social engagement is on education, enterprise, and community, and we encourage our employees to support them with their professional expertise and life skills. We maximize the impact of our CSR agenda by interacting with our stakeholders, forging long-term partnerships with charities, supporting advocacy initiatives, and working with others, e.g. companies, to promote impact monitoring. All our CSR programs help build trust, deepen employee and client loyalty, and enhance our reputation as a socially minded enabler, reliable partner, and catalyst for societal change.

Education, which empowers people to improve their economic well-being and achieve a better quality of life, is essential to both social cohesion and economic development. Our Born to Be youth engagement program, helps young people realize their potential. It is brought to life by raising aspirations, fostering skills, and improving access to education and employment opportunities. We also help build strong and inclusive communities. Our strategy for alleviating poverty extends beyond philanthropy and includes high level field leadership, advocacy, and employee engagement. We focus on projects that deliver basic welfare, support individuals experiencing homelessness and improve essential infrastructure. In addition, we provide emergency relief in crises, support disaster recovery, and assist with longer-term plans to enhance resilience. For more than 25 years, our Plus You volunteering and giving community has offered employees the opportunity to volunteer, and donate to charitable causes. Corporate Volunteering not only boosts the impact of our CSR programs, it also enhances our employees’ personal development, motivation, and loyalty. They share their skills by mentoring young people, advising charities, advocating for social progress, and lending a hand to community projects. We encourage employees to donate to charities and join fundraising drives.

## Corporate Social Responsibility (continued)

### Key topics and impact in 2021

Social distancing requirements during the COVID-19 pandemic created significant challenges for our long-standing charity partners. Volunteering declined tangibly, as did food and monetary donations. Many charities could no longer serve their communities, including vulnerable populations; some even faced closure. We responded with a CSR COVID-19 relief campaign and invited staff to take part in a walkathon, the CSR #NotAlone campaign, where the aggregated number of steps was converted into a monetary value and contributed to charities supporting young people's mental health. In total, 144 employees achieved over 14 million steps in 15 days, and thereby raised funds to support the Global Peace Foundation in serving the Orang Asli youths in three areas namely, Social Emotional Awareness and Development, Digital Access and Vocational Skills Development, and Youth Engagement through Sports. The goal is to improve the youths' self-esteem and sense of identity as Orang Asli and improve access to new opportunities and employability.

We contributed to the Financial Industry Collective Outreach ("FINCO") Covid-19 Relief Initiative, to provide food aid to students' families from low-income communities amidst pandemic lockdown restricting physical activities in the country.

We also donated to our long-standing charity partner, Badan Amal Nur Zaharah Welfare Home, formed to give new hope, education and better standard of living to the less fortunate children.

### Governance and impact tracking

The Communications & CSR team reports directly to the CEO. The "Donations, Memberships, Sponsorships ("DMS") Policy & Corporate Social Responsibility ("CSR") Cornerstones – Deutsche Bank Group", and other applicable policies and procedures define the mandatory operating framework for DBMB and external partners acting on its behalf. Our CSR initiatives are implemented by our regional units and endowed foundations. Proposals for new initiatives can be benchmarked against previous projects, depending on the investment amount, require sign-off by local CSR teams, regional CSR councils, and/or Board members of Deutsche Bank Group. To ensure that resources are deployed efficiently and projects fully aligned with our CSR agenda's strategic objectives, we use the Global Impact Tracking ("GIT") tool to monitor our investments' direct impact and systematically gather feedback from our community partners on an annual basis.



## Deutsche Bank (Malaysia) Berhad

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

### and its subsidiaries

## Directors' report for the year ended 31 December 2021

The Directors have pleasure in presenting their report and the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021.

### 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 subsidiaries are disclosed in Note 8 to the financial statements. There has been no significant change in the nature of the activities of the Bank and its subsidiaries during the financial year.

### Results

	Group and Bank RM'000
Profit before tax	143,675
Tax expense	<u>(34,289)</u>
Profit for the year attributable to owner of the Bank	<u>109,386</u>

### 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 2020 as reported in the Director's Report of that year, a final ordinary dividend of 154.8 sen per ordinary share totalling RM268,718,000 paid on 09 July 2021.

The final dividend recommended by the Directors in respect of the financial year ended 31 December 2021 is 63.0 sen per ordinary share totalling RM109,386,000.

The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2022.

Company Registration No. 199401026871 (312552-W)

## Reserves, provisions and allowances

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

## Directors of the Bank

The Directors of the Bank who served on the board since the beginning of the current financial year to the date of this report are:

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin  
Dato' Yusof Annuar bin Yaacob  
Mr Steven Choy Khai Choon (resigned on 28 June 2021)  
Madam Koid Swee Lian  
Mr Seamus Toal  
Mr Chong Kin Leong (appointed on 22 November 2021)

## 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 allowances for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowances had been made for doubtful 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 doubtful 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 Policy Document 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 1.1.2021	Bought	Sold	Balance at 31.12.2021
Holding company				
Deutsche Bank Aktiengesellschaft				
Dato' Yusof Annuar bin Yaacob	11,873	10,867	(3,261)	19,479
Seamus Toal	62,292	8,119	(2)	70,409
	Number of DB Restricted Equity Units Plan			
	Balance at 1.1.2021	Awarded/ Granted	Exercised/ Vested	Forfeiture Balance at 31.12.2021
Holding company				
Deutsche Bank Aktiengesellschaft				
- DB Restricted Equity Units Plan				
Dato' Yusof Annuar bin Yaacob	22,791	12,963	(10,867)	-
Seamus Toal	28,588	9,202	(8,119)	-

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 RM236,206.

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

## Significant event

The significant event during the year is as disclosed in Note 37 of the financial statements.

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## 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, Ernst & Young PLT, have expressed their willingness to accept re-appointment.

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

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



.....  
Tunku Datu Mahmood Fawzy bin Tunku Muhiyiddin  
Director



.....  
Datu Yusof Annuar bin Yaacob  
Director

Kuala Lumpur, Malaysia

Date: 31 MAY 2022

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

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

We, Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin and Dato' Yusof Annuar bin Yaacob, being two of the Directors of Deutsche Bank (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 61 to 174 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 2021 and of their financial performance and of their cash flows for the financial year then ended.

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



.....  
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin  
Director



.....  
Dato' Yusof Annuar bin Yaacob  
Director

Kuala Lumpur, Malaysia

Date: 31 MAY 2022



## Deutsche Bank (Malaysia) Berhad

Company Registration No. 199401026871 (312552-W)

(Incorporated in Malaysia)

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 61 to 174 are, in my opinion 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 , MIA CA 8677 , at Kuala Lumpur in Federal Territory on **3.1.MAY.2022**



Liew Yeh Yin

Before me:



22nd Floor, Menara TA One,  
22, Jalan P. Ramlee  
50250 Kuala Lumpur

## Deutsche Bank (Malaysia) Berhad

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

### and its subsidiaries

#### Shariah Committee's Report

In the Name of Allah, The Most Compassionate, The Most 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 2021. 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. Based on the risk-based Shariah Audit coverage cycle of 3 years of Deutsche Bank (Malaysia) Berhad's Islamic Banking division, no Shariah Audit was carried out during 2021.

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 Registration 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 2021 that we have reviewed are in compliance with the Shariah principles.

Nothing has come to our attention that causes us to believe that the operations, business affairs and activities of the Deutsche Bank (Malaysia) Berhad's Islamic Banking division involve any material Shariah non-compliances.

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 2021 have been conducted in conformity with the Shariah principles.

On behalf of the Shariah Committee



.....  
Dr Muhammad Qaseem  
(Chairman of Shariah Committee)



.....  
Dr Mohd Hilmi bin Ramli  
(Member)

Kuala Lumpur, Malaysia

Date: **31 MAY 2022**

Company No. 199401026871 (312552-W)

**Independent auditors' report to the member of  
Deutsche Bank (Malaysia) Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of Deutsche Bank (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2021 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 61 to 174.

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 2021, 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 Malaysia.

*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 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 Group and of the Bank in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Company No. 199401026871 (312552-W)

**Independent auditors' report to the member of  
Deutsche Bank (Malaysia) Berhad (cont'd.)  
(Incorporated in Malaysia)**

*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 Statement of Corporate Governance, 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 other information 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 other information and, in doing so, consider whether the other information is 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 this other information, 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 of the Group and of the Bank, the directors are responsible for assessing the Group's and of the Bank's ability 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.

Company No. 199401026871 (312552-W)

**Independent auditors' report to the member of  
Deutsche Bank (Malaysia) Berhad (cont'd.)  
(Incorporated in Malaysia)**

*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.

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 Group's or the Bank's ability 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.

Company No. 199401026871 (312552-W)

**Independent auditors' report to the member of  
Deutsche Bank (Malaysia) Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements (continued)*

- 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 achieves fair presentation.
- 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.



Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
31 May 2022



Yeo Beng Yean  
No. 03013/10/2022 J  
Chartered Accountant

# Deutsche Bank (Malaysia) Berhad

Company Registration No. 199401026871 (312552-W)

(Incorporated in Malaysia)

## and its subsidiaries

### Statements of financial position as at 31 December 2021

	Note	31.12.2021 RM'000	Group 31.12.2020 RM'000 Restated	1.1.2020 RM'000 Restated	31.12.2021 RM'000	Bank 31.12.2020 RM'000 Restated	1.1.2020 RM'000 Restated
<b>Assets</b>							
Cash and short-term funds	3.1	3,344,852	3,813,279	3,749,550	3,344,852	3,813,279	3,749,550
Deposits and placements with banks and other financial institutions	3.2	377,598	1,339,991	199,993	377,598	1,339,991	199,993
Reverse repurchase agreements		50,723	112,446	400,307	50,723	112,446	400,307
Financial securities	4	2,329,768	2,287,875	1,479,311	2,329,768	2,287,875	1,479,311
Loans, advances and financing	5	2,429,462	2,190,021	2,974,983	2,429,462	2,190,021	2,974,983
Derivative assets	34.3	813,346	1,406,158	907,002	813,346	1,406,158	907,002
Other assets	6	214,065	237,779	356,117	214,065	237,779	356,117
Tax recoverable		21,513	-	1,980	21,513	-	1,980
Statutory deposit with Bank Negara Malaysia	7	20,000	20,000	10,000	20,000	20,000	10,000
Investments in subsidiary companies	8	-	-	-	20	20	20
Property and equipment	9	2,683	1,782	2,538	2,683	1,782	2,538
Right-of-use assets	10	5,996	1,063	2,139	5,996	1,063	2,139
Deferred tax assets	11	25,283	19,854	26,830	25,283	19,854	26,830
<b>Total assets</b>		<b>9,635,289</b>	<b>11,430,248</b>	<b>10,110,750</b>	<b>9,635,309</b>	<b>11,430,268</b>	<b>10,110,770</b>



## Statements of financial position as at 31 December 2021 (continued)

	Note	31.12.2021 RM'000	Group 31.12.2020 RM'000 Restated	1.1.2020 RM'000 Restated	31.12.2021 RM'000	Bank 31.12.2020 RM'000 Restated	1.1.2020 RM'000 Restated
<b>Liabilities and equity</b>							
Deposits from customers	12	6,034,313	6,405,254	5,331,773	6,034,333	6,405,274	5,331,793
Deposits and placements of banks and other financial institutions	13	525,433	815,211	1,249,128	525,433	815,211	1,249,128
Lease liabilities	14	7,154	1,257	2,157	7,154	1,257	2,157
Tax liabilities		-	9,562	-	-	9,562	-
Derivative liabilities	34.3	730,664	1,387,482	858,058	730,664	1,387,482	858,058
Other liabilities	15	542,157	839,556	747,998	542,157	839,556	747,998
<b>Total liabilities</b>		<u>7,839,721</u>	<u>9,458,322</u>	<u>8,189,114</u>	<u>7,839,741</u>	<u>9,458,342</u>	<u>8,189,134</u>
<b>Equity</b>							
Share capital	16	531,362	531,362	531,362	531,362	531,362	531,362
Reserves	17	1,264,206	1,440,564	1,390,274	1,264,206	1,440,564	1,390,274
Total equity attributable to owner of the Bank		<u>1,795,568</u>	<u>1,971,926</u>	<u>1,921,636</u>	<u>1,795,568</u>	<u>1,971,926</u>	<u>1,921,636</u>
<b>Total liabilities and equity</b>		<u>9,635,289</u>	<u>11,430,248</u>	<u>10,110,750</u>	<u>9,635,309</u>	<u>11,430,268</u>	<u>10,110,770</u>
<b>Commitments and contingencies</b>							
	Note		31.12.2021 RM'000		Group and Bank 31.12.2020 RM'000		1.1.2020 RM'000
	31		<u>82,107,161</u>		<u>95,945,909</u>		<u>88,963,721</u>

The notes on pages 68 to 174 are an integral part of these financial statements.

## Deutsche Bank (Malaysia) Berhad

Company Registration 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 2021

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
	36		Restated
Interest income	18	155,566	238,836
Interest expense	19	(25,935)	(45,442)
Net interest income		129,631	193,394
Net income from Islamic Banking Operations	38	1,952	2,198
Non-interest income	20	155,585	317,219
Operating income		287,168	512,811
Other operating expenses	21	(145,778)	(156,246)
Operating profit		141,390	356,565
Allowance written back/(made) for impairment	22	2,285	(909)
<b>Profit before tax</b>		143,675	355,656
Tax expense	27	(34,289)	(86,938)
<b>Profit for the year</b>		109,386	268,718
<b>Other comprehensive (loss)/income:</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
<i>Movement in fair value reserve (financial securities):</i>			
Net change in fair value of debt securities		(22,842)	2,460
Net change in fair value of equity investments		63	2,254
Net amount transferred to profit or loss		377	59
Income tax effect relating to component of other comprehensive income	11	5,376	(1,146)
Other comprehensive (loss)/ income for the year		(17,026)	3,627
<b>Total comprehensive income for the year</b>		92,360	272,345
<b>Earnings per share (sen)</b>	28	63.0	154.8

The notes on pages 68 to 174 are an integral part of these financial statements.

## Deutsche Bank (Malaysia) Berhad

Company Registration No. 199401026871 (312552-W)

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### and its subsidiaries

## Statements of changes in equity for the year ended 31 December 2021

Group and Bank	Note	← Attributable to owner of the Bank →				Total reserves RM'000	Total RM'000
		Share capital RM'000	Non- distributable Other reserves RM'000	Distributable Retained earnings RM'000	Total reserves RM'000		
At 1 January 2020							
As previously stated		531,362	45,872	1,318,139	1,364,011		1,895,373
Release of CVA reserve	36	-	-	17,183	17,183		17,183
Fair value reserve on equity investments	36	-	9,080	-	9,080		9,080
At 1 January 2020, as restated		531,362	54,952	1,335,322	1,390,274		1,921,636
Profit for the year		-	-	268,718	268,718		268,718
Other comprehensive income for the year		-	3,627	-	3,627		3,627
Total comprehensive income for the year		-	3,627	268,718	272,345		272,345
Dividend paid	29	-	-	(222,055)	(222,055)		(222,055)
At 31 December 2020		531,362	58,579	1,381,985	1,440,564		1,971,926
		Note 16	Note 17	Note 17			

Company Registration No. 199401026871 (312552-W)
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## Statements of changes in equity for the year ended 31 December 2021 (continued)

Group and Bank	Note	← Attributable to owner of the Bank →				Total RM'000
		Share capital RM'000	Non- distributable Other reserves RM'000	Retained earnings RM'000	Distributable Total reserves RM'000	
At 1 January 2021						
As previously stated		531,362	47,786	1,364,802	1,412,588	1,943,950
Release of CVA reserve	36	-	-	17,183	17,183	17,183
Fair value reserve on equity investments	36	-	10,793	-	10,793	10,793
At 1 January 2021, as restated		531,362	58,579	1,381,985	1,440,564	1,971,926
Profit for the year		-	-	109,386	109,386	109,386
Other comprehensive loss for the year		-	(17,026)	-	(17,026)	(17,026)
Total comprehensive income for the year		-	(17,026)	109,386	92,360	92,360
Dividend paid	29	-	-	(268,718)	(268,718)	(268,718)
At 31 December 2021		531,362	41,553	1,222,653	1,264,206	1,795,568
		Note 16	Note 17	Note 17		

The notes on pages 68 to 174 are an integral part of these financial statements.

## Deutsche Bank (Malaysia) Berhad

Company Registration No. 199401026871 (312552-W)  
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### and its subsidiaries

## Statements of cash flows for the year ended 31 December 2021

	Group and Bank	
	2021	2020
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	143,675	355,656
Adjustments for:		
Depreciation of property and equipment (Note 9)	1,103	987
Depreciation of right-of-use assets (Note 10)	1,864	2,013
Interest expense in lease liabilities (Note 14)	231	56
Net gain on redemption of shares	(2)	-
Allowance (written back)/made for impairment	(2,221)	929
Net unrealised (gain)/loss on revaluation of trading portfolio (including derivatives)	(57,211)	29,141
<b>Operating profit before changes in operating assets and liabilities</b>	<b>87,439</b>	<b>388,782</b>
<i>(Increase)/Decrease in operating assets:</i>		
Reverse repurchase agreements	61,723	287,861
Financial securities	(66,036)	(804,098)
Loans, advances and financing	(236,843)	784,092
Other assets	(574,958)	(1,747,411)
Statutory deposit with Bank Negara Malaysia	-	(10,000)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from customers	(370,941)	1,073,481
Deposits and placements of banks and other financial institutions	(289,778)	(433,917)
Other liabilities	295,783	1,958,682
<b>Cash (used in)/generated from operations</b>	<b>(1,093,611)</b>	<b>1,497,472</b>
Income taxes paid	(65,417)	(82,146)
Tax refunds received	-	12,580
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,159,028)</b>	<b>1,427,906</b>

## Statements of cash flows for the year ended 31 December 2021 (continued)

	Group and Bank	
	2021	2020
	RM'000	RM'000
<b>Cash flows from investing activities</b>		
Purchase of property and equipment (Note 9)	(2,004)	(231)
Proceed from redemption of shares	61	-
<b>Net cash used in investing activities</b>	<u>(1,943)</u>	<u>(231)</u>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities (Note 14)	(1,131)	(1,893)
Dividends paid (Note 29)	(268,718)	(222,055)
<b>Net cash used in financing activities</b>	<u>(269,849)</u>	<u>(223,948)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,430,820)	1,203,727
Cash and cash equivalents at 1 January	<u>5,153,270</u>	<u>3,949,543</u>
<b>Cash and cash equivalents at 31 December</b>	(i) <u>3,722,450</u>	<u>5,153,270</u>
(i) Cash and cash equivalents comprise:		
Cash and short-term funds	3,344,852	3,813,279
Deposits and placements with banks and other financial institution	<u>377,598</u>	<u>1,339,991</u>
	<u>3,722,450</u>	<u>5,153,270</u>

The notes on pages 68 to 174 are an integral part of these financial statements.

**Deutsche Bank (Malaysia) Berhad**  
Company Registration 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 19, 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 2021 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 31 MAY 2022.

### 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 the reporting date.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic

Following Bank Negara Malaysia ("BNM")'s letters dated 24 March 2020, 24 July 2020 and 17 August 2020 on measures to assist borrowers/customers affected by the COVID-19 pandemic, BNM had on 31 May 2021 extended the eligibility period of various repayment assistance from 30 June 2021 to on or before 31 December 2021.

#### i) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended:

- a) The determination of "days past due" should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;
- b) For loans/financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on "unlikeliness to repay" at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions. Banking institutions are also expected to consider whether the financial difficulties faced by the borrowers/customers are unlikely to be temporary; and
- c) For loans/financing to corporates, the assessment of "unlikeliness to repay" should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.



## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

##### Regulatory Capital Treatment

The regulatory capital treatment above shall apply to loans/financing denominated in Malaysian Ringgit or foreign currency that meet the following criteria:

- a) The principal or interest/profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and
- b) The application for repayment assistance by a borrower/customer is received on or before 31 December 2021.

The regulatory capital treatment would also be applicable to rescheduled and restructured loans/financing that are facilitated by Agensi Kaunseling dan Pengurusan Kredit, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

The Group and the Bank have applied the above regulatory capital treatment to the applicable loans/financing.

#### ii) Classification in the Central Credit Reference Information System ("CCRIS")

For rescheduled and restructured ("R&R") individual, SME and corporate loans/financing with arrears not exceeding 90 days as at the date of application for repayment assistance and where application for repayment assistance is received on or before 31 December 2021, including a loan/financing that is restructured and rescheduled more than once, the loan/financing need not be reported as R&R in CCRIS.

The Group and the Bank have complied with the above requirements from BNM.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

##### iii) Drawdown of prudential buffers

Banking institutions were allowed to:

- a) Drawdown the capital conservation buffer of 2.5%;
- b) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
- c) Reduce the regulatory reserves held against expected losses to 0%; and
- d) Minimum Net Stable Funding Ratio ("NSFR") is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers and restore them to the minimum regulatory requirements by 30 September 2021.

The Group and the Bank have not drawn down any of the prudential buffers.

##### iv) Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions

The transitional arrangements for regulatory capital treatment of accounting provisions were introduced as part of the BNM's additional measures to further support efforts to help affected individuals and businesses to recover from the impact of the COVID-19 pandemic while continue to preserve the safety and soundness of the banks.

Under these requirements, financial institutions that elect to apply the said transitional arrangements are allowed to add back a portion of Stage 1 and Stage 2 provisions for expected credit losses to Common Equity Tier I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021, based on the add-back factor prescribed in the frameworks.

The Group and the Bank have not applied the said transitional arrangements provided in the frameworks as at the reporting date.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH package")

In line with the announcement made by the Prime Minister of Malaysia on the PEMULIH package, the Association of Banks in Malaysia and Association of Islamic Banking and Financial Institutions Malaysia had on 29 June 2021 announced that from 7 July 2021, banks will be offering a 6-month moratorium on the instalment of all credit facilities (excluding credit cards) for the following borrowers/customers on an opt in basis:-

- i) All individuals (including all B40, M40 and T20 borrowers/customers);
- ii) All microenterprises; and
- iii) All small and medium enterprises ("SMEs") that have been affected by the COVID-19 pandemic.

The Group and the Bank have offered this moratorium accordingly to loans/financing approved before 1 July 2021 and are not in arrears for more than 90 days on the date the request is submitted. In addition, CCRIS records will be unaffected by opting in this moratorium.

#### Significant accounting policies

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2020, except for the adoption of the following MFRS and Amendments to MFRSs which are effective beginning on or after 1 January 2021, during the current financial period:

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendments to MFRS 16, *Leases* – Covid-19-Related Rent Concessions beyond 30 June 2021

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### Significant accounting policies (continued)

#### Amendments to MFR9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 – Interest Rate Benchmark Reform

Deutsche Bank Group established a Group-wide London Interbank Offered Rate (“LIBOR”) and Eonia (together “IBOR”) & EU Benchmark Regulation transition program in 2018, aimed at managing a smooth transition from IBOR to the new Risk-free Rates (RFRs). The program is sponsored by the Chief Financial Officer and has senior representation from each division, region and infrastructure function. The program has been focused on identifying and quantifying exposures to various interest rate benchmarks, providing the capability to trade products referencing alternative RFRs and evaluating existing contracts that reference IBOR. Oversight of the program to prepare for the transition has been a major focus along with activities across all three lines of defense to minimize risk and disruption to customers and financial markets.

As part of the program, Deutsche Bank Group has undertaken a comprehensive transformation risk assessment which is refreshed regularly and has identified key inherent risks and mitigating actions to improve the control environment. Key risks include business strategic risk, legal and compliance risk, conduct risk, liquidity risk, market risk, credit risk, operational risk, transition risk, model risk, accounting, financial reporting and tax risk, information security and technology transformation risk.

Deutsche Bank Group continues to implement plans, aiming to mitigate remaining risks associated with the expected discontinuation of IBOR-referenced benchmark interest rates. In this regard, Deutsche Bank Group:

- reviewed the fallback language for IBOR-linked instruments including the development of a new framework introduced to quantify the potential impact of positions difficult to transition, referred to as “tough legacy”;
- a Conduct Risk Advisory forum was initiated in the beginning of 2020, aiming to discuss and review all conduct risks types (including new risks and current plan) relevant for the IBOR transition.
- implemented the transition of its interest rate risk hedge accounting programs to the risk-free rates except for USD LIBOR which is in progress.
- proactively engaged with clients to facilitate and support the transition of financial instruments to new RFRs.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### Significant accounting policies (continued)

#### Amendments to MFR9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 – Interest Rate Benchmark Reform (continued)

In 2021, Deutsche Bank Group made positive progress in its transition activities, particularly in IBORs that ceased publication January 3, 2022. Specifically for these IBORs Deutsche Bank Group:

- is able to offer clients the majority of products on an RFR equivalent basis.
- has fallback language in place for the vast majority of Deutsche Bank Group's bilateral derivative transactions.
- is proactively using effective fallback language available when conducting any new IBOR based transactions.
- actively transitioned almost all existing contracts from IBOR to RFR with clients.
- migrated its risk and pricing architecture from GBP, CHF, JPY and USD LIBOR to SONIA, SARON, TONAR and SOFR respectively, including our capital calculations.
- amended the hedge documentation and hedged risk in hedge accounting relationships for the transition of GBP LIBOR, CHF LIBOR, JPY LIBOR, USD LIBOR and EONIA to SONIA, SARON, TONAR, SOFR and ESTR respectively.

As the industry transitions from IBOR to RFR, market liquidity is expected to reduce in IBOR based financial instruments and to increase in RFR based financial instruments. The valuation of financial instruments is accordingly expected to be derived with reference to RFRs. This is not expected to have a material impact on Deutsche Bank Group's consolidated income statement. In some jurisdictions and in some currencies, there are multiple reference rates emerging that may be adopted in certain financial instruments. Deutsche Bank Group continues to examine these reference rates and will monitor market developments over time.

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

The following are financial reporting 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 2022***

- 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 1 January 2023***

- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 4 *Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*

#### ***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 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022; and,
- from the annual period beginning on 1 January 2023 for the amendment, that is effective for annual periods beginning on or after 1 January 2023.

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 2023 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 a historical cost basis unless otherwise indicated in the financial statements.

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 values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

### (d) Use of estimates and judgements

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

## 1. Basis of preparation (continued)

### (d) Use of estimates and judgements (continued)

Judgments, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. 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), Note 3, Note 4 and Note 5 – Impairment of financial assets
- Note 10 – Extensions options and incremental borrowing rates in relation to leases
- Note 11 – Deferred tax assets
- Note 27 – Income taxes

## 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.

### (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

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 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 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 '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

The Group and the Bank follow 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 Group and the Bank recognise 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 Group and the Bank recognise 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 Group and 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 Group and 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 Group and 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 Group and 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 Group and the Bank under the contract; and 2) the cash flows that the Group and the Bank expect 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 Group and the Bank commit to resell at future dates and are reflected as an asset.

Repurchase agreements are obligations which the Group and the Bank commit 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

#### 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 Group and 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 Group and the Bank allocate 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 Group and 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)

#### (i) Recognition and initial measurement

The Group and the Bank recognise 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 Group's and the Bank's incremental borrowing rate. Generally, the Group and the Bank use the 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 Group and the Bank is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Bank is reasonable certain not to terminate early.

## 2. Significant accounting policies (continued)

### (g) Leases (continued)

#### (ii) Recognition and initial measurement (continued)

The Group and the Bank exclude 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 Group and 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 Group and the Bank recognise 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 Group's and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Bank change 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.

### (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 profit or loss 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 or 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 shareholder of 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	
	2021	2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	162,051	475,498
Money at call and deposit placements maturing within one month	<u>3,182,801</u>	<u>3,337,781</u>
	<u>3,344,852</u>	<u>3,813,279</u>

#### 3.2 Deposits and placements with banks and other financial institutions

	Group and Bank	
	2021	2020
	RM'000	RM'000
Licensed bank	-	239,995
Other financial institutions	<u>377,598</u>	<u>1,099,996</u>
	<u>377,598</u>	<u>1,339,991</u>

The original maturity of deposits and placements with banks and other financial institutions are more than one month but less than three months.

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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	2021				2020			
	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
<b>Cash and cash equivalents</b>								
Balance at 1 January	96	-	-	96	116	-	-	116
Net remeasurement of loss allowance	(59)	-	-	(59)	(17)	-	-	(17)
New financial assets originated or purchased	12	-	-	12	16	-	-	16
Financial assets that have been derecognised	(17)	-	-	(17)	(19)	-	-	(19)
<b>Balance at 31 December</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>96</b>

## 4. Financial securities

	Group and Bank	
	2021	2020
	RM'000	RM'000
		Restated
<b>Debt securities at FVTPL</b>		
Malaysian Government Securities	461,956	910,802
Malaysian Investment Issue	237,812	127,969
Cagamas bonds	150,002	199,982
	<u>849,770</u>	<u>1,238,753</u>
<b>Debt securities at FVOCI</b>		
Malaysian Government Securities	776,231	762,232
Malaysian Investment Issue	687,971	71,098
Negotiable instruments of deposits	-	200,000
	<u>1,464,202</u>	<u>1,033,330</u>
<b>Equity investments at FVOCI</b>		
Unquoted shares in Malaysia	<u>15,796</u>	<u>15,792</u>
	<u>2,329,768</u>	<u>2,287,875</u>

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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	2021				2020			
	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
<b>Debt securities at FVOCI</b>								
Balance at 1 January	217	-	-	217	158	-	-	158
Net remeasurement of loss allowance	159	-	-	159	(7)	-	-	(7)
New financial assets originated or purchased	296	-	-	296	212	-	-	212
Financial assets that have been derecognised	(78)	-	-	(78)	(146)	-	-	(146)
<b>Balance at 31 December</b>	<b>594</b>	<b>-</b>	<b>-</b>	<b>594</b>	<b>217</b>	<b>-</b>	<b>-</b>	<b>217</b>

## 5. Loans, advances and financing

	Group and Bank	
	2021	2020
	RM'000	RM'000
<b>At amortised cost</b>		
Overdrafts	92,359	35,604
Term loans - housing loans	6,053	7,287
- other term loans	1,068,430	672,014
Bills receivable	179,784	214,233
Trust receipts	230,131	187,396
Claims on customers under acceptance credits	861,007	1,087,067
Staff loans	4	27
	<u>2,437,768</u>	<u>2,203,628</u>
Unearned interest	(2,821)	(5,524)
Gross loans, advances and financing	<u>2,434,947</u>	<u>2,198,104</u>
Allowance for impaired loans and financing		
- Expected credit losses	<u>(5,485)</u>	<u>(8,083)</u>
Net loans, advances and financing	<u><u>2,429,462</u></u>	<u><u>2,190,021</u></u>

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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.

Group and Bank	2021				2020			
	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
<b>Loans, advances and financing at amortised cost*</b>								
Balance at 1 January	3,224	3,101	1,758	8,083	4,073	1,193	1,947	7,213
Transfer to 12-month ECL	75	-	(75)	-	298	-	(298)	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	(25)	25	-	-
Transfer to lifetime ECL credit-impaired	(405)	-	405	-	(203)	-	203	-
Net remeasurement of loss allowance	(350)	(1,135)	(202)	(1,687)	(901)	909	43	51
New financial assets originated or purchased	932	478	-	1,410	843	1,418	-	2,261
Financial assets that have been derecognised	(903)	(1,418)	-	(2,321)	(861)	(444)	(137)	(1,442)
<b>Balance at 31 December</b>	<b>2,573</b>	<b>1,026</b>	<b>1,886</b>	<b>5,485</b>	<b>3,224</b>	<b>3,101</b>	<b>1,758</b>	<b>8,083</b>

\* 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	
	2021	2020
	RM'000	RM'000
Maturing within one year	2,138,436	1,994,715
More than one year to three years	263,402	197,125
More than three years to five years	30,247	1,554
Over five years	2,862	4,710
	<u>2,434,947</u>	<u>2,198,104</u>

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Domestic banking institutions	2,688	35,954
Domestic non-bank financial institutions	175,713	251,993
Domestic business enterprises	1,833,762	1,673,935
Individuals	6,057	7,313
Government and statutory bodies	247,476	59,372
Foreign entities	169,251	169,537
	<u>2,434,947</u>	<u>2,198,104</u>

## 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	
	2021	2020
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans/financing	123,567	34,839
Variable rate		
- Base lending rate plus	373,412	243,210
- Cost plus	1,654,311	1,903,351
- Other variable rates	283,657	16,704
	<u>2,434,947</u>	<u>2,198,104</u>

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Mining and Quarrying	150,147	150,134
Manufacturing	661,249	361,086
Construction	165,353	211,462
Wholesale & retail trade and restaurants & hotels	513,278	385,799
Transport, storage and communication	317,492	551,717
Finance, insurance and business services	373,895	471,221
Education, health and others	247,476	59,372
Household	6,057	7,313
	<u>2,434,947</u>	<u>2,198,104</u>



## 5. Loans, advances and financing (continued)

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Malaysia	2,265,696	2,028,567
China	4,240	3,025
India	46,436	124,149
Turkey	115,324	36,911
Others	3,251	5,452
	<u>2,434,947</u>	<u>2,198,104</u>

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	3,000	3,526
Classified as impaired during the year	1,293	605
Reclassified as non-impaired during the year	(520)	(750)
Amounts recovered	(515)	(381)
At 31 December	<u>3,258</u>	<u>3,000</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.13%</u>	<u>0.14%</u>

## 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	
	2021	2020
	RM'000	RM'000
Household (Malaysia)	3,258	3,000

## 6. Other assets

	Group and Bank	
	2021	2020
	RM'000	RM'000
Interest/Income receivable	24,686	18,456
Margin placed with exchange	5,842	-
Other debtors, deposits and prepayments	183,537	219,323
	<u>214,065</u>	<u>237,779</u>

## 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	
	2021	2020
	RM'000	RM'000
Unquoted shares, at cost	20	20

## 8. Investments in subsidiary companies (continued)

Details of the subsidiary companies which are incorporated in Malaysia are as follows:

Name	Principal activities	Effective ownership interest	
		2021	2020
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 Ernst & Young 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
<i>Cost</i>						
At 1 January 2020	11,294	5,743	20,269	3,836	547	41,689
Additions	-	76	155	-	-	231
Write-offs	-	(32)	(3,371)	-	-	(3,403)
At 31 December 2020/ 1 January 2021	11,294	5,787	17,053	3,836	547	38,517
Additions	-	26	1,978	-	-	2,004
Write-offs	(59)	(8)	(200)	(132)	-	(399)
At 31 December 2021	11,235	5,805	18,831	3,704	547	40,122
<i>Accumulated depreciation</i>						
At 1 January 2020	11,287	5,181	18,648	3,707	328	39,151
Charge for the year	1	96	730	50	110	987
Write-offs	-	(32)	(3,371)	-	-	(3,403)
At 31 December 2020/ 1 January 2021	11,288	5,245	16,007	3,757	438	36,735
Charge for the year	2	89	880	23	109	1,103
Write-offs	(59)	(8)	(200)	(132)	-	(399)
At 31 December 2021	11,231	5,326	16,687	3,648	547	37,439
<i>Carrying amounts</i>						
At 31 December 2020	6	542	1,046	79	109	1,782
At 31 December 2021	4	479	2,144	56	-	2,683

## 10. Right-of-use assets

	Buildings	
	2021 RM'000	2020 RM'000
Group and Bank		
At 1 January	1,063	2,139
Additions	6,797	937
Depreciation	(1,864)	(2,013)
At 31 December	<u>5,996</u>	<u>1,063</u>

The Group and the Bank lease its building and store on a 3-year tenancy contract.

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

### Significant judgements and assumptions in relation to leases

The Group and the Bank assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group and the Bank consider 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 Group and the Bank also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Bank first determine 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	
	2021	2020
	RM'000	RM'000
		Restated
Property and equipment - capital allowances	(88)	(87)
Others*	25,371	19,941
	<u>25,283</u>	<u>19,854</u>

\* Mainly consists of temporary differences in respect of provisions.

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
		Restated
At 1 January	19,854	26,830
Recognised in profit or loss (Note 27)	53	(5,830)
Recognised in other comprehensive income	5,376	(1,146)
At 31 December	<u>25,283</u>	<u>19,854</u>

## 12. Deposits from customers

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Demand deposits	5,636,004	5,611,932	5,636,024	5,611,952
Savings deposits	12	12	12	12
Fixed deposits	138,491	590,306	138,491	590,306
Other deposits	259,806	203,004	259,806	203,004
	<u>6,034,313</u>	<u>6,405,254</u>	<u>6,034,333</u>	<u>6,405,274</u>

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

	Group and Bank	
	2021 RM'000	2020 RM'000
Due within six months	222,651	634,046
More than six months to one year	910	910
More than one year to three years	100	350
More than three years to five years	174,636	158,004
	<u>398,297</u>	<u>793,310</u>

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Business enterprises	5,104,111	5,595,073	5,104,131	5,595,093
Individuals	224	258	224	258
Foreign customers	69,228	56,076	69,228	56,076
Others	860,750	753,847	860,750	753,847
	<u>6,034,313</u>	<u>6,405,254</u>	<u>6,034,333</u>	<u>6,405,274</u>

### 13. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2021	2020
	RM'000	RM'000
Licensed bank	-	80,360
Other financial institutions	525,433	734,851
	<u>525,433</u>	<u>815,211</u>

### 14. Lease liabilities

	Group and Bank	
	2021	2020
	RM'000	RM'000
<b>Leases as lessee</b>		
Lease liabilities are payable as follows:		
Within 12 months	1,765	1,088
After next 12 months	5,389	169
	<u>7,154</u>	<u>1,257</u>

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	1,257	2,157
Addition	6,797	937
Interest expense in lease liabilities	231	56
Net change from financing cash flows	<u>(1,131)</u>	<u>(1,893)</u>
At 31 December	<u>7,154</u>	<u>1,257</u>

### 15. Other liabilities

	Group and Bank	
	2021	2020
	RM'000	RM'000
Interest payable	628	850
Bills payable	11,989	10,239
Employee benefits	23,609	25,392
Other liabilities	505,931	803,075
	<u>542,157</u>	<u>839,556</u>



## 16. Share capital

	Number of shares 2021 '000	Group and Bank		
		Amount 2021 RM'000	Number of shares 2020 '000	Amount 2020 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	
	2021 RM'000	2020 RM'000 Restated
<b>Non-distributable:</b>		
Regulatory reserve	45,000	45,000
Fair value reserve	(3,447)	13,579
	41,553	58,579
<b>Distributable:</b>		
Retained earnings	1,222,653	1,381,985
	<u>1,264,206</u>	<u>1,440,564</u>

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.

## 18. Interest income

	Group and Bank	
	2021	2020
	RM'000	RM'000
Loans, advances and financing	65,544	101,720
Money at call and deposit placements with financial institutions	56,459	74,424
Reverse repurchase agreements	4,848	2,163
Financial securities	28,715	60,515
Other interest income	-	14
	<u>155,566</u>	<u>238,836</u>

## 19. Interest expense

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	4,227	7,578
Repurchase agreement	13	15
Deposits from customers	20,741	37,197
Other interest expense	954	652
	<u>25,935</u>	<u>45,442</u>

## 20. Non-interest income

	Group and Bank	
	2021	2020
	RM'000	RM'000
<b>Fee income:</b>		
Commissions	8,921	7,027
Service charges and fees	19,173	21,193
Guarantee fees	3,436	2,968
	<u>31,530</u>	<u>31,188</u>
<b>Fee expense:</b>		
Commissions	(3,700)	(4,468)
Service charges and fees	(3,379)	(4,842)
	<u>(7,079)</u>	<u>(9,310)</u>
<b>Net fee income</b>	<u>24,451</u>	<u>21,878</u>
<b>Net gains from financial instruments:</b>		
Net (loss)/gain arising on financial securities:		
Realised (loss)/gain	(20,902)	104,130
Unrealised loss	(1,304)	(247)
Net gain arising on trading derivatives:		
Realised gain	48,353	54,028
Unrealised gain/(loss)	58,515	(28,894)
Foreign exchange gain	45,064	168,460
Gain on instruments at FVOCI	2	-
Gross dividend income	100	134
Other income/(loss):		
Other operating income/(loss), net	1,306	(2,270)
	<u>131,134</u>	<u>295,341</u>
	<u>155,585</u>	<u>317,219</u>

## 21. Other operating expenses

	Group and Bank	
	2021	2020
	RM'000	RM'000
Personnel costs		
- Salaries, allowances and bonuses	45,280	47,156
- Contributions to Employees' Provident Fund	7,399	7,535
- Others	5,566	2,322
Establishment costs		
- Rental	1,186	554
- Depreciation - property and equipment (Note 9)	1,103	987
- Depreciation - right-of-use assets (Note 10)	1,864	2,013
- Others	5,749	4,734
Marketing expenses	1,123	1,306
Administration and general expenses		
- Intercompany charges (Note 25)	83,393	77,276
- Communication	1,189	1,430
- Auditors' remuneration		
- statutory audit fee	141	141
- Professional fees		
- current year professional fees	2,452	2,480
- reversal of prior years' provision	(15,742)	-
- Others	5,075	8,312
	<u>145,778</u>	<u>156,246</u>

The number of employees of the Group and the Bank at the end of the year was 180 (2020: 198).

## 22. Allowance written back/(made) for impairment

	Group and Bank	
	2021	2020
	RM'000	RM'000
Expected credit losses		
- loans, advances and financing (Note 5)	2,598	(870)
- cash and cash equivalents (Note 3)	64	20
- debt securities at FVOCI (Note 4)	(377)	(59)
	<u>2,285</u>	<u>(909)</u>

## 23. Related parties

### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank 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 Group and the Bank and the party are subject to common control. Related parties may be individuals or other entities.

The Group and the Bank also have related party relationships 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:

2021	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Income</i>			
Interest on advances and deposits	182	-	-
Fee income	1,231	-	1,243
Other operating (loss)/ income	(7,471)	-	8,787
	<u>(6,058)</u>	<u>-</u>	<u>10,030</u>
<i>Expenditure</i>			
Interest on deposits	1,020	-	-
Fee expenses	2,735	-	-
Other operating expenses	76,325	-	7,098
	<u>80,080</u>	<u>-</u>	<u>7,098</u>
<i>Amount due from</i>			
Cash and short-term funds	146,425	-	-
Derivatives	131,293	-	707
Other assets			
- Others	39,812	-	5,827
- Interest income receivable	12	-	-
	<u>317,542</u>	<u>-</u>	<u>6,534</u>
<i>Amount due to</i>			
Deposits and placements of banks and other financial institutions	61,657	20	5,475
Derivatives	214,268	-	17,448
Other liabilities			
- Others	79,063	-	13,032
- Interest payable	52	-	8
	<u>355,040</u>	<u>20</u>	<u>35,963</u>

## 23. Related parties (continued)

2020	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Income</i>			
Interest on advances and deposits	2,046	-	686
Fee income	2,254	-	992
Other operating (loss)/ income	(10,100)	-	7,837
	<u>(5,800)</u>	<u>-</u>	<u>9,515</u>
<i>Expenditure</i>			
Interest on deposits	1,886	-	56
Fee expenses	1,241	-	2,814
Other operating expenses	71,971	-	5,336
	<u>75,098</u>	<u>-</u>	<u>8,206</u>
<i>Amount due from</i>			
Cash and short-term funds	222,513	-	15
Derivatives	435,876	-	841
Other assets			
- Others	32,417	-	5,334
	<u>690,806</u>	<u>-</u>	<u>6,190</u>
<i>Amount due to</i>			
Deposits and placements of banks and other financial institutions	347,497	20	20,352
Derivatives	319,974	-	9,894
Other liabilities			
- Others	68,253	-	8,757
- Interest payable	16	-	-
	<u>735,740</u>	<u>20</u>	<u>39,003</u>

## 24. Credit transactions and exposures with connected parties

	Group and Bank	
	2021	2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>105,876</u>	<u>385,753</u>
Of which:		
Total credit exposures which is non-performing	<u>-</u>	<u>-</u>
Total credit exposures	<u>10,479,395</u>	<u>11,244,034</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>1.01%</u>	<u>3.43%</u>
- as a proportion of capital base	<u>6.02%</u>	<u>20.03%</u>
- which is non-performing	<u>0%</u>	<u>0%</u>

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	
	2021 RM'000	2020 RM'000
Asia Pacific Head Office (Singapore) Charges	7,771	16,340
Global Overheads	10,078	11,730
Divisional Functions Transfer Pricing	140	366
Global Corporate Bank	14,694	12,386
Group Technology & Operations Charges	40,746	26,371
Others	9,964	10,083
	<u>83,393</u>	<u>77,276</u>

25.2 Intercompany charges analysed by geographical distribution are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Singapore	37,002	43,063
United Kingdom	17,276	10,911
Germany	18,171	12,621
United States of America	4,001	4,471
Philippines	2,320	2,425
Others	4,623	3,785
	<u>83,393</u>	<u>77,276</u>

## 26. Key management personnel compensation

The key management personnel compensation are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
<b>Executive Directors</b>		
Dato' Yusof Annuar bin Yaacob (Chief Executive Officer)		
- Salary and other remuneration	2,462	2,404
- Bonuses	1,535	1,132
- Benefits-in-kind	39	39
Seamus Toal		
- Salary and other remuneration	-	-
- Bonuses	-	-
- Benefits-in-kind	-	-
<b>Non-Executive Directors</b>		
Fees		
- Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	280	280
- Madam Koid Swee Lian	150	150
- Mr Chong Kin Leong #	16	-
- Mr Steven Choy Khai Choon *	75	150
Other remuneration		
- Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	50	45
- Madam Koid Swee Lian	49	42
- Mr Chong Kin Leong #	-	-
- Mr Steven Choy Khai Choon *	21	45
	4,677	4,287

# Appointed on 22 November 2021

\*Retired on 28 June 2021

## 26. Key management personnel compensation (continued)

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

	Group and Bank	
	2021 RM'000	2020 RM'000
Other key management personnel		
- Short-term employee benefits	13,621	10,516
- Share-based payments	1,287	1,045
	<u>14,908</u>	<u>11,561</u>

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	
	2021	2020
	RM'000	RM'000 Restated
Current tax expense		
Current year	31,500	81,000
Under provision in prior year	2,842	108
	34,342	81,108
Deferred tax expense (Note 11)		
Origination and reversal of temporary differences	3,837	6,091
Over provision in prior year	(3,890)	(261)
	(53)	5,830
	<u>34,289</u>	<u>86,938</u>
<b>Reconciliation of tax expense</b>		
Profit before tax	<u>143,675</u>	<u>355,656</u>
Tax at Malaysian tax rate of 24%	34,482	85,357
Dividend income not subject to tax	(24)	(32)
Non-deductible expenses	879	1,766
	35,337	87,091
Over provision in prior year, net	(1,048)	(153)
	<u>34,289</u>	<u>86,938</u>
Tax recognised directly in equity:		
Fair value reserve (Note 11)	<u>5,376</u>	<u>(1,146)</u>

## 28. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2021 was based on the profit attributable to ordinary shareholder and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Profits attributable to ordinary shareholder	<u>109,386</u>	<u>268,718</u>
Weighted average number of ordinary shares - Issued ordinary shares during the year	<u>173,599</u>	<u>173,599</u>
	Group and Bank	
	2021	2020
	(sen)	(sen)
Basic earnings per share	<u>63.0</u>	<u>154.8</u>

### 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:

	Sen per share	Group and Bank Total amount RM'000	Date of Payment
<b>2021</b>			
Final 2020 ordinary	154.8	<u>268,718</u>	09 July 2021
<b>2020</b>			
Final 2019 ordinary	127.9	<u>222,055</u>	30 July 2020

After the end of the reporting period, the Directors recommended final dividend of 63 sen per ordinary share totalling RM109,386,000 in respect of the financial year ended 31 December 2021. This dividend will be recognised in the subsequent financial year upon approval by the shareholders of the Bank.

The financial statements for the current financial year do not reflect these dividends.

Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2022.

### 30. Capital adequacy

	Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
		Restated
Components of Tier 1 and Tier 2 capital are as follows:		
<b>Tier 1 capital</b>		
Paid-up share capital	531,362	531,362
Other disclosed reserves	(3,898)	6,036
Retained profits	1,222,653	1,381,985
Less: Deferred tax assets	(25,283)	(19,854)
Total common equity tier 1/Total tier 1 capital	1,724,834	1,899,529
<b>Tier 2 capital</b>		
Expected credit losses ("ECL")*	3,599	6,325
Regulatory reserve	45,000	45,000
Total capital base	1,773,433	1,950,854
Common equity tier 1/Tier 1 capital ratio	23.761%	23.144%
Total capital ratio	24.431%	23.770%

\* 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	
	31.12.2021 RM'000	31.12.2020 RM'000 Restated
1 Credit risk	4,640,612	4,918,809
2 Market risk	1,815,354	2,393,224
3 Operational risk	802,999	895,230
<b>Total</b>	<b>7,258,965</b>	<b>8,207,263</b>



### 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:

2021 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk- Weighted Assets
	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-
Transaction related contingent items	570,009	285,005	265,213
Short-term self liquidating trade related contingencies	118,537	23,707	23,370
<b>Foreign exchange related contracts</b>			
One year or less	14,988,834	323,684	309,880
Over one year to five years	1,458,409	108,206	87,374
Over five years	-	-	-
<b>Interest/profit rate related contracts</b>			
One year or less	80,000	1,098	770
Over one year to five years	70,000	1,400	920
Over five years	27,063	1,353	1,353
<b>Equity related contracts</b>			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Credit derivatives contract</b>			
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	60,223,659	1,145,507	320,183
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	562,049	281,025	281,025
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,008,601	801,720	801,720
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	-	-	-
<b>Total</b>	<b>82,107,161</b>	<b>2,972,705</b>	<b>2,091,808</b>

### 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):

2020 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk- Weighted Assets
	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-
Transaction related contingent items	541,127	270,564	250,292
Short-term self liquidating trade related contingencies	158,020	31,604	31,098
<b>Foreign exchange related contracts</b>			
One year or less	13,364,383	300,944	280,853
Over one year to five years	1,803,531	169,311	155,339
Over five years	-	-	-
<b>Interest/profit rate related contracts</b>			
One year or less	160,000	1,402	628
Over one year to five years	110,000	4,234	2,280
Over five years	27,063	1,624	1,624
<b>Equity related contracts</b>			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Credit derivatives contract</b>			
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	75,537,697	1,313,938	328,663
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	400,093	200,046	200,046
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,843,995	768,799	768,799
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	-	-	-
<b>Total</b>	<b>95,945,909</b>	<b>3,062,466</b>	<b>2,019,622</b>

## 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 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.

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

	Group and Bank	
	2021 RM'000	2020 RM'000
Stage 1 : 12-month ECL	2,403,090	2,165,845
Stage 2 : Lifetime ECL not credit-impaired	28,599	29,259
Stage 3 : Lifetime ECL credit-impaired	3,258	3,000
Total	<u>2,434,947</u>	<u>2,198,104</u>

#### 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 significantly 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 Group and the Bank to identify whether the credit risk of the loans has significantly increased. Such indicators are:

- a) Obligors being added to a credit watch list;
- b) Obligors being 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 Group and the Bank consider the obligor is unlikely to pay its credit obligations to the Group and the Bank. Determination may include forbearance actions, where a concession has been granted to the borrower for 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	
	2021	2020
	RM'000	RM'000
Against stage 1 : 12-month ECL	10,955	17,230
Against stage 2 : Lifetime ECL not credit-impaired	6,657	6,698
Against stage 3 : Lifetime ECL credit-impaired	13,384	11,651
	<u>30,996</u>	<u>35,579</u>

### 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
<b>2021</b>			
<b>Domestic Rating</b>			
AAA+ to AA-	150,003	-	10,076
A+ to A-	699,767	1,464,202	-
Unrated	-	-	5,720
	<u>849,770</u>	<u>1,464,202</u>	<u>15,796</u>

Group and Bank	Debt securities at FVTPL RM'000	Debt securities at FVOCI RM'000	Equity investments at FVOCI RM'000
<b>2020 (Restated)</b>			
<b>Domestic Rating</b>			
AAA+ to AA-	199,982	200,000	10,109
A+ to A-	1,038,771	833,330	-
Unrated	-	-	5,683
	<u>1,238,753</u>	<u>1,033,330</u>	<u>15,792</u>

#### (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 RM383,718,193 (2020: RM503,675,520) 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 with 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:

Jan – Dec 2021 Group and Bank	At 31 December RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
<b>2021</b>				
Interest Rate Risk	4,330	4,242	9,400	1,527
Credit Risk	2,777	2,672	9,530	519
Foreign Exchange Risk	1,785	2,303	8,592	186
Equity Risk	1,296	1,268	8,049	481
Residual Risk	59	94	1,273	12
Total VaR	<u>6,340</u>	<u>6,287</u>	<u>16,161</u>	<u>2,494</u>

### 33. Risk management (continued)

#### Market risk (continued)

Jan – Sep 2020 Group and Bank	At 30 September RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
<b>2020</b>				
Interest Rate Risk:				
Market Risk	3,960	4,913	8,190	2,585
Specific Risk	5	9	17	2
Foreign Exchange Risk	1,140	2,320	5,241	578
Commodity Risk	-	-	-	-
Equity Risk	-	-	-	-
Total VaR	<u>4,198</u>	<u>5,572</u>	<u>8,847</u>	<u>3,255</u>
<b>Oct – Dec 2020</b>				
Group and Bank	At 31 December RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
<b>2020</b>				
Interest Rate Risk	3,334	3,895	5,631	1,954
Credit Risk	6,819	6,486	11,267	2,227
Foreign Exchange Risk	8,607	5,221	8,607	526
Equity Risk	2,186	1,027	2,712	448
Residual Risk	347	189	601	37
Total VaR	<u>13,073</u>	<u>9,765</u>	<u>14,722</u>	<u>3,437</u>

### 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 Historical 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	Historical Simulation	Historical 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.

The main limitations of the VaR framework are as follows:

- (a) Not all risks can be incorporated into the main VaR model. This limitation is remediated by the RNIV framework.
- (b) Where idiosyncratic and general market risk components of risk factors are modelled separately, the revaluation for the idiosyncratic component is always Sensitivity – based, but the general component may be either Sensitivity or Full reval – based.
- (c) Aggregation of general and (modelled) specific risk is based on VaR aggregation.
- (d) Risk-P&Ls are based on sensitivities for some books and Full revaluation for others depending on Full revaluation onboarding status.
- (e) Hist sim VaR is based on 1 year of daily P&L estimates. The VaR 99% quantile does not correspond directly to a P&L observation but has to be interpolated.
- (f) In case historical data does not exist, proxies may be used.

### 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 ("LRM") 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 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, Net Stable Funding Ratio, and an array of internal liquidity risk limits including Stressed Net Liquidity Position, Customer Concentration Ratio, Funding Matrix, etc. The Bank's stress testing process is established to reflect the Bank's business-specific and market systemic liquidity risk, of which the stress assumptions are prudently formulated and embedded in the daily risk reporting. Stress testing result is monitored on a daily basis, reported to the ALCO via weekly liquidity dashboard and 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 2021 and 31 December 2020:

Group 2021	Up to 30 days RM'000	> 30 days – 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
<b>Assets</b>					
Cash and short-term funds	3,344,852	-	-	-	3,344,852
Deposits and placements with banks and other financial institutions	377,598	-	-	-	377,598
Reverse repurchase agreements	50,723	-	-	-	50,723
Financial securities	-	309,536	146,893	1,873,339	2,329,768
Loans, advances and financing	1,156,409	654,983	230,796	387,274	2,429,462
Derivative assets	101,400	158,640	50,483	502,823	813,346
Other assets (excluding prepayments)	97,945	1,434	174	97,915	197,468
Statutory deposit with Bank Negara Malaysia	20,000	-	-	-	20,000
<b>Total assets</b>	<b>5,148,927</b>	<b>1,124,593</b>	<b>428,346</b>	<b>2,861,351</b>	<b>9,563,217</b>
<b>Liabilities</b>					
Deposits from customers	5,760,844	97,823	910	174,736	6,034,313
Deposits and placements of banks and other financial institutions	525,433	-	-	-	525,433
Derivative liabilities	133,131	184,184	72,285	341,064	730,664
Other liabilities (excluding provisions and accruals)	484,870	86	6	1	484,963
<b>Total liabilities</b>	<b>6,904,278</b>	<b>282,093</b>	<b>73,201</b>	<b>515,801</b>	<b>7,775,373</b>

### 33. Risk management (continued)

#### Liquidity risk (continued)

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

Group 2020 (Restated)	Up to 30 days RM'000	> 30 days – 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
<b>Assets</b>					
Cash and short-term funds	3,813,279	-	-	-	3,813,279
Deposits and placements with banks and other financial institutions	1,339,991	-	-	-	1,339,991
Reverse repurchase agreements	112,446	-	-	-	112,446
Financial securities	299,995	395,620	246,015	1,346,245	2,287,875
Loans, advances and financing	923,256	939,767	182,708	144,290	2,190,021
Derivative assets	230,556	271,770	131,244	772,588	1,406,158
Other assets (excluding prepayments)	147,211	199	3,441	23,632	174,483
Statutory deposit with Bank Negara Malaysia	20,000	-	-	-	20,000
<b>Total assets</b>	<b>6,886,734</b>	<b>1,607,356</b>	<b>563,408</b>	<b>2,286,755</b>	<b>11,344,253</b>
<b>Liabilities</b>					
Deposits from customers	5,833,481	412,509	910	158,354	6,405,254
Deposits and placements of banks and other financial institutions	815,211	-	-	-	815,211
Derivative liabilities	287,537	293,441	84,289	722,215	1,387,482
Other liabilities (excluding provisions and accruals)	684,647	168	6	1	684,822
<b>Total liabilities</b>	<b>7,620,876</b>	<b>706,118</b>	<b>85,205</b>	<b>880,570</b>	<b>9,292,769</b>

The above disclosure also apply for the Bank level except that included in the deposits from customers is RM20,000 (2020: RM20,000) cash consolidated from the subsidiaries with remaining contractual maturity of up to 30 days.

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### 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	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
<b>2021</b>					
Deposits from customers	5,760,890	97,823	910	174,736	6,034,359
Deposits and placements of banks and other financial institutions	525,433	-	-	-	525,433
Derivative liabilities	135,806	230,819	102,594	218,467	687,686
Other liabilities (excluding provisions and accruals)	484,870	86	6	1	484,963
<b>Total liabilities</b>	<b>6,906,999</b>	<b>328,728</b>	<b>103,510</b>	<b>393,204</b>	<b>7,732,441</b>
Transaction related contingent items	15,834	191,286	95,674	267,215	570,009
Short-term self liquidating trade related contingencies	23,280	94,407	850	-	118,537
<b>Total commitment and contingencies</b>	<b>39,114</b>	<b>285,693</b>	<b>96,524</b>	<b>267,215</b>	<b>688,546</b>

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### 33. Risk management (continued)

#### Liquidity risk (continued)

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

Group	Up to 30 days RM'000	> 30 days - 6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2020					
Deposits from customers	5,833,633	412,828	921	188,124	6,435,506
Deposits and placements of banks and other financial institutions	815,303	-	-	-	815,303
Derivative liabilities	310,603	381,212	193,319	632,239	1,517,373
Other liabilities (excluding provisions and accruals)	684,647	168	6	1	684,822
<b>Total liabilities</b>	<b>7,644,186</b>	<b>794,208</b>	<b>194,246</b>	<b>820,364</b>	<b>9,453,004</b>
Transaction related contingent items	10,328	220,763	170,042	139,994	541,127
Short-term self liquidating trade related contingencies	18,180	120,819	19,021	-	158,020
<b>Total commitment and contingencies</b>	<b>28,508</b>	<b>341,582</b>	<b>189,063</b>	<b>139,994</b>	<b>699,147</b>

The above disclosure also apply for the Bank level except that included in the deposits from customers is RM20,000 (2020: RM20,000) cash consolidated from the subsidiaries with remaining contractual maturity of up to 30 days.

Other commitments of RM4,570,650,000 (2020: RM4,244,088,000) 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 stemming from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risks, but excludes business and reputational risk and is embedded in all banking products and activities. Operational risk forms a subset of the Bank’s Non-Financial Risks (“NFR”).

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 events (such as serious violations of laws or regulations and misconduct), 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, risk reducing actions must be undertaken, including remediating the risks, insuring risks or ceasing business.

The ORMF is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and mitigate the Bank’s operational risks. Its components have been designed to operate together to provide a comprehensive but risk-based approach to managing the Bank’s most material operational risks. ORMF components include the Group’s approach to setting and adhering to operational risk appetite, the operational risk type and control taxonomies, the minimum standards for operational risk management processes including tools and the Bank’s operational risk capital model.

The governance of operational risks follows the Bank’s Three Lines of Defence (“3LoD”) approach to managing all of its financial and non-financial risks. The ORMF establishes the operational risk governance standards including the core 1st and 2nd LoD roles and their responsibilities, to ensure effective risk management and appropriate independent challenge:

**Operational risk requirements for the first line of defence (“1st LoD”):** Risk owners as the 1st LoD have full accountability for their operational risks and manage these against a defined risk specific appetite.

Operational risk owners are those roles in the Bank whose activities generate risks – or who are exposed to – operational risks. 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 to ensure they remain within risk appetite and establish and maintain 1st LoD controls.

### 33. Risk management (continued)

#### Operational Risk (continued)

#### Operational Risk Management Framework (continued)

**Operational risk requirements for the second line of defence (“2nd LoD”):** Risk Type Controllers (“RTCs”) act as the 2nd LoD control functions for all sub-risk types under the overarching risk type “operational risk”.

RTCs establish the framework and define risk appetite statements for the specific operational risk type they oversee. RTCs define the fundamental risk management and control standards and independently monitor and challenge risk owners’ implementation of these standards in their day-to-day processes, as well as their risk-taking and management activities. RTCs provide independent operational risk oversight and prepare aggregated risk type profile reporting. RTCs monitor the risk type’s profile against risk appetite and have a right to veto risk decisions leading to foreseeable risk appetite breaches. As risk type experts, RTCs define the risk type and its taxonomy and support and facilitate the implementation of risk type framework in the 1st LoD. To maintain their independence, RTC roles are located only in infrastructure functions.

**Operational risk requirements for NFRM as the RTC for the overarching risk type operational risk:** As the RTC/ risk control function for operational risk, NFRM establishes and maintain the overarching ORMF and determines the appropriate level of capital to underpin the Group’s operational risk.

- As the 2nd LoD risk control function, NFRM defines the Bank’s approach to operational risk appetite and monitors its adherence, breaches and consequences. NFRM is the independent reviewer and challenger of the 1st LoD’s risk and control assessments and risk management activities relating to the holistic operational risk profile of a unit (while RTCs monitor and challenge activities related to their specific risk types). 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 operational top risks, i.e. the Bank’s material operational risks which are outside of risk appetite.
- 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 (1st LoD) and facilitates the implementation of risk management and control standards across the Bank.
- 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”).

## 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 2021	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI- Debt securities RM'000	FVOCI- Equity investments RM'000
<b>Financial assets</b>					
Cash and short-term funds	3,344,852	3,344,852	-	-	-
Deposits and placements with banks and other financial institutions	377,598	377,598	-	-	-
Reverse repurchase agreements	50,723	-	50,723	-	-
Financial securities	2,329,768	-	849,770	1,464,202	15,796
Loans, advances and financing	2,429,462	2,429,462	-	-	-
Derivative assets (Note 34.3)	813,346	-	813,346	-	-
Statutory deposit with Bank Negara Malaysia	20,000	20,000	-	-	-
Other assets (excluding prepayments)	197,468	197,468	-	-	-
	<b>9,563,217</b>	<b>6,369,380</b>	<b>1,713,839</b>	<b>1,464,202</b>	<b>15,796</b>
<b>Financial liabilities</b>					
Deposits from customers	6,034,313	6,034,313	-	-	-
Deposits and placements of banks and other financial institutions	525,433	525,433	-	-	-
Derivative liabilities (Note 34.3)	730,664	-	730,664	-	-
Other liabilities (excluding provisions and accruals)	484,963	484,963	-	-	-
	<b>7,775,373</b>	<b>7,044,709</b>	<b>730,664</b>	<b>-</b>	<b>-</b>

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

#### 34.1 Categories of financial instruments (continued)

Group 2020(Restated)	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI- Debt securities RM'000	FVOCI- Equity investments RM'000
<b>Financial assets</b>					
Cash and short-term funds	3,813,279	3,813,279	-	-	-
Deposits and placements with banks and other financial institutions	1,339,991	1,339,991	-	-	-
Reverse repurchase agreements	112,446	-	112,446	-	-
Financial securities	2,287,875	-	1,238,753	1,033,330	15,792
Loans, advances and financing	2,190,021	2,190,021	-	-	-
Derivative assets (Note 34.3)	1,406,158	-	1,406,158	-	-
Statutory deposit with Bank Negara Malaysia	20,000	20,000	-	-	-
Other assets (excluding prepayments)	174,483	174,483	-	-	-
	<u>11,344,253</u>	<u>7,537,774</u>	<u>2,757,357</u>	<u>1,033,330</u>	<u>15,792</u>
<b>Financial liabilities</b>					
Deposits from customers	6,405,254	6,405,254	-	-	-
Deposits and placements of banks and other financial institutions	815,211	815,211	-	-	-
Derivative liabilities (Note 34.3)	1,387,482	-	1,387,482	-	-
Other liabilities (excluding provisions and accruals)	684,822	684,822	-	-	-
	<u>9,292,769</u>	<u>7,905,287</u>	<u>1,387,482</u>	<u>-</u>	<u>-</u>

## 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 (2020: 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
<b>2021</b>			
<b>Financial assets</b>			
Reverse repurchase agreements	-	50,723	-
Financial securities	-	2,313,972	15,796
Derivative assets	-	721,803	91,543
	<u>-</u>	<u>3,086,498</u>	<u>107,339</u>
<b>Financial liabilities</b>			
Derivative liabilities	<u>-</u>	<u>(701,313)</u>	<u>(29,351)</u>
<b>2020 (Restated)</b>			
<b>Financial assets</b>			
Reverse repurchase agreements	-	112,446	-
Financial securities	-	2,272,083	15,792
Derivative assets	-	1,351,228	54,930
	<u>-</u>	<u>3,735,757</u>	<u>70,722</u>
<b>Financial liabilities</b>			
Derivative liabilities	<u>-</u>	<u>(1,372,277)</u>	<u>(15,205)</u>

## 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	
	2021	2020
	RM'000	RM'000
		Restated
<b>Financial assets</b>		
Balance at 1 January	70,722	45,789
Total gain recognised in profit or loss:		
- <i>Settlements</i>	(2,197)	(9,853)
- <i>Attributable to gain recognised relating to financial assets that have not been realised</i>	38,814	34,786
Balance at 31 December	<u>107,339</u>	<u>70,722</u>
<b>Financial liabilities</b>		
Balance at 1 January	(15,205)	(3,727)
Total gain recognised in profit or loss:		
- <i>Settlements</i>	4,740	593
- <i>Attributable to losses recognised relating to financial liabilities that have not been realised</i>	(18,886)	(12,071)
Balance at 31 December	<u>(29,351)</u>	<u>(15,205)</u>

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
<b>2021</b>		
<b>Financial assets</b>		
Loans, advances and financing	<u>2,429,462</u>	<u>2,428,429</u>
<b>Financial liabilities</b>		
Deposits from customers	<u>6,034,313</u>	<u>6,029,328</u>
<b>2020</b>		
<b>Financial assets</b>		
Loans, advances and financing	<u>2,190,021</u>	<u>2,189,041</u>
<b>Financial liabilities</b>		
Deposits from customers	<u>6,405,254</u>	<u>6,394,696</u>



## 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 also applies for the Bank except that included in the deposits from customers is RM20,000 (2020: 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 2021 and 31 December 2020:

		Group and Bank	
	Notional	Positive	Negative
	RM'000	market	market
		value	value
		RM'000	RM'000
<b>2021</b>			
<b>Foreign exchange related contracts</b>			
Forward exchange trades	35,314,753	213,067	(204,028)
Cross currency swaps	10,022,349	273,761	(301,636)
Foreign exchange options	1,185,730	22,533	-
<b>Interest/Profit rate related contracts</b>			
Swaptions	529,683	8,846	-
Interest rate swaps	29,795,449	295,139	(225,000)
	<u>76,847,964</u>	<u>813,346</u>	<u>(730,664)</u>
<b>2020 (Restated)</b>			
<b>Foreign exchange related contracts</b>			
Forward exchange trades	47,834,316	515,754	(590,497)
Cross currency swaps	9,236,202	333,040	(369,431)
Foreign exchange options	1,083,667	21,128	-
<b>Interest/Profit rate related contracts</b>			
Swaptions	346,519	1,003	(1,482)
Interest rate swaps	32,501,970	535,233	(426,072)
	<u>91,002,674</u>	<u>1,406,158</u>	<u>(1,387,482)</u>

### 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 2021	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		Net amount RM'000
				Value of financial instruments subject to netting arrangement RM'000	Collateral received/ pledged* RM'000	
<b>Financial assets</b>						
Derivative financial assets						
- Foreign exchange related contracts	509,361	-	509,361	(150,485)	(259,578)	99,298
- Interest/Profit rate related contracts	303,985	-	303,985	(152,154)	(117,691)	34,140
	813,346	-	813,346	(302,639)	(377,269)	133,438
Reverse repurchase agreements	50,723	-	50,723	-	(50,725)	(2)
	864,069	-	864,069	(302,639)	(327,994)	133,436
<b>Financial liabilities</b>						
Derivative financial liabilities						
- Foreign exchange related contracts	505,664	-	505,664	(150,485)	(34,948)	320,231
- Interest/Profit rate related contracts	225,000	-	225,000	(152,154)	(35,312)	37,534
	730,664	-	730,664	(302,639)	(70,260)	357,765

\*Include securities accepted as collateral

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

#### 34.4 Offsetting of financial assets and financial liabilities (continued)

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

Group and Bank 2020 (Restated)	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	Collateral received/ pledged* RM'000	Net amount RM'000
<b>Financial assets</b>						
Derivative financial assets						
- Foreign exchange related contracts	869,922	-	869,922	(434,463)	(476,866)	(41,407)
- Interest/Profit rate related contracts	536,236	-	536,236	(267,254)	(250,098)	18,884
	1,406,158	-	1,406,158	(701,717)	(726,964)	(22,523)
Reverse repurchase agreements	112,446	-	112,446	-	(116,005)	(3,559)
	1,518,604	-	1,518,604	(701,717)	(842,969)	(26,082)
<b>Financial liabilities</b>						
Derivative financial liabilities						
- Foreign exchange related contracts	959,928	-	959,928	(434,463)	(173,884)	351,581
- Interest/Profit rate related contracts	427,554	-	427,554	(267,254)	(159,454)	846
	1,387,482	-	1,387,482	(701,717)	(333,338)	352,427

\* 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. Share-Based Compensation Plans

The Group made grants of share-based compensation under the DB Equity Plan. This plan represents a contingent right to receive Deutsche Bank Group 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 the DB Equity Plan may be forfeited fully or partly if the recipient voluntarily terminates employment before the end of the relevant vesting period (or release period for Upfront Awards). Vesting usually continues after termination of employment in cases such as redundancy or retirement. Deferred share awards are subject to forfeiture provisions and performance conditions until release.

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, and for employees of certain legal entities, deferred equity is replaced with restricted shares due to local regulatory requirements.

Please note that this table does not cover awards granted to the Management Board. The following table sets forth the basic terms of these share plans:

Grant year(s)	Deutsche Bank Equity Plan	Vesting schedule	Eligibility
2019-2021	Annual Award	1/4: 12 months <sup>1</sup> 1/4: 24 months <sup>1</sup> 1/4: 36 months <sup>1</sup> 1/4: 48 months <sup>1</sup>	Select employees as annual performance-based compensation (CB/IB/CRU and InstVV MRTs in an MBU) <sup>2</sup>
	Annual Award	1/3: 12 months <sup>1</sup> 1/3: 24 months <sup>1</sup> 1/3: 36 months <sup>1</sup>	Select employees as annual performance-based compensation (non-CB/IB/CRU) <sup>2</sup>
	Annual Award	1/5: 12 months <sup>1</sup> 1/5: 24 months <sup>1</sup> 1/5: 36 months <sup>1</sup> 1/5: 48 months <sup>1</sup> 1/5: 60 months <sup>1</sup>	Select employees as annual performance-based compensation (Senior Management)
	Retention/New Hire	Individual specification	Select employees to attract and retain the best talent
2017 -2018	Annual Award – Upfront	Vesting immediately at grant <sup>3</sup>	Regulated employees
	Annual Award	1/4: 12 months <sup>1</sup> 1/4: 24 months <sup>1</sup> 1/4: 36 months <sup>1</sup> 1/4: 48 months <sup>1</sup> Or cliff vesting after 54 months <sup>1</sup>	Select employees as annual performance-based compensation
	Retention/New Hire	Individual specification	Members of Senior Leadership Cadre Select employees to attract and retain the best talent
	Key Retention Plan (KRP) <sup>4</sup>	1/2: 50 months <sup>3</sup> 1/2: 62 months <sup>3</sup> Cliff vesting after 43 months	Material Risk Takers (MRTs) Non-Material Risk Takers (non-MRTs)
2016	Key Position Award (KPA) <sup>5</sup>	Cliff-vesting after 4 years <sup>3</sup>	Select employees as annual retention

<sup>1</sup> For InstVV-regulated employees (and Senior Management) a further retention period of twelve months applies (six months for awards granted from 2017 -2018).

<sup>2</sup> For grant year 2019 divisions were called CIB, for grant years 2020 and 2021 CIB is split into CB/IB/CRU.

<sup>3</sup> Share delivery takes place after a further retention period of twelve months.

<sup>4</sup> Equity-based awards granted under this plan in January 2017 were subject to an additional share price condition and were forfeited as a result of this condition not being met.

<sup>5</sup> A predefined proportion of the individual's KPA was subject to an additional share price condition and was forfeited as a result of this condition not being met.

### 35. Share-Based Compensation Plans (continued)

Furthermore, the Group offers a broad-based employee share ownership plan entitled Global Share Purchase Plan ("GSPP"). The GSPP offers employees in specific countries the opportunity to purchase Deutsche Bank shares in monthly installments 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 8 staff enrolled in the twelfth cycle that began in November 2021.

The Group has other local share-based compensation plans, none of which, individually or in the aggregate, are material to the consolidated financial statements.

The following table sets out the movements in share award units, including grants under the cash plan variant of the DB Equity Plan.

Share units (in thousands)	2021	2020
<b>Balance outstanding as of January 01</b>	<b>97</b>	<b>151</b>
Granted	52	50
Released	(39)	(46)
Forfeited	0	(58)
Other movements	(2)	0
<b>Balance outstanding as of December 31</b>	<b>108</b>	<b>97</b>

The DB Equity Plan includes awards with share price hurdles under both the Key Position Award and the Key Retention Plan. The share price hurdle condition for both plans was measured during 2020 and was not met. As a result approximately 58 thousand share units were forfeited. In accordance with IFRS 2 the forfeiture due to a market performance condition did not result in a reversal to the recorded expense.

The following table sets out key information regarding awards granted, released and remaining in the year.

	2021			2020		
	Weighted average fair value per award granted in year	Weighted average share price at release in year	Weighted average remaining contractual life in years	Weighted average fair value per award granted in the year	Weighted average share price at release in year	Weighted average remaining contractual life in years
DB Equity Plan	€ 9.45	€ 10.49	1	€ 7.45	€ 7.63	1

The grant volume of outstanding share awards was approximately RM4.07 million and RM3.48 million as of December 31, 2021 and 2020, respectively. Thereof, approximately RM3.30 million and RM2.48 million had been recognized as compensation expense in the reporting year or prior to that. Hence, compensation expense for deferred share-based compensation not yet recognized amounted to approximately RM0.77 million and RM0.99 million as of December 31, 2021 and 2020, respectively.

### 35. Share-Based Compensation Plans (continued)

The following table presents a breakdown of specific expenses according to the requirements of IAS 19 and IFRS 2.

in RM m.	2021	2020	2019
Expenses for share-based payments:			
Expenses for share-based payments, equity settled <sup>1</sup>	2.7	3.5	5.3
Expenses for share-based payments, cash settled <sup>1</sup>	0.0	0.0	0.0
Expenses for cash retention plans <sup>1</sup>	1.7	2.4	0.6

<sup>1</sup>Including expenses for new hire awards and the acceleration of expenses not yet amortized due to the discontinuation of employment including those amounts which are recognized as part of the Group's restructuring expenses.

Compensation expense for awards classified as equity instruments is measured at the grant date based on the fair value of the share-based award. For share awards, the fair value is the quoted market price of the share reduced by the present value of the expected dividends that will not be received by the employee and adjusted for the effect, if any, of restrictions beyond the vesting date. In case an award is modified such that its fair value immediately after modification exceeds its fair value immediately prior to modification, a remeasurement takes place and the resulting increase in fair value is recognized as additional compensation expense.

The Group records the offsetting amount to the recognized compensation expense in additional paid-in capital ("APIC"). Compensation expense is recorded on a straight-line basis over the period in which employees perform services to which the awards relate or over the period of the tranches for those awards delivered in tranches. Estimates of expected forfeitures are periodically adjusted in the event of actual forfeitures or for changes in expectations. The timing of expense recognition relating to grants which, due to early retirement provisions, include a nominal but non-substantive service period are accelerated by shortening the amortization period of the expense from the grant date to the date when the employee meets the eligibility criteria for the award, and not the vesting date. For awards that are delivered in tranches, each tranche is considered a separate award and amortized separately.

Compensation expense for share-based awards payable in cash is remeasured to fair value at each balance sheet date and recognized over the vesting period in which the related employee services are rendered. The related obligations are included in other liabilities until paid.



### 36. Comparative Figures

Adjustments relating to prior periods had been effected during the financial year in relation to:

- (i) identified legacy credit value adjustment (“CVA”) reserves relating to derivatives that are no longer required; and
- (ii) fair value measurement of investment in unquoted equity investments which are classified as FVOCI in accordance with MFRS 9 *Financial Instruments*.

The Bank has adopted the requirements of MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* using the retrospective restatement approach to account for the above matters.

The financial impact of the restatement on the Bank's financial statements is summarised below:

Statements of financial position	Adjustment	Previously Stated RM'000	Adjustment RM'000	Restated RM'000
<b>01 January 2020</b>				
Derivative assets	(i)	884,393	22,609	907,002
Tax recoverable	(i)	7,406	(5,426)	1,980
Financial securities	(ii)	1,467,364	11,947	1,479,311
Deferred tax assets	(ii)	29,697	(2,867)	26,830
Reserves		1,364,011	26,263	1,390,274
Release of legacy CVA reserves	(i)		17,183	
Fair value reserve on unquoted equity investment	(ii)		9,080	
<b>31 December 2020</b>				
Derivative assets	(i)	1,383,549	22,609	1,406,158
Financial securities	(ii)	2,273,674	14,201	2,287,875
Deferred tax assets	(ii)	23,262	(3,408)	19,854
Tax liabilities	(i)	4,136	5,426	9,562
Reserves		1,412,588	27,976	1,440,564
Release of legacy CVA reserves	(i)		17,183	
Fair value reserve on unquoted equity investment	(ii)		10,793	

### 36. Comparative Figures (continued)

The financial impact of the restatement on the Bank's financial statements is summarised below (continued):

Statement of profit or loss and other comprehensive income	Adjustment	Previously Stated RM'000	Adjustment RM'000	Restated RM'000
<b>31 December 2020</b>				
Net change in fair value of equity investments	(ii)	-	2,254	2,254
<b>Capital adequacy</b>				
		<b>31.12.2021</b>	<b>31.12.2020 Restated</b>	<b>01.01.2020 Restated</b>
Common equity tier 1/ Tier 1 capital ratio		23.761%	23.144%	19.626%
Total capital ratio		24.431%	23.770%	20.161%

The restatement does not have financial impacts on the profit of loss of the Group and the Bank.

### 37. Significant Events

#### Material Litigation

##### 1Malaysia Development Berhad and Deutsche Bank (Malaysia) Berhad

On 7.5.2021, 1Malaysia Development Berhad ("1MDB") commenced proceedings by way of writ of summons and statement of claim for the payment of the sum of USD1,110,000,000 or such other sum the Court may order. 1MDB is also seeking interest on the sums that may be ordered by the Court.

1MDB alleges that between 30.9.2009 to 27.5.2011, DBMB had performed 3 foreign exchange transactions totalling USD1,110,000,000 ("Transactions") in breach of contract and/or negligence and/or under a dishonest assistance in favour of various individuals not acting in the interest of 1MDB.

DBMB is of the view that DBMB has a good legal position to defend against 1MDB's claims and has filed its Defence on 8.9.2021.

The proceedings by 1MDB will not have any impact on the operation of DBMB.

### 38. The operations of Islamic Banking

#### Statement of financial position as at 31 December 2021

Assets	Note	2021 RM'000	2020 RM'000
Cash and short-term funds	(a)	240,999	57,147
Financial securities	(b)	20,220	20,560
Other assets		93	85
<b>Total assets</b>		<u>261,312</u>	<u>77,792</u>
<b>Liabilities and Islamic Banking funds</b>			
Deposits from customers	(c)	217,655	41,045
Other liabilities	(d)	8,594	1,188
Tax payable		425	483
<b>Total liabilities</b>		<u>226,674</u>	<u>42,716</u>
Capital funds		25,000	25,000
Retained earnings		9,638	10,076
Islamic Banking funds		34,638	35,076
<b>Total liabilities and Islamic Banking funds</b>		<u>261,312</u>	<u>77,792</u>
Commitments and contingencies		-	-

The notes on pages 172 to 174 are an integral part of these financial statements.

## 38 . The operations of Islamic Banking (continued)

## Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	2021 RM'000	2020 RM'000
Income derived from investment of Islamic funds	1,952	2,198
Total net income	1,952	2,198
Other operating expenses	(176)	(193)
Operating profit	1,776	2,005
Allowance (made) / written back for impairment	(4)	6
<b>Profit before tax</b>	1,772	2,011
Tax expense	(425)	(483)
<b>Profit for the year</b>	1,347	1,528
<b>Other comprehensive (loss)/income:</b>		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
<i>Movement in fair value reserve (debt securities):</i>		
Net change in fair value	(341)	549
Net amount transferred to profit or loss	4	(6)
Income tax effect relating to component of other comprehensive income	80	(130)
Other comprehensive (loss)/income for the year	(257)	413
<b>Total comprehensive income for the year</b>	1,090	1,941

The notes on pages 172 to 174 are an integral part of these financial statements.

## 38 . The operations of Islamic Banking (continued)

Statement of changes in Islamic Banking funds  
for the year ended 31 December 2021

	Capital funds RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2020	25,000	19	10,056	35,075
Profit for the year	-	-	1,528	1,528
Other comprehensive income for the year	-	413	-	413
Total comprehensive income for the year	-	413	1,528	1,941
Repayment of Islamic Banking funds	-	-	(1,940)	(1,940)
<b>At 31 December 2020/1 January 2021</b>	<b>25,000</b>	<b>432</b>	<b>9,644</b>	<b>35,076</b>
Profit for the year	-	-	1,347	1,347
Other comprehensive loss for the year	-	(257)	-	(257)
Total comprehensive income for the year	-	(257)	1,347	1,090
Repayment of Islamic Banking funds	-	-	(1,528)	(1,528)
<b>At 31 December 2021</b>	<b>25,000</b>	<b>175</b>	<b>9,463</b>	<b>34,638</b>

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

The notes on pages 172 to 174 are an integral part of these financial statements.

## 38. The operations of Islamic Banking (continued)

Statement of cash flows  
for the year ended 31 December 2021

	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,772	2,011
<b>Operating profit before working capital changes</b>		2,011
Decrease/(Increase) in operating assets	75	(156)
Increase in operating liabilities	184,016	1,845
<b>Cash generated from operations</b>	185,863	3,700
Income taxes paid	(483)	(613)
<b>Net cash generated from operations</b>	185,380	3,087
<b>Cash flows from financing activity</b>		
Repayment of Islamic Banking funds	(1,528)	(1,940)
<b>Net cash used in financing activity</b>	(1,528)	(1,940)
<b>Net increase in cash and cash equivalents</b>	183,852	1,147
Cash and cash equivalents at 1 January	57,147	56,000
<b>Cash and cash equivalents at 31 December</b> (Note 38(a))	240,999	57,147

The notes on pages 172 to 174 are an integral part of these financial statements.

### 38. 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).

The Board of Directors oversee the Shariah governance implementation and the Islamic business operations' overall compliance with Shariah principles.

#### 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 2021, a total of 3 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 Muhammad Qaseem	3/3
Dr Mohd Hilmi bin Ramli	3/3

#### 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.

## 38. The operations of Islamic Banking (continued)

## (a) Cash and short-term funds

	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	<u>240,999</u>	<u>57,147</u>

## (b) Financial securities

	2021 RM'000	2020 RM'000
Debt securities at FVOCI Malaysian Investment Issue	<u>20,220</u>	<u>20,560</u>

## (c) Deposits from customers

	2021 RM'000	2020 RM'000
Non-Mudharabah Demand deposits	<u>217,655</u>	<u>41,045</u>

## (d) Other liabilities

	2021 RM'000	2020 RM'000
Bills payable	8	15
Other liabilities	<u>8,586</u>	<u>1,173</u>
	<u>8,594</u>	<u>1,188</u>

## (e) Capital adequacy

The capital adequacy ratios of the Islamic Banking business of the Group and the Bank 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.



## 38. The operations of Islamic Banking (continued)

## (e) Capital adequacy (continued)

Components of Tier I and Tier II capital:

	2021 RM'000	2020 RM'000
Tier 1 capital		
Capital funds	25,000	25,000
Other disclosed reserves	79	194
Retained earnings	9,463	9,644
Total common equity tier 1/Total tier 1 capital	34,542	34,838
Total Tier 2 capital	-	-
Capital base	34,542	34,838
Common equity tier 1/Tier 1 capital ratio	799.930%	662.240%
Total capital ratio	799.930%	662.240%

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

Risk Type		Risk-Weighted Assets	
		2021 RM'000	2020 RM'000
1	Credit risk	-	-
2	Market risk	-	-
3	Operational risk	4,318	5,261
<b>Total</b>		4,318	5,261