

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

**Financial statements for the year  
ended 31 December 2009**

**Deutsche Bank (Malaysia) Berhad**

(Company No. 312552-W)

(Incorporated in Malaysia)

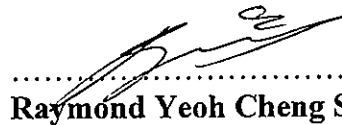
**and its subsidiaries****Statement by Directors pursuant to Section 169(15)  
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 21 to 83 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia's Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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



.....  
**Tun Mohamed Dzaidin bin Haji Abdullah**



.....  
**Raymond Yeoh Cheng Seong**

Kuala Lumpur,

Date: 25 March 2010

**Deutsche Bank (Malaysia) Berhad**

(Company No. 312552-W)

(Incorporated in Malaysia)

**and its subsidiaries****Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965**

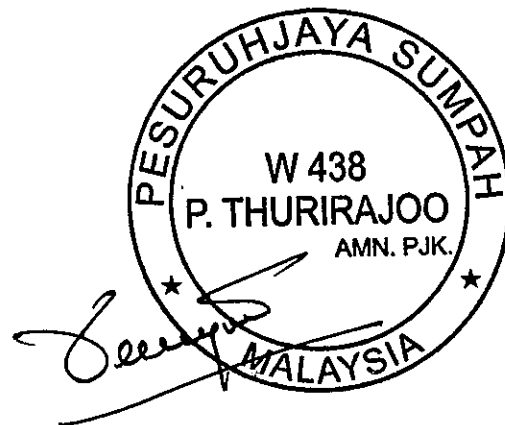
I, **Liew Yeh Yin**, being the officer primarily responsible for the financial management of Deutsche Bank (Malaysia) Berhad, do solemnly, and sincerely declare that the financial statements set out on pages 21 to 83 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 25 March 2010.



.....  
**Liew Yeh Yin**

Before me:



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BATU 4, JALAN IPOH,  
51200 KUALA LUMPUR

**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
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47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

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

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

### **Report on the Financial Statements**

We have audited the financial statements of Deutsche Bank (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 83.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia's Guidelines and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 312552-W

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia's Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG**  
Firm Number: AF 0758  
Chartered Accountants



**Adrian Lee Lye Wang**  
Approval Number: 2679/11/11(J)  
Chartered Accountant

Petaling Jaya, Selangor

Date: 25 March 2010

# Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

## and its subsidiaries

### Balance sheets at 31 December 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Assets</b>					
Cash and short-term funds	3	4,393,420	305,889	4,393,420	305,889
Securities purchased under resale agreement		3,077,020	6,070,853	3,077,020	6,070,853
Securities held-for-trading	4	1,426,661	698,204	1,426,661	698,204
Securities available-for-sale	5	5,605	2,849	5,605	2,849
Securities held-to-maturity	6	1,591	1,591	1,591	1,591
Loans, advances and financing	7	788,803	977,502	788,803	977,502
Other assets	8	1,504,478	2,827,928	1,504,478	2,827,928
Statutory deposit with Bank Negara Malaysia	9	225	225	225	225
Investments in subsidiary companies	10	-	-	20	20
Plant and equipment	11	3,662	6,083	3,662	6,083
Deferred tax assets	12	15,284	20,856	15,284	20,856
Tax recoverable		3,144	-	3,144	-
<b>Total assets</b>		<b>11,219,893</b>	<b>10,911,980</b>	<b>11,219,913</b>	<b>10,912,000</b>
<b>Liabilities and shareholders' funds</b>					
Deposits from customers	13	5,620,179	5,942,278	5,620,199	5,942,298
Deposits and placements of banks and other financial institutions	14	1,572,162	1,062,054	1,572,162	1,062,054
Obligations on securities sold under repurchase agreements		1,056,596	-	1,056,596	-
Other liabilities	15	1,781,416	2,808,901	1,781,416	2,808,901
Taxation		-	21,266	-	21,266
<b>Total liabilities</b>		<b>10,030,353</b>	<b>9,834,499</b>	<b>10,030,373</b>	<b>9,834,519</b>

**Balance sheets at 31 December 2009 (continued)**

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Share capital</b>	16	173,599	173,599	173,599	173,599
<b>Reserves</b>	17	1,015,941	903,882	1,015,941	903,882
<b>Shareholders' funds</b>		<u>1,189,540</u>	<u>1,077,481</u>	<u>1,189,540</u>	<u>1,077,481</u>
<b>Total liabilities and shareholders' funds</b>		<u>11,219,893</u>	<u>10,911,980</u>	<u>11,219,913</u>	<u>10,912,000</u>
<b>Off-balance sheet exposures</b>	29	<u>103,971,913</u>	<u>127,768,333</u>	<u>103,971,913</u>	<u>127,768,333</u>

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

**Income statements for the year ended 31 December 2009**

		<b>Group and Bank</b>	
		<b>2009</b>	<b>2008</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	18	187,823	437,708
Interest expense	19	(63,176)	(273,840)
		<hr/>	<hr/>
Net interest income		124,647	163,868
Net income from Islamic Banking Operations	34	338	-
Non-interest income	20	129,057	116,438
		<hr/>	<hr/>
Operating income		254,042	280,306
Other operating expenses	21	(108,640)	(94,370)
		<hr/>	<hr/>
Operating profit		145,402	185,936
Loan loss and allowances	22	(14)	8,987
Impairment losses from securities available-for-sale		-	(241)
		<hr/>	<hr/>
<b>Profit before taxation</b>		145,388	194,682
Taxation	25	(35,396)	(42,912)
		<hr/>	<hr/>
<b>Profit after taxation</b>		109,992	151,770
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (sen)	26	63.4	87.4
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 28 to 83 are an integral part of these financial statements.



## Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

### and its subsidiaries

## Statements of changes in equity for the year ended 31 December 2009

Group and Bank	Share	<--Non-distributable-->		Distributable	Total	Total
	capital	Share	Other	Retained profits	reserves	
	RM'000	premium	reserves	RM'000	RM'000	RM'000
At 1 January 2008	173,599	357,763	175,783	218,841	752,387	925,986
Net profit for the year	-	-	-	151,770	151,770	151,770
Unrealised net loss on revaluation of securities available-for-sale	-	-	(275)	-	(275)	(275)
<b>At 31 December 2008</b>	<b>173,599</b>	<b>357,763</b>	<b>175,508</b>	<b>370,611</b>	<b>903,882</b>	<b>1,077,481</b>
	Note 16	Note 17	Note 17	Note 17		

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## Statements of changes in equity for the year ended 31 December 2009 (continued)

Group and Bank	Share	<--Non-distributable-->		Distributable	Total	Total
	capital	Share	Other	Retained profits	reserves	Total
	RM'000	premium	reserves	RM'000	RM'000	RM'000
		RM'000	RM'000			
<b>At 1 January 2009</b>	173,599	357,763	175,508	370,611	903,882	1,077,481
Net profit for the year	-	-	-	109,992	109,992	109,992
Unrealised net gain on revaluation of securities available-for-sale	-	-	2,067	-	2,067	2,067
<b>At 31 December 2009</b>	<u>173,599</u>	<u>357,763</u>	<u>177,575</u>	<u>480,603</u>	<u>1,015,941</u>	<u>1,189,540</u>
	Note 16	Note 17	Note 17	Note 17		

The notes on pages 28 to 83 are an integral part of these financial statements.

## Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

### and its subsidiaries

## Cash flow statements for the year ended 31 December 2009

	Group and Bank	
	2009	2008
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	145,388	194,682
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of plant and equipment	2,825	2,777
Plant and equipment written off	-	18
Gain on disposal of shares	-	(17)
Impairment losses from securities available-for-sale	-	241
Net unrealised losses/(gain) on revaluation of trading portfolio (including derivatives)	182,317	(110,866)
Unrealised losses/(gain) from foreign exchange translation	58,544	(77,897)
Losses/(Gain) arising from sale of securities held-for-trading	13,066	(6,497)
	<hr/>	<hr/>
Operating profit before changes in operating assets	402,140	2,441
Decrease/(Increase) in operating assets		
Securities purchased under resale agreements	2,993,833	(481,474)
Securities held-for-trading	(728,457)	1,831,644
Loans, advances and financing	188,699	(268,143)
Other assets	2,683,427	213,679
Statutory deposit with Bank Negara Malaysia	-	2,834
Decrease/(Increase) in operating liabilities		
Deposits from customers	(322,099)	1,566,352
Deposits and placements of banks and other financial institutions	510,108	(1,664,226)
Obligations on securities sold under repurchase agreements	1,056,596	(3,109,136)
Other liabilities	(2,641,389)	(32,023)
	<hr/>	<hr/>
Cash generated from/(used in) operating activities	4,142,858	(1,938,052)
Net income taxes paid	(54,923)	(48,018)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>	<b>4,087,935</b>	<b>(1,986,070)</b>
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## Cash flow statements for the year ended 31 December 2009 (continued)

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(404)	(2,696)
Proceeds from disposal of shares	-	162
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(404)</b>	<b>(2,534)</b>
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	4,087,531	(1,988,604)
Cash and cash equivalents at beginning of year	305,889	2,294,493
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>4,393,420</b>	<b>305,889</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 28 to 83 are an integral part of these financial statements.

# Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

## and its subsidiaries

### Notes to the financial statements

The Bank is incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 18, Menara IMC, 8, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Group is principally engaged in all aspect of banking and related financial services. There have been no significant changes to these principal activities during the financial year.

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

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2010.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standards (“FRS”) as modified by Bank Negara Malaysia’s Guidelines, accounting principles generally accepted in Malaysia and the Companies Act, 1965.

The Group and the Bank have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Bank:

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009***

- FRS 8, *Operating Segments*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010***

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

## 1. Basis of preparation (continued)

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

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (continued)*

- Amendments to FRS 127, *Consolidation and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010*

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010*

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

#### *FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011*

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

## 1. Basis of preparation (continued)

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

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, FRS 8, IC Interpretation 10, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group and to the Bank; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 except for IC Interpretation 12, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group and to the Bank.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

The initial application of the remaining standards, amendments and interpretations are not expected to have any material impact to the financial statements upon their first adoption.

On 20 October 2009, BNM had issued a circular setting out the limited circumstances in which banking institutions are allowed to reclassify financial instruments currently held in the securities held-for-trading portfolio into the securities available-for-sale and securities held-to-maturity portfolios. This allowance for reclassification is only effective for the period from 1 July 2009 to 31 December 2009. As at 31 December 2009, the Group and the Bank have not reclassified any securities.

### (b) Basis of measurement

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, except for the following assets and liabilities which are stated at fair value: securities held-for-trading, securities available-for-sale and derivative financial instruments, as disclosed in the notes to the financial statements.

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

### (c) Functional and presentation currency

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

## 1. Basis of preparation (continued)

### (d) Use of estimates and judgements

In the preparation of the financial statements, management has been required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements includes fair value estimation for securities held-for-trading (Note 4), securities available-for-sale (Note 5) and derivative financial assets and liabilities (Note 8 and Note 15) – the fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

## 2. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) *Subsidiaries*

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies made up to the end of the financial year.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses (if any).



## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (ii) *Transactions eliminated on consolidation*

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one month.

### (c) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank commits to resell at future dates and is reflected as an asset.

Obligations on securities sold under repurchase agreements are obligations which the Bank commits to repurchase at future dates and is reflected as a liability.

### (d) Securities

The holding of the securities portfolio of the Bank are recognised on the following categories and valuation methods:

#### (i) *Securities held-for-trading*

Securities are classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities classified as held-for-trading are stated at fair value and any gain or loss arising from a change in the fair value is recognised in the income statement.

## 2. Significant accounting policies (continued)

### (d) Securities

#### (ii) *Securities held-to-maturity*

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment loss as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

#### (iii) *Securities available-for-sale*

Available-for-sale securities are securities that are not classified as held-for-trading or held-to-maturity and these are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost. Any gain or loss arising from a change in the fair value will be recognised directly in equity, net of applicable taxes, except for impairment losses which will be recognised in the income statement.

### (e) Loans, advances and financing

Loans, advances and financing are carried at their outstanding principal and interest balances net of unearned interest and financing income, general and specific allowances for bad and doubtful debts and financing.

Specific allowances are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified.

The carrying amount of the Group's and the Bank's loans, advances and financing are reviewed at each balance sheet date to determine whether there is objective evidence of impairment.

## 2. Significant accounting policies (continued)

### (e) Loans, advances and financing (continued)

Impaired loans are measured at their estimated recoverable amount based on the discounted cash flow methodology. Additional specific allowances are provided if the recoverable amount (present value of estimated future cash flows discounted at original effective interest rate) is lower than the net book value of the loans (outstanding amount of loans, advances and financing, net of specific allowance).

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

### (f) Investments in subsidiary companies

A subsidiary company is a company in which the Bank controls the composition of its Board of Directors or holds more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investments in subsidiary companies are stated at cost less impairment losses, if any.

### (g) Plant and equipment

#### (i) *Recognition and measurement*

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any).

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

## 2. Significant accounting policies (continued)

### (g) Plant and equipment (continued)

#### (ii) *Subsequent costs*

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

#### (iii) *Depreciation*

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

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

The depreciable amount is determined after deducting the residual value.

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

### (h) **Impairment**

The carrying amount of assets, other than deferred tax assets and financial assets (other than investments in subsidiary companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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 largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 2. Significant accounting policies (continued)

### (h) Impairment (continued)

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. The reversal is recognised in the income statement.

### (i) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for 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 (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

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

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

### **(j) Recognition of interest and financing income and expense**

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

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

Where an account is classified as non-performing, recognition of interest and financing income is suspended until it is realised on a cash basis. Interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income.

Customers' accounts are classified as non-performing where repayments are in arrears for more than three months for loans and overdrafts. Trade related bills are classified as non-performing when they are due and unpaid for three months from the first day of default.

### **(k) Recognition of fees and other income**

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

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

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

## 2. Significant accounting policies (continued)

### (l) Derivatives and hedge accounting

Derivatives are recognised at fair value with changes in fair value recognised in the income statement, unless they are part of a hedging relationship which qualifies for hedge accounting. The accounting for changes in the fair value of a derivative which qualifies for hedge accounting depends on the intended use of the derivative and the resulting designation as either:

#### (i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged items.

#### (ii) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

### (m) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

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

## 2. Significant accounting policies (continued)

### (n) Employee benefits

#### (i) *Short-term benefits*

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

#### (ii) *Defined contribution plan*

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as expense in the income statement as incurred.

### (o) Operating lease

Leases are operating leases. The leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (p) Provisions

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



**3. Cash and short-term funds**

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	464,858	150,889
Money at call and deposit placements maturing within one month	3,928,562	155,000
	<u>4,393,420</u>	<u>305,889</u>

**4. Securities held-for-trading**

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian Government Securities	360,016	203,501
Malaysian Investment Issue	4,125	-
Bank Negara Malaysia Bills	611,947	486,319
Cagamas bonds	6,357	6,269
Khazanah bonds	28,974	1,918
Negotiable instruments of deposit	300,000	-
Private debt securities	115,242	197
	<u>1,426,661</u>	<u>698,204</u>

**5. Securities available-for-sale**

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Shares	5,605	349
Irredeemable convertible unsecured loan stocks quoted in Malaysia	-	2,500
	<u>5,605</u>	<u>2,849</u>

**6. Securities held-to-maturity**

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted securities:		
Shares, at cost	1,591	1,591
	<u>1,591</u>	<u>1,591</u>

## 7. Loans, advances and financing

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	49,088	24,178
Term loans - housing loans	34,754	36,928
- other term loans	134,431	482,636
Bills receivable	66,091	185,121
Claims on customers under acceptance credits	525,864	268,906
Staff loans	4,502	4,658
	<hr/>	<hr/>
Unearned interest	814,730 (1,929)	1,002,427 (884)
	<hr/>	<hr/>
Gross loans, advances and financing	812,801	1,001,543
Allowance for bad and doubtful debts		
- General	(23,946)	(23,946)
- Specific	(52)	(95)
	<hr/>	<hr/>
Net loans, advances and financing	<u>788,803</u>	<u>977,502</u>

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

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	777,410	959,213
One year to three years	732	1,807
Three years to five years	1,074	1,939
Over five years	33,585	38,584
	<hr/>	<hr/>
	<u>812,801</u>	<u>1,001,543</u>

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

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic banking institutions	-	4,012
Domestic business enterprises - others	707,442	775,194
Individuals	39,268	41,600
Foreign entities	66,091	180,737
	<hr/>	<hr/>
	<u>812,801</u>	<u>1,001,543</u>

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

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

	Group and Bank	
	2009	2008
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan/financing	4,502	4,672
Variable rate		
- Base lending rate plus	66,943	56,911
- Cost plus	738,874	935,539
- Other variable rates	2,482	4,421
	<u>812,801</u>	<u>1,001,543</u>

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

	Group and Bank	
	2009	2008
	RM'000	RM'000
Manufacturing	356,647	417,687
Construction	94,436	62,271
Real estate	-	1,196
Purchase of landed property		
- residential	38,523	41,478
Wholesale & retail trade and restaurants & hotel	146,935	175,626
Finance, insurance and business services	101,447	269,749
Purchase of transport vehicles	175	142
Others	74,638	33,394
	<u>812,801</u>	<u>1,001,543</u>

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

Movements in non-performing loans, advances and financing are as follows:

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January	8,511	12,393
Classified as non-performing during the year	4,934	4,539
Reclassified as performing during the year	(2,470)	(2,902)
Amount recovered	(2,108)	(5,462)
Amounts written off	(68)	(57)
	<hr/>	<hr/>
At end of year	8,799	8,511
Specific allowance for doubtful debts	(52)	(95)
	<hr/>	<hr/>
Net non-performing loans, advances and financing	<u>8,747</u>	<u>8,416</u>
Percentage of net non-performing loans, advances and financing to total loans, advances and financing (net of specific allowance)	<u>1.08%</u>	<u>0.84%</u>

Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
General allowance:		
Balance at 1 January/31 December	<u>23,946</u>	<u>23,946</u>
As a % of adjusted gross loans, advances and financing less specific allowance	<u>2.95%</u>	<u>2.39%</u>
Specific allowance:		
Balance at 1 January	95	5,716
Reclassification from provision for commitment and contingencies	-	3,274
Amounts recovered	(19)	(8,876)
Amounts written off	(68)	(57)
Allowance made during the year	44	38
	<hr/>	<hr/>
Balance at 31 December	<u>52</u>	<u>95</u>

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

Non-performing loans, advances and financing analysed by economic purposes are as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Manufacturing	2,516	2,516
Purchase of landed properties - residential	6,252	5,931
Others	31	64
	<u>8,799</u>	<u>8,511</u>

## 8. Other assets

	Group and Bank	
	2009	2008
	RM'000	RM'000
Interest/Income receivable	13,509	21,212
Margin placed with exchange	3,334	4,195
Derivatives	1,205,219	2,566,240
Other debtors, deposits and prepayments	282,416	236,281
	<u>1,504,478</u>	<u>2,827,928</u>

## 9. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (revised - 1994), the amount of which is determined as a set percentage of total eligible liabilities.

## 10. Investments in subsidiary companies

	Bank	
	2009	2008
	RM'000	RM'000
Unquoted shares, at cost	<u>20</u>	<u>20</u>

The subsidiary companies of the Bank, which are incorporated in Malaysia, are as follows:-

Name	Principal activity	Percentage of equity held	
		2009	2008
DB (Malaysia) Nominee (Tempatan) Sendirian Berhad	Nominee services	100%	100%
DB (Malaysia) Nominee (Asing) Sdn. Bhd.	Nominee services	100%	100%

All income and expenditure of the subsidiary companies have been taken up by the Bank.

## 11. Plant and equipment

Group and Bank	Renovations RM'000	Office equipment RM'000	Computer equipment and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<i>Cost</i>						
At 1 January 2008	8,448	3,814	12,258	3,328	468	28,316
Additions	1,141	404	1,141	10	-	2,696
Write-offs	(116)	(86)	(910)	(23)	-	(1,135)
At 31 December 2008/ 1 January 2009	9,473	4,132	12,489	3,315	468	29,877
Additions	56	100	236	12	-	404
Write-offs	-	(5)	-	-	-	(5)
Reclassification	(1)	(11)	11	-	1	-
At 31 December 2009	9,528	4,216	12,736	3,327	469	30,276
<i>Accumulated depreciation</i>						
At 1 January 2008	6,700	3,047	9,147	2,927	313	22,134
Charge for the year	925	87	1,589	99	77	2,777
Write-offs	(116)	(73)	(909)	(19)	-	(1,117)
At 31 December 2008/ 1 January 2009	7,509	3,061	9,827	3,007	390	23,794
Charge for the year	1,019	227	1,436	65	78	2,825
Write-offs	-	(5)	-	-	-	(5)
Reclassification	(1)	192	(160)	(32)	1	-
At 31 December 2009	8,527	3,475	11,103	3,040	469	26,614
<i>Carrying amounts</i>						
At 1 January 2008	1,748	767	3,111	401	155	6,182
At 31 December 2008/ 1 January 2009	1,964	1,071	2,662	308	78	6,083
At 31 December 2009	1,001	741	1,633	287	-	3,662

## 12. Deferred tax assets

The recognised net deferred tax assets comprise the following items:-

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised in income statement</b>		
Plant and equipment		
- capital allowances	(373)	(560)
General allowance for loans	5,987	5,987
Others	10,620	15,690
	<u>16,234</u>	<u>21,117</u>
<b>Recognised in equity</b>		
Revaluation of securities available-for-sale	(950)	(261)
	<u>15,284</u>	<u>20,856</u>

## 13. Deposits from customers

	<b>Group</b>		<b>Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	1,042,180	707,508	1,042,200	707,528
Savings deposits	10,627	8,747	10,627	8,747
Fixed deposits	729,392	405,529	729,392	405,529
Other deposits	3,736,880	4,524,294	3,736,880	4,524,294
Negotiable instruments of deposit	101,100	296,200	101,100	296,200
	<u>5,620,179</u>	<u>5,942,278</u>	<u>5,620,199</u>	<u>5,942,298</u>

The maturity structure of fixed deposits, other deposits and negotiable instruments of deposit, are as follows:-

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	2,897,336	2,216,420
More than six months to one year	332,936	635,591
More than one year to three years	187,100	589,012
More than three years to five years	1,100,000	1,635,000
More than five years	50,000	150,000
	<u>4,567,372</u>	<u>5,226,023</u>

### 13. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Business enterprises	3,022,896	2,120,508	3,022,916	2,120,528
Individuals	54,104	52,089	54,104	52,089
Foreign customers	92,882	109,881	92,882	109,881
Others	2,450,297	3,659,800	2,450,297	3,659,800
	<u>5,620,179</u>	<u>5,942,278</u>	<u>5,620,199</u>	<u>5,942,298</u>

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

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed banks	-	3,000
Other financial institutions	1,572,162	1,059,054
	<u>1,572,162</u>	<u>1,062,054</u>

### 15. Other liabilities

	Group and Bank	
	2009 RM'000	2008 RM'000
Interest payable	12,056	21,870
Bills payable	115,747	91,186
Derivatives	986,213	2,088,080
Employee benefits	31,883	16,178
Other liabilities	635,517	591,587
	<u>1,781,416</u>	<u>2,808,901</u>



## 15. Other liabilities (continued)

Movements in provision for commitments and contingencies are as follows:-

	Group and Bank	
	2009 RM'000	2008 RM'000
Balance at 1 January	-	3,274
Reclassification of provision to specific allowance	-	(3,274)
Balance at 31 December	-	-

## 16. Share capital

Group and Bank	Number of shares		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
<i>Authorised:</i>				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
<i>Issued and fully paid:</i>				
At 31 December	173,599	173,599	173,599	173,599

## 17. Reserves

	Group and Bank	
	2009 RM'000	2008 RM'000
Non distributable		
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Revaluation reserve	2,853	786
	177,575	175,508
Distributable		
Retained profits	480,603	370,611
	1,015,941	903,882

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

The revaluation reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

## 17. Reserves (continued)

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of dividends out of all of its retained profits as at 31 December 2009.

The Financial Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2009 will be available to the Bank until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 18. Interest income

	Group and Bank	
	2009	2008
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	32,095	43,269
- Recoveries from NPL	1,831	2,672
Money at call and deposit placements with financial institutions	18,148	72,326
Securities purchased under resale agreement	107,715	266,720
Securities held-for-trading	28,031	52,507
Others	3	214
	<u>187,823</u>	<u>437,708</u>

## 19. Interest expense

	Group and Bank	
	2009	2008
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	2,639	46,677
Obligations on securities sold under repurchase agreement	2,546	112,483
Deposits from customers	57,938	114,444
Others	53	236
	<u>63,176</u>	<u>273,840</u>

## 20. Non-interest income

	Group and Bank	
	2009	2008
	RM'000	RM'000
Fee income:		
Commissions	5,752	4,875
Service charges and fees	7,305	8,990
Guarantee fees	2,449	2,553
Arranger fees	-	501
	<u>15,506</u>	<u>16,919</u>

**20. Non-interest income (continued)**

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
(Losses)/Gains arising from sale of securities held-for-trading	(13,066)	6,497
Net gains/(losses) arising from trading in derivatives	136,957	(95,518)
Net unrealised (losses)/gains on revaluation of trading portfolio (including derivatives)	(182,317)	110,866
Net gains/(losses) arising from dealing in foreign exchange	229,381	(17,009)
Unrealised (losses)/gains from foreign exchange translation	(58,544)	77,897
Gross dividends from securities held-to-maturity	196	311
Other operating income, net	944	16,475
	<u>113,551</u>	<u>99,519</u>
	<u>129,057</u>	<u>116,438</u>

**21. Other operating expenses**

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs		
- Salaries, allowances and bonuses	46,688	32,723
- Contributions to Employees' Provident Fund	6,773	5,020
- Others	5,081	3,787
Establishment costs		
- Rental	2,421	2,299
- Depreciation	2,825	2,777
- Others	4,734	4,092
Marketing expenses	1,822	1,942
Administration and general expenses		
- Intercompany expenses	30,351	33,898
- Communication	1,450	1,335
- Auditors' remuneration		
- statutory audit fee	105	105
- other services	74	158
- Plant and equipment written off	-	18
- Others	6,316	6,216
	<u>108,640</u>	<u>94,370</u>

The number of employees of the Group and the Bank at the end of the year was 147 (2008 - 149).

## 22. Loan loss and allowance written back

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful debts on loans and financing		
Specific allowance		
- Provided for the financial year	(44)	(38)
- Written back	19	8,876
Bad debts on loans and financing		
- Recovered	11	149
	<u>(14)</u>	<u>8,987</u>
	<u><u>(14)</u></u>	<u><u>8,987</u></u>

## 23. Related parties

### Identity of related parties

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

The Group has a related party relationship with its holding company, subsidiaries (Note 10), other related companies, Directors and key management personnel.

### Transactions with key management personnel

#### Key management personnel compensation

Key management personnel compensation is disclosed in Note 24.

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

<b>2009</b>	<b>Holding company</b>	<b>Subsidiary companies</b>	<b>Other related companies</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Income</i>			
Interest on advances and deposits	3,691	-	-
Other fee income	317		
Other operating income	31,301	-	-
	<u>35,309</u>	<u>-</u>	<u>-</u>
	<u><u>35,309</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

## 23. Related parties (continued)

2009	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Expenditure</i>			
Interest on advances	2,144	-	-
Other operating expenses	25,250	-	-
Administration and general expenses	30,445	-	-
	<u>57,839</u>	<u>-</u>	<u>-</u>
<i>Amount due from</i>			
Cash and short-term funds	3,615,604	-	-
Other assets - Others	35,605	-	-
- Derivatives	291,592	-	-
	<u>3,942,801</u>	<u>-</u>	<u>-</u>
<i>Amount due to</i>			
Deposits and placements of banks and other financial institutions	1,560,753	20	16,778
Obligations on securities sold under repurchase agreements	1,056,596	-	-
Other liabilities - Others	177,504	-	-
- Derivatives	234,021	-	-
	<u>3,028,874</u>	<u>20</u>	<u>16,778</u>
<b>2008</b>			
<i>Income</i>			
Interest on advances and deposits	40,545	-	-
Other operating income	26,278	-	-
	<u>66,823</u>	<u>-</u>	<u>-</u>
<i>Expenditure</i>			
Interest on advances	38,535	-	-
Other operating expenses	7,640	-	-
Administration and general expenses	34,030	-	-
	<u>80,205</u>	<u>-</u>	<u>-</u>

### 23. Related parties (continued)

2008	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Amount due from</i>			
Cash and short-term funds	57,367	-	2,160
Other assets - Others	36,156	-	100
- Derivatives	435,743	-	11
	<u>529,266</u>	<u>-</u>	<u>2,271</u>
<i>Amount due to</i>			
Deposits and placements of banks and other financial institutions	785,306	20	-
Other liabilities - Others	77,559	-	-
- Derivatives	454,167	-	-
	<u>1,317,032</u>	<u>20</u>	<u>-</u>

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances is secured.

#### Credit transactions and exposures with connected parties

	Group and Bank 2009 RM'000
Outstanding credit exposures with connected parties	528,024
Of which:	
Total credit exposure which is non-performing	-
Total credit exposures	<u>5,395,442</u>
Percentage of outstanding credit exposures to connected parties	
- as a proportion of total credit exposures	9.79%
- as a proportion of capital base	44.17%
- which is non-performing	0%

## 23. Related parties (continued)

### Credit transactions and exposures with connected parties

	<b>Group and Bank 2008 RM'000</b>
Outstanding credit exposures with connected parties	853,384
Of which:	
Total credit exposure which is non-performing	-
Total credit exposures	<u>5,796,687</u>
Percentage of outstanding credit exposures to connected parties	
- as a proportion of total credit exposures	<u>14.72%</u>
- as a proportion of capital base	<u>79.03%</u>
- which is non-performing	<u>0%</u>

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

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

## 24. Key management personnel compensation

The key management personnel compensations are as follows:-

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Executive Directors		
- Salary and other remuneration	1,548	1,261
- Bonuses	1,915	645
- Benefits-in-kind	84	77
Non-Executive Directors		
- Fees	720	660
- Other remuneration	88	54
	<u>4,355</u>	<u>2,697</u>
Other key management personnel:		
- Short-term employee benefits	4,781	3,438
- Share-based payments	248	52
	<u>5,029</u>	<u>3,490</u>

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

## 25. Taxation

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Current income tax		
Malaysian income tax - current	35,000	59,000
- prior year overprovision	(4,487)	(11,737)
Deferred tax expense		
Origination and reversal of temporary differences	2,433	(4,718)
Prior year over/(under) provision	2,450	(278)
Effect of changes in tax rate*	-	645
	<u>35,396</u>	<u>42,912</u>



## 25. Taxation (continued)

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Reconciliation of effective tax expense</b>		
Profit before taxation	145,388	194,682
Taxation	(35,396)	(42,912)
	<u>109,992</u>	<u>151,770</u>
Tax at Malaysian tax rate of 25% (2008 - 26%)	36,347	50,617
Non-deductible expenses	889	923
Effect of changes in tax rate*	-	645
Other items	2,647	2,464
	<u>39,883</u>	<u>54,649</u>
Overprovision in prior year	(4,487)	(11,737)
	<u>35,396</u>	<u>42,912</u>

\* The corporate tax rates are 25% for year of assessment 2009 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

## 26. Earnings per share

### Basic/diluted earnings per share

The calculation of basic/diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	<b>Group and Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Profits attributable to ordinary shareholders	<u>109,992</u>	<u>151,770</u>
Weighted average number of ordinary shares Issued ordinary shares as at 31 December	<u>173,599</u>	<u>173,599</u>
	<u>63.4</u>	<u>87.4</u>

## 27. Contingencies

As at 31 December 2009, there is a litigation in process against the Bank arising from an action by two companies, seeking specific damages amounting to RM1 million and general damages for which the amount is not quantifiable at this stage.

The information usually required by FRS137, Provision, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The Bank intends to defend the action. Accordingly, no provision has been made in respect of this litigation.

## 28. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Less than one year	2,703	2,635
Between one and five years	5,405	5,269
	8,108	7,904
	8,108	7,904

The Group leases office premise under operating lease. The lease typically runs for a period of 3 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

## 29. Capital adequacy

	Bank	
	2009 RM'000	2008 RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	173,599	173,599
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Retained profits	480,603	370,611
Less: Deferred tax assets	(15,284)	(20,856)
	<hr/>	<hr/>
Total Tier 1 capital	1,171,403	1,055,839
Tier 2 capital		
General allowance for bad and doubtful debts	23,946	23,946
	<hr/>	<hr/>
Total Capital	1,195,349	1,079,785
Less: Investments in subsidiary companies	(20)	(20)
	<hr/>	<hr/>
Capital base	1,195,329	1,079,765
	<hr/> <hr/>	<hr/> <hr/>
Core capital ratio	14.97%	14.54%
Risk-weighted capital ratio	15.27%	14.86%
	<hr/> <hr/>	<hr/> <hr/>

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. Disclosures are in line with the requirements of the Basel II Pillar 3 Concept Paper issued by Bank Negara Malaysia on 3 December 2008. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

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## 29. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for 2009 are as follows:

RISK TYPE		Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000
1	<b>Credit Risk</b>				
	<b><u>On-Balance Sheet Exposures</u></b>				
	Sovereigns/Central Banks	3,201,075	119,164	-	-
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	679,453	679,453	284,806	22,784
	Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
	Corporates	706,695	706,695	655,237	52,419
	Regulatory Retail	3	3	2	-
	Residential Mortgages	32,271	32,271	11,839	947
	Higher Risk Assets	20	20	30	2
	Other Assets	34,104	34,104	28,872	2,310
	Equity Exposures	7,236	7,236	6,137	491
	Defaulted Exposures	8,753	8,753	10,033	803
	<b>Total On-Balance Sheet Exposures</b>	<b>4,669,610</b>	<b>1,587,699</b>	<b>996,956</b>	<b>79,756</b>
	<b><u>Off-Balance Sheet Exposures</u></b>				
	OTC Derivatives	4,243,102	3,806,362	1,658,991	132,719
	Credit Derivatives	81,409	1,381	690	55
	<b>Total for Off-Balance Sheet Exposures</b>	<b>4,324,511</b>	<b>3,807,743</b>	<b>1,659,681</b>	<b>132,774</b>
	<b>Total On and Off- Balance Sheet Exposures</b>	<b>8,994,121</b>	<b>5,395,442</b>	<b>2,656,637</b>	<b>212,530</b>

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**29. Capital adequacy (continued)**

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for 2009 are as follows (continued):

RISK TYPE		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000		RM'000	RM'000	RM'000
2	Large Exposures Risk Requirements	-		-	-	-
3	Market Risk	Long Position	Short Position			
	Interest Rate Risk	131,854,598	125,020,930		3,118,617	249,489
	Foreign Currency Risk	71,480	727,844		727,844	58,228
	Options	81,978	-		850,350	68,028
4	Operational Risk				472,185	37,775
5	Total RWA and Capital Requirements				7,825,633	626,050

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## 29. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for 2008 are as follows:

RISK TYPE		Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
1	Credit Risk	RM'000	RM'000	RM'000	RM'000
	<u>On-Balance Sheet Exposures</u>				
	Sovereigns/Central Banks	6,165,504	88,727	-	-
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	437,731	437,731	177,080	14,166
	Insurance Companies, Securities Firms and Fund Managers	9,380	9,380	8,143	652
	Corporates	774,476	773,737	582,568	46,605
	Regulatory Retail	9	9	7	1
	Residential Mortgages	34,849	34,849	13,090	1,047
	Higher Risk Assets	20	20	30	2
	Other Assets	10,820	10,820	7,546	604
	Equity Exposure	4,460	4,460	3,382	271
	Defaulted Exposures	8,420	8,420	9,678	774
	<b>Total On-Balance Sheet Exposures</b>	<b>7,445,669</b>	<b>1,368,153</b>	<b>801,524</b>	<b>64,122</b>
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	5,656,039	4,428,534	1,955,798	156,464
	Credit Derivatives	82,619	-	-	-
	<b>Total for Off-Balance Sheet Exposures</b>	<b>5,738,658</b>	<b>4,428,534</b>	<b>1,955,798</b>	<b>156,464</b>
	<b>Total On and Off- Balance Sheet Exposures</b>	<b>13,184,327</b>	<b>5,796,687</b>	<b>2,757,322</b>	<b>220,586</b>

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## 29. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for 2008 are as follows (continued):

RISK TYPE		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000		RM'000	RM'000	RM'000
2	Large Exposures Risk Requirements	-		-	-	-
3	Market Risk	Long Position	Short Position			
	Interest Rate Risk	139,724,990	133,690,041		2,235,077	178,806
	Foreign Currency Risk	1,351,404	2,251		1,351,402	108,112
	Options	-	36,994		462,426	36,994
4	Operational Risk				457,736	36,619
5	Total RWA and Capital Requirements				7,263,963	581,117







## 29. Capital adequacy (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows:

2009 Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	217		217	217
Transaction Related Contingent Items	526,813		263,406	180,855
Short-Term Self Liquidating Trade Related Contingencies	72,227		14,446	12,852
Foreign exchange related contracts				
One year or less	12,083,891	138,507	273,671	117,327
Over one year to five years	4,545,787	187,714	438,530	206,703
Over five years	2,436,469	43,325	400,134	286,303
Interest/Profit rate related contracts				
One year or less	28,162,897	78,845	120,766	22,958
Over one year to five years	41,295,752	546,133	1,532,782	388,506
Over five years	12,077,808	185,779	1,065,809	332,138
Equity related contracts				
One year or less	465,476	6,217	44,624	23,278
Over one year to five years	1,180,137	7,713	160,374	83,822
Over five years	51,546	639	8,371	4,032
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	81,409	2,657	1,381	690
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	991,484	-	-	-
<b>Total</b>	<b>103,971,913</b>	<b>1,197,529</b>	<b>4,324,511</b>	<b>1,659,681</b>

## 29. Capital adequacy (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows (continued):

2008 Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
<b>Direct Credit Substitutes</b>	130		130	130
<b>Transaction Related Contingent Items</b>	908,865		454,433	247,550
<b>Short-Term Self Liquidating Trade Related Contingencies</b>	36,970		7,394	4,747
<b>Foreign exchange related contracts</b>				
One year or less	13,844,737	464,477	615,212	220,586
Over one year to five years	3,221,349	164,649	418,812	185,194
Over five years	2,375,887	67,725	310,156	171,941
<b>Interest/Profit rate related contracts</b>				
One year or less	37,916,929	72,389	124,215	23,314
Over one year to five years	55,610,022	1,018,588	2,009,385	417,789
Over five years	10,656,981	580,115	1,345,417	395,669
<b>Equity related contracts</b>				
One year or less	579,068	840	58,747	29,074
Over one year to five years	1,559,613	3,681	190,834	96,800
Over five years	104,243	14,041	29,677	8,380
<b>Credit Derivative Contracts</b>				
One year or less	-	-	-	-
Over one year to five years	82,619	-	-	-
Over five years	-	-	-	-
<b>OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements</b>				
	-	-	-	-
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>				
	208		104	39
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>				
	870,712	-	174,142	154,585
<b>Total</b>	<b>127,768,333</b>	<b>2,386,505</b>	<b>5,738,658</b>	<b>1,955,798</b>

## 30. Risk management

The Deutsche Bank Group has extensive risk management procedures and policies in place. The identification, monitoring and management of all risks within the Group are integrated into the Group-wide risk management processes in order to optimise the risk mitigating effects of diversification. Risk management procedures and policies are the responsibility of the Group Risk Committee and encompass all types of risk which includes market risk, credit risk, operational risk and liquidity risk. These risks areas are actively managed by dedicated divisions such as the Group Market Risk Management Division, Group Credit Risk/Operational Risk Division and the Group Treasury Division respectively. The Board regularly reviews reports from the respective regional divisions and is made aware of the risk exposure of the Bank and its ongoing management at each board meeting.

### Credit risk

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

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

Principal exposures to credit risk in this regard are represented by the carrying amounts of investment and dealing securities, and loans and advances portfolios in the Balance Sheet. The credit exposure arising from off Balance Sheet activities has been disclosed in Note 29 to the financial statements.

### Market risk

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

The Bank uses 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 our independent risk management function, is responsible for managing the market risk of the Bank. 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.

### **30. Risk management (continued)**

#### **Liquidity risk**

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

Liquidity risk is managed through the Asset and Liability Committee ("ALCO"). This committee, chaired by Treasury, is responsible for both statutory and prudential liquidity.

Liquidity risk is monitored through the Bank Negara Malaysia New Liquidity Framework and the internal liquidity risk management policy. A prudent liquidity limit setting process includes maximum cash outflow ("MCO") limits and unsecured funding limits. Both limits are reviewed on a regular basis and can be quickly adjusted to changing (market) circumstances.

#### **Operational risk**

Operational risk refers to the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal risk, but excludes strategic (business) and reputation risks.

Each Business Division is responsible for implementing the Operational Risk Management Framework globally, encompassing all regions and countries in which the division operates. The implementation includes an operational risk governance structure at the divisional level, operational risk and loss reporting and escalation procedures, and the use of operational data and information for management purposes. Based on this business partnership model the Bank ensure a close monitoring and high awareness for operational risk.

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### 31. Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group and Bank 2009	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
<b>Assets</b>												
Cash and short-term funds	3,928,562	-	-	-	-	-	-	-	464,858	-	4,393,420	0.46
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	3,077,020	3,077,020	2.01
Securities held-for-trading	-	-	-	-	-	-	-	-	-	1,426,661	1,426,661	2.58
Securities available-for-sale	-	-	-	-	-	-	-	-	5,605	-	5,605	-
Securities held-to-maturity	-	-	-	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing												
- performing	174,483	266,958	327,170	361	371	402	672	33,585	-	-	804,002	3.18
- non-performing*	-	-	-	-	-	-	-	-	(15,199)	-	(15,199)	-
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	318,240	1,208,553	1,526,793	-
<b>Total assets</b>	<b>4,103,045</b>	<b>266,958</b>	<b>327,170</b>	<b>361</b>	<b>371</b>	<b>402</b>	<b>672</b>	<b>33,585</b>	<b>775,095</b>	<b>5,712,234</b>	<b>11,219,893</b>	

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## 31. Interest rate risk (continued)

Group and Bank 2009	Non-trading book								Trading book RM'000	Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				Non-interest sensitive RM'000
<b>Liabilities and shareholders' equity</b>												
Deposits from customers	2,770,384	109,266	361,229	47,100	140,000	1,000,000	100,000	50,000	1,042,200	-	5,620,179	1.60
Deposits and placement with banks and other financial institutions	1,572,162	-	-	-	-	-	-	-	-	-	1,572,162	0.37
Obligations on securities sold under repurchase agreements	343,296	713,300	-	-	-	-	-	-	-	-	1,056,596	1.92
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	795,203	986,213	1,781,416	-
<b>Total liabilities</b>	<b>4,685,842</b>	<b>822,566</b>	<b>361,229</b>	<b>47,100</b>	<b>140,000</b>	<b>1,000,000</b>	<b>100,000</b>	<b>50,000</b>	<b>1,837,403</b>	<b>986,213</b>	<b>10,030,353</b>	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,189,540</b>	<b>-</b>	<b>1,189,540</b>	
<b>Total liabilities and shareholders' equity</b>	<b>4,685,842</b>	<b>822,566</b>	<b>361,229</b>	<b>47,100</b>	<b>140,000</b>	<b>1,000,000</b>	<b>100,000</b>	<b>50,000</b>	<b>3,026,943</b>	<b>986,213</b>	<b>11,219,893</b>	
On-balance sheet interest sensitivity gap	(582,797)	(555,608)	(34,059)	(46,739)	(139,629)	(999,598)	(99,328)	(16,415)	(2,251,848)	4,726,021	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-	-	-	
<b>Total interest sensitivity</b>	<b>(582,797)</b>	<b>(555,608)</b>	<b>(34,059)</b>	<b>(46,739)</b>	<b>(139,629)</b>	<b>(999,598)</b>	<b>(99,328)</b>	<b>(16,415)</b>	<b>(2,251,848)</b>	<b>4,726,021</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing loans.

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**31. Interest rate risk (continued)**

Group and Bank 2008	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
<b>Assets</b>												
Cash and short-term funds	155,000	-	-	-	-	-	-	-	150,889	-	305,889	3.24
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	6,070,853	6,070,853	2.86
Securities held-for-trading	-	-	-	-	-	-	-	-	-	698,204	698,204	3.59
Securities available-for-sale	-	-	-	-	-	-	-	-	2,849	-	2,849	-
Securities held-to-maturity	-	-	-	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing												
- performing	489,632	268,413	195,656	270	1,537	509	1,430	35,585	-	-	993,032	4.56
- non-performing*	-	-	-	-	-	-	-	-	(15,530)	-	(15,530)	-
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	288,852	2,566,240	2,855,092	-
<b>Total assets</b>	<b>644,632</b>	<b>268,413</b>	<b>195,656</b>	<b>270</b>	<b>1,537</b>	<b>509</b>	<b>1,430</b>	<b>35,585</b>	<b>428,651</b>	<b>9,335,297</b>	<b>10,911,980</b>	



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**31. Interest rate risk (continued)**

Group and Bank 2008	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
<b>Liabilities and shareholders' equity</b>												
Deposits from customers	1,987,045	20,731	852,962	511,302	77,710	550,000	1,085,000	150,000	707,528	-	5,942,278	3.04
Deposits and placement with banks and other financial institutions	235,951	31,944	-	-	-	-	-	-	794,159	-	1,062,054	1.48
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	742,087	2,088,080	2,830,167	-
<b>Total liabilities</b>	<b>2,222,996</b>	<b>52,675</b>	<b>852,962</b>	<b>511,302</b>	<b>77,710</b>	<b>550,000</b>	<b>1,085,000</b>	<b>150,000</b>	<b>2,243,774</b>	<b>2,088,080</b>	<b>9,834,499</b>	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,077,481</b>	<b>-</b>	<b>1,077,481</b>	
<b>Total liabilities and shareholders' equity</b>	<b>2,222,996</b>	<b>52,675</b>	<b>852,962</b>	<b>511,302</b>	<b>77,710</b>	<b>550,000</b>	<b>1,085,000</b>	<b>150,000</b>	<b>3,321,255</b>	<b>2,088,080</b>	<b>10,911,980</b>	
On-balance sheet interest sensitivity gap	(1,578,364)	215,738	(657,306)	(511,032)	(76,173)	(549,491)	(1,083,570)	(114,415)	(2,892,604)	7,247,217	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-	-	-	
<b>Total interest sensitivity</b>	<b>(1,578,364)</b>	<b>215,738</b>	<b>(657,306)</b>	<b>(511,032)</b>	<b>(76,173)</b>	<b>(549,491)</b>	<b>(1,083,570)</b>	<b>(114,415)</b>	<b>(2,892,604)</b>	<b>7,247,217</b>	<b>-</b>	

\*This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing loans.

## 32. Fair values of financial assets and liabilities

In respect of cash and short term funds, securities purchased under resale agreement, deposits and placements with financial institutions, deposits from customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements and bills and acceptances payable, the carrying amounts in the Balance Sheets approximate their fair values due to the relatively short term nature of these financial instruments. The fair values of other assets and other liabilities which are considered short-term in nature are estimated to be approximate their carrying values.

The fair values of other financial assets and financial liabilities, together with the carrying amounts shown in the Balance Sheets, are as follows:

	2009		2008	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial assets</b>				
Securities held-for-trading	1,426,661	1,426,661	698,204	698,204
Securities available-for-sale	5,605	5,605	2,849	2,849
Securities held-to-maturity	1,591	1,591	1,591	1,591
Loans, advances and financing	788,803	788,803	977,502	977,502

The methods and assumptions used in estimating the fair values of financial statements are as follows:

- (a) *Securities held-for-trading, securities held-to-maturity and securities available-for-sale* - The fair values are estimated based on quoted or observable market prices as at the balance sheet date. Where such quoted or observable market price are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for similar instruments as at balance sheet date.
- (b) *Loans, advances and financing* - The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual installment payments and discounted at prevailing rates at balance sheet date offered for similar loans. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

## 32. Fair values of financial assets and liabilities (continued)

- (c) *Deposits and placements from customers, banks and other financial institutions* - The fair values for deposit liabilities payable on demand (demand and savings deposits) or with remaining maturities of less than one year are estimated to approximate their carrying values at balance sheet date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For negotiable instrument of deposits, the estimated fair values are based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposit are estimated using discounted cash flow techniques.

## 33. Equity compensation benefits

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

### *Share Plans*

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

### *Deutsche Bank Share Scheme*

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

### *DB Restricted Equity Unit Plan*

Under the DB Restricted Equity Unit Plan ("REU"), selected employees are granted deferred share rights to receive DB shares at specific future dates as a retention incentive. The compensation expense is recognised on a straight line basis over the vesting period, which is generally four to five years. In the event that employment is terminated before the vesting date, plan rules may allow employees to retain their awards subject to the fulfilment of certain conditions, such as the tenure of service and the reason for termination. In this case, the amortisation period is shortened to till the end of the employees' service or in the case where an employee is eligible for career retirement, till the date of career retirement eligibility. The selected employees are also granted exceptional awards as a component of the Restricted Equity Units as an additional retention incentive that is forfeited if the participant terminates employment for any reason prior to the end of the vesting period.

### 33. Equity compensation benefits (continued)

#### *DB Global Share Plan*

From Year 2004, eligible employees have been granted a deferred share award, which entitles the holder to ten DB shares one year after grant. Expense is measured based on the fair value of the awards at grant date, and recognised over the vesting period of one year.

#### *DB Equity Plan*

From 2007, the DB Equity Plan is the principle delivery instrument for new share awards. An award, or portions of it, may be forfeited if the recipient voluntarily terminates employment before the end of the relevant vesting period. Early retirement provisions for the DB Equity Plan – Annual Award, however, allow continued vesting after voluntary termination of employment, when certain conditions regarding age or tenure are fulfilled. Vesting usually continues after termination of employment in cases such as redundancy or retirement. Vesting is accelerated if the recipient's termination of employment is due to death or disability.

During the year, RM1,315,677 (2008 – RM2,259,000) of expense was recognised in the income statement.

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

#### **Group and Bank**

	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
Outstanding at 1 January	15,196	18,985
Granted during the year	8,025	4,955
Vested to employees during the year	(5,795)	(10,191)
Net transferred during the year	176	2,766
Forfeited/Lapsed during the year	-	(1,319)
	<hr/>	<hr/>
Outstanding at 31 December	17,602	15,196
	<hr/> <hr/>	<hr/> <hr/>
	<b>2009</b>	<b>2008</b>
	<b>€'000</b>	<b>€'000</b>
Grant value of share awards outstanding at 31 December	944	1,147
	<hr/> <hr/>	<hr/> <hr/>
Grant value of share awards issued to the Scheme in the year	150	318
	<hr/> <hr/>	<hr/> <hr/>
Grant value of share awards vested to employees in the year	427	814
	<hr/> <hr/>	<hr/> <hr/>

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### 33. Equity compensation benefits (continued)

Movements in the number of options held by employees are as follows:

	<b>2009 Number</b>	<b>2008 Number</b>
Outstanding at 1 January	100	550
Forfeited/Lapsed during the year	(100)	(450)
Outstanding at 31 December	<u>-</u>	<u>100</u>

No options were granted since year 2003.

<b>Exercise period</b>	<b>Strike price Euro</b>	<b>2009 Number</b>	<b>2008 Number</b>
January 2007 - November 2009	75.24	-	100

### 34. The operations of Islamic Banking

#### Balance sheet at 31 December 2009

	Note	2009 RM'000
<b>Assets</b>		
Cash and short-term funds	(a)	31,231
Other assets		4
<b>Total assets</b>		<u>31,235</u>
<b>Liabilities and Islamic banking funds</b>		
Deposits from customer	(b)	5,889
Other liabilities	(c)	8
Taxation		85
<b>Total liabilities</b>		<u>5,982</u>
<b>Capital funds</b>		<u>25,000</u>
Retained profits		253
<b>Islamic banking funds</b>		<u>25,253</u>
<b>Total liabilities and Islamic banking funds</b>		<u>31,235</u>

The notes on pages 80 to 83 are an integral part of these financial statements.

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

#### Income statement for the period ended 31 December 2009

	20.04.2009 to 31.12.2009 RM'000
Income derived from investment of Islamic banking funds	338
<b>Profit before taxation</b>	<u>338</u>
Taxation	(85)
<b>Profit after taxation</b>	<u><u>253</u></u>

#### Statement of changes in Islamic Banking Funds for the period ended 31 December 2009

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 20 April 2009	25,000	-	25,000
Profit after taxation	-	253	253
<b>At 31 December 2009</b>	<u>25,000</u>	<u>253</u>	<u>25,253</u>

The Islamic Business received RM25,000,000 capital funding from the conventional business on 20 April 2009.

**34. The operations of Islamic Banking (continued)****Cash flow statement for the period ended 31 December 2009**

	<b>2009</b> <b>RM'000</b>
<b>Cash flows from operating activities</b>	
Profit before taxation	338
	<hr/>
Operating profit before working capital changes	338
Decrease in operating assets	
Other assets	(4)
Increase in operating liabilities	
Deposits from customers	5,889
Other liabilities	8
	<hr/>
<b>Net cash generated from operating activities</b>	<b>6,231</b>
	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activity</b>	
Net capital funds transferred from conventional business	25,000
	<hr/>
<b>Net cash generated from investing activity</b>	<b>25,000</b>
	<hr style="border-top: 1px dashed black;"/>
Net increase in cash and cash equivalents	31,231
Cash and cash equivalents at beginning of period	-
	<hr/>
<b>Cash and cash equivalents at end of period (Note 34(a))</b>	<b>31,231</b>
	<hr style="border-top: 3px double black;"/>

The notes on pages 80 to 83 are an integral part of these financial statements.



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

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

There were no comparative figures as this is the Islamic Banking operation's first set of results prepared since commencement of operations on 20 April 2009.

#### Shariah Committee

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

The committee comprises: Dr Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Dr Nik Muhamad Hafiz Nik Hassan.

#### Basis of measurement

The financial statements of the Islamic banking business have been prepared on the basis consistent with that of the Group and of the Bank as disclosed in Note 2 to the financial statements of the Group and of the Bank and have been prepared under the accrual basis of accounting.

#### (a) Cash and short-term funds

	2009 RM'000
Cash and balances with banks and other financial institutions	2,298
Money at call and deposit placements maturing within one month	28,933
	<hr style="width: 100%; border: 0.5px solid black;"/>
	31,231
	<hr style="width: 100%; border: 0.5px solid black;"/>

#### (b) Deposits from customer

	2009 RM'000
<b>Non-Mudharabah</b>	
Demand deposits	5,889
	<hr style="width: 100%; border: 0.5px solid black;"/>
	5,889
	<hr style="width: 100%; border: 0.5px solid black;"/>

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

#### (c) Other liabilities

	2009 RM'000
Bills payable	8

#### (d) Capital adequacy

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

Components of Tier 1 and Tier 2 capital are as follows:

	2009 RM'000
Tier 1 capital	
Capital funds	25,000
Retained profits	253
Total Tier 1 capital	<u>25,253</u>
Tier 2 capital	
Total Tier 2 capital	-
Capital base	<u>25,253</u>
Core capital ratio	3995.73%
Risk-weighted capital ratio	<u>3995.73%</u>

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

#### (d) Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for the current financial period are as follows:

RISK TYPE		Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
1	Credit Risk Islamic Window	RM'000	RM'000	RM'000	RM'000
	<u>On-Balance Sheet Exposures</u>				
	Sovereigns/Central Banks	2,298	2,298	-	-
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	-	-	-	-
	Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
	Corporates	-	-	-	-
	Regulatory Retail	-	-	-	-
	Residential Mortgages	-	-	-	-
	Higher Risk Assets	-	-	-	-
	Other Assets	-	-	-	-
	Equity Exposures	-	-	-	-
	Defaulted Exposures	-	-	-	-
	<b>Total On-Balance Sheet Exposures</b>	<b>2,298</b>	<b>2,298</b>	<b>-</b>	<b>-</b>
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	-	-	-	-
	Credit Derivatives	-	-	-	-
	<b>Total for Off-Balance Sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total On and Off- Balance Sheet Exposures</b>	<b>2,298</b>	<b>2,298</b>	<b>-</b>	<b>-</b>

RISK TYPE		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000		RM'000	RM'000	RM'000
2	Large Exposures Risk Requirements	-		-	-	-
3	Market Risk	Long Position	Short Position			
	Profit Rate Risk	-	-		-	-
	Foreign Currency Risk	-	-		-	-
	Options	-	-		-	-
4	Operational Risk				632	51
5	<b>Total RWA and Capital Requirements</b>				<b>632</b>	<b>51</b>

