

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report



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Independent Auditor's Report

To the Management of Deutsche Bank Aktiengesellschaft, Bangkok Branch

Opinion

I have audited the financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2019, the related statements of profit or loss and other comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

In my opinion, the accompanying financial statements present fairly, in all material respects, the assets used in, and liabilities arising out of, the Branch's operations in Thailand as at 31 December 2019 and its financial performance and cash flows in Thailand for the year then ended in accordance with the Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Branch in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch'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 management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, 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 my 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Branch's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

(Orawan Chunhakitpaisan)
Certified Public Accountant
Registration No. 6105

KPMG Phoomchai Audit Ltd.
Bangkok
28 April 2020

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of financial position

Assets	Note	31 December	
		2019	2018
		<i>(in thousand Baht)</i>	
Cash		38,091	44,101
Interbank and money market items, net	7	12,478,238	1,800,160
Derivative assets	8, 20	18,175,524	13,504,853
Investments, net	9	26,302,873	30,087,295
Loans to customers and accrued interest receivables, net	10		
Loans to customers		25,808,049	25,358,895
Accrued interest receivables		72,896	48,342
Total loans to customers and accrued interest receivables		25,880,945	25,407,237
Less allowance for doubtful accounts	10.4, 11	(325,319)	(323,509)
Total loans to customers and accrued interest receivables, net		25,555,626	25,083,728
Leasehold building improvements and equipment, net	12	44,973	19,016
Deferred tax assets, net	13	154,196	167,126
Trading securities receivable		223,007	465,060
Collateral receivables per Credit Support Annex		207,507	136,378
Other assets	14	82,158	96,465
Total assets		83,262,193	71,404,182

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person	Note	31 December	
		2019	2018
		(in thousand Baht)	
<i>Liabilities</i>			
Deposits	16, 20	39,678,538	30,111,895
Interbank and money market items	17	2,214,797	3,414,759
Liabilities payable on demand		909,206	853,014
Derivative liabilities	8, 20	16,643,946	11,290,782
Provisions against derivative products		85,798	91,176
Employee benefit obligations		97,426	85,183
Trading securities payable		438,200	266,643
Other liabilities	18	1,483,159	1,432,639
Total liabilities		61,551,070	47,546,091
<i>Accounts with head office and other branches of the same juristic person</i>			
Funds brought in to maintain assets under the Act	6, 20	17,800,000	17,800,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	6, 20	3,358,804	5,811,958
Retained earnings		552,319	246,133
Total accounts with head office and other branches of the same juristic person		21,711,123	23,858,091
Total liabilities and accounts with head office and other branches of the same juristic person		83,262,193	71,404,182

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of profit or loss and other comprehensive income

	Note	Year ended 31 December	
		2019	2018
		<i>(in thousand Baht)</i>	
Interest income	20, 22	1,097,639	1,119,361
Interest expenses	20, 23	1,082,590	1,152,225
Net interest income		15,049	(32,864)
Fees and service income	20	228,466	286,760
Fees and service expenses	20	75,993	87,825
Net fees and service income	24	152,473	198,935
Net gains on trading and foreign exchange transactions	25	1,367,553	1,088,273
Other operating income	20	100,612	124,542
Total operating income		1,635,687	1,378,886
Other operating expenses			
Employee expenses	20, 27	371,418	421,785
Premises and equipment expenses		111,892	143,787
Taxes and duties		28,297	27,452
Expenses allocated from head office	20	634,135	544,239
Other expenses	20	109,750	81,385
Total other operating expenses		1,255,492	1,218,648
Bad debts, doubtful accounts and impairment loss	26	11,190	(44,020)
Profit from operations before income tax		369,005	204,258
Income tax	28	73,314	40,330
Profit for the year		295,691	163,928
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain (losses) on defined benefit plans		13,118	(1,966)
Income tax relating to items that will not be reclassified subsequently to profit or loss	28	(2,623)	393
Total other comprehensive income (loss), net of income tax		10,495	(1,573)
Total comprehensive income for the year		306,186	162,355

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of changes in accounts with head office and other branches of the same juristic person

	Funds brought in to maintain assets under the Act	Balance of inter- office accounts with head office and other branches of the same juristic person, net <i>(in thousand Baht)</i>	Retained earnings	Total
Year ended 31 December 2018				
Balance at 1 January 2018	17,800,000	6,943,854	83,778	24,827,632
Comprehensive income for the year				
Profit for the year	-	-	163,928	163,928
Other comprehensive income	-	-	(1,573)	(1,573)
Total comprehensive income for the year	-	-	162,355	162,355
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	(1,131,896)	-	(1,131,896)
Balance at 31 December 2018	17,800,000	5,811,958	246,133	23,858,091
Year ended 31 December 2019				
Balance at 1 January 2019	17,800,000	5,811,958	246,133	23,858,091
Comprehensive income for the year				
Profit for the year	-	-	295,691	295,691
Other comprehensive income	-	-	10,495	10,495
Total comprehensive income for the year	-	-	306,186	306,186
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	(2,453,154)	-	(2,453,154)
Balance at 31 December 2019	17,800,000	3,358,804	552,319	21,711,123

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of cash flows

	Year ended 31 December	
	2019	2018
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit from operations before income tax	369,005	204,258
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>		
Depreciation	10,791	37,664
Bad debt, doubtful accounts and impairment loss	11,190	(44,020)
Losses (gains) on revaluation of securities	41,878	(13,014)
Net gain on disposal of equipment	(182)	-
Unrealised losses (gains) on forward and derivative contracts, net	682,493	(1,692,174)
(Decrease) increase in provision against derivative products	(5,379)	17,091
Net interest income	(15,050)	32,864
Proceeds from interest received	1,073,081	1,120,821
Interest paid	(1,014,527)	(1,064,553)
Income tax paid	(74,203)	(10,469)
Profit (loss) from operations before changes in operating assets and liabilities	1,079,097	(1,411,532)
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	(10,684,943)	20,290,226
Investment in trading securities	3,742,544	(3,085,466)
Loans to customers	(452,916)	(6,297,373)
Trading securities receivables	242,053	1,242,602
Collateral receivables per Credit Support Annex	(71,129)	137,961
Other assets	15,559	21,348
<i>Increase (decrease) in operating liabilities</i>		
Deposits	9,566,643	(7,050,706)
Interbank and money market items	(1,199,962)	(1,285,423)
Liabilities payable on demand	56,192	788
Liabilities to deliver security	-	(295,130)
Employee benefit obligations	25,361	6,570
Trading securities payables	171,558	(264,080)
Other liabilities	(6,347)	(354,812)
Net cash provided by operating activities	2,483,710	1,654,973

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of cash flows

	Year ended 31 December	
	2019	2018
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Purchase of equipment	(36,760)	(7,067)
Proceeds from sale of equipment	194	-
Net cash used in investing activities	(36,566)	(7,067)
<i>Cash flows from financing activities</i>		
Repayment of debt issued and borrowings	-	(500,000)
Decrease in balance of inter-office accounts with head office and other branches of the same juristic person, net	(2,453,154)	(1,131,896)
Net cash used in financing activities	(2,453,154)	(1,631,896)
Net (decrease) increase in cash	(6,010)	16,010
Cash at 1 January	44,101	28,091
Cash at 31 December	38,091	44,101
<i>Non-cash transactions</i>		
Purchase of equipment	46	-

The accompanying notes are an integral part of these financial statements.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2019

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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the management of Deutsche Bank Aktiengesellschaft, Bangkok Branch (the “Branch”) on 28 April 2020.

1 General information

The Branch was granted a license by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a license to undertake its commercial banking business in October 1988.

The Branch has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

2 Basis of preparation of the financial statements

The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs); guidelines promulgated by the Federation of Accounting Professions; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor. 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

New and revised TFRSs are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRSs has resulted in changes in certain of the Branch’s accounting policies. There is no material impact on the Branch’s financial statements. The Branch has initially applied TFRS 15 *Revenue from Contracts with Customers* (“TFRS 15”) which replaces TAS 18 *Revenue* (“TAS 18”), and related interpretations.

The Branch has assessed the impact of initial adoption of TFRS 15 using the cumulative effect method, taking into account the effect of initially applying this standard only to contracts that were not completed before 1 January 2019. The impact on retained earnings as at 1 January 2019 was not material. Therefore, the Branch has not adjusted the retained earnings as at 1 January 2019 and not restated the information presented for 2018, as previously reported under TAS 18 and related interpretations. The disclosure requirements of TFRS 15 have not generally been applied to comparative information.

In addition, the Branch has not early adopted a number of new and revised TFRSs which are not yet effective for current period in preparing these financial statements. Those new and revised TFRSs that are relevant to the Branch’s operations are disclosed in note 30.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2019

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Derivatives	Fair value
Trading and available-for-sale financial assets	Fair value

(c) *Functional and presentation currency*

The financial statements are prepared and presented in Thai Baht, which is the Branch's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand, unless otherwise stated.

(d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of the Branch's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 5	Fair value of financial assets and liabilities
Note 8	Derivatives
Note 11	Allowance for doubtful accounts

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Foreign currencies*

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Foreign currency differences are generally recognised in profit or loss.

(b) *Cash*

Cash comprises cash on hand and cash on collection.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
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(c) Investments

Investments in debt securities and equity securities

Debt securities and marketable equity securities held for trading are classified as trading securities and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities and marketable equity securities, other than those securities held for trading, are classified as available-for-sale investments. Available-for-sale investments, are subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in the accounts with head office and other branches of the same juristic person. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of investments classified as held-for-trading and available-for-sale is determined as the quoted investments bid price at the reporting date.

Initial recognition

Purchases or sales of investments are initially recognised on trade date which is the date that the Branch commits to purchase or sell the investments.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in the accounts with head office and other branches of the same juristic person is recognised in profit or loss.

If the Branch disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(d) Loans to customers

Loans to customers are presented using the outstanding principal amount, except for overdrafts which include accrued interest receivables. Bills purchased at a discount are stated at the face value of the bills, net of unearned discount.

(e) Allowance for doubtful accounts

The Branch provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of loans and receivables. The estimated losses are based on historical collection experience and a review of the current status of the loans and receivables.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of loan to customers in conjunction with the consideration of collateral valuation. Loan to customers classifications are based principally on the period that a financing is past due. The Branch has set up, the minimum allowance for doubtful accounts according to the BoT regulations.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

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Based on the BoT's regulations, the Branch has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as Pass and Special Mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as Substandard, Doubtful and Doubtful of Loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cashflows expected to be received or the expected proceeds from the disposal of collateral, in accordance with BoT criteria.

The allowance for doubtful accounts established during the year is charged as an expense in profit or loss.

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

(f) *Leasehold building improvements and equipment*

Recognition and measurement

Owned assets

Leasehold building improvements and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Any gains and losses on disposal of an item of leasehold building improvements and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold building improvements and equipment, and are recognised net in profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold building improvements 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 Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or replacement cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Leasehold building improvements	10 years (or remaining lease term)
Furniture, fixtures and office equipment	4 - 20 years

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No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at least each financial year-end and adjusted if appropriate.

(g) Impairment

The carrying amounts of the Branch's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses revaluation credited to account with the accounts with head office and other branches of the same juristic person, in which case it is charged to the accounts with head office and other branches of the same juristic person.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the accounts with head office and other branches of the same juristic person and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial assets is the greater of the assets' value in use and fair value less costs to sell. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2019

(h) Derivatives

Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is based on broker quotes at the reporting date. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

The fair value of forward exchange contracts is based on their listed market price at the reporting date, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate such as government bonds.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a “host contract”). The Branch accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in statements of financial position together with the host contract.

(i) Provisions against derivative products

Certain provisions have been established against the Branch’s derivative products in order to reflect an economic assessment of their value to the Branch. The most significant provisions are as follows:

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Branch had to close out the portfolio.
- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (Value at Risk) and potential defaults under contractual agreements (default risk).

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2019

(j) *Employee benefits*

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Branch's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Branch determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Branch recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term benefits

Long service award

The Branch net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expected at the earlier of when the Branch can no longer withdraw the offer of those benefits and when the Branch recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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(k) Share-based payments

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

(l) Provisions

A provision is recognised if, as a result of a past event, the Branch 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.

(m) Measurement of fair values

A number of the Branch's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Branch has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Branch's Management Board.

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

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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(n) Interest income recognition

The Branch recognises interest income on loans to customer as income on an accruals basis, except for interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears more than three months overdue, regardless of whether it is covered by collateral is reversed from profit or loss.

Interest income on deposits and investments is recognised on an accruals basis.

(o) Interest expense recognition

The Branch recognises interest expenses on an accruals basis.

(p) Income tax

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in the accounts with head office and other branches of the same juristic person or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Branch to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

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A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Branch. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Related parties

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Branch; a person or entity that are under common control or under the same significant influence as the Branch; or the Branch has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

(r) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Branch has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

4 Financial risk management

Financial risk management policies

The Branch uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are common to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

The most important risks the Branch is exposed to are credit risk, market risk and liquidity risk. These 3 categories of risks are further described below:

4.1 Credit risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which refer to collectively as “counterparties”) exist. These transactions are typically part of traditional non-traded lending activities (such as loans to customers and contingent liabilities), or direct trading activity with clients (such as Over-the-counter derivatives, Foreign exchange forwards and Forward Rate Agreements). Some are related to positions in traded credit products (such as bonds). “Traded Default Risk” is managed using both credit and market risk parameters. Credit risk can be categorised into three types as follow:

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- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that the Branch may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent amount as at 31 December 2019 and 2018 were as follow:

	2019	2018
	<i>(in thousand Baht)</i>	
Foreign exchange forward and currency swap contracts	8,432,685	9,022,255
Interest rate swap contracts	3,531,281	6,290,999
Currency option contracts	-	5,710
Total	<u>11,963,966</u>	<u>15,318,964</u>

The Branch measures and manages credit risk by following philosophy and principles:

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. In the Group, consistent standards are applied in the respective credit decision processes.
- The Branch actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the Branch's capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Branch's risk appetite.
- The Branch aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralisation of existing portfolio where feasible.
- The Branch is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.
- The Branch aims to secure derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Branch assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Branch reviews these periodically.

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4.2 Market risk

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

Risk management objectives, policies and processes for managing the risk

Deutsche Bank Global Group entities, including the Group and the Branch use a combination of risk sensitivities, Value at Risk (VaR), stress testing and economic capital metrics to manage market risks and establish limits. Steered by the Group Risk Committee, the Market Risk Management team, which is part of independent risk management function, is responsible for managing the market risk of the Branch. Limits set appropriate to the risk appetite in terms of VaR are communicated to the appropriate personnel through the limits policy and current limit structure for each business division.

The majority of the interest rate and foreign exchange risks arising from non-trading assets and liability positions has been transferred through internal hedges to Global Markets team and is thus managed on the basis of Value at Risk as reflected in trading Value at Risk numbers. For the remaining risks that have not been transferred through those hedges, such as foreign exchange risk, it is mitigated by matching the funding of investment in the same currency.

(a) Interest rate risk

Interest rate risk refers to the risk that arises from the change in interest rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or fluctuation in the value of the Branch's financial assets and liabilities both in the current reporting period, and in future years. Interest rate risk also arises from the structure and characteristics of the Branch's assets, liabilities and the accounts with head office and other branches of the same juristic person.

As at 31 December 2019 and 2018, significant financial assets and liabilities classified by types of interest rate are as follows:

	Floating interest rate	Fixed interest rate	2019 Non-interest bearing	Total
		(in thousand Baht)		
Financial assets				
Cash	-	-	38,091	38,091
Interbank and money market items*	44,286	11,851,540	599,927	12,495,753
Investments, net	-	26,302,873	-	26,302,873
Loans to customers and accrued interest receivables**	166,500	23,567,839	2,146,606	25,880,945
Trading securities receivable	-	-	223,007	223,007
Collateral receivables per Credit Support Annex	207,507	-	-	207,507
Other assets	-	-	63,520	63,520
Total financial assets	418,293	61,722,252	3,071,151	65,211,696

* Before deducting allowance for doubtful accounts amounting to Baht 17.52 million

** Including non-performing loans

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	2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial liabilities				
Deposits	27,348,937	7,493,517	4,836,084	39,678,538
Interbank and money market items	388	2,160,551	53,858	2,214,797
Liabilities payable on demand	-	-	909,206	909,206
Trading securities payable	-	-	438,200	438,200
Other liabilities	-	-	1,017,703	1,017,703
Total financial liabilities	27,349,325	9,654,068	7,255,051	44,258,444

	2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in thousand Baht)			
Financial assets				
Cash	-	-	44,101	44,101
Interbank and money market items*	22,226	1,387,678	402,153	1,812,057
Investments, net	4,693,831	25,393,464	-	30,087,295
Loans to customers and accrued interest receivables**	40,249	22,953,635	2,413,353	25,407,237
Trading securities receivable	-	-	465,060	465,060
Collateral receivables per Credit Support Annex	136,378	-	-	136,378
Other assets	-	-	62,268	62,268
Total financial assets	4,892,684	49,734,777	3,386,935	58,014,396

Financial liabilities				
Deposits	22,367,204	1,877,718	5,866,973	30,111,895
Interbank and money market items	619	3,354,551	59,589	3,414,759
Liabilities payable on demand	-	-	853,014	853,014
Trading securities payable	-	-	266,643	266,643
Other liabilities	-	-	949,640	949,640
Total financial liabilities	22,367,823	5,232,269	7,995,859	35,595,951

* Before deducting allowance for doubtful accounts amounting to Baht 11.90 million

** Including non-performing loans

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Details of interest rate risk based on the period to the earlier of the contractual repricing date or maturity date at 31 December 2019 and 2018 were as follows:

	2019						
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years	Non- accrual loans	Total
Financial assets							
Cash	-	-	-	-	-	-	38,091
Interbank and money market items*	44,286	11,851,540	-	-	-	-	12,495,753
Investments, net	-	3,114,895	10,267,173	12,096,056	824,749	-	26,302,873
Loans to customers and accrued interest receivables**	4,794,625	14,059,126	4,306,277	574,311	-	49,401	25,880,945
Trading securities receivable	-	-	-	-	-	-	223,007
Collateral receivables per Credit Support Annex	207,507	-	-	-	-	-	207,507
Other assets	-	-	-	-	-	-	63,520
Total financial assets	5,046,418	29,025,561	14,573,450	12,670,367	824,749	49,401	65,211,696
Financial liabilities							
Deposits	27,348,937	7,491,917	1,600	-	-	-	39,678,538
Interbank and money market items	388	666,826	1,493,725	-	-	-	2,214,797
Liabilities payable on demand	-	-	-	-	-	-	909,206
Trading securities payable	-	-	-	-	-	-	438,200
Other liabilities	-	-	-	-	-	-	1,017,703
Total financial liabilities	27,349,325	8,158,743	1,495,325	-	-	-	44,258,444

* Before deducting allowance for doubtful accounts amounting to Baht 17.52 million

** Including non-performing loans

For the year ended 31 December 2019

* Before deducting allowance for doubtful accounts amounting to Baht 11.90 million

** Including non-performing loans

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(b) Foreign currency risk

The Branch is exposed to foreign currency risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at the reporting date.

As at 31 December 2019 and 2018, the Branch has financial assets (liabilities) denominated in various currencies, in Baht equivalent, as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Net foreign currency exposure*		
US Dollar	212,954	(876,191)
Euro	(109,742)	(89,353)
Others	(101,157)	(92,167)

* Including non-performing loans amounting to Baht 49.40 million (2018: non-performing loans amounting to Baht 53.16 million and long-term borrowing from head office to maintain assets under Act amounting to Baht 17,800 million).

4.3 Liquidity risk

Liquidity risk management safeguards ability to meet all payment obligations when they come due.

In Thailand, the Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Liquidity risk management is discussed at the Asset and Liability Committee "ALCO" meeting in Thailand.

Liquidity risk management approach starts at the intraday level (operational liquidity) by managing the daily payments queue, forecasting cash flows and factoring in our access to central Banks. It then covers tactical liquidity risk management dealing with access to secure and unsecure funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities and the Branch's issuance strategy.

The Branch's cash-flow based reporting system provides daily liquidity risk information for global and regional management.

Stress testing and scenario analysis play a central role in the liquidity risk management framework. This also incorporates an assessment of asset liquidity i.e. the characteristics of asset, under various stress scenarios as well as contingent funding requirements from commitments.

According to Bank of Thailand notification number Sor Nor Sor 2/2561, dated 25 January 2018, the Branch is required to disclose Liquidity Coverage Ratio (LCR) in the Branch's website. The Branch will disclose the LCR of the Branch as at 31 December 2019 in the Branch's website, "www.db.com/thailand"

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A maturity analysis for financial assets and liabilities as at 31 December 2019 and 2018 were as follows:

	At call	Less than 3 months	3 months to 1 year	2019 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	38,091	38,091
Interbank and money market items*	642,810	11,852,943	-	-	-	-	12,495,753
Derivative assets	-	3,163,317	3,262,193	9,111,279	2,638,735	-	18,175,524
Investments, net	-	3,114,895	10,267,173	12,096,056	824,749	-	26,302,873
Loans to customers and accrued interest receivables**	566,907	16,177,356	4,331,007	577,717	-	4,227,958	25,880,945
Trading securities receivable	-	223,007	-	-	-	-	223,007
Collateral per Credit Support Annex	207,507	-	-	-	-	-	207,507
Other assets	208	6,975	5,673	49,085	1,579	-	63,520
Total financial assets	1,417,432	34,538,493	17,866,046	21,834,137	3,465,063	4,266,049	83,387,220
Financial liabilities							
Deposits	32,185,021	7,491,917	1,600	-	-	-	39,678,538
Interbank and money market items	54,246	466,826	262,020	431,705	1,000,000	-	2,214,797
Liabilities payable on demand	909,206	-	-	-	-	-	909,206
Derivative liabilities	-	3,002,516	2,859,979	8,697,170	2,084,281	-	16,643,946
Trading securities payable	-	438,200	-	-	-	-	438,200
Other liabilities	-	963,784	53,919	-	-	-	1,017,703
Total financial liabilities	33,148,473	12,363,243	3,177,518	9,128,875	3,084,281	-	60,902,390
Net liquidity gap	(31,731,041)	22,175,250	14,688,528	12,705,262	380,782	4,266,049	22,484,830

* Before deducting allowance for doubtful accounts amounting to Baht 17.52 million

** Including non-performing loans

	At call	Less than 3 months	3 months to 1 year	2018 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	44,101	44,101
Interbank and money market items*	421,728	1,390,329	-	-	-	-	1,812,057
Derivative assets	-	2,183,565	3,066,378	5,124,518	3,130,392	-	13,504,853
Investments, net	-	4,834,230	16,074,728	7,287,797	1,890,540	-	30,087,295
Loans to customers and accrued interest receivables**	56,580	17,921,039	3,513,696	902,131	-	3,013,791	25,407,237
Trading securities receivable	-	465,060	-	-	-	-	465,060
Collateral per Credit Support Annex	136,378	-	-	-	-	-	136,378
Other assets	180	10,202	29,285	18,653	3,948	-	62,268
Total financial assets	614,866	26,804,425	22,684,087	13,333,099	5,024,880	3,057,892	71,519,249

* Before deducting allowance for doubtful accounts amounting to Baht 11.90 million

** Including non-performing loans

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	At call	Less than 3 months	3 months to 1 year	2018 1 to 5 years	over 5 years	No maturity	Total
Financial liabilities							
Deposits	28,234,177	1,784,898	92,820	-	-	-	30,111,895
Interbank and money market items	60,208	-	-	2,354,551	1,000,000	-	3,414,759
Liabilities payable on demand	853,014	-	-	-	-	-	853,014
Derivative liabilities	-	2,144,676	2,022,740	5,159,672	1,963,694	-	11,290,782
Trading securities payable	-	266,643	-	-	-	-	266,643
Other liabilities	-	887,227	62,413	-	-	-	949,640
Total financial liabilities	29,147,399	5,083,444	2,177,973	7,514,223	2,963,694	-	46,886,733
Net liquidity gap	(28,532,533)	21,720,981	20,506,114	5,818,876	2,061,186	3,057,892	24,632,516

5 Fair value of financial assets and liabilities

5.1 Financial assets and liabilities measured at fair value

The following table analyses financial assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in thousand Baht)</i>			
31 December 2019				
Financial assets				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	10,206,162	-	10,206,162
- Interest rate swap	-	7,969,362	-	7,969,362
Debt securities held for trading	-	26,302,873	-	26,302,873
Financial liabilities				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	8,035,748	-	8,035,748
- Interest rate swap	-	8,608,198	-	8,608,198

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	Fair value			
	Level 1	Level 2	Level 3	Total
		(in thousand Baht)		
31 December 2018				
<i>Financial assets</i>				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	7,773,720	-	7,773,720
- Interest rate swap	-	5,731,133	-	5,731,133
Debt securities held for trading	-	30,087,295	-	30,087,295
<i>Financial liabilities</i>				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	5,208,665	-	5,208,665
- Interest rate swap	-	6,073,910	-	6,073,910
- Currency option contracts	-	8,207	-	8,207

The Branch determine Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative are based on inputs which are observable from independent and reliable market data sources. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of derivative financial assets reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty when appropriate.

The Branch recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2019 and 2018.

5.2 Financial assets and liabilities not measured at fair value

The carrying value of significant financial assets and liabilities not measured at fair value approximates the fair value.

The following methods and assumptions were used by the Branch in estimating the fair value of financial assets and liabilities as disclosed herein.

Interbank and money market items (assets and liabilities)

The fair value of interbank and money market items (assets and liabilities) which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

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Trading securities

The fair value is based on quoted market prices, where available. If quoted market prices are not available, fair value is based on quoted market prices of comparable instruments after adjustment for the risk involved or the net asset values of such securities.

General investments

The fair value of foreign non-marketable equity securities is determined based on value quoted by reliable international financial institution.

Loans to customers

For floating-rate loans to customers that reprice frequently and have no significant change in credit risk, fair value approximates carrying value at the reporting date. The fair value of fixed rate loans to customers that reprice within 1 year from the reporting date approximates the carrying value at the reporting date. The fair value of other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar credit quality.

Deposits

The fair value of deposits which are payable on demand by the depositor is equal to the carrying value of such deposits. The carrying amounts of floating-rate, fixed-term money market accounts, certificates of deposit and fixed rate deposits repricing within 1 year approximate their market value at the reporting date. The fair value for other fixed interest deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits to a schedule of aggregate expected monthly maturities on time deposits.

Debts issued and borrowings

The fair value of debts issued and borrowings which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

Liabilities payable on demand

The carrying value of liabilities payable on demand approximates carrying amount.

Other financial instruments

The fair value of the other financial assets and liabilities approximate the carrying value at which they are stated on the statement of financial position.

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6 Maintenance of capital fund

The Branch maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act. B.E. 2551 by maintaining its capital fund as a proportion of risk-weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2019 and 2018 can be summarised as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Thailand Government bonds	5,932,088	4,349,081
Bank of Thailand bonds	12,388,751	13,237,906
State enterprise bonds	-	499,601
Total	18,320,839	18,086,588

As at 31 December 2019 and 2018, the Branch's capital fund can be summarised as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Assets maintained under Section 32	18,320,839	18,086,588
Sum of net capital fund for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net fund brought in to maintenance assets under Section 32	17,800,000	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	3,358,804	5,811,958
Total	21,158,804	23,611,958
Capital Fund	17,800,000	17,800,000
Capital Adequacy Ratio (%)	22.06	22.34

According to Bank of Thailand notification number For Gor Gor (12) Wor 1030/2562 dated 10 July 2019, the Branch is required to disclose regulatory capital and capital ratio after deducting capital add-on arising from Single Lending Limit.

As at 31 December 2019 and 2018, the Branch has no add-on arising from Single Lending Limit.

As at 31 December 2019 and 2018, the Branch has applied the calculation for credit risk capital and market risk capital under "the Standard Approach (SA)" and operational risk capital under "Basic Indicator Approach (BIA)" as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2019 and 2018, the Branch met the minimum Capital Adequacy Ratio requirements established by the BoT, which is in compliance with the requirements of Basel III, for total Capital Adequacy Ratio at minimum of 11% and 10.375%, respectively. This includes capital conservation buffer as required by the BoT commencing 1 January 2016.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor. 4/2556 dated 2 May 2013, Re: "The Public Disclosure of Capital Maintenance for Commercial Banks", the Branch intends to disclose Capital maintenance information as of 31 December 2019 within 4 months after year end date as indicated in the notification through the Branch's website "www.db.com/thailand".

Deutsche Bank Aktiengesellschaft, Bangkok Branch

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For the year ended 31 December 2019

Capital management

The Branch's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements and to maintain appropriate credit ratings.

7 Interbank and money market items, net (assets)

As at 31 December 2019 and 2018, interbank and money market items, net (assets) were as follows:

	2019			2018		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic items						
Bank of Thailand	598,524	-	598,524	399,503	-	399,503
Commercial banks	1,156	11,851,540	11,852,696	1,082	1,353,960	1,355,042
Total	599,680	11,851,540	12,451,220	400,585	1,353,960	1,754,545
Add accrued interest receivables	-	1,404	1,404	-	2,650	2,650
Less allowance for doubtful accounts	-	(17,515)	(17,515)	-	(11,560)	(11,560)
Total domestic items, net	599,680	11,835,429	12,435,109	400,585	1,345,050	1,745,635
Foreign items						
US Dollar	41	-	41	8	33,718	33,726
Other currencies	43,088	-	43,088	21,136	-	21,136
Total	43,129	-	43,129	21,144	33,718	54,862
Less allowance for doubtful accounts	-	-	-	-	(337)	(337)
Total foreign items, net	43,129	-	43,129	21,144	33,381	54,525
Total domestic and foreign items, net	642,809	11,835,429	12,478,238	421,729	1,378,431	1,800,160

8 Derivatives

8.1 Derivatives held for trading

As at 31 December 2019 and 2018, the fair value and notional amount classified by type of risks are as follows:

Type of risk	Fair value		2019	Notional amount	Total
	Assets	Liabilities	Up to 1 year	Over 1 year	
	(in thousand Baht)				
Foreign exchange forward and currency swap contracts	10,206,162	8,035,748	428,057,597	87,071,241	515,128,838
Interest rate swap	7,969,362	8,608,198	430,990,450	612,119,247	1,043,109,697
Total	18,175,524	16,643,946	859,048,047	699,190,488	1,558,238,535

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Type of risk	Fair value		2018		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over 1 year	
Foreign exchange forward and currency swap contracts	7,773,720	5,208,665	367,348,128	106,104,664	473,452,792
Interest rate swap	5,731,133	6,073,910	912,107,494	1,066,198,554	1,978,306,048
Currency option contracts	-	8,207	576,878,520	-	576,878,520
Total	13,504,853	11,290,782	1,856,334,142	1,172,303,218	3,028,637,360

The Branch was a party to financial instruments with off-financial reporting credit risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to transactions in interest rates and foreign exchange rates. These financial instruments included foreign exchange forward and other derivative contracts.

The “notional amount” is a measure of volume, which may be used for examining changes in derivative activities over time. The notional amount is the face value of the contract. Unlike on-financial reporting financial instruments, the notional amount of a derivative does not necessarily reflect the amount at risk, which is generally only a small fraction of this value.

As at 31 December 2019 and 2018, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

Counterparties	2019	2018
	(%)	(%)
Financial institutions	94	96
Third parties	6	4
Total	100	100

9 Investments, net

As at 31 December 2019 and 2018, the Branch classifies by investment type, as follow:

	2019	2018
	Fair value (in thousand Baht)	Fair value (in thousand Baht)
Trading investments		
Government and state enterprise securities	26,302,873	30,087,295
Total investments, net	26,302,873	30,087,295

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For the year ended 31 December 2019

10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

	2019	2018
	<i>(in thousand Baht)</i>	
Overdrafts	4,227,774	3,013,612
Loans	21,580,275	22,345,283
Total loans to customers	25,808,049	25,358,895
Add accrued interest receivables	72,896	48,342
Total loans to customers and accrued interest receivables	25,880,945	25,407,237
Less allowance for doubtful accounts		
- BoT's minimum requirement - individual approach	(307,870)	(309,013)
- Excess allowance	(17,449)	(14,496)
Total loans to customers and accrued interest receivables, net	25,555,626	25,083,728

10.2 Classified by currency and residency of customers

	2019			2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	25,161,929	-	25,161,929	24,790,439	-	24,790,439
US Dollar	646,120	-	646,120	568,456	-	568,456
Total	25,808,049	-	25,808,049	25,358,895	-	25,358,895

10.3 Classified by type of business and loan classification

	2019			
	Pass	Special mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	49,401	49,401
Manufacturing and commerce	11,289,243	207,924	-	11,497,167
Property development and construction	317,598	-	-	317,598
Infrastructure and services	405,781	23,933	-	429,714
Others	13,399,188	114,981	-	13,514,169
Total	25,411,810	346,838	49,401	25,808,049

	2018			
	Pass	Special mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	53,162	53,162
Manufacturing and commerce	12,254,675	261,297	-	12,515,972
Property development and construction	307,841	-	-	307,841
Infrastructure and services	3,260,784	18,000	-	3,278,784
Others	9,203,136	-	-	9,203,136
Total	25,026,436	279,297	53,162	25,358,895

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10.4 Classified by loan grade

			2019	
	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts (in thousand Baht)	Rate used for setting allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
- Pass	25,482,634	25,153,213	1	251,532
- Special mention	348,910	346,838	2	6,937
- Doubtful of loss	49,401	49,401	100	49,401
Total	25,880,945	25,549,452		307,870
Excess allowance				17,449
Total				325,319

			2018	
	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts (in thousand Baht)	Rate used for setting allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
- Pass	25,071,990	25,026,436	1	250,264
- Special mention	282,085	279,297	2	5,587
- Doubtful of loss	53,162	53,162	100	53,162
Total	25,407,237	25,358,895		309,013
Excess allowance				14,496
Total				323,509

10.5 Non-performing loans

As at 31 December 2019 and 2018 the Branch had non-performing loans ("NPLs Gross") on accrual basis (including financial institutions) based on the BoT's notification as follows:

	2019	2018
NPLs, gross (in thousand Baht)	49,401	53,162
Total loans used for NPLs ratio calculation ⁽¹⁾ (in thousand Baht)	37,659,589	26,746,573
Percentage of total loans ⁽²⁾	0.13	0.20

⁽¹⁾ Total loans used for NPLs ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items.

⁽²⁾ The ratio of NPLs gross to total loans before allowance for doubtful accounts of non-performing loans.

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As at 31 December 2019 and 2018, the Branch had non-performing loans, net (“NPLs, net”) (including financial institutions) based on the BoT’s notification as follows:

	2019	2018
NPLs, net <i>(in thousand Baht)</i>	-	-
Total loans used for NPLs net ratio calculation ⁽¹⁾ <i>(in thousand Baht)</i>	37,610,188	26,693,410
Percentage of total loans ⁽²⁾	-	-

⁽¹⁾ Total loans used for NPLs net ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items net, after allowance for doubtful accounts of non-performing loans.

⁽²⁾ The ratio of NPLs net to total loans after allowance for doubtful accounts of non-performing loans.

As at 31 December 2019, allowance for doubtful account of Baht 49.40 million (2018: Baht 53.20 million) have been provided against the Branch’s non-performing loans being those classified as doubtful loss.

11 Allowance for doubtful account

Movements in allowance for doubtful accounts for loans to customers during the year ended 31 December 2019 and 2018 consisted of:

	2019				
	Pass	Special Mention	Doubtful of loss	Excess allowance	Total
	<i>(in thousand Baht)</i>				
As at 1 January 2019	250,264	5,587	53,162	14,496	323,509
Doubtful accounts	1,268	1,350	-	2,953	5,571
Others	-	-	(3,761)	-	(3,761)
As at 31 December 2019	251,532	6,937	49,401	17,449	325,319

	2018				
	Pass	Special Mention	Doubtful of loss	Excess allowance	Total
	<i>(in thousand Baht)</i>				
As at 1 January 2018	182,450	1,937	53,541	69,418	307,346
Doubtful accounts	67,814	3,650	-	(54,922)	16,542
Others	-	-	(379)	-	(379)
As at 31 December 2018	250,264	5,587	53,162	14,496	323,509

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12 Leasehold building improvements and equipment, net

Changes in leasehold building improvements and equipment during the year ended 31 December 2019 and 2018 were as follows:

	Net book value at 1 January 2019	Cost			Accumulated depreciation <i>(in thousand Baht)</i>			Net book value at 31 December 2019
		Beginning balance	Additions	Disposals	Ending balance	Beginning balance	Depreciation	Disposals
Leasehold building improvement	2,005	201,956	30,745	(75,564)	157,137	199,951	3,255	(75,565)
Furniture, fixtures and equipment	17,011	269,913	6,015	(82,052)	193,876	252,902	7,536	(82,039)
Total	19,016	471,869	36,760	(157,616)	351,013	452,853	10,791	(157,604)
								44,973

	Net book value at 1 January 2018	Cost			Accumulated depreciation <i>(in thousand Baht)</i>			Net book value at 31 December 2018
		Beginning balance	Additions	Disposals	Ending balance	Beginning balance	Depreciation	Disposals
Leasehold building improvement	22,199	201,956	-	-	201,956	179,757	20,194	-
Furniture, fixtures and equipment	27,414	263,014	7,067	(168)	269,913	235,600	17,470	(168)
Total	49,613	464,970	7,067	(168)	471,869	415,357	37,664	(168)
								19,016

The gross amount of the Branch's fully depreciated leasehold building improvements and equipment that was still in use as at 31 December 2019 amounted to Baht 290 million (2018: Baht 132.4 million).

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13 Deferred tax assets, net

Deferred tax assets and liabilities determined after offsetting are included in the statements of financial position as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Deferred tax assets	167,320	174,893
Deferred tax liabilities	(13,124)	(7,767)
Net	154,196	167,126

Movements in deferred tax assets and liabilities during the year ended 31 December 2019 and 2018 were as follows:

	At 1 January 2019	<i>(Charged) / Credited to</i>		At 31 December 2019
		Profit or loss	Other Comprehensive income	
		<i>(Note 28)</i>		
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Loss on revaluation of structured borrowing	12,758	(12,758)	-	-
Leasehold building improvements and equipment	353	74	-	427
Loans to customers and accrued interest receivables	1,026	-	-	1,026
Other assets	2,101	205	-	2,306
Provisions against derivative products	15,275	1,284	-	16,559
Employee benefit obligations	17,037	5,072	(2,623)	19,486
Other liabilities	126,343	1,173	-	127,516
Total	174,893	(4,950)	(2,623)	167,320
<i>Deferred tax liabilities</i>				
Investments	7,767	5,357	-	13,124
Total	7,767	5,357	-	13,124
Net	167,126	(10,307)	(2,623)	154,196

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	At 1 January 2018	<i>(Charged) / Credited to</i>		At 31 December 2018
		Profit or loss	Other Comprehensive income	
		<i>(Note 28)</i>		
		<i>(in thousand Baht)</i>		
Deferred tax assets				
Loss on revaluation of structured borrowing	16,825	(4,067)	-	12,758
Leasehold building improvements and equipment	-	353	-	353
Loans to customers and accrued interest receivables	1,026	-	-	1,026
Other assets	1,896	205	-	2,101
Provisions against derivative products	13,499	1,776	-	15,275
Employee benefit obligations	15,330	1,314	393	17,037
Other liabilities	110,214	16,129	-	126,343
Total	158,790	15,710	393	174,893
Deferred tax liabilities				
Investments	4,560	3,207	-	7,767
Leasehold building improvements and equipment	1,586	(1,586)	-	-
Total	6,146	1,621	-	7,767
Net	152,644	14,089	393	167,126

14 Other assets

	2019	2018
	<i>(in thousand Baht)</i>	
Accrued interest receivables	63,520	62,268
Refundable income tax receivables	-	18,581
Others	18,638	15,616
Total	82,158	96,465

15 Classified assets

As at 31 December 2019 and 2018, classified assets of the Branch were categorised by quality in compliance with the BoT's regulations, taking into account the analysis of each loan and appraisal of the financial outstanding of each borrower, as follows:

	2019		
	Investments	Loans to financial institutions and accrued interest receivables	Loans to customers and accrued interest receivables
		<i>(in thousand Baht)</i>	
			Total
Pass	-	11,852,944	25,482,634
Special mention	-	-	348,910
Doubtful of loss	6,907	-	49,401
Total	6,907	11,852,944	25,880,945
			37,740,796

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		2018		
	Investments	Loans to financial institutions and accrued interest receivables	Loans to customers and accrued interest receivables	Total
		<i>(in thousand Baht)</i>		
Pass	-	1,390,328	25,071,990	26,462,318
Special mention	-	-	282,085	282,085
Doubtful of loss	22,000	-	53,162	75,162
Total	22,000	1,390,328	25,407,237	26,819,565

16 Deposits

16.1 Classified by type of deposits

	2019	2018
	<i>(in thousand Baht)</i>	
Current	15,425,217	12,071,785
Savings	16,759,804	16,162,392
Term		
- Less than 6 months	7,473,417	1,684,898
- 6 months but less than 1 year	18,500	192,020
- 1 year and over	1,600	800
Total	39,678,538	30,111,895

16.2 Classified by currency and residency of depositors

	2019			2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	30,079,326	291,449	30,370,775	25,571,456	261,989	25,833,445
US Dollar	7,362,074	-	7,362,074	2,401,205	35	2,401,240
Others	1,941,869	3,820	1,945,689	1,870,808	6,402	1,877,210
Total	39,383,269	295,269	39,678,538	29,843,469	268,426	30,111,895

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17 Interbank and money market items (liabilities)

	At call	2019 Term	Total	At call	2018 Term	Total
			(in thousand Baht)			
Domestic						
Other financial institutions	1,421	2,160,551	2,161,972	787	3,354,551	3,355,338
Total domestic	1,421	2,160,551	2,161,972	787	3,354,551	3,355,338
Foreign						
Baht	52,825	-	52,825	59,421	-	59,421
Total foreign	52,825	-	52,825	59,421	-	59,421
Total domestic and foreign	54,246	2,160,551	2,214,797	60,208	3,354,551	3,414,759

As at 31 December 2019, structured deposits that are not designated at fair value in the Branch's financial statements amounted to Baht 2,161 million (2018: Baht 2,755 million).

18 Other liabilities

	2019 (in thousand Baht)	2018
Accrued interest payable	1,017,703	949,640
Suspense creditors	252,505	86,594
Accrued employee expenses	73,809	86,048
Accrued Deposit Protection Agency and Bank of Thailand fees	60,201	63,262
Cheque payable	-	137,971
Income tax payable	33,355	44,551
Other tax payable	6,307	10,160
Others	39,279	54,413
Total	1,483,159	1,432,639

19 Commitments and contingent liabilities

Commitments and contingent liabilities as at 31 December 2019 and 2018 were as follows:

(a) Contingent liabilities	2019 (in thousand Baht)	2018
Other guarantees	15,204,157	21,578,092
Letters of credit	251,264	783,045
Unmatured import bills	-	13,277
Committed line	1,652,979	1,305,188
Total	17,108,400	23,679,602

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(b) *Non-cancellable operating lease agreement*

(1) *Lease and service agreement*

As at 31 December 2019, the Branch had a 15-year lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Branch has committed to pay rental and service fees as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Within one year	29,964	39,147
After one year but within five years	87,286	117,250
Total	117,250	156,397

(2) *Operating leases*

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Non-cancellable operating lease commitments</i>		
Within one year	1,348	1,348
After one year but within five years	1,348	2,696
Total	2,696	4,044

(3) *Other commitments*

	2019	2018
	<i>(in thousand Baht)</i>	
Business Continuity Facility agreement	23,217	34,171
Facility Management Solution agreement	1,451	1,521
Total	24,668	35,692

20 Related parties

Relationships with significant key management personnel and related parties were as follows:

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Key Management Personnel	Various nationalities	Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly. The Branch's key management personnel consisted of: <ul style="list-style-type: none"> - Chief Country Officer and General Manager - Country Chief Operating Officer - Head of Finance - Head of Global Transaction Banking - Head of Global Markets

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Name of entities / person	Country of incorporation/ nationality	Nature of relationships
		<ul style="list-style-type: none"> - Head of Compliance/Anti-Financial Crime - Thailand Chief Operating Office - Head of Human Resources - Country Treasurer of Thailand
Head Office and other Branches		
Deutsche Bank AG, Frankfurt Branch	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head Office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Wien Branch	Austria	Other Branch
Deutsche Bank AG, Brüssel Branch	Belgium	Other Branch
Deutsche Bank AG, Paris Branch	France	Other Branch
Deutsche Bank AG, Hong Kong Branch	Hong Kong	Other Branch
Deutsche Bank AG, Ungarn Branch	Hungary	Other Branch
Deutsche Bank AG, Bangalore Branch	India	Other Branch
Deutsche Bank AG, Mumbai Branch	India	Other Branch
Deutsche Bank AG, Jakarta Branch	Indonesia	Other Branch
Deutsche Bank AG, Tokyo Branch	Japan	Other Branch
Deutsche Bank AG, Amsterdam Branch	Netherlands	Other Branch
Deutsche Bank AG, Karachi Branch	Pakistan	Other Branch
Deutsche Bank AG, Manila Branch	Philippines	Other Branch
Deutsche Bank AG, Portugal Branch	Portugal	Other Branch
Deutsche Bank AG, Taipei Branch	Taiwan	Other Branch
Deutsche Bank AG, Johannesburg Branch	South Africa	Other Branch
Deutsche Bank AG, Singapore Branch	Singapore	Other Branch
Deutsche Bank AG, Seoul Branch	South Korea	Other Branch
Deutsche Bank AG, Madrid Branch	Spain	Other Branch
Deutsche Bank AG, Colombo Branch	Sri Lanka	Other Branch
Deutsche Bank AG, Zürich Branch	Switzerland	Other Branch
Deutsche Bank AG, Abu Dhabi Branch	U.A.E	Other Branch
Deutsche Bank AG, London Branch	United Kingdom	Other Branch
Deutsche Bank AG, New York Branch	United States	Other Branch
Deutsche Bank AG, Ho Chi Minh Branch	Vietnam	Other Branch
Other Group entities		
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank S.A. - Banco Alemão	Brazil	Other Group entity
Deutsche Bank (China) Co., Ltd., Beijing Branch	China	Other Group entity
Deutsche Bank (China) Co., Ltd., Guangzhou Branch	China	Other Group entity
Deutsche Bank (China) Co., Ltd., Shanghai Branch	China	Other Group entity
Deutsche Asset & Wealth Management Investment GmbH	Germany	Other Group entity
Deutsche Bank Privat- und Geschäftskunden AG	Germany	Other Group entity
DWS Holding & Service GmbH	Germany	Other Group entity
Deutsche Securities Asia Limited	Hong Kong	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity

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Name of entities / person	Country of incorporation/ nationality	Nature of relationships
DBOI Global Services Private Limited, Bangalore Branch	India	Other Group entity
DBOI Global Services Private Limited, Jaipur Branch	India	Other Group entity
DBOI Global Services Private Limited, Pune Branch	India	Other Group entity
Deutsche CIB Centre Private Limited	India	Other Group entity
Deutsche Equities India Private Limited	India	Other Group entity
Deutsche Investments India Private Limited	India	Other Group entity
Deutsche Investor Services Private Limited	India	Other Group entity
DB Service Centre Limited	Ireland	Other Group entity
Deutsche International Corporate Services (Ireland) Limited	Ireland	Other Group entity
DB Consorzio S. Cons. a r. l.	Italy	Other Group entity
DB Servizi Amministrativi S.r.l.	Italy	Other Group entity
Deutsche Bank Società per Azioni	Italy	Other Group entity
Deutsche Securities Inc.	Japan	Other Group entity
Deutsche Bank Luxembourg S.A.	Luxembourg	Other Group entity
Deutsche Bank (Malaysia) Berhad	Malaysia	Other Group entity
Deutsche Bank Nederland N.V.	Netherlands	Other Group entity
Deutsche Knowledge Services Pte. Ltd., Manila Branch	Philippines	Other Group entity
Deutsche Bank Polska Spółka Akcyjna	Poland	Other Group entity
Deutsche Securities Asia Limited, Taipei Branch	Taiwan	Other Group entity
DB Global Technology SRL	Romania	Other Group entity
Deutsche Bank OOO	Russia	Other Group entity
Deutsche Bank TechCentre OOO	Russia	Other Group entity
DB International (Asia) Limited	Singapore	Other Group entity
Deutsche Securities Korea Co.	South Korea	Other Group entity
Deutsche Bank, Sociedad Anónima Española	Spain	Other Group entity
Deutsche Bank (Suisse) SA	Switzerland	Other Group entity
Deutsche Bank A.S.	Turkey	Other Group entity
DB Group Services (EURO)	United Kingdom	Other Group entity
DB UK Bank Limited	United Kingdom	Other Group entity
DBOI Global Services (UK) Limited	United Kingdom	Other Group entity
Deutsche Asset Management Group Limited	United Kingdom	Other Group entity
Deutsche Bank International Limited	United Kingdom	Other Group entity
DB Global Technology, Inc.	United States	Other Group entity
DB Services New Jersey, Inc.	United States	Other Group entity
Deutsche Bank National Trust Company	United States	Other Group entity
Deutsche Bank Securities Inc.	United States	Other Group entity
Deutsche Bank Trust Company Americas	United States	Other Group entity
Deutsche Investment Management Americas Inc.	United States	Other Group entity
Thai Asset Enforcement and Recovery Asset Management Company Limited	Thailand	Other Group entity

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The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Interest income	Market rate
Interest expenses	Market rate
Fee and service income	Contractual agreed price
Fee and service expenses	Contractual agreed price
Derivatives	Market rate
Other operating income from head office	Contractual agreed price
Employee expenses	Contractual agreed price
Expenses allocated	Contractual agreed price
Other expenses	Contractual agreed price

Significant transactions for the year ended 31 December 2019 and 2018 with key management personnel and related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Head Office and other Branches</i>		
Interest income	26,185	11,932
Interest expenses	589,136	615,777
Fees and service income	33,598	64,193
Fees and service expenses	3	3
Other operating income from head office	92,696	96,512
Employee expenses	190	155
Expenses allocated from head office	581,750	507,685
Other expenses	41,076	20,292
<i>Other Group entities</i>		
Interest income	10,364	4,688
Interest expenses	2	315
Fees and service income	14,125	28,795
Fees and service expenses	3	53
Other operating income	3,365	9,562
Expenses allocated	52,385	36,555

Key management personnel

The Branch's management who are members of executive committee shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments in the group of its major shareholder as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Key management personnel compensation		
Short-term benefits	99,451	121,466
Post-employment benefits	40,316	25,468
Total	139,767	146,934

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Significant balances as at 31 December 2019 and 2018 with related parties were as follows:

	2019	2018
	(in thousand Baht)	
Deposits		
Thai Asset Enforcement and Recovery Asset Management Company Limited	<u>7,242</u>	<u>8,364</u>
Funds brought in to maintain assets under the Act		
Deutsche Bank AG, Frankfurt Branch	17,800,000	-
Deutsche Bank AG, Singapore Branch	-	17,800,000
Total	<u>17,800,000</u>	<u>17,800,000</u>
Balance of inter-office accounts with head office and other branches of the same juristic person, net		
Debts issued and borrowings		
Deutsche Bank AG, Singapore Branch	-	11,192,537
Deutsche Bank AG, Frankfurt Branch	16,150,115	3,712,520
Total	<u>16,150,115</u>	<u>14,905,057</u>
Accrued interest payable		
Deutsche Bank AG, Singapore Branch	-	85,187
Deutsche Bank AG, Frankfurt Branch	73,597	2,238
Total	<u>73,597</u>	<u>87,425</u>
Unrealised gains on derivative contracts, net	<u>-</u>	<u>172,745</u>
Interbranch accounts	<u>(12,864,908)</u>	<u>(9,353,269)</u>
Total	<u>3,358,804</u>	<u>5,811,958</u>
Derivatives - Foreign currency related (notional amount)		
Head office and other branches	<u>162,386,656</u>	<u>91,371,136</u>
Derivatives - Interest rate related (notional amount)		
Head office and other branches	<u>419,630,183</u>	<u>1,279,822,420</u>

As at 31 December 2019, debt issued and borrowings from related parties were due to mature from 7 January 2020 to 31 May 2021 (2018: 7 January 2019 to 30 April 2020) and carried interest between 0.05% - 2.29% per annum (2018: -0.22% - 2.92% per annum). Interest expenses will be paid at maturity date and may be revolving for principal amount.

21 The financial position and results of operations classified by domestic and foreign business

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only one domestic business in Thailand.

22 Interest income

	2019	2018
	(in thousand Baht)	
Interbank and money market items	135,362	203,199
Investments and trading transactions	436,996	472,753
Loans to customers	525,281	443,409
Total	<u>1,097,639</u>	<u>1,119,361</u>

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23 Interest expenses

	2019	2018
	<i>(in thousand Baht)</i>	
Deposits	89,120	92,542
Interbank and money market items	861,282	916,835
Contribution to Deposit Protection Agency and Bank of Thailand	122,510	131,008
Debt issued and borrowings	9,678	11,840
Total	1,082,590	1,152,225

24 Net fees and service income

	2019	2018
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	51,548	70,781
- Fund transfer and collection services	84,069	92,489
- Custody of customers securities	37,273	61,631
- Others	55,576	61,859
Total	228,466	286,760
Fees and service expenses		
- Transfer fees between financial institutions	30,024	29,212
- Others	45,969	58,613
Total	75,993	87,825
Net	152,473	198,935

25 Net gains on trading and foreign exchange transactions

	2019	2018
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	(3,470,587)	780,324
- Interest rate related derivatives	4,477,335	304,831
- Debt securities	360,805	3,118
Total	1,367,553	1,088,273

26 Bad debts, doubtful accounts and impairment loss

	2019	2018
	<i>(in thousand Baht)</i>	
Interbank and money market items	5,618	(60,562)
Loans to customers	5,572	16,542
Total	11,190	(44,020)

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27 Employee expenses

	2019	2018
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	283,041	313,997
Legal severance payment plan	27,658	8,106
Long service award	(1,179)	333
Share-based payment transaction	7,721	7,646
Termination	16,515	49,548
Others	37,662	42,155
Total	371,418	421,785

The Branch has established contributory provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 5% to 15% of their basic salaries and by the Branch at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

28 Income tax

Income tax recognised in profit or loss

	Note	2019	2018
		<i>(in thousand Baht)</i>	
Current tax			
Current year		73,818	59,555
Adjustment for prior years		(10,811)	(5,136)
		63,007	54,419
Deferred tax			
Movements in temporary differences	13	10,307	(14,089)
		10,307	(14,089)
Total		73,314	40,330

Income tax recognised in other comprehensive income

	Before tax	2019 Tax expense	Net of tax	Before tax	2018 Tax benefit	Net of tax
			<i>(in thousand Baht)</i>			
Defined benefit plan actuarial gains (losses)	13,118	(2,623)	10,495	(1,966)	393	(1,573)
Total	13,118	(2,623)	10,495	(1,966)	393	(1,573)

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Reconciliation of effective tax rate

	2019		2018	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		369,005		204,258
Income tax using Thai corporation tax rate	20.0	73,801	20.0	40,852
Income not subject to tax	(0.1)	(311)	(0.1)	(250)
Under provided in prior years	(2.9)	(10,811)	(2.5)	(5,136)
Adjustment for prior years - deferred	2.9	10,635	2.4	4,864
Total	19.9	73,314	19.8	40,330

29 Events after the reporting period

Subsequent to the financial reporting date, the COVID-19 outbreak has significantly affected the global economy which may affect the Branch's ability to meet financial targets. There are uncertainty factors to evaluate the impacts on the Branch's business or financial targets affected from COVID-19 outbreak, e.g. the governmental responses etc. The Branch might be adversely affected by a protracted downturn in local, regional or global economic conditions. Given the uncertainty around extent, duration and market spillover of COVID-19, the Branch's forward looking assumptions do not currently consider any of its potential impacts. The management is monitoring the situation to ensure the safety of its staff as well as adapt its services and operations in response to the situation.

30 Thai Financial Reporting Standards (TFRS) not yet adopted

New TFRSs which are relevant to the Branch's operations are expected to have significant impact on the Branch's financial statements on the date of initial application. Those TFRSs which become effective for annual financial reporting periods beginning on or after 1 January 2020 are as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

* TFRS - Financial instruments standards

(a) TFRS - Financial instruments standards

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRS are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled. The impact from adoption of TFRS - Financial instruments are as follows:

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(i) Classification - Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing TAS 105 categories of held to maturity debt securities, available for sale, trading and general investment. The classification is based on the cash flow characteristics of the financial asset and the business model in which they are managed.

(ii) Measurement at amortised cost

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method. TFRS 9 shall replace current Branch's accounting policy on recognising both finance cost and finance income by contract rate.

(iii) Impairment - Financial assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Branch determines allowance for doubtful account based on relevant BoT's criteria and regulations. TFRS 9 will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under TAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under TFRS 9, no impairment loss is recognised on equity investments and contract assets.

(iv) Classification - Financial liabilities

TFRS 9 contains a new classification and measurement approach for financial liabilities consisting of two principal classification categories: amortised cost and FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Under TFRS 9, fair value changes for financial liabilities classified as FVTPL are generally presented as follows:

- the amount of fair value that changes due to changes in the credit risk of the financial liability is presented in OCI; and
- the remaining amount of fair value changed is presented in profit or loss.

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Transition

The Branch expects to initially adopt these TFRS by adjusting the impact to retained earnings or other components of accounts with head office and other branches of the same juristic person on 1 January 2020. Therefore, the Branch will not apply the requirements of these TFRS to comparative information.

Based on the preliminary impact assessment of initially applying TFRS - Financial instruments on the financial statements, the Branch estimates that there is no material impact to accounts with head office and other branches of the same juristic person.

The Bank of Thailand's announced the notification No. Sor. Nor. Sor. 23/2561 and other related regulations which required the Branch to maintain the excess allowance. The Branch estimated allowance according to the new TFRS 9 impairment model is approximately Baht 280 million lower than the allowance for doubtful accounts as at 31 December 2019. The Branch will amortise the excess allowance on a straight-line basis over a five-year period starting from 1 January 2020 after applying TFRS 9.

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Branch recognises payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Branch will recognise right-of-use assets and lease liabilities for its operating leases as disclosed in Note 19 (b). As a result, the nature of expenses related to those leases will be changed because the Branch will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

Transition

The Branch plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the retained earnings at 1 January 2020, with no restatement of comparative information.

The Branch plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply TFRS 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with TAS 17 and TFRIC 4.

Based on the preliminary impact assessment of initially applying TFRS 16 on the financial statements, the Branch estimates that the impact is not material from the increase of lease liabilities and right-of-use assets.