

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

**Financial statements for the year
ended 31 December 2005**

Domiciled in Malaysia
Registered office
Level 18, Menara IMC
No. 8 Jalan Sultan Ismail
50250 Kuala Lumpur

Deutsche Bank (Malaysia) Berhad

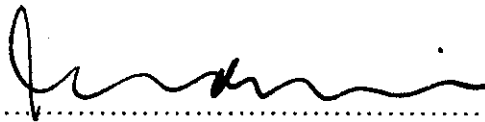
(Company No. 312552-W)

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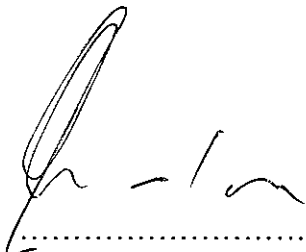
and its subsidiaries**Statement by Directors pursuant to Section 169(15)
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 19 to 65 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

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



.....
Tun Mohamed Dzaidin bin Haji Abdullah



.....
Kuah Hun Liang

Kuala Lumpur,

Date: 28 February 2006

Deutsche Bank (Malaysia) Berhad
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**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, to the best of my knowledge and belief, the financial statements set out on pages 19 to 65 are 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 abovenamed in Kuala Lumpur on 28 February 2006.



.....
Liew Yeh Yin

Before me:

Signature of Commissioner for Oaths



Tingkat 10 Wisma UOA Damansara
 50, Jalan Dungun,
 Bukit Damansara,
 50490 Kuala Lumpur

Report of the auditors to the members of Deutsche Bank (Malaysia) Berhad

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

We have audited the financial statements set out on pages 19 to 65. The preparation of the financial statements is the responsibility of the Bank's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Bank at 31 December 2005 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Bank; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank and its subsidiary companies have been properly kept in accordance with the provisions of the said Act.

Company No. 312552-W

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiary companies were not subject to any qualification or any comment made under sub-section (3) of Section 174 of the Act.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants



Khaw Hock Hoe
Partner
Approval Number: 2229/04/06(J)

Kuala Lumpur,

Date: 28 February 2006

Deutsche Bank (Malaysia) Berhad

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Balance sheets at 31 December 2005

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Assets					
Cash and short term funds	3	2,196,515	1,891,261	2,196,515	1,891,261
Securities purchased under resale agreement		1,222,701	1,046,470	1,222,701	1,046,470
Deposits and placements with financial institutions	4	-	3,800	-	3,800
Securities held-for-trading	5	754,290	1,395,271	754,290	1,395,271
Securities available-for-sale	6	2,895	4,865	2,895	4,865
Securities held-to-maturity	7	1,591	1,591	1,591	1,591
Loans, advances and financing	8	595,380	323,575	595,380	323,575
Other assets	9	554,057	327,031	554,057	327,031
Statutory deposit with Bank Negara Malaysia	10	35,000	61,420	35,000	61,420
Investments in subsidiary companies	11	-	-	20	20
Property, plant and equipment	12	4,769	5,548	4,769	5,548
Deferred tax assets	13	14,440	22,358	14,440	22,358
Total assets		<u>5,381,638</u>	<u>5,083,190</u>	<u>5,381,658</u>	<u>5,083,210</u>
Liabilities and shareholders' funds					
Deposits from customers	14	1,333,983	1,259,036	1,334,003	1,259,056
Deposits and placements of banks and other financial institutions	15	1,920,897	2,384,118	1,920,897	2,384,118
Obligations on securities sold under repurchase agreements		928,061	293,863	928,061	293,863
Bills and acceptances payable		1,290	11,481	1,290	11,481
Other liabilities	16	635,200	667,416	635,200	667,416
Taxation		27,973	15,036	27,973	15,036
Total liabilities		<u>4,847,404</u>	<u>4,630,950</u>	<u>4,847,424</u>	<u>4,630,970</u>

Balance sheets at 31 December 2005

(continued)

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Share capital	17	143,043	143,043	143,043	143,043
Reserves	18	320,491	309,197	320,491	309,197
Proposed dividend	28	70,700	-	70,700	-
Shareholders' funds		<u>534,234</u>	<u>452,240</u>	<u>534,234</u>	<u>452,240</u>
Total liabilities and shareholders' funds		<u>5,381,638</u>	<u>5,083,190</u>	<u>5,381,658</u>	<u>5,083,210</u>
Commitments and contingencies	29	<u>70,477,292</u>	<u>37,263,569</u>	<u>70,477,292</u>	<u>37,263,569</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 February 2006.

The notes set out on pages 26 to 65 form an integral part of, and should be read in conjunction with, these financial statements.

Deutsche Bank (Malaysia) Berhad

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Income statements for the year ended 31 December 2005

	Note	Group and Bank	
		2005 RM'000	2004 RM'000
Interest income	19	222,783	155,545
Interest expense	20	(136,440)	(77,229)
Net interest income		86,343	78,316
Non-interest income	21	107,137	120,389
Operating income		193,480	198,705
Overhead expenses	22	(77,521)	(76,812)
Profit before allowance		115,959	121,893
Loan loss and allowance written back	23	3,604	11,766
Allowance for commitments and contingencies	16	-	(100)
Profit before taxation		119,563	133,559
Taxation	26	(36,150)	(25,769)
Profit after taxation		83,413	107,790
Earnings per share (sen)	27	58.3	75.4
Dividend per share (sen) - net	28	49.4	-

The notes set out on pages 26 to 65 form an integral part of, and should be read in conjunction with, these financial statements.

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Statement of changes in equity for the year ended 31 December 2005

Group and Bank	Note	<--Non-distributable-->			Distributable	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits/ (Accumulated losses) RM'000			
At 1 January 2004		143,043	113,319	102,461	(13,549)	202,231	-	345,274
As previously stated								
Prior year adjustments	35(b)	-	-	(261)	261	-	-	-
At 1 January 2004, as restated		143,043	113,319	102,200	(13,288)	202,231	-	345,274
Net profit for the year, as restated		-	-	25,813	81,977	107,790	-	107,790
Unrealised net loss on revaluation of securities available-for-sale		-	-	(824)	-	(824)	-	(824)
At 31 December 2004		143,043	113,319	127,189	68,689	309,197	-	452,240
		Note 17	Note 18	Note 18	Note 18			

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Statement of changes in equity for the year ended 31 December 2005

(continued)

Group and Bank	Note	<--Non-distributable-->			Distributable	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000			
At 1 January 2005		143,043	113,319	128,274	63,892	305,485	-	448,528
As previously stated								
Prior year adjustments	35(b)	-	-	(1,085)	4,797	3,712	-	3,712
At 1 January 2005, as restated		143,043	113,319	127,189	68,689	309,197	-	452,240
Net profit for the year		-	-	20,853	62,560	83,413	-	83,413
Unrealised net loss on revaluation of securities available for sale		-	-	(1,419)	-	(1,419)	-	(1,419)
Proposed dividend – Final 2005		-	-	-	(70,700)	(70,700)	70,700	-
At 31 December 2005		143,043	113,319	146,623	60,549	320,491	70,700	534,234
		Note 17	Note 18	Note 18	Note 18			

The notes set out on pages 26 to 65 form an integral part of, and should be read in conjunction with, these financial statements.

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Cash flow statements for the year ended 31 December 2005

	Group and Bank	
	2005	2004
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	119,563	133,559
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of property, plant and equipment	2,329	2,258
Net gain on disposal of property, plant and equipment	(163)	(258)
	<hr/>	<hr/>
Operating profit before changes in operating assets	121,729	135,559
(Increase)/Decrease in operating assets		
Securities purchased under resale agreements	(176,231)	(702,046)
Deposits and placements with financial institutions	3,800	(3,800)
Securities held-for-trading	640,981	987,183
Loans, advances and financing	(271,805)	94,421
Other assets	(227,026)	(76,088)
Statutory deposits with Bank Negara Malaysia	26,420	51,000
Increase/(Decrease) in operating liabilities		
Deposits from customers	74,947	(432,167)
Deposits and placements of banks and other financial institutions	(463,221)	267,863
Obligations on securities sold under repurchase agreements	634,198	191,928
Bills and acceptances payable	(10,191)	460
Other liabilities	(32,216)	(90,670)
	<hr/>	<hr/>
Cash generated from operating activities	321,385	423,643
Net income taxes (paid)/refunded	(14,744)	4,026
	<hr/>	<hr/>
Net cash generated from operating activities	306,641	427,669
	<hr/>	<hr/>

Cash flow statements for the year ended 31 December 2005

(continued)

	Group and Bank	
	2005	2004
	RM'000	RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,589)	(2,369)
Proceeds from disposal of property, plant and equipment	202	321
Purchase of securities available-for-sale	-	(3,616)
	<hr/>	<hr/>
Net cash used in investing activities	(1,387)	(5,664)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	305,254	422,005
Cash and cash equivalents at beginning of year	1,891,261	1,469,256
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Cash and cash equivalents at end of year (Note 3)	2,196,515	1,891,261
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The notes set out on pages 26 to 65 form an integral part of, and should be read in conjunction with, these financial statements.

Deutsche Bank (Malaysia) Berhad

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Notes to the financial statements

1. Basis of preparation of the accounts

The financial statements of the Group and the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards as modified by Bank Negara Malaysia's guidelines.

2. Significant accounting policies

The following accounting policies are adopted by the Group and the Bank are consistent with those adopted in previous years except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara on 5 October 2004, which became effective for the current financial year. The adoption of the revised BNM/GP8 has resulted in the adoption of the following accounting policies:

- (i) the recognition and measurement of the holdings of the investment and dealing securities portfolio of the Group and the Bank as securities held-for-trading, securities held-to-maturity and securities available-for-sale, which has been adopted retrospectively;
- (ii) the recognition and measurement of derivative financial instruments and the adoption of hedge accounting, which has been adopted retrospectively; and
- (iii) where a loan, advance or financing account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as practiced previously. The policy has been adopted retrospectively.

The effects of adopting the above policies retrospectively on the Group's and the Bank's retained profits are reflected as prior year adjustments in the Statements of Changes in Equity and are disclosed in Note 35 to the financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Bank are prepared under the historical cost convention except as disclosed in the notes to the financial statements and are in accordance with the applicable approved accounting standards in Malaysia as modified by Bank Negara Malaysia Guidelines and comply with the provisions of the Companies Act, 1965.

2. Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary companies made up to the end of the financial year. Subsidiary companies are consolidated using the acquisition method of accounting.

All transactions and balances between the Bank and its subsidiary companies are eliminated on consolidation.

(c) Recognition of interest income and expense

Interest 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 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.

(d) 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)

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds.

(f) 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.

(g) Securities

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

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.

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 income statement.

2. Significant accounting policies (continued)

(g) Securities (continued)

iii) Securities available-for-sale

Available-for-sale securities are securities that are not classified as held-for-trading or held-to-maturity investments 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.

(h) Loans, Advances and financing

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

Specific allowances are made for doubtful debts 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.

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.

2. Significant accounting policies (continued)

(i) Investment 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.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful life of the assets concerned. The principal annual rates are:-

Renovations	10% - 20%
Office equipment	10% - 25%
Computer equipment and software	20% - 33%
Furniture and fittings	10% - 20%
Motor vehicles	20% - 25%

Property, plant and equipment acquired in the first half of the year are depreciated for a full year and those acquired in the second half of the year are depreciated for six months in the year of acquisition.

(k) Impairment

The carrying amount of assets, other than deferred tax assets and financial assets (other than investments in subsidiaries), 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)

(k) 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.

(l) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(m) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax, relating to fair value re-measurement of securities available-for-sale which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement.

2. Significant accounting policies (continued)

(n) 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.

(o) Currency translations

Individual foreign currency assets and liabilities are stated in the balance sheet at the closing interbank spot rates of exchange which closely approximate those ruling at the balance sheet date. Income statement items are translated at rates prevailing on transaction dates. Exchange gains and losses arising on translation are recognised in the income statement.

(p) 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.

3. Cash and short term funds

	Group and Bank	
	2005	2004
	RM'000	RM'000
Cash and balances with banks and other financial institutions	89,245	30,323
Money at call and deposit placements maturing within one month	2,107,270	1,860,938
	<u>2,196,515</u>	<u>1,891,261</u>

4. Deposits and placements with financial institutions

	Group and Bank	
	2005	2004
	RM'000	RM'000
Other financial institutions	-	3,800
	<u>-</u>	<u>3,800</u>

5. Securities held-for-trading

	Group and Bank	
	2005	2004
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Treasury Bills	48,052	48,507
Malaysian Government Securities	307,348	959,600
Bank Negara Malaysia Bills	168,870	34,169
Cagamas bonds	73,377	141,843
Khazanah bonds	6,006	-
Private debt securities	150,637	211,152
	<u>754,290</u>	<u>1,395,271</u>

6. Securities available-for-sale

	Group and Bank	
	2005	2004
	RM'000	RM'000
At fair value		
Irredeemable convertible unsecured loan stocks quoted in Malaysia	2,895	4,865
	<u>2,895</u>	<u>4,865</u>

7. Securities held-to-maturity

	Group and Bank	
	2005	2004
	RM'000	RM'000
Unquoted securities:		
Shares, at cost	1,591	1,591
	<u> </u>	<u> </u>

8. Loans, advances and financing

	Group and Bank	
	2005	2004
	RM'000	RM'000
Overdrafts	41,539	33,806
Term loans - housing loans	29,855	25,320
- other term loans	286,365	182,971
Bills receivable	152,841	27,264
Trust receipts	-	295
Claims on customers under acceptance credits	123,467	97,067
Staff loans	5,320	5,260
	<u> </u>	<u> </u>
Unearned interest	639,387	371,983
	(1,863)	(310)
	<u> </u>	<u> </u>
Gross loans and advances	637,524	371,673
Allowance for bad and doubtful debts		
- General	(23,946)	(23,946)
- Specific	(18,198)	(24,152)
	<u> </u>	<u> </u>
Net loans and advances	595,380	323,575
	<u> </u>	<u> </u>

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
Maturing within one year	586,916	314,242
One year to three years	2,349	26,353
Three years to five years	15,162	6,911
Over five years	33,097	24,167
	<u> </u>	<u> </u>
	637,524	371,673
	<u> </u>	<u> </u>

8. Loans, advances and financing (continued)

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
Domestic business enterprises - others	432,499	295,674
Individuals	53,557	48,738
Foreign entities	151,468	27,261
	<u>637,524</u>	<u>371,673</u>

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan/financing	5,320	5,362
Variable rate		
- Base lending rate plus	67,249	65,227
- Cost plus	534,088	278,138
- Other variable rates	30,867	22,946
	<u>637,524</u>	<u>371,673</u>

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	928	-
Manufacturing	262,685	201,319
Electricity, gas and water	-	1,358
Construction	11,726	21,022
Real estate	9,805	13,212
Purchase of landed property		
- residential	34,507	29,004
- non-residential	1,599	2,053
Wholesale and retail trade and restaurants & hotel	145,493	55,773
Finance, insurance and business services	151,468	27,371
Purchase of transport vehicles	315	151
Others	18,998	20,410
	<u>637,524</u>	<u>371,673</u>

8. Loans, advances and financing (continued)

	Group and Bank	
	2005	2004
	RM'000	RM'000
Movements in non-performing loans are as follows:		
Balance at 1 January	29,070	31,843
Classified as non-performing during the year	1,599	3,352
Reclassified as performing during the year	(1,587)	(576)
Amount recovered	(3,545)	(5,422)
Amounts written off	(2,458)	(127)
	<hr/>	<hr/>
At end of year	23,079	29,070
Specific allowance for doubtful debts	(18,198)	(24,152)
	<hr/>	<hr/>
Net non-performing loans, advances & financing	4,881	4,918
	<hr/> <hr/>	<hr/> <hr/>
Percentage of net non-performing loans to total loan and advances (net of specific allowance)	0.79%	1.42%
	<hr/> <hr/>	<hr/> <hr/>

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
General allowance:		
Balance at 1 January/31 December	23,946	23,946
	<hr/> <hr/>	<hr/> <hr/>
As a % of adjusted gross loans and advances less specific allowance	3.87%	6.89%
	<hr/> <hr/>	<hr/> <hr/>
Specific provision:		
Balance at 1 January	24,152	28,998
Allowance made during the year	49	9
Amounts recovered	(3,545)	(4,728)
Amounts written off	(2,458)	(127)
	<hr/>	<hr/>
Balance at 31 December	18,198	24,152
	<hr/> <hr/>	<hr/> <hr/>

8. Loans, advances and financing (continued)

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
Manufacturing	12,409	14,375
Purchase of landed properties - residential	4,899	4,944
Wholesale & retail trade and restaurants & hotels	4,088	8,118
Others	1,683	1,633
	<u>23,079</u>	<u>29,070</u>

9. Other assets

	Group and Bank	
	2005	2004
	RM'000	RM'000
Interest/Income receivable	23,694	16,451
Margin placed with exchange	5,021	2,805
Derivatives	404,521	287,025
Other debtors, deposits and prepayments	120,821	20,750
	<u>554,057</u>	<u>327,031</u>

10. 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.

11. Investments in subsidiary companies

	Bank	
	2005	2004
	RM'000	RM'000
Unquoted shares, at cost	<u>20</u>	<u>20</u>

11. Investments in subsidiary companies (continued)

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

Name	Principal activity	Percentage of equity held	
		2005	2004
DB (Malaysia) Nominee (Tempatan) Sdn. Bhd.	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.

12. Property, 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 2005	6,207	3,699	10,550	3,107	888	24,451
Additions	58	111	941	90	389	1,589
Disposals	(12)	(125)	(2,598)	(49)	(390)	(3,174)
At 31 December 2005	6,253	3,685	8,893	3,148	887	22,866
<i>Accumulated depreciation</i>						
At 1 January 2005	5,898	1,951	7,758	2,810	486	18,903
Charge for the year	328	449	1,337	40	175	2,329
Disposals	(12)	(123)	(2,587)	(49)	(364)	(3,135)
At 31 December 2005	6,214	2,277	6,508	2,801	297	18,097
<i>Net book value</i>						
At 31 December 2005	39	1,408	2,385	347	590	4,769
At 31 December 2004	309	1,748	2,792	297	402	5,548
Depreciation charge for the year ended 31 December 2004	299	420	1,351	39	149	2,258

13. Deferred tax assets

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

	Group and Bank	
	2005	2004
	RM'000	RM'000
Recognised in income statement		
Property, plant and equipment		
- capital allowances	(599)	(724)
Allowances		
- general allowance for loans	6,705	6,705
- others	7,360	15,955
	<u>13,466</u>	<u>21,936</u>
Recognised in equity		
Revaluation of securities - Available-for-sale	974	422
	<u>14,440</u>	<u>22,358</u>
	<u><u>13,466</u></u>	<u><u>21,936</u></u>

14. Deposits from customers

	Group		Bank	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Demand deposits	412,637	259,744	412,657	259,764
Savings deposits	19,717	10,909	19,717	10,909
Fixed deposits	755,829	903,280	755,829	903,280
Negotiable instrument of deposits	145,800	85,103	145,800	85,103
	<u>1,333,983</u>	<u>1,259,036</u>	<u>1,334,003</u>	<u>1,259,056</u>
	<u><u>1,333,983</u></u>	<u><u>1,259,036</u></u>	<u><u>1,334,003</u></u>	<u><u>1,259,056</u></u>

Maturity structure of fixed deposits and negotiable instrument of deposits, are as follows:-

	Group and Bank	
	2005	2004
	RM'000	RM'000
Due within six months	732,084	827,356
More than six months to one year	17,645	23,924
More than one year to three years	46,800	50,000
More than three years to five years	105,100	87,103
	<u>901,629</u>	<u>988,383</u>
	<u><u>901,629</u></u>	<u><u>988,383</u></u>

14. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Business enterprises	835,004	778,014	835,024	778,034
Individuals	93,717	97,430	93,717	97,430
Foreign customers	56,552	45,299	56,552	45,299
Others	348,710	338,293	348,710	338,293
	<u>1,333,983</u>	<u>1,259,036</u>	<u>1,334,003</u>	<u>1,259,056</u>

15. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2005 RM'000	2004 RM'000
Licensed banks	95,000	180,000
Other financial institutions	1,825,897	2,204,118
	<u>1,920,897</u>	<u>2,384,118</u>

16. Other liabilities

	Group and Bank	
	2005 RM'000	2004 RM'000
Allowance for commitments and contingencies	3,241	3,241
Interest payable	5,864	8,694
Bills payable	76,552	98,292
Derivatives	419,701	414,112
Employee benefits	21,277	16,831
Other liabilities	108,565	126,246
	<u>635,200</u>	<u>667,416</u>

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

	Group and Bank	
	2005 RM'000	2004 RM'000
Balance at 1 January	3,241	3,141
Allowance made during the year	-	100
	<u>3,241</u>	<u>3,241</u>

17. Share capital

	Group and Bank	
	2005	2004
	RM'000	RM'000
Ordinary shares of RM1 each:		
Authorised	200,000	200,000
	<u> </u>	<u> </u>
Issued and fully paid – 143,043,482 shares	143,043	143,043
	<u> </u>	<u> </u>

18. Reserves

	Group and Bank	
	2005	2004
	RM'000	RM'000
Non distributable		
Share premium	113,319	113,319
Statutory reserve	149,127	128,274
Revaluation reserve	(2,504)	(1,085)
	<u> </u>	<u> </u>
146,623	146,623	127,189
Distributable		
Retained profits	60,549	68,689
	<u> </u>	<u> </u>
	<u>320,491</u>	<u>309,197</u>

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.

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 2005

19. Interest income

	Group and Bank	
	2005	2004
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	21,332	15,929
- Recoveries from NPL	182	454
Money at call and deposit placements with financial institutions	143,193	70,536
Securities held-for-trading	58,069	68,619
Others	7	7
	<u> </u>	<u> </u>
	<u>222,783</u>	<u>155,545</u>

20. Interest expense

	Group and Bank	
	2005	2004
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	89,870	29,265
Deposits from customers	45,953	47,576
Others	617	388
	<u>136,440</u>	<u>77,229</u>

21. Non-interest income

	Group and Bank	
	2005	2004
	RM'000	RM'000
Fee income:		
Commissions	3,015	2,764
Service charges and fees	5,969	7,885
Guarantee fees	1,075	866
Underwriting fees	713	1,085
Other fee income	2,570	6,855
	<u>13,342</u>	<u>19,455</u>
Gains/(losses) arising from sale of securities:-		
Securities held-for-trading	24,457	(13,512)
Net gains/(losses) arising from dealing in foreign exchange	25,794	(36,083)
Net (losses)/gains on arising from trading in derivatives	(15,850)	6,200
Net unrealised gains on revaluation of trading portfolio (including derivatives)	60,518	65,656
Unrealised (losses)/gains from foreign exchange translation	(4,341)	37,156
Gross dividends from securities held-to-maturity	51	36
Gain on disposal of property, plant and equipment	165	267
Other operating income, net	3,001	41,214
	<u>93,795</u>	<u>100,934</u>
	<u>107,137</u>	<u>120,389</u>

22. Other operating expenses

	Group and Bank	
	2005	2004
	RM'000	RM'000
Personnel costs		
- Salaries, allowance and bonuses	27,919	24,212
- Others	6,311	7,282
Establishment costs		
- Rental	2,008	2,010
- Depreciation	2,329	2,258
- Others	2,475	1,963
Marketing expenses	2,397	2,427
Administration and general expenses		
- Intercompany expenses	29,075	27,835
- Communication	1,016	860
- Auditors' remuneration	83	79
- Loss on disposal of property, plant and equipment	2	9
- Others	3,906	7,877
	<u>77,521</u>	<u>76,812</u>

The number of employees of the Group and the Bank at the end of the year was 119 (2004 - 123).

23. Loan loss and allowance written back

	Group and Bank	
	2005	2004
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing		
Specific allowance		
- Provided in the financial year	(49)	(9)
- Written back	3,545	4,728
Bad debts on loans and financing		
- Recovered	108	7,047
	<u>3,604</u>	<u>11,766</u>

24. Significant related party transactions and balances

The related company transactions and balances of the Bank are as follows:-

2005	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	77,623	-	-
Other fee income	2,332	-	-
Other operating income	15,282	-	(4)
	<u>95,237</u>	<u>-</u>	<u>(4)</u>
Expenditure			
Interest on advances	74,338	-	-
Other operating expenses	10,313	-	-
Administration and general expenses	29,060	-	128
	<u>113,711</u>	<u>-</u>	<u>128</u>
Amount due from			
Current account	24,350	-	7,255
Short term advances	1,104,390	-	-
Others	20,520	-	-
	<u>1,149,260</u>	<u>-</u>	<u>7,255</u>
Amount due to			
Current account	154,833	20	9,848
Short term advances	1,582,202	-	-
Others	36,534	-	-
	<u>1,773,569</u>	<u>20</u>	<u>9,848</u>
2004			
Income			
Interest on advances and deposits	39,599	-	-
Other fee income	6,336	-	-
Other operating income	13,600	-	64
	<u>59,535</u>	<u>-</u>	<u>64</u>

24. Significant related party transactions and balances (continued)

2004	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Expenditure			
Interest on advances	24,897	-	-
Other operating expenses	8,534	-	-
Administration and general expenses	28,001	-	-
	<u>61,432</u>	<u>-</u>	<u>-</u>
Amount due from			
Current account	18,349	-	2,030
Short term advances	1,659,193	-	-
Others	20,461	-	-
	<u>1,698,003</u>	<u>-</u>	<u>2,030</u>
Amount due to			
Current account	158,245	20	10,001
Short term advances	1,676,659	-	-
Others	37,817	-	-
	<u>1,872,721</u>	<u>20</u>	<u>10,001</u>

The above related party transactions have been entered into in the normal course of business on negotiated terms.

25. Directors' remuneration

Forms of remuneration in aggregate for all Directors are as follows:-

	Group and Bank	
	2005 RM'000	2004 RM'000
Executive Director		
- Salary and other remuneration	1,356	1,244
- Bonuses	3,570	2,450
- Benefits-in-kind	79	132
Non-Executive Directors		
- Fees	256	318
- Other remuneration	54	12
	<u>5,315</u>	<u>4,156</u>

26. Taxation

	Group and Bank	
	2005	2004
	RM'000	RM'000
Current income tax		
Malaysian income tax - current	27,681	27,774
- prior year overprovision	-	(7,042)
Deferred tax expense		
Origination and reversal of temporary differences	8,469	9,764
Prior year overprovision	-	(4,727)
	<u>36,150</u>	<u>25,769</u>
Reconciliation of effective tax expense		
Profit before taxation	<u>119,563</u>	<u>133,559</u>
Income tax using Malaysian tax rates (28%)	33,478	37,397
Non-deductible expenses	588	429
Effect of deferred tax asset previously not recognised	-	(879)
Other items	2,084	591
	<u>36,150</u>	<u>37,538</u>
Overprovision in prior years	-	(11,769)
	<u>36,150</u>	<u>25,769</u>

27. Earnings per share

The calculation of earnings per share is based on the net profit attributable to ordinary shareholders of RM83,413,000 (2004 - RM107,790,000) and the number of ordinary shares outstanding during the year of 143,043,482 (2004 - 143,043,482).

28. Dividend per share

The Directors recommend the payment of final dividend of approximately 68.6% on 143,043,482 ordinary shares of RM1 each, less 28% tax amounting to approximately RM70,700,000 in respect of the financial year ended 31 December 2005 for shareholders' approval at the forthcoming Annual General Meeting.

The gross and net dividend per ordinary share of RM1 each is as follows:-

	Gross (sen)		Net (sen)	
	2005	2004	2005	2004
Proposed final dividend of				
68.6% (2004 - Nil)	68.6	-	49.4	-
less 28% tax	<u>68.6</u>	<u>-</u>	<u>49.4</u>	<u>-</u>

29. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:-

The risk-weighted exposures of the Group and the Bank as at the following dates are as follows:

	Group and Bank					
	2005	2005	Risk	2004	2004	Risk
	Principal	Credit	weighted	Principal	Credit	weighted
	amount	amount	amount	amount	amount	amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	17,332	17,332	6,569	9,070	9,070	8,150
Transaction-related contingent items	295,840	147,920	62,057	297,775	148,887	54,682
Short-term self-liquidating trade-related contingencies	22,412	4,482	3,474	31,257	6,251	2,129
Irrecoverable commitments to extend credit:						
- Maturity not exceeding one year	240,036	-	-	420,161	-	-
- Maturity exceeding one year	1,941	971	971	1,849	925	925
Foreign exchange related contracts:						
- Less than one year	15,596,795	336,893	110,674	12,010,628	245,073	80,012
- One year to less than 5 years	257,642	20,471	4,894	122,109	113,718	23,234
- 5 years and above	2,380,975	353,846	136,102	2,280,000	-	-
Interest rate related contracts:						
- Less than one year	21,038,087	31,016	6,341	6,562,020	21,565	4,389
- One year to less than 5 years	28,691,956	648,356	140,925	14,861,500	374,730	103,724
- 5 years and above	1,934,276	183,578	49,585	667,200	57,888	11,578
	<u>70,477,292</u>	<u>1,744,865</u>	<u>521,592</u>	<u>37,263,569</u>	<u>978,107</u>	<u>288,823</u>

29. Commitments and contingencies (continued)

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2005, the amount of contracts which were not hedged and, hence, exposed to market risk was RM40,618 million (2004 - RM15,817 million).

Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 December 2005, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM405 million (2004 - RM287 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

30. Lease commitments

The Bank has lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments is as follows:-

Year	Group and Bank RM'000
2006	320

31. Capital adequacy

The capital adequacy ratios of the Bank and the Group as at 31 December 2005 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective 1 April 2005.

	Bank	
	2005	2004
	RM'000	RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	143,043	143,043
Share premium	113,319	113,319
Statutory reserve	149,127	128,274
Retained profits	60,549	68,689
Less: Deferred tax assets	(14,440)	(22,358)
	<hr/>	<hr/>
Total Tier 1 capital	451,598	430,967
Tier 2 capital		
General allowance for bad and doubtful debts	23,946	23,946
	<hr/>	<hr/>
Total Capital	475,544	454,913
Less: Investments in subsidiaries	(20)	(20)
	<hr/>	<hr/>
Capital base	<u>475,524</u>	<u>454,893</u>

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2005	2004
	RM'000	RM'000
0%	870,616	213,254
10%	-	-
20%	2,852,256	2,580,707
50%	475,127	229,496
100%	557,881	310,237
	<hr/>	<hr/>
Total assets for risk-weighted capital ratio	4,755,880	3,333,694
	<hr/>	<hr/>
Total risk weighted assets	1,365,896	941,126
Total market risk	862,022	864,624
	<hr/>	<hr/>
	2,227,918	1,805,750
	<hr/>	<hr/>
Core capital ratio	20.27%	23.87%
Risk-weighted capital ratio	<u>21.34%</u>	<u>25.19%</u>

Company No. 312552-W

32. 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 2005	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	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	2,107,270	-	-	-	-	89,245	-	2,196,515	3.83
Securities purchased under resale agreements	-	-	-	-	-	-	1,222,701	1,222,701	3.02
Securities held-for-trading	-	-	-	-	-	-	754,290	754,290	4.73
Securities available-for-sale	-	-	-	-	-	2,895	-	2,895	-
Securities held-to-maturity	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing									
- performing	224,581	137,359	204,552	14,856	33,097	-	-	614,445	5.07
- non-performing*	-	-	-	-	-	(19,065)	-	(19,065)	-
Other non-interest sensitive balance	-	-	-	-	-	203,745	404,521	608,266	-
Total assets	2,331,851	137,359	204,552	14,856	33,097	278,411	2,381,512	5,381,638	

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2005	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	1-5 years RM'000	Over 5 years RM'000				
Liabilities and shareholders' equity									
Deposits from customers	564,735	166,673	38,446	77,900	74,000	412,229	-	1,333,983	2.81
Deposits and placement with banks and other financial institutions	1,762,097	-	-	-	-	158,800	-	1,920,897	3.66
Obligations on securities sold under repurchase agreements	928,061	-	-	-	-	-	-	928,061	2.82
Bills and acceptances payable	1,290	-	-	-	-	-	-	1,290	2.50
Other non-interest sensitive balance	-	-	-	-	-	243,472	419,701	663,173	-
Total liabilities	3,256,183	166,673	38,446	77,900	74,000	814,501	419,701	4,847,404	
Shareholders' equity	-	-	-	-	-	534,234	-	534,234	
Total liabilities and shareholders' equity	3,256,183	166,673	38,446	77,900	74,000	1,348,735	419,701	5,381,638	

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2005	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	1-5 years RM'000	Over 5 years RM'000				
On-balance sheet interest sensitivity gap	(924,332)	(29,314)	166,106	(63,044)	(40,903)	(1,070,324)	1,961,811	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-
Total interest sensitivity	(924,332)	(29,314)	166,106	(63,044)	(40,903)	(1,070,324)	1,961,811	-	-

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

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2004	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	1-5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	1,860,938	-	-	-	-	30,323	-	1,891,261	3.27
Deposits and placement with banks and other financial institutions	-	3,800	-	-	-	-	-	3,800	2.14
Securities purchased under resale agreement	-	-	-	-	-	-	1,046,470	1,046,470	2.72
Securities held-for-trading	-	-	-	-	-	-	1,395,271	1,395,271	5.04
Securities available-for-sale	-	-	-	-	-	4,865	-	4,865	-
Securities held-to-maturity	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing									
- performing	146,706	68,103	75,729	27,898	24,167	-	-	342,603	4.49
- non-performing*	-	-	-	-	-	(19,028)	-	(19,028)	-
Other non-interest sensitive balances	-	-	-	-	-	129,332	287,025	416,357	-
Total assets	2,007,644	71,903	75,729	27,898	24,167	147,083	2,728,766	5,083,190	

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2004	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	1-5 years RM'000	Over 5 years RM'000				
Liabilities and shareholders' equity									
Deposits from customers	662,122	142,167	57,900	67,000	70,103	259,744	-	1,259,036	2.89
Deposits and placement with banks and other financial institutions	1,845,442	48,399	328,000	-	-	162,277	-	2,384,118	2.20
Obligations on securities sold under repurchase agreements	179,377	114,486	-	-	-	-	-	293,863	1.94
Bills and acceptances payable	-	11,481	-	-	-	-	-	11,481	2.50
Other non-interest sensitive balance	-	-	-	-	-	268,340	414,112	682,452	-
Total liabilities	2,686,941	316,533	385,900	67,000	70,103	690,361	414,112	4,630,950	
Shareholders' equity	-	-	-	-	-	452,240	-	452,240	
Total liabilities and shareholders' equity	2,686,941	316,533	385,900	67,000	70,103	1,142,601	414,112	5,083,190	

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2004	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	1-5 years RM'000	Over 5 years RM'000				
On-balance sheet interest sensitivity gap	(679,297)	(244,630)	(310,171)	(39,102)	(45,936)	(995,518)	2,314,654	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	(679,297)	(244,630)	(310,171)	(39,102)	(45,936)	(995,518)	2,314,654	-	

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

33. 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 following table summarises the carrying values and the estimated fair values of those financial assets and financial liabilities which fall within the scope of FRS132²⁰⁰⁴.

	2005		2004	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial assets				
Securities held-for-trading	754,290	754,290	1,395,271	1,395,271
Securities available-for-sale	2,895	2,895	4,865	4,865
Securities held-to-maturity	1,591	1,591	1,591	1,591
Loans, advances and financing	595,380	594,938	323,575	322,978

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 instalment 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 and financing.

33. 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 instrument of deposits are estimated using discounted cash flow techniques.

34. Equity compensation benefits

Eligible employees of the Bank can participate in share-based compensation plans operated by Deutsche Bank AG ("DB"). The Bank adopted the fair-value based method for all employee awards. Compensation cost is measured at grant date based on the fair value of the share-based award which is the quoted market price of the share. The fair values of stock option awards are estimated using a Black-Scholes option pricing model. Options granted prior to 2003 were estimated using the intrinsic value method.

Compensation expense is recorded on a straight line basis over the period in which employees perform services to which the awards relate. Compensation expense is reversed in the period an award is forfeited. Compensation expense for share-based awards payable in cash is remeasured based on the underlying share price changes and the related obligations are included in other liabilities until paid.

Share based compensation

The Bank participated in the following share and options compensation plans operated by DB.

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. Compensation expense for awards granted in relation to annual bonuses is recognised in the applicable performance year and awards granted as retention incentive are expensed on a straight line basis over the vesting period, which is generally three years.

During the year, RM Nil (2004 - RM10,000) of expense was recognised in the income statement.

34. Equity compensation benefits (continued)

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

	2005	2004
	Number	Number
Outstanding at 1 January	603	1,008
Transferred in during the year	-	456
Granted during the year	-	904
Vested to employees during the year	(302)	(1,765)
	<hr/>	<hr/>
Outstanding at 31 December	301	603
	<hr/> <hr/>	<hr/> <hr/>

	2005	2004
	EUR'000	EUR'000
Grant value of share awards outstanding at 31 December	19	38
Grant value of share awards issued to the Scheme in the year	-	58
Grant value of share awards vested to employees in the year	19	129

Deutsche Bank Restricted Equity Unit Plan

Under the Deutsche Bank Restricted Equity Unit Plan, 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. 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.

During the year, RM997,000 (2004 - RM1,662,000) was recognised in the income statement.

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

	2005	2004
	Number	Number
Outstanding at 1 January	33,999	19,298
Transferred in during the year	(2,080)	6,898
Granted during the year	5,745	8,109
Forfeited during the year	(10,225)	(306)
	<hr/>	<hr/>
Outstanding at 31 December	27,439	33,999
	<hr/> <hr/>	<hr/> <hr/>

34. Equity compensation benefits (continued)

	2005 EUR'000	2004 EUR'000
Grant value of share awards outstanding at 31 December	1,451	1,678
Grant value of share awards issued to the Plan in the year	374	518

Deutsche Bank Global Partnership Plan

Performance Options ("POs")

POs are rights to purchase DB shares. POs are granted with an exercise price equal to 120% of the reference price. POs are subjected to a minimum vesting period of two years. All options not previously exercised or forfeited expire on the sixth anniversary of the grant date.

Partnership Appreciation Rights ("PARs")

PARs are rights to receive a cash value award in an amount equal to 20% of the reference price for POs described above. The vesting of PARs will occur at the same time and to the same extent as the vesting of POs. PARs are automatically exercised at the same time and in the same proportion as the exercise of the POs. No compensation expense was recognised as the PARs represent a right to a cash award only with the exercise of POs. This effectively reduces the exercise price of any POs exercised to the reference price described above and is factored into the calculation of the fair value of the option.

Movements in the number of POs and PARs held by the Bank's employees are as follows:

	2005 Number	2004 Number
Outstanding at 1 January/ 31 December	10,045	10,045

Terms of unexpired and unexercised POs and PARs outstanding at 31 December:

Exercise period	Strike price EUR	2005 Number	2004 Number
February 2004 – February 2008	89.96	3,348	3,348
February 2005 – February 2008	89.96	3,348	3,348
February 2006 – February 2008	89.96	3,348	3,348

34. Equity compensation benefits (continued)

Stock Appreciation Rights Plans

Stock appreciation rights plans (“SARs”) provide eligible employees the right to receive cash equal to the appreciation of DB shares over an established strike price. The stock appreciation rights granted can be exercised approximately three years from the date of grant. Stock appreciation rights expire approximately six years from the date of grant. Compensation expense on SARs is calculated as the excess of the current market price of the DB shares over the strike price, is recorded and recognised in full in the respective year. Gains and losses from non-trading equity derivatives, used to offset fluctuations in the SAR value are included in the expenses.

During the year, RM13,000 (2004 - RM160,000) of expense was recognised in the income statement.

Movements in the number of stock appreciation rights held by the Bank’s employees are as follows:

	2005 Number	2004 Number
Outstanding at 1 January	5,663	5,759
Transferred out during the year	-	(96)
Lapsed/Forfeited	(597)	-
Vested to employees during the year	(1,824)	-
	<u>3,242</u>	<u>5,663</u>
Outstanding at 31 December	<u>3,242</u>	<u>5,663</u>

Terms of unexpired and unexercised stock appreciation rights at balance sheet date:

Exercise period	Exercise price EUR	2005 Number	2004 Number
January 2004 – January 2007	67.00	3,242	5,663

DB Global Share Plan

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.

During the year, RM 258,000 (2004 - RM 60,000) of expense was recognised in the income statement.

Compensation expense for options awarded for the 2003 performance year is recognised over the vesting period in accordance with the fair-value-based method. During the year, RM6,000 (2004 - RM6,000) of expense was recognised in the income statement. No options were exercised in 2005.

34. Equity compensation benefits (continued)

Movements in the number of shares held by the Bank's employees are as follows:

	2005	2004
	Number	Number
Outstanding as 1 January	1,070	-
Granted during the year	1,011	1,070
Vested during the year	(942)	-
Lapsed / Forfeited	(128)	-
	<u>1,011</u>	<u>1,070</u>
Outstanding at 31 December	<u>1,011</u>	<u>1,070</u>
	2005	2004
	EUR'000	EUR'000
Grant value of share awards outstanding at 31 December	78	64
Grant value of share awards issued to the Plan in the year	78	64

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

	2005	2004
	Number	Number
Outstanding at 1 January	1,150	1,150
Lapsed/Forfeited	(850)	-
	<u>300</u>	<u>1,150</u>
Outstanding at 31 December	<u>300</u>	<u>1,150</u>

No options were granted during the year.

Terms of unexpired and unexercised options at balance sheet date:

Exercise period	Exercise price	2005	2004
	EUR	Number	Number
January 2005 – November 2008	55.39	-	850
January 2006 – November 2009	75.24	300	300

35. Changes in accounting policies and prior year adjustments

(a) Changes in accounting policies

During the financial year ended 31 December 2005, the Group and the Bank adopted the revised BNM/GP8 which resulted in the following new accounting policies:

- 1) The holdings of the securities portfolio of the Group and the Bank are recognised based 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 income statement.

- 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 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 investments and 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.

35. Changes in accounting policies and prior year adjustments (continued)

- 2) 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.
- 3) where a loan, advance or financing account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as practiced previously. The policy has been adopted retrospectively.

(b) Prior year adjustments

The changes in accounting policies as described above were applied retrospectively and have the following impact on the retained profits, other reserves and results of the Group and Bank:

	Group and Bank	
	2005	2004
	RM'000	RM'000
Effects on retained profits / (accumulated losses):		
At 1 January, as previously stated	63,892	(13,549)
Effects of adopting the fair value measurement for securities held-for-trading	3,494	-
Effects of reversing previously recognised loss on securities available-for-sale to equity	1,303	261
At 1 January, as restated	<u>68,689</u>	<u>(13,288)</u>

35. Changes in accounting policies and prior year adjustments (continued)

(b) Prior year adjustments (continued)

	Group and Bank	
	2005 RM'000	2004 RM'000
Effects on other reserves:		
At 1 January, as previously stated	128,274	102,461
Effects of adopting the fair value measurement for securities available-for-sale	(1,085)	(261)
At 1 January, as restated	<u>127,189</u>	<u>102,200</u>
Effects on net profit for the year:		
Net profit before changes in accounting policies	-	103,254
Effects of adopting the fair value measurement for securities held-for-trading	-	3,494
Effects of reversing previously recognised loss on securities available-for-sale to equity	-	1,042
Net profit for the year	<u>-</u>	<u>107,790</u>

(c) Comparative figures

The presentation and classifications of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated for the effects of adopting the above changes in accounting policies:-

	Group and Bank	
	As restated RM'000	As previously stated RM'000
(i) Balance sheet as at 31 December 2004		
Dealing securities	-	1,390,154
Investment securities	-	6,157
Securities held-for-trading	1,395,271	-
Securities available-for-sale	4,865	-
Securities held-to-maturity	1,591	-
Other assets	327,031	327,291
Deferred tax assets	22,358	21,936
Taxation	15,036	13,170
Reserves	<u>309,197</u>	<u>305,485</u>

35. Changes in accounting policies and prior year adjustments (continued)

(c) Comparative figures (continued)

	Group and Bank	
	As restated RM'000	As previously stated RM'000
(ii) Income statement for the year ended 31 December 2004		
Net interest income	78,316	79,784
Non-interest income	120,389	112,620
Profit before taxation	133,559	127,258
Taxation	(25,769)	(24,004)
Profit after taxation	<u>107,790</u>	<u>103,254</u>
(iii) Notes to financial statements		
(a) Non-interest income (Note 21)		
Net profit from dealing securities	-	52,024
Allowance for diminution in value of investment in shares	-	(1,449)
Foreign exchange profit	-	1,073
Other operating income	-	51,489
Other operating loss	-	(10,275)
Losses arising from sale of securities held-for-trading	(13,874)	-
Net losses arising from dealing in foreign exchange	(36,083)	-
Net gains arising from trading in derivatives	6,200	-
Net unrealised gain on revaluation of trading portfolio (including derivatives)	66,018	-
Unrealised gains from foreign exchange translation	37,156	-
Other operating income, net	<u>41,214</u>	<u>-</u>
(b) Risk-weighted assets (Note 31)		
- risk-weighted	941,126	1,168,633
- market risk-weighted	<u>864,624</u>	<u>-</u>