

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

**Financial statements for the year
ended 31 December 2006**

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

Deutsche Bank (Malaysia) Berhad

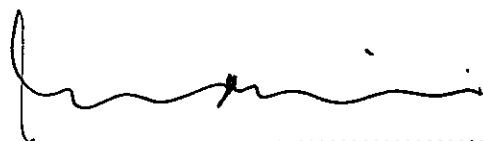
(Company No. 312552-W)

(Incorporated in Malaysia)

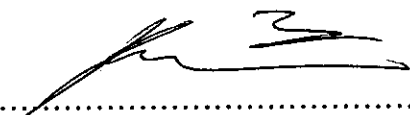
and its subsidiaries**Statement by Directors pursuant to Section 169(15)
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 21 to 66 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

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



.....
Tun Mohamed Dzaidin bin Haji Abdullah



.....
Raymond Yeoh Cheng Seong

Kuala Lumpur,

Date: **20 MAR 2007**

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

**Declaration pursuant to
Section 169(16) of the Companies Act, 1965**

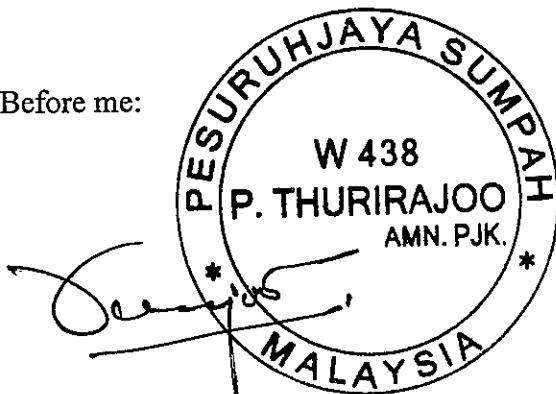
I, **Liew Yeh Yin**, being the officer primarily responsible for the financial management of Deutsche Bank (Malaysia) Berhad, do solemnly, and sincerely declare that, to the best of my knowledge and belief, the financial statements set out on pages 21 to 66 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on **20 MAR 2007**



.....
Liew Yeh Yin

Before me:



NO. 656, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.

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

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

We have audited the financial statements set out on pages 21 to 66. The preparation of the financial statements is the responsibility of the Bank's Directors.

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

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Bank at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Bank; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank and its subsidiary companies have been properly kept in accordance with the provisions of the said Act.

Company No. 312552-W

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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



KPMG
Firm Number: AF 0758
Chartered Accountants



Adrian Lee Lye Wang
Partner
Approval Number: 2679/11/07(J)

Kuala Lumpur,

Date: **20 MAR 2007**

Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

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and its subsidiaries

Balance sheets at 31 December 2006

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Assets					
Cash and short term funds	3	4,211,540	2,196,515	4,211,540	2,196,515
Securities purchased under resale agreement		1,795,778	1,222,701	1,795,778	1,222,701
Deposits and placements with financial institutions	4	353,000	-	353,000	-
Securities held-for-trading	5	1,031,738	754,290	1,031,738	754,290
Securities available-for-sale	6	2,784	2,895	2,784	2,895
Securities held-to-maturity	7	1,591	1,591	1,591	1,591
Loans, advances and financing	8	515,813	595,380	515,813	595,380
Other assets	9	899,351	554,057	899,351	554,057
Statutory deposit with Bank Negara Malaysia	10	39,059	35,000	39,059	35,000
Investments in subsidiary companies	11	-	-	20	20
Property, plant and equipment	12	7,530	4,769	7,530	4,769
Deferred tax assets	13	17,776	14,440	17,776	14,440
Total assets		8,875,960	5,381,638	8,875,980	5,381,658
Liabilities and shareholders' funds					
Deposits from customers	14	3,416,089	1,333,983	3,416,109	1,334,003
Deposits and placements of banks and other financial institutions	15	1,969,832	1,920,897	1,969,832	1,920,897
Obligations on securities sold under repurchase agreements		1,565,325	928,061	1,565,325	928,061
Bills and acceptances payable		-	1,290	-	1,290
Other liabilities	16	1,048,067	635,200	1,048,067	635,200
Taxation		32,874	27,973	32,874	27,973
Total liabilities		8,032,187	4,847,404	8,032,207	4,847,424

Balance sheets at 31 December 2006

(continued)

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Share capital	17	173,599	143,043	173,599	143,043
Reserves	18	610,974	320,491	610,974	320,491
Proposed dividend	28	59,200	70,700	59,200	70,700
Shareholders' funds		<u>843,773</u>	<u>534,234</u>	<u>843,773</u>	<u>534,234</u>
Total liabilities and shareholders' funds		<u>8,875,960</u>	<u>5,381,638</u>	<u>8,875,980</u>	<u>5,381,658</u>
Commitments and contingencies	29	<u>121,623,001</u>	<u>70,477,292</u>	<u>121,623,001</u>	<u>70,477,292</u>

The notes on pages 28 to 66 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

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Income statements for the year ended 31 December 2006

		Group and Bank	
		2006	2005
	Note	RM'000	RM'000
Interest income	19	317,244	222,783
Interest expense	20	(210,738)	(136,440)
Net interest income		106,506	86,343
Non-interest income	21	125,750	107,137
Operating income		232,256	193,480
Other operating expenses	22	(99,597)	(77,521)
Operating profit		132,659	115,959
Loan loss and allowance written back	23	1,477	3,604
Reclassification of provisions from commitments and contingencies to specific allowance	16	2,223	-
Impairment losses from securities available-for-sale		(4,079)	-
Profit before taxation		132,280	119,563
Taxation	26	(29,898)	(36,150)
Profit after taxation		102,382	83,413
Earnings per share (sen)	27	67.5	58.3
Dividend per share (sen) - net	28	34.1	49.4

The notes on pages 28 to 66 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

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Statement of changes in equity for the year ended 31 December 2006

Group and Bank	Share capital RM'000	<--Non-distributable-->		Distributable Retained profits RM'000	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
		Share premium RM'000	Other reserves RM'000				
At 1 January 2005	143,043	113,319	127,189	68,689	309,197	-	452,240
Net profit for the year	-	-	-	83,413	83,413	-	83,413
Transfer to statutory reserves	-	-	20,853	(20,853)	-	-	-
Unrealised net loss on revaluation of securities available-for-sale	-	-	(1,419)	-	(1,419)	-	(1,419)
Proposed dividend – Final 2005	-	-	-	(70,700)	(70,700)	70,700	-
At 31 December 2005	143,043	113,319	146,623	60,549	320,491	70,700	534,234
	Note 17	Note 18	Note 18	Note 18			

Company No. 312552-W

Statement of changes in equity for the year ended 31 December 2006

(continued)

Group and Bank	Share	<--Non-distributable-->		Distributable	Total	Proposed	Total
	capital	Share	Other	Retained profits	reserves	dividend	Total
	RM'000	premium	reserves	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	143,043	113,319	146,623	60,549	320,491	70,700	534,234
Net profit for the year	-	-	-	102,382	102,382	-	102,382
Transfer to statutory reserves	-	-	25,595	(25,595)	-	-	-
Unrealised net gain on revaluation of securities available-for-sale	-	-	2,857	-	2,857	-	2,857
Dividend paid – Final 2005	-	-	-	-	-	(70,700)	(70,700)
Issuance of shares	30,556	244,444	-	-	244,444	-	275,000
Proposed dividend – Final 2006	-	-	-	(59,200)	(59,200)	59,200	-
At 31 December 2006	173,599	357,763	175,075	78,136	610,974	59,200	843,773
	Note 17	Note 18	Note 18	Note 18			

The notes on pages 28 to 66 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

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Cash flow statements for the year ended 31 December 2006

	Group and Bank	
	2006	2005
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	132,280	119,563
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of property, plant and equipment	2,338	2,329
Net gain on disposal of property, plant and equipment	(171)	(163)
Impairment losses from securities available-for-sale	4,079	-
	<hr/>	<hr/>
Operating profit before changes in operating assets	138,526	121,729
(Increase)/Decrease in operating assets		
Securities purchased under resale agreements	(573,077)	(176,231)
Deposits and placements with financial institutions	(353,000)	3,800
Securities held-for-trading	(277,448)	640,981
Loans, advances and financing	79,567	(271,805)
Other assets	(345,294)	(227,026)
Statutory deposit with Bank Negara Malaysia	(4,059)	26,420
Increase/(Decrease) in operating liabilities		
Deposits from customers	2,082,106	74,947
Deposits and placements of banks and other financial institutions	48,935	(463,221)
Obligations on securities sold under repurchase agreements	637,264	634,198
Bills and acceptances payable	(1,290)	(10,191)
Other liabilities	412,867	(32,216)
	<hr/>	<hr/>
Cash generated from operating activities	1,845,097	321,385
Net income taxes paid	(29,444)	(14,744)
	<hr/>	<hr/>
Net cash generated from operating activities	1,815,653	306,641
	<hr/>	<hr/>

Cash flow statements for the year ended 31 December 2006

(continued)

	Group and Bank	
	2006	2005
	RM'000	RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,309)	(1,589)
Proceeds from disposal of property, plant and equipment	381	202
	<hr/>	<hr/>
Net cash used in investing activities	(4,928)	(1,387)
	<hr/>	<hr/>
Cash flows from financing activities		
Dividends paid	(70,700)	-
Proceeds from issuance of share capital	275,000	-
	<hr/>	<hr/>
Net cash generated from financing activities	204,300	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	2,015,025	305,254
Cash and cash equivalents at beginning of year	2,196,515	1,891,261
	<hr/>	<hr/>
Cash and cash equivalents at end of year (Note 3)	4,211,540	2,196,515
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The notes on pages 28 to 66 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad

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Notes to the financial statements

1. Principal activities and General Information

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

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

The 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 financial statements were approved and authorised for issue by the Board of Directors on **20 MAR 2007**.....

2. Significant accounting policies

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years.

The new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") are effective for accounting periods beginning on or after 1 January 2006 or available for early adoption.

For this set of financial statements, the Group and the Bank have chosen not to early adopt the following FRSs:

- FRS 117 Leases, which is effective for financial periods beginning on or after 1 October 2006;
- FRS 124 Related Party Disclosures, which is effective for financial periods beginning on or after 1 October 2006;
- Amendments to FRS 119²⁰⁰⁴ Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosure, which is effective for financial periods beginning on or after 1 January 2007; and
- FRS 139 Financial Instruments: Recognition and Measurement, for which the MASB has yet to announce the effective date of the standard.

2. Significant accounting policies (continued)

The impact of applying FRS 117 Leases, FRS 124 Related Party Disclosures and FRS 139 Financial Instruments: Recognition and Measurement on this financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors are not required to be disclosed by virtue of exemptions provided under paragraph 67B of FRS 117, paragraph 22A of FRS 124 and paragraph 103AB of FRS 139 respectively. There is no significant impact of applying the Amendments to FRS 119²⁰⁰⁴ in the period of initial application.

The adoption of the new and revised FRSs does not have any significant financial impact on the Group in 2006.

(a) Basis of accounting

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, except for the following assets and liabilities which are stated at fair value: securities held-for-trading, securities available-for-sale and derivative financial instruments, as disclosed in the notes to the financial statements and are in accordance with the applicable approved accounting standards in Malaysia for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia's guidelines and comply with the provisions of the Companies Act, 1965.

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

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

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements includes fair value estimation for securities held-for-trading (Note 5), securities available-for-sale (Note 6) and derivative financial assets and liabilities (Note 9 and Note 16) – the fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

2. Significant accounting policies (continued)

(b) Basis of consolidation

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

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

(c) Cash and cash equivalents

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

(d) 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.

(e) Securities

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

i) Securities held-for-trading

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

2. Significant accounting policies (continued)

(f) Securities

ii) *Securities held-to-maturity*

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

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

iii) *Securities available-for-sale*

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

(f) Loans, advances and financing

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

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

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

2. Significant accounting policies (continued)

(f) Loans, advances and financing (continued)

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

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

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

(g) Investments in subsidiary companies

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

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

(h) Property, plant and equipment

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

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

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

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

2. Significant accounting policies (continued)

(i) Impairment

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

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(j) Bills and acceptances payable

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

(k) Taxation

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

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

2. Significant accounting policies (continued)

(k) Taxation (continued)

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

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

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

(l) Recognition of interest income and expense

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

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

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

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

2. Significant accounting policies (continued)

(m) Recognition of fees and other income

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

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

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

(n) Derivatives and Hedge Accounting

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

i) Fair value hedge

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

ii) Cash flow hedge

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

(o) Currency translations

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

2. Significant accounting policies (continued)

(p) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

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

3. Cash and short term funds

	Group and Bank	
	2006	2005
	RM'000	RM'000
Cash and balances with banks and other financial institutions	89,818	89,245
Money at call and deposit placements maturing within one month	4,121,722	2,107,270
	<u>4,211,540</u>	<u>2,196,515</u>

4. Deposits and placements with financial institutions

	Group and Bank	
	2006	2005
	RM'000	RM'000
Other financial institutions	<u>353,000</u>	<u>-</u>

5. Securities held-for-trading

	Group and Bank	
	2006	2005
	RM'000	RM'000
At fair value		
Malaysian Government Treasury Bills	107,440	48,052
Malaysian Government Securities	394,980	307,348
Malaysian Investment Issue	15,899	-
Bank Negara Malaysia Bills	222,403	168,870
Cagamas bonds	18,849	73,377
Khazanah bonds	5,884	6,006
Negotiable instruments of deposit	150,000	-
Private debt securities	116,283	150,637
	<u>1,031,738</u>	<u>754,290</u>

6. Securities available-for-sale

	Group and Bank	
	2006	2005
	RM'000	RM'000
At fair value		
Shares	715	616
Irredeemable convertible unsecured loan stocks quoted in Malaysia	2,069	2,279
	<u>2,784</u>	<u>2,895</u>

7. Securities held-to-maturity

	Group and Bank	
	2006	2005
	RM'000	RM'000
Unquoted securities:		
Shares, at cost	1,591	1,591
	<u>1,591</u>	<u>1,591</u>

8. Loans, advances and financing

	Group and Bank	
	2006	2005
	RM'000	RM'000
Overdrafts	46,760	41,539
Term loans - housing loans	38,409	29,855
- other term loans	332,502	286,365
Bills receivable	21,845	152,841
Claims on customers under acceptance credits	113,883	123,467
Staff loans	4,727	5,320
	<hr/>	<hr/>
Unearned interest	558,126 (511)	639,387 (1,863)
	<hr/>	<hr/>
Gross loans, advances and financing	557,615	637,524
Allowance for bad and doubtful debts		
- General	(23,946)	(23,946)
- Specific	(17,856)	(18,198)
	<hr/>	<hr/>
Net loans, advances and financing	<u>515,813</u>	<u>595,380</u>

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Maturing within one year	490,455	586,916
One year to three years	7,018	2,349
Three years to five years	20,849	15,162
Over five years	39,293	33,097
	<hr/>	<hr/>
	<u>557,615</u>	<u>637,524</u>

8. Loans, advances and financing (continued)

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Domestic business enterprises - SME	1,171	-
- others	478,529	432,499
Individuals	56,240	53,557
Foreign entities	21,675	151,468
	<u>557,615</u>	<u>637,524</u>

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan/financing	4,727	5,320
Variable rate		
- Base lending rate plus	78,196	67,249
- Cost plus	461,092	534,088
- Other variable rates	13,600	30,867
	<u>557,615</u>	<u>637,524</u>

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	-	928
Manufacturing	325,003	262,685
Construction	6,758	11,726
Real estate	6,183	9,805
Purchase of landed property		
- residential	42,546	34,507
- non-residential	1,108	1,599
Wholesale and retail trade and restaurants & hotel	104,054	145,493
Finance, insurance and business services	21,675	151,468
Purchase of transport vehicles	235	315
Others	50,053	18,998
	<u>557,615</u>	<u>637,524</u>

8. Loans, advances and financing (continued)

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Balance at 1 January	23,079	29,070
Classified as non-performing during the year	5,080	1,599
Reclassified as performing during the year	(1,657)	(1,587)
Amount recovered	(2,565)	(3,545)
Amounts written off	-	(2,458)
	<u>23,937</u>	<u>23,079</u>
At end of year	23,937	23,079
Specific allowance for doubtful debts	(17,856)	(18,198)
	<u>6,081</u>	<u>4,881</u>
Net non-performing loans, advances and financing	6,081	4,881
Percentage of net non-performing loans, advances and financing to total loans, advances and financing (net of specific allowance)	1.13%	0.79%

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
General allowance:		
Balance at 1 January/31 December	<u>23,946</u>	<u>23,946</u>
As a % of adjusted gross loans, advances and financing less specific allowance	<u>4.44%</u>	<u>3.87%</u>
Specific allowance:		
Balance at 1 January	18,198	24,152
Reclassification from provision for commitments and contingencies	2,223	49
Amounts recovered	(2,565)	(3,545)
Amounts written off	-	(2,458)
	<u>17,856</u>	<u>18,198</u>
Balance at 31 December	17,856	18,198

8. Loans, advances and financing (continued)

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Manufacturing	12,656	12,409
Purchase of landed properties - residential	6,100	4,899
Wholesale and retail trade and restaurants & hotels	3,515	4,088
Others	1,666	1,683
	<u>23,937</u>	<u>23,079</u>

9. Other assets

	Group and Bank	
	2006	2005
	RM'000	RM'000
Interest/Income receivable	41,455	23,694
Margin placed with exchange	20,433	5,021
Derivatives	795,442	404,521
Other debtors, deposits and prepayments	42,021	120,821
	<u>899,351</u>	<u>554,057</u>

10. Statutory deposit with Bank Negara Malaysia

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

11. Investments in subsidiary companies

	Bank	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	<u>20</u>	<u>20</u>

11. Investments in subsidiary companies (continued)

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

Name	Principal activity	Percentage of equity held	
		2006	2005
DB (Malaysia) Nominee (Tempatan) Sdn. Bhd.	Nominee services	100%	100%
DB (Malaysia) Nominee (Asing) Sdn. Bhd.	Nominee services	100%	100%

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

12. Property, plant and equipment

Group and Bank <i>Cost</i>	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
Additions	58	111	941	90	389	1,589
Disposals	(12)	(125)	(2,598)	(49)	(390)	(3,174)
At 31 December 2005 / At 1 January 2006	6,253	3,685	8,893	3,148	887	22,866
Additions	1,615	108	3,406	180	-	5,309
Disposals	-	(33)	(544)	-	(419)	(996)
At 31 December 2006	7,868	3,760	11,755	3,328	468	27,179
<i>Accumulated depreciation</i>						
At 1 January 2005	5,898	1,951	7,758	2,810	486	18,903
Charge for the year	328	449	1,337	40	175	2,329
Disposals	(12)	(123)	(2,587)	(49)	(364)	(3,135)
At 31 December 2005 / At 1 January 2006	6,214	2,277	6,508	2,801	297	18,097
Charge for the year	95	403	1,633	59	148	2,338
Disposals	-	(32)	(544)	-	(210)	(786)
At 31 December 2006	6,309	2,648	7,597	2,860	235	19,649

12. Property, plant and equipment (continued)

Group and Bank	Renovations RM'000	Office equipment RM'000	Computer equipment and software RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<i>Carrying amounts</i>						
At 1 January 2005	309	1,748	2,792	297	402	5,548
At 31 December 2005 / 1 January 2006	39	1,408	2,385	347	590	4,769
At 31 December 2006	1,559	1,112	4,158	468	233	7,530

13. Deferred tax assets

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

	Group and Bank 2006 RM'000	2005 RM'000
Recognised in income statement		
Property, plant and equipment - capital allowances	(804)	(599)
General allowance for loans	6,466	6,705
Others	12,246	7,360
	<u>17,908</u>	<u>13,466</u>
Recognised in equity		
Revaluation of securities available-for-sale	(132)	974
	<u>17,776</u>	<u>14,440</u>

14. Deposits from customers

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Demand deposits	629,282	412,637	629,302	412,657
Savings deposits	14,384	19,717	14,384	19,717
Fixed deposits	1,473,991	755,829	1,473,991	755,829
Other deposits	1,038,232	-	1,038,232	-
Negotiable instruments of deposit	260,200	145,800	260,200	145,800
	<u>3,416,089</u>	<u>1,333,983</u>	<u>3,416,109</u>	<u>1,334,003</u>

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

	Group and Bank	
	2006 RM'000	2005 RM'000
Due within six months	1,476,197	732,084
More than six months to one year	13,326	17,645
More than one year to three years	766,050	46,800
More than three years to five years	516,850	105,100
	<u>2,772,423</u>	<u>901,629</u>

The deposits are sourced from the following types of customers:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Business enterprises	1,728,025	835,004	1,728,045	835,024
Individuals	65,281	93,717	65,281	93,717
Foreign customers	126,293	56,552	126,293	56,552
Others	1,496,490	348,710	1,496,490	348,710
	<u>3,416,089</u>	<u>1,333,983</u>	<u>3,416,109</u>	<u>1,334,003</u>

15. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2006	2005
	RM'000	RM'000
Licensed banks	200,000	95,000
Other financial institutions	1,769,832	1,825,897
	<u>1,969,832</u>	<u>1,920,897</u>

16. Other liabilities

	Group and Bank	
	2006	2005
	RM'000	RM'000
Provision for commitments and contingencies	1,018	3,241
Interest payable	12,934	5,864
Bills payable	109,727	76,552
Derivatives	685,105	419,701
Employee benefits	26,928	21,277
Other liabilities	212,355	108,565
	<u>1,048,067</u>	<u>635,200</u>

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Balance at 1 January	3,241	3,241
Reclassification of provision from commitments and contingencies to specific allowance	(2,223)	-
	<u>1,018</u>	<u>3,241</u>

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17. Share capital

	Group and Bank	
	2006	2005
	RM'000	RM'000
Ordinary shares of RM1 each:		
Authorised	200,000	200,000
Issued and fully paid		
At 1 January	143,043	143,043
Issued during the year	30,556	-
At 31 December	173,599	143,043

18. Reserves

	Group and Bank	
	2006	2005
	RM'000	RM'000
Non distributable		
Share premium	357,763	113,319
Statutory reserve	174,722	149,127
Revaluation reserve	353	(2,504)
	175,075	146,623
Distributable		
Retained profits	78,136	60,549
	610,974	320,491

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 2006.

19. Interest income

	Group and Bank	
	2006	2005
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	29,300	21,332
- Recoveries from NPL	270	182
Money at call and deposit placements with financial institutions	216,178	143,193
Securities held-for-trading	71,482	58,069
Others	14	7
	<u>317,244</u>	<u>222,783</u>

20. Interest expense

	Group and Bank	
	2006	2005
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	135,195	89,870
Deposits from customers	74,483	45,953
Others	1,060	617
	<u>210,738</u>	<u>136,440</u>

21. Non-interest income

	Group and Bank	
	2006	2005
	RM'000	RM'000
Fee income:		
Commissions	3,684	3,015
Service charges and fees	6,085	5,969
Guarantee fees	940	1,075
Underwriting fees	-	713
Other fee income	-	2,570
	<u>10,709</u>	<u>13,342</u>

21. Non-interest income (continued)

	Group and Bank	
	2006	2005
	RM'000	RM'000
Gains arising from sale of securities held-for-trading	14,819	24,457
Net gains arising from dealing in foreign exchange	37,373	25,794
Net losses arising from trading in derivatives	(33,977)	(15,850)
Net unrealised gains on revaluation of trading portfolio (including derivatives)	78,065	60,518
Unrealised losses from foreign exchange translation	(5,740)	(4,341)
Gross dividends from securities held-to-maturity	77	51
Gain on disposal of property, plant and equipment	211	165
Other operating income, net	24,213	3,001
	<u>115,041</u>	<u>93,795</u>
	<u>125,750</u>	<u>107,137</u>

22. Other operating expenses

	Group and Bank	
	2006	2005
	RM'000	RM'000
Personnel costs		
- Salaries, allowance and bonuses	36,322	27,919
- Contributions to Employee Provident Fund	2,691	2,044
- Others	8,381	4,267
Establishment costs		
- Rental	2,242	2,008
- Depreciation	2,338	2,329
- Others	3,176	2,475
Marketing expenses	7,560	2,397
Administration and general expenses		
- Intercompany expenses	30,261	29,075
- Communication	1,004	1,016
- Auditors' remuneration	88	83
- Loss on disposal of property, plant and equipment	40	2
- Others	5,494	3,906
	<u>99,597</u>	<u>77,521</u>

The number of employees of the Group and the Bank at the end of the year was 132 (2005 - 119).

23. Loan loss and allowance written back

	Group and Bank	
	2006	2005
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing		
Specific allowance		
- Reclassification from provision for commitments and contingencies	(2,223)	-
- Provided for the financial year	-	(49)
- Written back	2,565	3,545
Bad debts on loans and financing		
- Recovered	1,135	108
	<u>1,477</u>	<u>3,604</u>

24. Significant related party transactions and balances

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

2006	Holding company	Subsidiary companies	Other related companies
	RM'000	RM'000	RM'000
Income			
Interest on advances and deposits	82,082	-	-
Other fee income	341	-	-
Other operating income	27,634	-	80
	<u>110,057</u>	<u>-</u>	<u>80</u>
Expenditure			
Interest on advances	123,540	-	-
Other operating expenses	2,814	-	-
Administration and general expenses	30,384	-	279
	<u>156,738</u>	<u>-</u>	<u>279</u>
Amount due from			
Current account	63,532	-	7,181
Short term advances	3,144,709	-	-
Others	22,755	-	77
	<u>3,230,996</u>	<u>-</u>	<u>7,258</u>

24. Significant related party transactions and balances (continued)

2006 (continued)	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due to			
Current account	127,335	20	20,097
Short term advances	1,622,552	-	-
Others	31,305	-	-
	<u>1,781,192</u>	<u>20</u>	<u>20,097</u>
2005			
Income			
Interest on advances and deposits	77,623	-	-
Other fee income	2,332	-	-
Other operating income	15,282	-	(4)
	<u>95,237</u>	<u>-</u>	<u>(4)</u>
Expenditure			
Interest on advances	74,338	-	-
Other operating expenses	10,313	-	-
Administration and general expenses	29,060	-	128
	<u>113,711</u>	<u>-</u>	<u>128</u>
Amount due from			
Current account	24,350	-	7,255
Short term advances	1,104,390	-	-
Others	20,520	-	-
	<u>1,149,260</u>	<u>-</u>	<u>7,255</u>
Amount due to			
Current account	154,833	20	9,848
Short term advances	1,582,202	-	-
Others	36,534	-	-
	<u>1,773,569</u>	<u>20</u>	<u>9,848</u>

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

25. Directors' remuneration

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Executive Directors – in-coming / out-going		
- Salary and other remuneration	4,211	1,356
- Bonuses	1,665	3,570
- Benefits-in-kind	51	79
Non-Executive Directors		
- Fees	573	256
- Other remuneration	54	54
	<u>6,554</u>	<u>5,315</u>

Included in Executive Directors' remuneration is RM3,607,000 paid to the outgoing Executive Director.

26. Taxation

	Group and Bank	
	2006	2005
	RM'000	RM'000
Current income tax		
Malaysian income tax - current	46,342	27,681
- prior year overprovision	(11,997)	-
Deferred tax expense		
Origination and reversal of temporary differences	(5,105)	8,469
Effect of changes in tax rate	658	-
	<u>29,898</u>	<u>36,150</u>
Reconciliation of effective tax expense		
Profit before taxation	132,280	119,563
Income tax using Malaysian tax rates (28%)	37,038	33,478
Non-deductible expenses	2,221	588
Other items	2,636	2,084
	<u>41,895</u>	<u>36,150</u>
Overprovision in prior year	(11,997)	-
	<u>29,898</u>	<u>36,150</u>

27. Earnings per share

Basic / diluted earnings per share

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

	Group and Bank	
	2006	2005
	RM'000	RM'000
Profits attributable to ordinary shareholders	102,382	83,413
Weighted average number of ordinary shares		
Issued ordinary shares as at 1 January	143,043	143,043
Effect of shares issued on 21 September	8,539	-
	<u>151,582</u>	<u>143,043</u>

	Group and Bank	
	2006	2005
	(sen)	(sen)
Basic / diluted earnings per share	<u>67.5</u>	<u>58.3</u>

28. Dividend per share

	2006	2005
	RM'000	RM'000
Bank		
Dividend paid		
Final dividend of 68.6% less 28.0% tax in respect of financial year ended 31 December 2005	<u>70,700</u>	<u>-</u>

The Directors recommend the payment of a final dividend of approximately 46.7% on 173,599,037 ordinary shares of RM1.00 each, less 27% tax amounting to approximately RM59,200,000 in respect of the financial year ended 31 December 2006 for shareholders' approval at the forthcoming Annual General Meeting.

	Gross		Net	
	2006	2005	2006	2005
	(sen)	(sen)	(sen)	(sen)
Bank				
Proposed:				
Final dividend of 46.7%				
(2005 - 68.6%) less 27.0%				
(2005 - 28.0%) tax	<u>46.7</u>	<u>68.6</u>	<u>34.1</u>	<u>49.4</u>

29. Commitments and contingencies

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

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

	Group and Bank					
	Principal amount RM'000	2006 Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	2005 Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	4,008	4,008	4,008	17,332	17,332	6,569
Transaction-related contingent items	618,539	309,270	169,337	295,840	147,920	62,057
Short-term self-liquidating trade-related contingencies	15,339	3,068	1,509	22,412	4,482	3,474
Irrecoverable commitments to extend credit:						
- Maturity not exceeding one year	356,282	-	-	240,036	-	-
- Maturity exceeding one year	992	496	496	1,941	971	971
Foreign exchange related contracts:						
- Less than one year	13,016,126	339,390	100,028	15,596,795	336,893	110,674
- One year to less than 5 years	1,131,524	100,941	27,029	257,642	20,471	4,894
- 5 years and above	2,575,023	418,808	159,152	2,380,975	353,846	136,102
Interest rate related contracts:						
- Less than one year	38,260,000	69,127	13,826	21,038,087	31,016	6,341
- One year to less than 5 years	59,835,714	1,193,965	228,461	28,691,956	648,356	140,925
- 5 years and above	5,809,454	582,733	125,560	1,934,276	183,578	49,585
	<u>121,623,001</u>	<u>3,021,806</u>	<u>829,406</u>	<u>70,477,292</u>	<u>1,744,865</u>	<u>521,592</u>

29. Commitments and contingencies (continued)

Market Risk

Market risk is the potential change in value caused by movements in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2006, the amount of contracts which were not hedged and, hence, exposed to market risk was RM78,892 million (2005 - RM40,618 million).

Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 December 2006, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM795 million (2005 - RM405 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

30. Lease commitments

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

Year	Group and Bank RM'000
2007	2,189
2008	2,189
2009	365

31. Capital adequacy

The capital adequacy ratios of the Bank and the Group as at 31 December 2006 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective 1 April 2005.

	Bank	
	2006	2005
	RM'000	RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	173,599	143,043
Share premium	357,763	113,319
Statutory reserve	174,722	149,127
Retained profits	78,136	60,549
Less: Deferred tax assets	(17,776)	(14,440)
	<hr/>	<hr/>
Total Tier 1 capital	766,444	451,598
Tier 2 capital		
General allowance for bad and doubtful debts	23,946	23,946
	<hr/>	<hr/>
Total Capital	790,390	475,544
Less: Investments in subsidiary companies	(20)	(20)
	<hr/>	<hr/>
Capital base	<u>790,370</u>	<u>475,524</u>
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
	2006	2005
	RM'000	RM'000
0%	881,254	870,616
10%	-	-
20%	6,270,784	2,852,256
50%	460,505	475,127
100%	648,002	557,881
	<hr/>	<hr/>
Total assets for risk-weighted capital ratio	8,260,545	4,755,880
	<hr/>	<hr/>
Total risk weighted assets	2,132,411	1,365,896
Total market risk	3,132,066	2,136,174
	<hr/>	<hr/>
	<u>5,264,477</u>	<u>3,502,070</u>
	<hr/>	<hr/>
Core capital ratio	14.56%	12.90%
Risk-weighted capital ratio	15.01%	13.57%
	<hr/>	<hr/>

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32. Interest rate risk

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

Group and Bank 2006	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
Assets												
Cash and short term funds	4,121,722	-	-	-	-	-	-	-	89,818	-	4,211,540	4.67
Deposits and placement with banks and other financial institutions	-	-	353,000	-	-	-	-	-	-	-	353,000	5.33
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	1,795,778	1,795,778	3.57
Securities held-for-trading	-	-	-	-	-	-	-	-	-	1,031,738	1,031,738	4.99
Securities available-for-sale	-	-	-	-	-	-	-	-	2,784	-	2,784	-
Securities held-to-maturity	-	-	-	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing												
- performing	242,297	140,439	83,782	91	6,927	20,679	170	39,293	-	-	533,678	5.24
- non-performing*	-	-	-	-	-	-	-	-	(17,865)	-	(17,865)	-
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	168,274	795,442	963,716	-
Total assets	4,364,019	140,439	436,782	91	6,927	20,679	170	39,293	244,602	3,622,958	8,875,960	

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2006	Non-trading book							Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000					Over 5 years RM'000
Liabilities and shareholders' equity												
Deposits from customers	752,110	729,581	22,215	45,000	721,050	10,100	394,600	112,150	629,283	-	3,416,089	3.86
Deposits and placement with banks and other financial institutions	1,636,065	200,000	-	-	-	-	-	-	133,767	-	1,969,832	4.51
Obligations on securities sold under repurchase agreements	1,456,848	108,477	-	-	-	-	-	-	-	-	1,565,325	3.35
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	395,836	685,105	1,080,941	-
Total liabilities	3,845,023	1,038,058	22,215	45,000	721,050	10,100	394,600	112,150	1,158,886	685,105	8,032,187	
Shareholders' equity	-	-	-	-	-	-	-	-	843,773	-	843,773	
Total liabilities and shareholders' equity	3,845,023	1,038,058	22,215	45,000	721,050	10,100	394,600	112,150	2,002,659	685,105	8,875,960	
On-balance sheet interest sensitivity gap	518,996	(897,619)	414,567	(44,909)	(714,123)	10,579	(394,430)	(72,857)	(1,758,057)	2,937,853	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-	-	-	
Total interest sensitivity	518,996	(897,619)	414,567	(44,909)	(714,123)	10,579	(394,430)	(72,857)	(1,758,057)	2,937,853	-	

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

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2005	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
Assets												
Cash and short term funds	2,107,270	-	-	-	-	-	-	-	89,245	-	2,196,515	3.83
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	1,222,701	1,222,701	3.02
Securities held-for-trading	-	-	-	-	-	-	-	-	-	754,290	754,290	4.73
Securities available-for-sale	-	-	-	-	-	-	-	-	2,895	-	2,895	-
Securities held-to-maturity	-	-	-	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing - performing	224,581	137,359	204,552	204	1,658	2,670	10,324	33,097	-	-	614,445	5.07
- non-performing*	-	-	-	-	-	-	-	-	(19,065)	-	(19,065)	-
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	203,745	404,521	608,266	-
Total assets	2,331,851	137,359	204,552	204	1,658	2,670	10,324	33,097	278,411	2,381,512	5,381,638	

Company No. 312552-W

32. Interest rate risk (continued)

Group and Bank 2005	Non-trading book							Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000					Over 5 years RM'000
Liabilities and shareholders' equity												
Deposits from customers	564,735	166,673	38,446	-	46,800	21,000	10,100	74,000	412,229	-	1,333,983	2.81
Deposits and placement with banks and other financial institutions	1,762,097	-	-	-	-	-	-	-	158,800	-	1,920,897	3.66
Obligations on securities sold under repurchase agreements	928,061	-	-	-	-	-	-	-	-	-	928,061	2.82
Bills and acceptances payable	1,290	-	-	-	-	-	-	-	-	-	1,290	2.50
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	243,472	419,701	663,173	-
Total liabilities	3,256,183	166,673	38,446	-	46,800	21,000	10,100	74,000	814,501	419,701	4,847,404	
Shareholders' equity	-	-	-	-	-	-	-	-	534,234	-	534,234	
Total liabilities and shareholders' equity	3,256,183	166,673	38,446	-	46,800	21,000	10,100	74,000	1,348,735	419,701	5,381,638	
On-balance sheet interest sensitivity gap	(924,332)	(29,314)	166,106	204	(45,142)	(18,330)	224	(40,903)	(1,070,324)	1,961,811	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-	-	-	
Total interest sensitivity	(924,332)	(29,314)	166,106	204	(45,142)	(18,330)	224	(40,903)	(1,070,324)	1,961,811	-	

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

33. Fair values of financial assets and liabilities

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

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

	2006		2005	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial assets				
Securities held-for-trading	1,031,738	1,031,738	754,290	754,290
Securities available-for-sale	2,784	2,784	2,895	2,895
Securities held-to-maturity	1,591	1,591	1,591	1,591
Loans, advances and financing	515,813	515,591	595,380	594,938

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

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

33. Fair values of financial assets and liabilities (continued)

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

34. Equity compensation benefits

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

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

Share based compensation

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

Deutsche Bank Share Scheme

Under the Deutsche Bank Share Scheme, selected employees are granted deferred share rights to receive DB shares at a specific future date. 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.

During the year, RM714,000 (2005 – Nil) of expense was recognised in the income statement.

34. Equity compensation benefits (continued)

Deutsche Bank Share Scheme (continued)

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

	2006 Number	2005 Number
Outstanding at 1 January	301	603
Net transferred in during the year	(85)	-
Granted during the year	2,555	-
Vested to employees during the year	(1,068)	(302)
	<hr/>	<hr/>
Outstanding at 31 December	1,703	301
	<hr/> <hr/>	<hr/> <hr/>
	2006 EUR'000	2005 EUR'000
Grant value of share awards outstanding at 31 December	162	19
Grant value of share awards issued to the Scheme in the year	253	-
Grant value of share awards vested to employees in the year	95	19

Deutsche Bank Restricted Equity Unit Plan

Under the Deutsche Bank Restricted Equity Unit Plan, selected employees are granted deferred share rights to receive DB shares at specific future dates as a retention incentive. The compensation expense is recognised on a straight line basis over the vesting period, which is generally four to five years. In case employment is terminated before the vesting date, some plan rules allow employees to retain their awards upon fulfilment of certain conditions regarding tenure of service and age (this is referred to as the career retirement definition). In this case, the amortisation period is shortened to end at the date when the employee meets the career retirement eligibility criteria. The selected employees are also granted exceptional awards as a component of the Restricted Equity Units as an additional retention incentive that is forfeited if the participant terminates employment for any reason prior to the end of the vesting period.

During the year, RM3,434,000 (2005 - RM997,000) was recognised in the income statement.

34. Equity compensation benefits (continued)

Deutsche Bank Restricted Equity Unit Plan (continued)

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

	2006 Number	2005 Number
Outstanding at 1 January	27,439	33,999
Net transferred in during the year	-	(2,080)
Granted during the year	3,156	5,745
Vested to employees during the year	(3,825)	-
Forfeited/lapsed during the year	-	(10,225)
	<hr/>	<hr/>
Outstanding at 31 December	26,770	27,439
	<hr/> <hr/>	<hr/> <hr/>

	2006 EUR'000	2005 EUR'000
Grant value of share awards outstanding at 31 December	1,431	1,451
Grant value of share awards issued to the Scheme in the year	267	374
Grant value of share awards vested to employees in the year	287	-

Deutsche Bank Global Partnership Plan

Performance Options ("POs")

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

Partnership Appreciation Rights ("PARs")

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

34. Equity compensation benefits (continued)

Partnership Appreciation Rights ("PARs") (continued)

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

	2006 Number	2005 Number
Outstanding at 1 January	10,045	10,045
Exercised during the year	(10,045)	-
Outstanding at 31 December	<u>-</u>	<u>10,045</u>

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

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

Stock Appreciation Rights Plans

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

During the year, RM90,000 (2005 - RM13,000) of expenses were recognised in the income statement.

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

	2006 Number	2005 Number
Outstanding at 1 January	3,242	5,663
Lapsed/Forfeited	-	(597)
Exercised during the year	(3,242)	(1,824)
Outstanding at 31 December	<u>-</u>	<u>3,242</u>

34. Equity compensation benefits (continued)

Stock Appreciation Rights Plans (continued)

Terms of unexpired and unexercised options at balance sheet date:

Exercise period	Strike price EUR	2006 Number	2005 Number
January 2005 – January 2007	67.00	-	3,242

DB Global Share Plan

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

During the year, RM362,000 (2005 - RM258,000) of expense was recognised in the income statement.

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

	2006 Number	2005 Number
Outstanding as 1 January	1,011	1,070
Net transferred during the year	9	-
Granted during the year	1,010	1,011
Vested to employees during the year	(930)	(942)
Forfeited / lapsed during the year	(90)	(128)
	<u>1,010</u>	<u>1,011</u>
	<u>1,010</u>	<u>1,011</u>
	2006 EUR'000	2005 EUR'000
Grant value of share awards outstanding at 31 December	99	78
Grant value of share awards issued to the Plan in the year	99	78
Grant value of share awards vested to employees in the year	72	73

34. Equity compensation benefits (continued)

DB Global Share Plan (continued)

In 2002 and 2003 eligible employees could purchase up to 20 shares at market price. For each share purchased the participant received five options. Compensation expense for options awarded is recognised over the vesting period in accordance with the fair value based method. No options were exercised during the year.

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

	2006 Number	2005 Number
Outstanding at 1 January	300	1,150
Net transferred during the year	64	-
Forfeited / lapsed during the year	-	(850)
	<u>364</u>	<u>300</u>
Outstanding at 31 December	<u>364</u>	<u>300</u>

No options were granted since year 2003.

Terms of unexpired and unexercised options at balance sheet date:

Exercise period	Strike price EUR	2006 Number	2005 Number
January 2006 – November 2009	75.24	364	300

35. Comparative figures

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated to conform to current year's presentation requirements:

	Group and Bank	
	As restated RM'000	As previously reported RM'000
Notes to the financial statements as at 31 December 2005 (Note 31)		
Total market risk	2,136,174	862,022
	<u>2,136,174</u>	<u>862,022</u>
Core capital ratio	12.90%	20.27%
Risk-weighted capital ratio	13.57%	21.34%
	<u>13.57%</u>	<u>21.34%</u>