Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Financial statements for the year ended 31 December 2011

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 12 to 85 are properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank at 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

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

....
Tun Mohamed Dzaiddin bin Haji Abdullah

....
Raymond Yeoh Cheng Seong

Kuala Lumpur,

Date: 2 3 MAR 2012

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 12 to 85 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
2 3 MAR 2012
....

....
Liew Yeh Yin

Before me:

COMMISSIONER FOR OATHS
W 378
K NERMALA
MALAYSIA

No. 50-10-1, Tingkat 10,
Wisma UOA Damansara
No 50, Jalan Dungun
Bukit Damansara
50490 Kuala Lumpur

Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Deutsche Bank (Malaysia) Berhad ("the Bank") during the year ended 31 December 2011. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of the Bank is responsible for ensuring that the Bank conducts its business in accordance with the Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We have assessed the work carried out by Shariah Compliance officer and internal Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

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

In our opinion:

The contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2011 that we have reviewed are in compliance with the Shariah principles.

Company No. 312552-W

We, the members of the Shariah Committee of the Bank, do hereby confirm that the operations of the Bank for the year ended 31 December 2011 have been conducted in conformity with the Shariah principles.

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

....
Dr Muhammad Qaseem
(Member)

....
Hj. Ismail Aminuddin
(Member)

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

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 statements of financial position as at 31 December 2011 of the Group and of the Bank, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 85.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia's Guidelines, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the financial statements that give a true and fair view 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 the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2011 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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) The audit reports on the accounts of the subsidiary companies 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

KPMG
Firm Number: AF 0758
Chartered Accountants

Khaw Hock Hoe
Approval Number: 2229/04/12(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 2 3 MAR 2012

Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Statements of Financial Position as at 31 December 2011

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3	4,478,340	5,405,903	4,478,340	5,405,903
Securities purchased under resale agreement		3,409,464	2,764,327	3,409,464	2,764,327
Financial assets held-for-trading	4	939,707	1,113,962	939,707	1,113,962
Financial investments available-for-sale	5	7,165	9,064	7,165	9,064
Loans, advances and financing	6	831,064	750,402	831,064	750,402
Other assets	7	2,117,101	1,609,764	2,117,101	1,609,764
Statutory deposit with Bank Negara Malaysia	8	2,000	225	2,000	225
Investments in subsidiary companies	9	-	-	20	20
Plant and equipment	10	3,569	3,509	3,569	3,509
Deferred tax assets	11	17,746	55,555	17,746	55,555
Tax recoverable		35,796	-	35,796	-
Total assets		11,841,952	11,712,711	11,841,972	11,712,731
Liabilities and shareholders' funds					
Deposits from customers	12	5,971,441	5,510,903	5,971,461	5,510,923
Deposits and placements of banks and other financial institutions	13	1,941,001	1,265,895	1,941,001	1,265,895
Obligations on securities sold under repurchase agreements		-	1,711,212	-	1,711,212
Other liabilities	14	2,534,437	1,849,842	2,534,437	1,849,842
Taxation		-	33,732	-	33,732
Total liabilities		10,446,879	10,371,584	10,446,899	10,371,604

The notes on pages 19 to 85 are an integral part of these financial statements.

Company No. 312552-W

Statements of Financial Position as at 31 December 2011 (continued)

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	15	173,599	173,599	173,599	173,599
Reserves	16	1,221,474	1,167,528	1,221,474	1,167,528
Total equity attributable to owner of the Bank		1,395,073	1,341,127	1,395,073	1,341,127
Total liabilities and equity		11,841,952	11,712,711	11,841,972	11,712,731

		Group and Bank	
		2011	2010
		RM'000	RM'000
Commitments and contingencies	29	138,081,992	107,909,542

Deutsche Bank (Malaysia) Berhad
(Company No. 312552-W)
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Statements of Comprehensive Income for the year ended 31 December 2011

		Group and Bank	
		2011	2010
	Note	RM'000	RM'000
Interest income	17	249,073	228,019
Interest expense	18	(126,382)	(104,169)
Net interest income		122,691	123,850
Net income from Islamic Banking Operations	34	1,609	1,142
Non-interest income	19	43,903	185,220
Operating income		168,203	310,212
Other operating expenses	20	(104,043)	(123,629)
Operating profit		64,160	186,583
Allowance for impairment on loans, advances and financing	21	12,015	1,972
Profit before taxation		76,175	188,555
Tax expense	24	(20,809)	(47,723)
Net profit for the year		55,366	140,832
Other comprehensive (loss)/income, net of tax			
Fair value changes of financial investments available-for-sale		(1,420)	1,400
Total other comprehensive (loss)/income, net of tax		(1,420)	1,400
Total comprehensive income for the year		53,946	142,232
Earnings per share (sen)	25	31.9	81.1

The notes on pages 19 to 85 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad
(Company No. 312552-W)
(Incorporated in Malaysia)
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Statements of Changes in Equity for the year ended 31 December 2011

	< ---------- Attributable to owner of the Bank					---------- >
	< ---------- Non-distributable	---------->		Distributable		
Group and Bank	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total reserves RM'000	Total RM'000
At 1 January 2010	173,599	357,763	177,575	489,958	1,025,296	1,198,895
Fair value gain of financial investments available-for-sale	-	-	1,400	-	1,400	1,400
Total other comprehensive income for the year	-	-	1,400	-	1,400	1,400
Profit for the year	-	-	-	140,832	140,832	140,832
Total comprehensive income for the year	-	-	1,400	140,832	142,232	142,232
At 31 December 2010	173,599	357,763	178,975	630,790	1,167,528	1,341,127
	Note 15	Note 16	Note 16	Note 16		

The notes on pages 19 to 85 are an integral part of these financial statements.

Company No. 312552-W

Statements of Changes in Equity for the year ended 31 December 2011 (continued)

	< ------------------- Attributable to owner of the Bank ------------------- >					
	< ---------- Non-distributable ---------->			Distributable		
Group and Bank	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total reserves RM'000	Total RM'000
At 1 January 2011	173,599	357,763	178,975	630,790	1,167,528	1,341,127
Fair value loss of financial investments available-for-sale	-	-	(1,420)	-	(1,420)	(1,420)
Total other comprehensive loss for the year	-	-	(1,420)	-	(1,420)	(1,420)
Profit for the year	-	-	-	55,366	55,366	55,366
Total comprehensive (loss)/income for the year	-	-	(1,420)	55,366	53,946	53,946
At 31 December 2011	173,599	357,763	177,555	686,156	1,221,474	1,395,073
	Note 15	Note 16	Note 16	Note 16		

The notes on pages 19 to 85 are an integral part of these financial statements.

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

Statements of Cash Flows for the year ended 31 December 2011

	Group and Bank	
	2011	2010
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	76,175	188,555
Adjustments for:		
Depreciation of plant and equipment	1,922	1,870
Net gain on disposal of plant and equipment	(13)	(172)
Gain on disposal of financial investment available-for-sale	(380)	-
Net unrealised losses on revaluation of trading portfolio (including derivatives)	57,809	300,332
Unrealised losses/(gains)from foreign exchange translation	91,348	(143,265)
Operating profit before changes in operating assets	226,861	347,320
(Increase)/Decrease in operating assets		
Securities purchased under resale agreements	(645,137)	312,693
Financial assets held-for-trading	174,255	312,699
Loans, advances and financing	(80,662)	38,401
Other assets	1,170,388	2,479,803
Statutory deposits with Bank Negara Malaysia	(1,775)	-
Increase/(Decrease) in operating liabilities		
Deposits from customers	460,538	(109,276)
Deposits and placements of banks and other financial institutions	675,106	(306,267)
Obligations on securities sold under repurchase agreements	(1,711,212)	654,616
Other liabilities	(1,142,283)	(2,661,018)
Cash (used in)/generated from operations	(873,921)	1,068,971
Net income taxes paid	(52,055)	(54,943)
Net cash (used in)/generated from operating activities	(925,976)	1,014,028

The notes on pages 19 to 85 are an integral part of these financial statements.

Company No. 312552-W

Statements of Cash Flows for the year ended 31 December 2011 (continued)

	Group and Bank	
	2011	2010
	RM'000	RM'000
Cash flows from investing activities		
Purchase of plant and equipment	(1,982)	(1,717)
Proceeds from disposal of plant and equipment	13	172
Proceeds from disposal of financial investment available-for-sale	382	-
Net cash used in investing activities	(1,587)	(1,545)
Net (decrease)/increase in cash and cash equivalents	(927,563)	1,012,483
Cash and cash equivalents at 1 January	5,405,903	4,393,420
Cash and cash equivalents at 31 December (Note 3)	4,478,340	5,405,903

The notes on pages 19 to 85 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 consolidated financial statements of the Bank as at and for the year ended 31 December 2011 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Group is principally engaged in all aspect of banking and related financial services that also include Islamic Banking business. 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 ...23 MAR 2012...........

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") issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia's Guidelines, accounting principles generally accepted in Malaysia and the Companies Act, 1965.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Bank's financial statements for the annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include fair value estimation for financial instruments as disclosed in Note 32.

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its 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.

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

The accounting policies of the subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

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

(b) Cash and cash equivalents

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

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy note 2(c)(ii).

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Financial investments available-for-sale

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(d)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

(iii) Financial guarantee contracts

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

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made.
If the carrying value of the financial guarantee contract is lower than obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets (continued)

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

(v) Derecognition

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

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

(vi) Determination of fair value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations. These include listed equity securities and broker quotes from Bloomberg and Reuters.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Group and the Bank generally use widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Determination of fair value (continued)

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

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

(vii) Offsetting of financial instruments

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

(d) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

2. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Financial assets (continued)

In respect of loans, the Group and the Bank first assess whether objective evidence of impairment exists individually for loans which are individually significant, or collectively for loans which are not individually significant. An individually assessed loan is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loans (an incurred "loss event") and that loss event (or events) has an impact on the present value of estimated future cash flows of the loans that can be reliably estimated.

Objective evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, that it is possible that they will enter bankruptcy or other financial reorganisation and that there are observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of loss is recognised in the statement of comprehensive income. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

2. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Financial assets (continued)

For loans which are collectively assessed, the Group and the Bank have applied the transitional arrangement issued by BNM via its guideline on Classification and Impairment Provisions for Loans/Financing, whereby collective assessment allowance is maintained at a minimum of 1.5% of total outstanding loans, net of individual assessment allowance.

Where a loan is not recoverable, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the profit or loss.

Under the guidelines on Classification and Impairment allowances for Loans/Financing issued by BNM where loans, advances and financing that is past due for more than 90 days or 3 months shall be classified as impaired. The bank applies this policy in addition to the above when determining if a loan is impaired.

An impairment loss in respect of financial investments available-for-sale is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of a financial investment available-for-sale has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

2. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Financial assets (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

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

2. Significant accounting policies (continued)

(d) Impairment (continued)

(ii) Other assets (continued)

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

(e) 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.

(f) Plant and equipment

(i) Recognition and measurement

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

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

When significant parts of an item of 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" and "other expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

(f) 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 or the Bank, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

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

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

(g) Income tax

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

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

2. Significant accounting policies (continued)

(g) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

(h) Recognition of interest and financing income and expense

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank 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.

(i) Recognition of fees and other income

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

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

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

2. Significant accounting policies (continued)

(j) Foreign currency transactions

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

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

(k) 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 statement of comprehensive income as incurred.

(l) Operating lease

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

Payments made under operating leases are recognised in the statement of comprehensive income 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.

2. Significant accounting policies (continued)

(m) Provisions

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

3. Cash and short-term funds

	Group and Bank	
	2011	2010
	RM'000	RM'000
Cash and balances with banks and other financial institutions	261,263	234,912
Money at call and deposit placements maturing within one month	4,217,077	5,170,991
	4,478,340	5,405,903

4. Financial assets held-for-trading

	Group and Bank	
	2011	2010
	RM'000	RM'000
At fair value		
Malaysian Government Securities	543,164	476,212
Malaysian Investment Issue	61,087	4,041
Bank Negara Malaysia Bills	288,428	396,933
Cagamas bonds	6,211	6,534
Negotiable instruments of deposit	-	230,000
Private debt securities	40,817	242
	939,707	1,113,962

5. Financial investments available-for-sale

	Group and Bank	
	2011	2010
	RM'000	RM'000
At fair value		
Quoted securities, in Malaysia	5,574	7,473
At cost		
Unquoted securities	1,591	1,591
	7,165	9,064

6. Loans, advances and financing

	Group and Bank	
	2011	2010
	RM'000	RM'000
At amortised cost		
Overdrafts	78,074	95,519
Term loans - housing loans	30,176	31,934
- other term loans	68,589	122,426
Bills receivable	55,156	54,249
Claims on customers under acceptance credits	614,688	471,361
Staff loans	3,111	3,554
	849,794	779,043
Unearned interest	(3,305)	(1,276)
Gross loans, advances and financing	846,489	777,767
Allowance for impaired loans and financing		
- Collective assessment	(12,672)	(23,946)
- Individual assessment	(2,753)	(3,419)
Net loans, advances and financing	831,064	750,402

6. Loans, advances and financing (continued)

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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Maturing within one year	795,505	738,584
One year to three years	3,497	809
Three years to five years	16,745	4,946
Over five years	30,742	33,428
	846,489	777,767

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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Domestic business enterprises - others	762,195	692,269
Individuals	33,316	35,524
Foreign entities	50,978	49,974
	846,489	777,767

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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan/financing	3,111	3,554
Variable rate		
- Base lending rate plus	63,593	77,265
- Cost plus	777,625	696,851
- Other variable rates	2,160	97
	846,489	777,767

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6. Loans, advances and financing (continued)

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

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Mining	769	355
Manufacturing	492,371	426,620
Electricity, gas and water	-	7,102
Construction	55,637	39,381
Purchase of landed property - residential	32,724	34,883
Wholesale & retail trade and restaurants & hotel	205,859	151,122
Finance, insurance and business services	57,716	116,208
Purchase of transport vehicles	256	93
Others	1,157	2,003
	846,489	777,767

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

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Malaysia	795,511	727,793
India	28,089	27,202
Others	22,889	22,772
	846,489	777,767

6. Loans, advances and financing (continued)

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

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
At 1 January	11,499	14,553
Classified as impaired during the year	3,375	2,998
Reclassified as non-impaired during the year	(2,075)	(2,458)
Amounts recovered	(2,932)	(2,458)
Amounts written off	-	(1,136)
At 31 December	9,867	11,499
Gross impaired loans as a percentage of gross loans, advances and financing	1.17%	1.48%

Movements in the allowance for impaired loans, advances and financing are as follows:

6.6.1 Collective assessment allowance

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
At 1 January	23,946	23,946
Reversal during the year	(11,274)	-
At 31 December	12,672	23,946

6.6.2 Individual impairment assessment

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
At 1 January	3,419	6,527
Allowance made during the year	816	1,066
Amount written off	-	(1,136)
Amount recovered	(1,482)	(3,038)
At 31 December	2,753	3,419

6. Loans, advances and financing (continued)

6.6.3 Impaired loans, advances and financing analysed by economic purposes are as follows:

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Manufacturing	4,186	5,140
Purchase of landed properties - residential	5,638	6,318
Others	43	41
	9,867	11,499

7. Other assets

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Interest/Income receivable	15,769	10,997
Margin placed with exchange	627	3,245
Derivatives	1,677,119	1,223,880
Other debtors, deposits and prepayments	423,586	371,642
	2,117,101	1,609,764

8. 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.

9. Investments in subsidiary companies

	Bank 2011 RM'000	Bank 2010 RM'000
Unquoted shares, at cost	20	20

9. Investments in subsidiary companies (continued)

Details of the subsidiaries are as follows:-

Name	Principal Activities	Effective Ownership Interest	
		2011	2010
DB (Malaysia) Nominee (Tempatan) Sendirian Berhad	Nominee services	100%	100%
DB (Malaysia) Nominee (Asing) Sdn. Bhd.	Nominee services	100%	100%

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

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10. 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
Cost						
At 1 January 2010	9,528	4,216	12,736	3,327	469	30,276
Additions	151	52	1,054	15	445	1,717
Write-offs	-	-	(935)	-	-	(935)
Disposals	-	(11)	-	-	(389)	(400)
At 31 December 2010/ 1 January 2011	9,679	4,257	12,855	3,342	525	30,658
Additions	762	444	381	395	-	1,982
Disposals	-	(84)	(17)	(86)	(80)	(267)
At 31 December 2011	10,441	4,617	13,219	3,651	445	32,373
Accumulated depreciation						
At 1 January 2010	8,527	3,475	11,103	3,040	469	26,614
Charge for the year	501	169	1,093	62	45	1,870
Write-offs	-	-	(935)	-	-	(935)
Disposals	-	(11)	-	-	(389)	(400)
At 31 December 2010/ 1 January 2011	9,028	3,633	11,261	3,102	125	27,149
Charge for the year	785	233	723	93	88	1,922
Disposals	-	(84)	(17)	(86)	(80)	(267)
At 31 December 2011	9,813	3,782	11,967	3,109	133	28,804
Carrying amounts						
At 1 January 2010	1,001	741	1,633	287	-	3,662
At 31 December 2010/ 1 January 2011	651	624	1,594	240	400	3,509
At 31 December 2011	628	835	1,252	542	312	3,569

11. Deferred tax assets

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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Recognised in profit or loss		
Plant and equipment		
- capital allowances	(358)	(278)
Collective impairment assessment for loans	3,168	5,987
Others	15,880	51,264
	18,690	56,973
Recognised in other comprehensive income		
Revaluation of securities available-for-sale	(944)	(1,418)
	17,746	55,555

The movements in deferred tax assets and liabilities during financial year are as follows:

	Group and Bank	
	2011	2010
	RM'000	RM'000
At 1 January	55,555	15,284
Origination and reversal of temporary differences		
- recognised in profit or loss	(38,283)	40,739
- recognised in other comprehensive income	474	(468)
At 31 December	17,746	55,555

12. Deposits from customers

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Demand deposits	1,870,159	1,606,341	1,870,179	1,606,361
Savings deposits	9,052	10,359	9,052	10,359
Fixed deposits	599,283	708,157	599,283	708,157
Other deposits	3,442,947	3,100,446	3,442,947	3,100,446
Negotiable instruments of deposit	50,000	85,600	50,000	85,600
	5,971,441	5,510,903	5,971,461	5,510,923

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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Due within six months	2,017,830	2,041,152
More than six months to one year	132,916	85,859
More than one year to three years	1,238,583	1,166,376
More than three years to five years	544,585	360,000
More than five years	158,316	240,816
	4,092,230	3,894,203

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

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Business enterprises	2,780,935	3,011,383	2,780,955	3,011,403
Individuals	45,645	50,364	45,645	50,364
Foreign customers	134,588	78,078	134,588	78,078
Others	3,010,273	2,371,078	3,010,273	2,371,078
	5,971,441	5,510,903	5,971,461	5,510,923

13. Deposits and placements of banks and other financial institutions

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Other financial institutions	1,941,001	1,265,895

14. Other liabilities

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Interest payable	2,717	3,270
Bills payable	155,145	134,357
Derivatives	1,875,631	1,237,134
Employee benefits	18,426	27,828
Other liabilities	482,518	447,253
	2,534,437	1,849,842

15. Share capital

Group and Bank	Number of shares 2011 '000	Number of shares 2010 '000	Amount 2011 RM'000	Amount 2010 RM'000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
At 31 December	173,599	173,599	173,599	173,599

16. Reserves

	Group and Bank	
	2011	2010
	RM'000	RM'000
Non-distributable:		
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Revaluation reserve	2,833	4,253
	177,555	178,975
Distributable:		
Retained profits	686,156	630,790
	1,221,474	1,167,528

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 2011.

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 2011 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.

17. Interest income

	Group and Bank	
	2011	2010
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from impaired loans	30,945	28,017
Money at call and deposit placements with financial institutions	24,913	17,738
Securities purchased under resale agreement	130,813	133,060
Financial assets held-for-trading	62,351	49,203
Others	51	1
	249,073	228,019

18. Interest expense

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Deposits and placements of banks and other financial institutions	12,179	3,527
Obligations on securities sold under repurchase agreement	57,238	50,919
Deposits from customers	56,965	49,713
Others	-	10
	126,382	104,169

19. Non-interest income

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Fee income:		
Commissions	9,667	6,784
Service charges and fees	14,033	10,189
Guarantee fees	4,346	2,843
Arranger fees	-	300
	28,046	20,116
Net gains/(losses) from financial instruments:		
Net gain arising on financial assets held-for-trading:		
Net gain from sale	8,490	4,782
Unrealised revaluation gain	1,082	1,222
Net (loss)/gain arising on trading derivatives:		
Net (loss)/gain on settlement	(199,359)	253,942
Unrealised revaluation loss	(58,854)	(301,554)
Net (loss)/gain arising on dealing in foreign exchange:		
Net gain on settlement	348,136	50,533
Unrealised (loss)/gain from foreign exchange translation	(91,326)	143,289
Net gain arising on financial investments available-for-sale:		
Net gain on sale	380	-
Gross dividend income	374	285
Other income:		
Gain on disposal of plant and equipment	13	172
Other operating income, net	6,921	12,433
	15,857	165,104
	43,903	185,220

20. Other operating expenses

	Group and Bank	
	2011	2010
	RM'000	RM'000
Personnel costs		
- Salaries, allowances and bonuses	49,129	50,047
- Contributions to Employees' Provident Fund	6,852	6,558
- Others	4,648	5,224
Establishment costs		
- Rental	2,709	2,708
- Depreciation	1,922	1,870
- Others	3,887	3,984
Marketing expenses	2,907	2,286
Administration and general expenses		
- Intercompany expenses	20,728	41,282
- Communication	1,791	1,516
- Auditors' remuneration		
- statutory audit fee	135	135
- other services	88	84
- Others	9,247	7,935
	104,043	123,629

The number of employees of the Group and the Bank at the end of the year was 151 (2010: 147).

21. Allowance for impairment on loans, advances and financing

	Group and Bank	
	2011	2010
	RM'000	RM'000
Individual assessment allowance		
- made during the year	(816)	(1,066)
- written back	1,482	3,038
Collective assessment allowance		
- reversal during the year	11,274	-
Recoveries from bad debts written off	75	-
	12,015	1,972

22. 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 9), 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 23.

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

2011	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	9,692	-	-
Other fee income	6,004	-	-
Other operating income	9,299	-	-
	24,995	-	-
Expenditure			
Interest on advances	60,272	-	-
Other operating expenses	21,108	-	-
	81,380	-	-
Amount due from			
Cash and short-term funds	4,316,215	-	-
Other assets			
- Others	37,405	-	769
- Derivatives	712,484	-	-
- Interest income receivable	253	-	-
	5,066,357	-	769

22. Related parties (continued)

2011	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due to			
Deposits and placements of banks and other financial institutions	898,121	20	16,775
Obligations on securities sold under repurchase agreements	-	-	-
Other liabilities			
- Others	124,660	-	421
- Derivatives	712,875	-	-
- Interest payable	317	-	-
	1,735,973	20	17,196

2010	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	5,407	-	-
Other fee income	5,131	-	-
Other operating income	14,467	-	-
	25,005	-	-
Expenditure			
Interest on advances	52,991	-	-
Other operating expenses	42,126	-	-
	95,117	-	-
Amount due from			
Cash and short-term funds	4,638,445	-	-
Other assets			
- Others	108,509	-	-
- Derivatives	595,053	-	-
- Interest income receivable	110	-	-
	5,342,117	-	-

22. Related parties (continued)

2010	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due to			
Deposits and placements of banks and other financial institutions	985,599	20	19,701
Obligations on securities sold under repurchase agreements	-	-	1,190,285
Other liabilities			
- Others	117,100	-	(139)
- Derivatives	616,256	-	199
- Interest payable	1,207	-	-
	1,720,162	20	1,210,046

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 2011 RM'000	2010 RM'000
Outstanding credit exposures with connected parties	548,415	497,876
Of which:		
Total credit exposure which is non-performing	-	-
Total credit exposures	8,000,095	6,141,147
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	6.85%	8.11%
- as a proportion of capital base	39.54%	38.14%
- which is non-performing	0%	0%

22. Related parties (continued)

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.

23. Key management personnel compensation

The key management personnel compensation are as follows:-

	Group and Bank	
	2011	2010
	RM'000	RM'000
Executive Director		
- Salary and other remuneration	1,755	1,815
- Bonuses	1,018	1,832
- Benefits-in-kind	-	79
Non-Executive Directors		
- Fees	881	970
- Other remuneration	117	116
	3,771	4,812
Other key management personnel:		
- Short-term employee benefits	6,882	6,993
- Share-based payments	214	377
	7,096	7,370

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.

Details of the directors' remuneration are disclosed in Directors' report.

24. Taxation

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Current income tax		
Malaysian - current year	23,000	90,000
- over provision in prior year	(40,474)	(1,538)
Deferred tax expense		
Origination and reversal of temporary differences	(1,491)	(41,259)
Over provision in prior year	39,774	520
	20,809	47,723

Reconciliation of effective tax expense

	2011 RM'000	2010 RM'000
Profit before taxation	76,175	188,555
Taxation	(20,809)	(47,723)
Profit after tax	55,366	140,832
Tax at Malaysian tax rate of 25%	19,044	47,139
Non-deductible expenses	1,361	499
Other items	1,104	1,103
	21,509	48,741
Overprovision in prior year	(700)	(1,018)
	20,809	47,723

25. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Profits attributable to ordinary shareholders	55,366	140,832
Weighted average number of ordinary shares		
Issued ordinary shares as at 31 December	173,599	173,599

25. Earnings per share (continued)

	Group and Bank 2011 (sen)	Group and Bank 2010 (sen)
Basic earnings per share	31.9	81.1

26. Contingent liabilities

As at 31 December 2011, 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.

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Less than one year	2,237	2,667
Between one and five years	5,709	432
	7,946	3,099

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.

28. Capital adequacy

	Bank 2011 RM'000	Bank 2010 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	686,156	630,790
Less: Deferred tax assets	(17,746)	(55,555)
Total Tier 1 capital	1,374,494	1,281,319
Tier 2 capital		
Collective assessment allowance	12,672	23,946
Total Capital	1,387,166	1,305,265
Less: Investments in subsidiary companies	(20)	(20)
Capital base	1,387,146	1,305,245
Core capital ratio	14.39%	16.89%
Risk-weighted capital ratio	14.52%	17.20%

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. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

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

RISK TYPE		Risk Weighted Assets 2011 RM'000	Risk Weighted Assets 2010 RM'000
1	Credit risk	4,004,524	2,975,773
2	Market risk	5,089,609	4,073,491
3	Operational risk	457,788	537,600
Total		**9,551,921**	**7,586,864**

29. Commitments and contingencies

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

31 December 2011 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	963,205	481,603	416,700
Short-Term Self Liquidating Trade Related Contingencies	120,479	24,096	19,344
Foreign exchange related contracts			
One year or less	14,952,336	344,037	194,372
Over one year to five years	8,949,139	769,683	360,775
Over five years	5,597,133	1,209,122	546,968
Interest/Profit rate related contracts			
One year or less	29,067,309	81,646	22,988
Over one year to five years	60,292,816	1,941,932	580,580
Over five years	15,443,759	1,417,324	474,950
Equity related contracts			
One year or less	36,658	3,666	1,833
Over one year to five years	1,139,334	141,351	70,676
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	79,425	8,345	4,173
Over one year to five years	245,700	34,975	11,970
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	1,194,699	238,940	209,762
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	138,081,992	6,696,720	2,915,091

29. Commitments and contingencies (continued)

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

31 December 2010 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	130	130	130
Transaction Related Contingent Items	659,330	329,665	274,870
Short-Term Self Liquidating Trade Related Contingencies	96,414	19,283	13,743
Foreign exchange related contracts			
One year or less	13,969,651	365,175	156,652
Over one year to five years	6,557,114	601,886	241,074
Over five years	4,523,770	962,585	497,521
Interest/Profit rate related contracts			
One year or less	23,946,381	83,232	18,564
Over one year to five years	42,633,653	1,282,927	376,926
Over five years	13,031,600	1,076,976	336,439
Equity related contracts			
One year or less	159,726	19,794	10,694
Over one year to five years	954,115	118,113	59,056
Over five years	72,401	8,902	4,451
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	49,336	6,574	3,287
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	1,255,921	-	-
Total	107,909,542	4,875,242	1,993,407

30. Capital management

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

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

The Group's and Bank's regulatory capital are determined under Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of capital base are disclosed in Note 28.

31. 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.

31. Risk management (continued)

31.1 Categories of financial instruments

	Carrying Amount RM'000	L&R/ (OL) RM'000	FVTPL -HFT RM'000	AFS RM'000	HTM RM'000
Financial Assets					
Group					
2011					
Cash and short-term funds	4,478,340	4,478,340	-	-	-
Securities purchased under resale agreement	3,409,464	3,409,464	-	-	-
Financial assets held-for trading	939,707	-	939,707	-	-
Financial investments available-for-sale	7,165	-	-	7,165	-
Loans, advances and financing	831,064	831,064	-	-	-
Derivatives assets	1,677,119	-	1,677,119	-	-
Statutory deposit with Bank Negara Malaysia	2,000	2,000	-	-	-
	11,344,859	8,720,868	2,616,826	7,165	-

	Carrying Amount RM'000	L&R/ (OL) RM'000	FVTPL -HFT RM'000	AFS RM'000	HTM RM'000
Financial Liabilities					
Group					
2011					
Deposits from customers	5,971,441	5,971,441	-	-	-
Deposits and placements of banks	1,941,001	1,941,001	-	-	-
Derivatives liabilities	1,875,631	-	1,875,631	-	-
	9,788,073	7,912,442	1,875,631	-	-

31. Risk management (continued)

31.1 Categories of financial instruments (continued)

	Carrying Amount RM'000	L&R/ (OL) RM'000	FVTPL -HFT RM'000	AFS RM'000	HTM RM'000
Financial Assets					
Group					
2010					
Cash and short-term funds	5,405,903	5,405,903	-	-	-
Securities purchased under resale agreement	2,764,327	2,764,327	-	-	-
Financial assets held-for trading	1,113,962	-	1,113,962	-	-
Financial investments available-for-sale	9,064	-	-	9,064	-
Loans, advances and financing	750,402	750,402	-	-	-
Derivatives assets	1,223,880	-	1,223,880	-	-
Statutory deposit with Bank Negara Malaysia	225	225	-	-	-
	11,267,763	8,920,857	2,337,842	9,064	-
Financial Liabilities					
Group					
2010					
Deposits from customers	5,510,903	5,510,903	-	-	-
Deposits and placements of banks	1,265,895	1,265,895	-	-	-
Obligations on securities sold under repurchase agreements	1,711,212	1,711,212	-	-	-
Derivatives liabilities	1,237,134	-	1,237,134	-	-
	9,725,144	8,488,010	1,237,134	-	-

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 cash consolidated from the subsidiaries.

31. Risk management (continued)

31.2 Financial risks management

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

- Credit risk
- Liquidity risk
- Market risk

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.

Risk management objectives, policies and processes for managing the risk

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.

Exposure to credit risk, credit quality and collateral

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 statement of financial position. The credit exposure arising from off balance sheet activities has been disclosed in Note 29 to the financial statements.

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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Impaired	9,867	11,499
Past due but not impaired	14,095	16,013
Neither past due nor impaired	822,527	750,255
	846,489	777,767

31. Risk management (continued)

Credit risk (continued)

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

(i) Impaired loans

Loans are classified as impaired when they fulfill either of the following criteria:

(a) principal or interest or both are past due for three (3) months or more;
(b) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknessess; or
(c) where an impaired loan has been rescheduled or restructured, the loan continues to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

In addition, for all loans that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

(a) any significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) high probability of bankruptcy or other financial reorganisation of the borrower;
(d) the viability of the customer's business operations and its capability to trade successfully out of financial difficulties and to generate sufficient cash flow to service its debt obligations; and
(e) any adverse news or developments affecting the local economic conditions or business environment of the borrower which will adversely affect the repayment capacity of the borrower.

31. Risk management (continued)

Credit risk (continued)

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

(ii) Past due but not impaired

Past due but not impaired loans are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than three (3) months.

The past due but not impaired loans are analysed as follows:

	Loans and advances to customers	
	2011 RM'000	2010 RM'000
Past due but not impaired		
1 day to < 60 days	8,374	9,214
60 days to < 90 days	5,721	6,799
Carrying amount	14,095	16,013

(iii) Neither past due nor impaired

As at reporting date, the Group and the Bank recorded loans, advances and financing that are neither past due nor impaired of RM822,527,000 (2010: RM750,255,000), of which RM767,533,000 (2010: RM696,006,000) and RM54,994,000 (2010: RM54,249,000) are loans and advances to customers and loans and advances to banks respectively.

No loan was renegotiated during the year. (2010: Nil).

31. Risk management (continued)

Credit risk (continued)

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

The Group and the Bank hold collateral against loans, advances and financing to customers in the form of mortgage interests over property and guarantees. Fair value of housing loans collaterals are assessed on yearly basis based on independent valuation.

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

	Loans and advances to customers	
	2011 RM'000	2010 RM'000
Against individually impaired:		
Property	7,194	7,726
Against past due but not impaired:		
Property	24,833	27,101
Against neither past due nor impaired:		
Property	20,507	23,157
	52,534	57,984

31. Risk management (continued)

Credit risk (continued)

(c) Credit quality of financial instruments

Set out below is the credit quality of assets analysed by external rating on the counter-parties.

	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000
2011		
Group and Bank		
Domestic Rating		
AAA+ to AA-	46,786	100
A+ to A-	892,679	-
Unrated	242	7,065
	939,707	7,165
2010		
Group and Bank		
Domestic Rating		
AAA+ to AA-	6,534	100
A+ to A-	877,186	-
P1 to P3	230,000	-
Unrated	242	8,964
	1,113,962	9,064

(d) Fair value of collateral held against derivatives assets

The Group and the Bank hold collateral against derivatives assets to banks and financial institutions counterparties in the form of cash of RM237,349,548 (2010: RM187,174,113) as at reporting date.

31. Risk management (continued)

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.

Risk management objectives, policies and processes for managing the risk

Deutsche Bank Global Group entities, including the Group and the Bank use a combination of risk sensitivities, Value at Risk (VaR), stress testing and economic capital metrics to manage market risks and establish limits. Steered by the Group Risk Committee, the Market Risk Management team, which is part of the Group's 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.

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

31. Risk management (continued)

Market risk (continued)

A summary of the VaR position of the Bank's portfolios as at 31 December 2011 is as follows:

	At 31 December RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
2011				
Interest Rate Risk:				
Market Risk	20,160	28,301	56,495	8,403
Specific Risk	185	267	2,957	79
Foreign Exchange Risk	4,568	4,988	15,311	1,865
Commodity Risk	-	-	1	-
Equity Risk	265	290	1,615	136
Total VaR	11,470	15,617	28,884	8,675
2010				
Interest Rate Risk:				
Market Risk	18,477	10,963	18,986	4,447
Specific Risk	89	131	1,934	2
Foreign Exchange Risk	3,265	4,210	14,507	291
Commodity Risk	-	2	6	-
Equity Risk	255	314	457	162
Total VaR	18,614	12,004	18,943	4,802

31. Risk management (continued)

Market risk (continued)

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

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

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

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

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

(e) Intra-day risk is not captured.

(f) Although the Group considers the material risks to be covered by value-at-risk model and further enhance it, there still may be risks in the trading book that are not covered by the value-at-risk model.

Liquidity risk

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

Risk management objectives, policies and processes for managing the risk

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.

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31. Risk management (continued)

Liquidity Risk (continued)

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

The following tables present the maturity analysis for financial liabilities as at 31 December, 2011 and 2010.

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2011							
Deposits from customers	3,111,843	610,665	80,765	93,766	133,143	1,941,259	5,971,441
Deposits and placements of banks and other financial institutions	1,357,224	11,917	571,860	-	-	-	1,941,001
Derivatives liabilities	61,894	46,892	23,236	21,344	99,184	1,623,081	1,875,631
Other liabilities	608,935	897	1,870	279	609	46,216	658,806
Total Liabilities	5,139,896	670,371	677,731	115,389	232,936	3,610,556	10,446,879

31. Risk management (continued)

Liquidity Risk (continued)

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

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2010							
Deposits from customers	2,963,143	559,152	107,759	27,798	85,860	1,767,191	5,510,903
Deposits and placements of banks and other financial institutions	1,261,110	4,785	-	-	-	-	1,265,895
Obligations on securities sold under repurchase agreements	504,114	978,068	229,030	-	-	-	1,711,212
Derivatives liabilities	14,595	20,172	35,976	139,640	31,726	995,025	1,237,134
Other liabilities	422,405	1,067	292	214	512	188,218	612,708
Total Liabilities	5,165,367	1,563,244	373,057	167,652	118,098	2,950,434	10,337,852

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 cash consolidated from the subsidiaries with remaining contractual maturity of up to 7 days.

Company No. 312552-W

31. Risk management (continued)

Liquidity Risk (continued)

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

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

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2011							
Deposits from customers	3,111,843	610,665	80,765	93,766	133,143	1,941,259	5,971,441
Deposits and placements of banks and other financial institutions	1,357,224	11,917	571,860	-	-	-	1,941,001
Derivatives liabilities	6,794	35,079	45,954	105,661	263,845	779,578	1,236,911
Other liabilities	608,935	897	1,870	279	609	46,216	658,806
Total Liabilities	5,084,796	658,558	700,449	199,706	397,597	2,767,053	9,808,159

31. Risk management (continued)

Liquidity Risk (continued)

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

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2010							
Deposits from customers	2,963,143	559,152	107,759	27,798	85,860	1,767,191	5,510,903
Deposits and placements of banks and other financial institutions	1,261,110	4,785	-	-	-	-	1,265,895
Obligations on securities sold under repurchase agreements	504,114	978,068	229,030	-	-	-	1,711,212
Derivatives liabilities	7,331	16,052	44,125	216,771	143,879	22,826	450,984
Other liabilities	422,405	1,067	292	214	512	188,218	612,708
Total Liabilities	5,158,103	1,559,124	381,206	244,783	230,251	1,978,235	9,551,702

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 cash consolidated from the subsidiaries with remaining contractual maturity of up to 7 days.

31. Risk management (continued)

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.

32. Financial assets and liabilities

32.1 Fair value of financial instruments

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 statement of financial positions 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 statement of financial positions, are as follows:

	Group			
	2011		2010	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial assets				
Financial assets held-for-trading	939,707	939,707	1,113,962	1,113,962
Financial investments available-for-sale	7,165	7,165	9,064	9,064
Loans, advances and financing	831,064	830,363	750,402	750,222
	=======	=======	========	========

32. Financial assets and liabilities (continued)

32.1 Fair value of financial instruments (continued)

	Group			
	2011		2010	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities				
Deposits from customers	5,971,441	6,056,825	5,510,903	5,604,034
Deposits and placements of banks and other financial institutions	1,941,001	1,941,001	1,265,895	1,265,895

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

(a) *Financial assets held-for-trading, financial investments held-to-maturity and financial investments available-for-sale* - The fair values are estimated based on quoted or observable market prices as at the reporting 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 reporting 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 reporting date offered for similar loans. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual assessment allowance for impaired debts and financing.

(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 reporting date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. For negotiable instrument of deposits, the estimated fair values are based on quoted or observable market prices at the reporting 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.

32. Financial assets and liabilities (continued)

32.1 Fair value of financial instruments (continued)

(d) *Derivative financial instruments* - The fair values of derivative financial instruments are determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Group and Bank generally use widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held.

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

The following table shows the notional and gross market values as at December 2011:

		Group and Bank 2011	
	Notional RM'000	Positive market value RM'000	Negative market value RM'000
Foreign exchange related contracts			
Forward exchange trades	15,095,880	184,967	(136,675)
Cross currency swaps	12,642,714	630,009	(538,586)
Foreign exchange options	1,760,014	32,536	(164,295)
Interest/Profit rate related contracts			
Swaption	475,115	2,970	(11,760)
Interest rate swap	104,328,769	815,696	(1,011,880)
Equity related contracts			
Equity	1,501,117	10,941	(12,435)
	135,803,609	1,677,119	(1,875,631)

32. Financial assets and liabilities (continued)

32.1 Fair value of financial instruments (continued)

The following table shows the notional and gross market values as at December 2010:

	Group and Bank 2010		
	Notional RM'000	Positive market value RM'000	Negative market value RM'000
Foreign exchange related contracts			
Forward exchange trades	14,072,341	238,343	(111,677)
Cross currency swaps	9,717,996	573,390	(470,823)
Foreign exchange options	1,260,198	3,965	(125,283)
Interest/Profit rate related contracts			
Swaption	343,552	766	(6,543)
Interest rate swap	79,268,082	352,839	(504,356)
Equity related contracts			
Equity	1,235,578	54,577	(18,452)
	105,897,747	1,223,880	(1,237,134)

32.2 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS7.

The financial instruments carried at fair value have been categorized under the three levels of the fair value hierarchy as follows:

Quoted Prices in an Active Market (Level 1)
The fair value of instruments quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Valuation Techniques with Observable Parameters (Level 2)
Instruments classified in this category have an observable parameter input or inputs other than quoted prices included within level 1.

Valuation Techniques with Significant Unobservable Parameters (Level 3)
Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument.

32. Financial assets and liabilities (continued)

32.2 Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial assets			
Financial assets held-for-trading	899,132	-	40,575
Financial investments available-for-sale	5,574	-	-
Derivatives assets	-	1,300,002	377,117
	904,706	1,300,002	417,692
Financial liabilities			
Derivatives liabilities	-	(1,875,186)	(445)

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

Financial assets

	2011 RM'000
Balance at 1 January	319,963
Total gain recognised in profit or loss	
Purchases	40,000
Attributable to gains relating to financial assets that have not been realised	57,729
Balance at 31 December	417,692

Financial liabilities

	2011 RM'000
Balance at 1 January	-
Total loss recognised in profit or loss	
Attributable to losses relating to financial liabilities that have not been realised	(445)
Balance at 31 December	(445)

The unrealised gains/(losses) have been recognised in other operating income/expenses in profit or loss.

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.

DB Global Share Plan

From the year of 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.

33. Equity compensation benefits (continued)

DB Equity Plan

From the year of 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, RM5,167,971 (2010: RM4,025,765) of expense was recognised in the statements of comprehensive income.

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

Group and Bank

	2011 Number	**2010 Number**
Outstanding at 1 January	55,948	17,602
Granted during the year	33,835	45,257
Vested to employees during the year	(15,461)	(6,296)
Net transferred during the year	(1,308)	807
Forfeited/Lapsed during the year	(11,136)	(1,422)
Outstanding at 31 December	61,878	55,948

	2011 €'000	**2010 €'000**
Grant value of share awards outstanding at 31 December	2,576	2,241
Grant value of share awards issued to the Scheme in the year	1,448	1,855
Grant value of share awards vested to employees in the year	777	523

Company No. 312552-W

34. The operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION AS AT 31 December 2011

	Note	Bank 2011 RM'000	Bank 2010 RM'000
Assets			
Cash and short term funds	(a)	12,099	54,065
Financial assets held-for-trading		80,821	-
Other assets		247	439
Total assets		93,167	54,504
Liabilities and shareholders' funds			
Deposits from customers	(b)	59,240	8,123
Deposits and placements of banks and other financial institutions	(c)	4,779	19,893
Other liabilities	(d)	1,144	8
Taxation		688	371
Total liabilities		65,851	28,395
Capital funds		25,000	25,000
Retained profits		2,316	1,109
Islamic banking funds		27,316	26,109
Total liabilities and Islamic banking funds		93,167	54,504
Commitments and contingencies		-	-

The notes on pages 83 to 85 are an integral part of these financial statements.

34. The operations of Islamic Banking (continued)

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 December 2011

	31 December 2011 RM'000	31 December 2010 RM'000
Income derived from investment of Islamic banking funds	1,609	1,142
Profit before taxation	1,609	1,142
Taxation	(402)	(286)
Profit and total comprehensive income for the year	1,207	856

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS FOR THE YEAR ENDED 31 December 2011

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2010	25,000	253	25,253
Profit/ Total comprehensive income for the year	-	856	856
At 31 December 2010/ 1 January 2011	25,000	1,109	26,109
Profit/ Total comprehensive income for the year	-	1,207	1,207
At 31 December 2011	25,000	2,316	27,316

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

The notes on pages 83 to 85 are an integral part of these financial statements.

34. The operations of Islamic Banking (continued)

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 December 2011

	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before taxation	1,609	1,142
Operating profit before working capital changes	1,609	1,142
Decrease in operating assets	(80,629)	(435)
Decrease in operating liabilities	37,139	22,127
Cash (used in)/generated from operations	(41,881)	22,834
Income taxes paid	(85)	-
Net (decrease)/increase in cash and cash equivalents	(41,966)	22,834
Cash and cash equivalents at 1 January	54,065	31,231
Cash and cash equivalents at 31 December (Note 34(a))	12,099	54,065

The notes on pages 83 to 85 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.

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 Haji Ismail Aminuddin.

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 1 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

	Group and Bank	
	2011	2010
	RM'000	RM'000
Cash and balances with banks and other financial institutions	6,099	2,065
Money at call and deposit placements maturing within one month	6,000	52,000
	12,099	54,065

(b) Deposits from customers

	Group and Bank	
	2011	2010
	RM'000	RM'000
Non-Mudharabah		
Demand deposits	9,240	8,123
Other deposits	50,000	-
	59,240	8,123

34. The operations of Islamic Banking (continued)

(c) Deposits and placements of banks and other financial institutions

	Group and Bank	
	2011	2010
	RM'000	RM'000
Licensed bank	4,779	19,893
	=====	=====

(d) Other liabilities

	Group and Bank	
	2011	2010
	RM'000	RM'000
Bills payable	65	8
Other liabilities	1,079	-
	1,144	8
	=====	=====

(e) Capital adequacy

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

Components of Tier I and Tier II Capital:

	Group and Bank	
	2011	2010
	RM'000	RM'000
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	2,316	1,109
Total Tier 1 capital	27,316	26,109
Total Tier 2 capital	-	-
Capital base	27,316	26,109
	======	======
Core capital ratio	122.06%	1354.20%
Risk-weighted capital ratio	122.06%	1354.20%
	======	=======

34. The operations of Islamic Banking (continued)

(e) Capital adequacy (continued)

The breakdowns of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 December 2011 are as follows:

RISK TYPE		Risk Weighted Assets	
		2011	2010
		RM'000	RM'000
1	Credit risk	103	540
2	Market risk	20,346	-
3	Operational risk	1,931	1,388
Total		**22,380**	**1,928**