

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

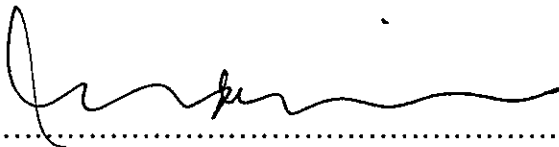
**Financial statements for the year  
ended 31 December 2007**

**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 68 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards 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 2007 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: 28 March 2008

**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**

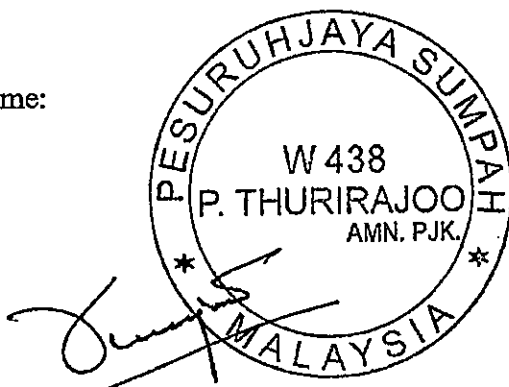
I, Liew Yeh Yin, being the officer primarily responsible for the financial management of Deutsche Bank (Malaysia) Berhad, do solemnly, and sincerely declare that, to the best of my knowledge and belief, the financial statements set out on pages 21 to 68 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 28 March 2008.



.....  
**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 68. 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 Financial Reporting Standards 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 2007 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.

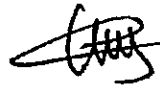
Company No. 312552-W

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: 2679/11/09(J)

Kuala Lumpur,

Date: 28 March 2008

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

**Balance sheets at 31 December 2007**

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Assets</b>					
Cash and short term funds	3	2,294,493	4,211,540	2,294,493	4,211,540
Securities purchased under resale agreement		5,589,379	1,795,778	5,589,379	1,795,778
Deposits and placements with financial institutions	4	-	353,000	-	353,000
Securities held-for-trading	5	2,523,351	1,031,738	2,523,351	1,031,738
Securities available-for-sale	6	3,621	2,784	3,621	2,784
Securities held-to-maturity	7	1,591	1,591	1,591	1,591
Loans, advances and financing	8	709,359	515,813	709,359	515,813
Other assets	9	1,015,541	899,351	1,015,541	899,351
Statutory deposit with Bank Negara Malaysia	10	3,059	39,059	3,059	39,059
Investments in subsidiary companies	11	-	-	20	20
Plant and equipment	12	6,182	7,530	6,182	7,530
Deferred tax assets	13	16,394	17,776	16,394	17,776
<b>Total assets</b>		<u>12,162,970</u>	<u>8,875,960</u>	<u>12,162,990</u>	<u>8,875,980</u>
<b>Liabilities and shareholders' funds</b>					
Deposits from customers	14	4,375,926	3,416,089	4,375,946	3,416,109
Deposits and placements of banks and other financial institutions	15	2,726,280	1,969,832	2,726,280	1,969,832
Obligations on securities sold under repurchase agreements		3,109,136	1,565,325	3,109,136	1,565,325
Other liabilities	16	1,003,621	1,048,067	1,003,621	1,048,067
Taxation		22,021	32,874	22,021	32,874
<b>Total liabilities</b>		<u>11,236,984</u>	<u>8,032,187</u>	<u>11,237,004</u>	<u>8,032,207</u>

**Balance sheets at 31 December 2007 (continued)**

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Share capital</b>	17	173,599	173,599	173,599	173,599
<b>Reserves</b>	18	752,387	610,974	752,387	610,974
<b>Proposed dividend</b>	28	-	59,200	-	59,200
<b>Shareholders' funds</b>		<u>925,986</u>	<u>843,773</u>	<u>925,986</u>	<u>843,773</u>
<b>Total liabilities and shareholders' funds</b>		<u>12,162,970</u>	<u>8,875,960</u>	<u>12,162,990</u>	<u>8,875,980</u>
<b>Commitments and contingencies</b>	29	<u>137,187,491</u>	<u>121,623,001</u>	<u>137,187,491</u>	<u>121,623,001</u>

The notes on pages 28 to 68 are an integral part of these financial statements.

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

**Income statements for the year ended 31 December 2007**

		<b>Group and Bank</b>	
		<b>2007</b>	<b>2006</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	19	400,068	317,244
Interest expense	20	(264,679)	(207,917)
Net interest income		<u>135,389</u>	<u>109,327</u>
Non-interest income	21	156,788	122,929
Operating income		<u>292,177</u>	<u>232,256</u>
Other operating expenses	22	(102,480)	(99,597)
Operating profit		<u>189,697</u>	<u>132,659</u>
Loan loss and allowance written back	23	7,163	1,477
Reclassification of provisions from specific allowance to commitment and contingencies	16	(2,256)	2,223
Impairment losses from securities available-for-sale		(106)	(4,079)
<b>Profit before taxation</b>		<u>194,498</u>	<u>132,280</u>
Taxation	26	(53,793)	(29,898)
<b>Profit after taxation</b>		<u>140,705</u>	<u>102,382</u>
Earnings per share (sen)	27	<u>81.1</u>	<u>67.5</u>
Dividend per share (sen) - net	28	<u>-</u>	<u>34.1</u>

The notes on pages 28 to 68 are an integral part of these financial statements.



## Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

### and its subsidiaries

## Statement of changes in equity for the year ended 31 December 2007

Group and Bank	Share	<--Non-distributable-->		Distributable	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
	capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits 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	-
<b>At 31 December 2006</b>	<b>173,599</b>	<b>357,763</b>	<b>175,075</b>	<b>78,136</b>	<b>610,974</b>	<b>59,200</b>	<b>843,773</b>
	Note 17	Note 18	Note 18	Note 18			

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## Statement of changes in equity for the year ended 31 December 2007 (continued)

Group and Bank	<--Non-distributable-->		Distributable		Total reserves RM'000	Proposed dividend RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000			
<b>At 1 January 2007</b>	173,599	357,763	175,075	78,136	610,974	59,200	843,773
Net profit for the year	-	-	-	140,705	140,705	-	140,705
Unrealised net gain on revaluation of securities available-for-sale	-	-	708	-	708	-	708
Dividend paid – Final 2006	-	-	-	-	-	(59,200)	(59,200)
<b>At 31 December 2007</b>	<u>173,599</u>	<u>357,763</u>	<u>175,783</u>	<u>218,841</u>	<u>752,387</u>	<u>-</u>	<u>925,986</u>
	Note 17	Note 18	Note 18	Note 18			

The notes on pages 28 to 68 are an integral part of these financial statements.

## Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

### and its subsidiaries

## Cash flow statements for the year ended 31 December 2007

	Group and Bank	
	2007	2006
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	194,498	132,280
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of plant and equipment	2,531	2,338
Net gain on disposal of plant and equipment	(1)	(171)
Impairment losses from securities available-for-sale	106	4,079
	<hr/>	<hr/>
Operating profit before changes in operating assets	197,134	138,526
(Increase)/Decrease in operating assets		
Securities purchased under resale agreements	(3,793,601)	(573,077)
Deposits and placements with financial institutions	353,000	(353,000)
Securities held-for-trading	(1,491,613)	(277,448)
Loans, advances and financing	(193,546)	79,567
Other assets	(116,190)	(345,294)
Statutory deposit with Bank Negara Malaysia	36,000	(4,059)
Increase/(Decrease) in operating liabilities		
Deposits from customers	959,837	2,082,106
Deposits and placements of banks and other financial institutions	756,448	48,935
Obligations on securities sold under repurchase agreements	1,543,811	637,264
Bills and acceptances payable	-	(1,290)
Other liabilities	(44,446)	412,867
	<hr/>	<hr/>
Cash (used in)/generated from operating activities	(1,793,166)	1,845,097
Net income taxes paid	(63,499)	(29,444)
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<b>Net cash (used in)/generated from operating activities</b>	<b>(1,856,665)</b>	<b>1,815,653</b>
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## Cash flow statements for the year ended 31 December 2007 (continued)

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(1,183)	(5,309)
Proceeds from disposal of plant and equipment	1	381
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(1,182)</b>	<b>(4,928)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividends paid	(59,200)	(70,700)
Proceeds from issuance of share capital	-	275,000
	<hr/>	<hr/>
<b>Net cash (used in)/generated from financing activities</b>	<b>(59,200)</b>	<b>204,300</b>
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,917,047)	2,015,025
Cash and cash equivalents at beginning of year	4,211,540	2,196,515
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<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>2,294,493</b>	<b>4,211,540</b>
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The notes on pages 28 to 68 are an integral part of these financial statements.

# Deutsche Bank (Malaysia) Berhad

(Company No. 312552-W)

(Incorporated in Malaysia)

## and its subsidiaries

### Notes to the financial statements

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2008.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with applicable approved Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (“MASB”) as modified by Bank Negara Malaysia Guidelines, accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the new and revised FRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for the financial period beginning on 1 January 2007 as follows:

- (i) FRS 117 *Leases*
- (ii) FRS 124 *Related Party Disclosure*

The MASB has also issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007, and that have not been applied in preparing these financial statements:

<b>FRSs / Interpretations</b>	<b>Effective date</b>
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007

## 1. Basis of preparation (continued)

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

FRSs / Interpretations	Effective date
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group and the Bank plan to apply the rest of the abovementioned FRSs (except for FRS 139 of which effective date has yet to be announced) for the annual period beginning on 1 January 2008. The initial application of the said FRSs is not expected to have any material impact on the financial statements of the Group and the Bank.

FRS 111, FRS 120, FRS 134, IC Interpretations 1, 2, 5, 6, 7 and 8 are not applicable to the Group and the Bank. Hence, no further disclosures are warranted.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in paragraph 103 AB of FRS 139.

### (b) Basis of measurement

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

## 1. Basis of preparation (continued)

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements includes fair value estimation for securities held-for-trading (Note 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

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

### (a) Basis of consolidation

#### (i) *Subsidiaries*

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

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

## 2. Significant accounting policies (continued)

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

#### (i) *Subsidiaries (continued)*

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

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

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

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

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

### (b) Cash and cash equivalents

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

### (c) Resale and repurchase agreements

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

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



## 2. Significant accounting policies (continued)

### (d) Securities

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

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

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

#### (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.

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

### **(e) 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.

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

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

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

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

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

### **(f) Investments in subsidiary companies**

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

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

## 2. Significant accounting policies (continued)

### (g) Plant and equipment

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

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

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

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

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

#### (ii) *Subsequent costs*

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

#### (iii) *Depreciation*

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

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

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

## 2. Significant accounting policies (continued)

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

#### (iii) Depreciation (continued)

The depreciable amount is determined after deducting the residual value.

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

### (h) Impairment

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

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

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

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

### (i) Tax expense

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

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

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

### **(i) Tax expense (continued)**

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

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

### **(j) 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)

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

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

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

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

### (l) Derivatives and hedge accounting

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

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

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

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

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

### (m) Foreign currency

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

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

## 2. Significant accounting policies (continued)

### (n) Employee benefits

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

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

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

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

### (o) Operating lease

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

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

### (p) Provisions

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

**3. Cash and short term funds**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	93,740	89,818
Money at call and deposit placements maturing within one month	2,200,753	4,121,722
	<u>2,294,493</u>	<u>4,211,540</u>

**4. Deposits and placements with financial institutions**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Other financial institutions	-	353,000
	<u>-</u>	<u>353,000</u>

**5. Securities held-for-trading**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian Government Treasury Bills	4,961	107,440
Malaysian Government Securities	226,585	394,980
Malaysian Investment Issue	17,490	15,899
Bank Negara Malaysia Bills	654,386	222,403
Cagamas bonds	6,388	18,849
Khazanah bonds	1,849	5,884
Negotiable instruments of deposit	1,598,400	150,000
Private debt securities	13,292	116,283
	<u>2,523,351</u>	<u>1,031,738</u>



**6. Securities available-for-sale**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Shares	1,121	715
Irredeemable convertible unsecured loan stocks quoted in Malaysia	2,500	2,069
	<u>3,621</u>	<u>2,784</u>

**7. Securities held-to-maturity**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted securities:		
Shares, at cost	<u>1,591</u>	<u>1,591</u>

**8. Loans, advances and financing**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	15,141	46,760
Term loans - housing loans	39,957	38,409
- other term loans	508,764	332,502
Bills receivable	58,290	21,845
Claims on customers under acceptance credits	111,896	113,883
Staff loans	5,424	4,727
	<u>739,472</u>	<u>558,126</u>
Unearned interest	(451)	(511)
	<u>739,021</u>	<u>557,615</u>
Gross loans, advances and financing	739,021	557,615
Allowance for bad and doubtful debts		
- General	(23,946)	(23,946)
- Specific	(5,716)	(17,856)
	<u>709,359</u>	<u>515,813</u>

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

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Maturing within one year	675,021	490,455
One year to three years	19,031	7,018
Three years to five years	1,964	20,849
Over five years	43,005	39,293
	<u>739,021</u>	<u>557,615</u>

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Domestic banking institutions	6,844	-
Domestic business enterprises - SME	-	1,171
- others	630,757	478,529
Individuals	50,088	56,240
Foreign entities	51,332	21,675
	<u>739,021</u>	<u>557,615</u>

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan/financing	5,424	4,727
Variable rate		
- Base lending rate plus	46,117	78,196
- Cost plus	678,079	461,092
- Other variable rates	9,401	13,600
	<u>739,021</u>	<u>557,615</u>

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

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Manufacturing	298,678	325,003
Construction	48,011	6,758
Real estate	2,262	6,183
Purchase of landed property		
- residential	44,720	42,546
- non-residential	360	1,108
Wholesale and retail trade and restaurants & hotel	131,562	104,054
Finance, insurance and business services	154,691	21,675
Purchase of transport vehicles	210	235
Others	58,527	50,053
	<u>739,021</u>	<u>557,615</u>

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Balance at 1 January	23,937	23,079
Classified as non-performing during the year	3,628	5,080
Reclassified as performing during the year	(2,980)	(1,657)
Amount recovered	(6,512)	(2,565)
Amounts written off	(5,680)	-
	<u>12,393</u>	<u>23,937</u>
Specific allowance for doubtful debts	(5,716)	(17,856)
	<u>6,677</u>	<u>6,081</u>
Net non-performing loans, advances and financing	<u>6,677</u>	<u>6,081</u>
Percentage of net non-performing loans, advances and financing to total loans, advances and financing (net of specific allowance)	<u>0.91%</u>	<u>1.13%</u>

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

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
General allowance:		
Balance at 1 January/31 December	23,946	23,946
	<u>          </u>	<u>          </u>
As a % of adjusted gross loans, advances and financing less specific allowance	3.27%	4.44%
	<u>          </u>	<u>          </u>
Specific allowance:		
Balance at 1 January	17,856	18,198
Reclassification (to)/from provision for commitment and contingencies	(2,256)	2,223
Amounts recovered	(4,256)	(2,565)
Amounts written off	(5,680)	-
Allowance made during the year	52	-
	<u>          </u>	<u>          </u>
Balance at 31 December	5,716	17,856
	<u>          </u>	<u>          </u>

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Manufacturing	5,519	12,656
Purchase of landed properties - residential	6,742	6,100
Wholesale and retail trade and restaurants & hotels	-	3,515
Others	132	1,666
	<u>          </u>	<u>          </u>
	12,393	23,937
	<u>          </u>	<u>          </u>

## 9. Other assets

	Group and Bank	
	2007	2006
	RM'000	RM'000
Interest/Income receivable	36,489	41,455
Margin placed with exchange	12,111	20,433
Derivatives	927,984	795,442
Other debtors, deposits and prepayments	38,957	42,021
	<u>1,015,541</u>	<u>899,351</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	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	<u>20</u>	<u>20</u>

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

Name	Principal activity	Percentage of equity held	
		2007	2006
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. Plant and equipment

<b>Group and Bank Cost</b>	<b>Renovations RM'000</b>	<b>Office equipment RM'000</b>	<b>Computer equipment and software RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
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 / 1 January 2007	7,868	3,760	11,755	3,328	468	27,179
Additions	580	66	537	-	-	1,183
Disposals	-	(12)	(34)	-	-	(46)
At 31 December 2007	8,448	3,814	12,258	3,328	468	28,316
<b><i>Accumulated depreciation</i></b>						
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 / 1 January 2007	6,309	2,648	7,597	2,860	235	19,649
Charge for the year	391	411	1,584	67	78	2,531
Disposals	-	(12)	(34)	-	-	(46)
At 31 December 2007	6,700	3,047	9,147	2,927	313	22,134
<b><i>Carrying amounts</i></b>						
At 1 January 2006	39	1,408	2,385	347	590	4,769
At 31 December 2006 / 1 January 2007	1,559	1,112	4,158	468	233	7,530
At 31 December 2007	1,748	767	3,111	401	155	6,182

### 13. Deferred tax assets

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

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Recognised in income statement</b>		
Plant and equipment		
- capital allowances	(723)	(804)
General allowance for loans	6,466	6,466
Others	10,748	12,246
	<u>16,491</u>	<u>17,908</u>
<b>Recognised in equity</b>		
Revaluation of securities available-for-sale	(97)	(132)
	<u>16,394</u>	<u>17,776</u>

### 14. Deposits from customers

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	506,267	629,282	506,287	629,302
Savings deposits	12,633	14,384	12,633	14,384
Fixed deposits	327,065	1,473,991	327,065	1,473,991
Other deposits	3,112,761	1,038,232	3,112,761	1,038,232
Negotiable instruments of deposit	417,200	260,200	417,200	260,200
	<u>4,375,926</u>	<u>3,416,089</u>	<u>4,375,946</u>	<u>3,416,109</u>

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

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	1,485,381	1,476,197
More than six months to one year	65,394	13,326
More than one year to three years	1,467,651	766,050
More than three years to five years	838,600	516,850
	<u>3,857,026</u>	<u>2,772,423</u>

## 14. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Business enterprises	1,612,562	1,728,025	1,612,582	1,728,045
Individuals	65,913	65,281	65,913	65,281
Foreign customers	77,502	126,293	77,502	126,293
Others	2,619,949	1,496,490	2,619,949	1,496,490
	<u>4,375,926</u>	<u>3,416,089</u>	<u>4,375,946</u>	<u>3,416,109</u>

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

	Group and Bank	
	2007 RM'000	2006 RM'000
Licensed banks	6,000	200,000
Other financial institutions	2,720,280	1,769,832
	<u>2,726,280</u>	<u>1,969,832</u>

## 16. Other liabilities

	Group and Bank	
	2007 RM'000	2006 RM'000
Provision for commitments and contingencies	3,274	1,018
Interest payable	35,046	12,934
Bills payable	90,764	109,727
Derivatives	686,230	685,105
Employee benefits	33,198	26,928
Other liabilities	155,109	212,355
	<u>1,003,621</u>	<u>1,048,067</u>



## 16. Other liabilities (continued)

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
Balance at 1 January	1,018	3,241
Reclassification of provision from/(to) specific allowance to/(from) commitment and contingencies	2,256	(2,223)
Balance at 31 December	<u>3,274</u>	<u>1,018</u>

## 17. Share capital

Group and Bank	Number of shares		Amount	
	2007	2006	2007	2006
	'000	'000	RM'000	RM'000
<i>Authorised:</i>				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
<i>Issued and fully paid:</i>				
At 1 January	173,599	143,043	173,599	143,043
Issued during the year	-	30,556	-	30,556
At 31 December	<u>173,599</u>	<u>173,599</u>	<u>173,599</u>	<u>173,599</u>

## 18. Reserves

	Group and Bank	
	2007	2006
	RM'000	RM'000
Non distributable		
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Revaluation reserve	1,061	353
	<u>175,783</u>	<u>175,075</u>
Distributable		
Retained profits	218,841	78,136
	<u>752,387</u>	<u>610,974</u>

The statutory reserve is maintained in compliance with Section 36 of the Banking and

## 18. Reserves (continued)

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 2007.

## 19. Interest income

	Group and Bank	
	2007	2006
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	32,089	29,300
- Recoveries from NPL	1,077	270
Money at call and deposit placements with financial institutions	285,885	216,178
Securities held-for-trading	80,997	71,482
Others	20	14
	<u>400,068</u>	<u>317,244</u>

## 20. Interest expense

	Group and Bank	
	2007	2006
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	137,033	135,195
Deposits from customers	125,905	71,662
Others	1,741	1,060
	<u>264,679</u>	<u>207,917</u>

## 21. Non-interest income

	Group and Bank	
	2007	2006
	RM'000	RM'000
Fee income:		
Commissions	1,104	3,684
Service charges and fees	13,088	6,085
Guarantee fees	1,640	940
Arranger fees	900	-

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

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
(Losses)/Gains arising from sale of securities held-for-trading	(7,648)	14,819
Net gains/(losses) arising from trading in derivatives	45,657	(36,798)
Net unrealised gains on revaluation of trading portfolio (including derivatives)	58,479	78,065
Net gains arising from dealing in foreign exchange	70,138	37,373
Unrealised losses from foreign exchange translation	(50,693)	(5,740)
Gross dividends from securities held-to-maturity	110	77
Gain on disposal of plant and equipment	1	211
Other operating income, net	24,012	24,213
	<u>140,056</u>	<u>112,220</u>
	<u>156,788</u>	<u>122,929</u>

**22. Other operating expenses**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs		
- Salaries, allowances and bonuses	45,162	36,322
- Contributions to Employee Provident Fund	6,899	5,545
- Others	3,236	5,527
Establishment costs		
- Rental	2,295	2,242
- Depreciation	2,531	2,338
- Others	3,765	3,176
Marketing expenses	2,955	7,560
Administration and general expenses		
- Intercompany expenses	28,503	30,261
- Communication	1,178	1,004
- Auditors' remuneration		
- statutory audit fee	98	88
- other services	157	14
- Loss on disposal of plant and equipment	-	40
- Others	5,701	5,480
	<u>102,480</u>	<u>99,597</u>

The number of employees of the Group and the Bank at the end of the year was 150

## 23. Loan loss and allowance written back

	Group and Bank	
	2007	2006
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing		
Specific allowance		
- Reclassification to/(from) provision for commitments and contingencies	2,256	(2,223)
- Provided for the financial year	(52)	-
- Written back	4,256	2,565
Bad debts on loans and financing		
- Recovered	703	1,135
	<u>7,163</u>	<u>1,477</u>

## 24. 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 (see note 11), 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 25.

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

2007	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Income</i>			
Interest on advances and deposits	156,022	-	-
Other fee income	428	-	-
Other operating income	32,745	-	1,863
	<u>189,195</u>	<u>-</u>	<u>1,863</u>

**24. Related parties (continued)**

2007	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Expenditure</i>			
Interest on advances	72,718	-	-
Other operating expenses	28,870	-	-
Administration and general expenses	11,253	-	-
	<u>112,841</u>	<u>-</u>	<u>-</u>
<i>Amount due from</i>			
Cash and short term funds	854,634	-	-
Other assets	36,890	-	767
	<u>891,524</u>	<u>-</u>	<u>767</u>
<i>Amount due to</i>			
Deposits and placements of banks and other financial institutions	2,466,298	20	430,629
Other liabilities	67,585	-	-
	<u>2,533,883</u>	<u>20</u>	<u>430,629</u>
<b>2006</b>			
<i>Income</i>			
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>
<i>Expenditure</i>			
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>

## 24. Related parties (continued)

2006	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
<i>Amount due from</i>			
Cash and short term funds	3,208,241	-	7,181
Other assets	22,755	-	77
	<u>3,230,996</u>	<u>-</u>	<u>7,258</u>
<i>Amount due to</i>			
Deposits and placements of banks and other financial institutions	1,749,887	20	20,097
Other liabilities	31,305	-	-
	<u>1,781,192</u>	<u>20</u>	<u>20,097</u>

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

## 25. Key management personnel compensation

The key management personnel compensations are as follows:-

	Group and Bank	
	2007 RM'000	2006 RM'000
Executive Directors		
- Salary and other remuneration	1,650	4,211
- Bonuses	2,084	1,665
- Benefits-in-kind	79	51
Non-Executive Directors		
- Fees	600	573
- Other remuneration	79	54
	<u>4,492</u>	<u>6,554</u>

Included in Executive Directors' remuneration of financial year 2006 was RM3,607,000 paid to the out-going Executive Director.

## 25. Key management personnel compensation (continued)

	Group and Bank	
	2007	2006
	RM'000	RM'000
Other key management personnel:		
- Short-term employee benefits	3,817	2,758
- Share-based payments	22	-
	<u>3,839</u>	<u>2,758</u>

Other key management personnel comprises 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.

## 26. Taxation

	Group and Bank	
	2007	2006
	RM'000	RM'000
Current income tax		
Malaysian income tax - current	55,600	46,342
- prior year overprovision	(1,993)	(11,997)
Deferred tax expense		
Origination and reversal of temporary differences	(482)	(5,105)
Effect of changes in tax rate*	668	658
	<u>53,793</u>	<u>29,898</u>
<b>Reconciliation of effective tax expense</b>		
Profit before taxation	194,498	132,280
Tax expense	(53,793)	(29,898)
	<u>140,705</u>	<u>102,382</u>
Tax at Malaysian tax rate of 27% (2006 - 28%)	52,514	37,038
Non-deductible expenses	316	2,221
Effect of changes in tax rate*	668	658
Other items	2,288	1,978
	<u>55,786</u>	<u>41,895</u>
Overprovision in prior year	(1,993)	(11,997)
	<u>53,793</u>	<u>29,898</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	
	2007	2006
	RM'000	RM'000
Profits attributable to ordinary shareholders	140,705	102,382
Weighted average number of ordinary shares		
Issued ordinary shares as at 1 January	173,599	143,043
Effect of shares issued	-	8,539
	<u>173,599</u>	<u>151,582</u>

	Group and Bank	
	2007	2006
	(sen)	(sen)
Basic / diluted earnings per share	<u>81.1</u>	<u>67.5</u>

## 28. Dividend per share

	2007	2006
	RM'000	RM'000
<b>Bank</b>		
Dividend paid		
Final dividend of 46.7% less 27% tax in respect of financial year ended 2006	59,200	-
Final dividend of 68.6% less 28% tax in respect of financial year ended 2005	-	70,700
	<u>-</u>	<u>70,700</u>

The Directors do not recommend any dividend to be paid for the financial year under review.



## 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:

	<b>Group and Bank</b>					
	<b>Principal amount RM'000</b>	<b>2007 Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>	<b>Principal amount RM'000</b>	<b>2006 Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	217	217	217	4,008	4,008	4,008
Transaction-related contingent items	668,366	334,183	146,405	618,539	309,270	169,337
Short-term self-liquidating trade-related contingencies	55,022	11,004	4,927	15,339	3,068	1,509
Irrecoverable commitments to extend credit:						
- Maturity not exceeding one year	744,008	148,802	147,293	356,282	-	-
- Maturity exceeding one year	549	275	206	992	496	496
Foreign exchange related contracts:						
- Less than one year	15,972,437	388,970	154,621	13,016,126	339,390	100,028
- One year to less than 5 years	2,496,245	282,267	167,720	1,131,524	100,941	27,029
- 5 years and above	3,508,079	516,784	230,401	2,575,023	418,808	159,152
Interest rate related contracts:						
- Less than one year	39,999,488	80,526	32,480	38,260,000	69,127	13,826
- One year to less than 5 years	63,008,502	1,333,335	463,756	58,987,997	1,193,965	228,461
- 5 years and above	9,008,899	874,460	435,330	5,785,450	582,733	125,560
Equity and commodity related contracts:						
- Less than one year	549,209	-	-	-	-	-
- One year to less than 5 years	1,051,773	-	-	847,717	-	-
- 5 years and above	124,697	-	-	24,004	-	-
	137,187,491	3,970,823	1,783,356	121,623,001	3,021,806	829,406

## 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 2007, the amount of contracts which were not hedged and, hence, exposed to market risk was RM71,118 million (2006 - RM78,892 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 2007, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM928 million (2006 - RM795 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. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	2,295	2,242
Between one and five years	2,295	4,590
	<u>4,590</u>	<u>6,832</u>

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.

### 31. Capital adequacy

	Bank	
	2007 RM'000	2006 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	218,841	78,136
Less: Deferred tax assets	(16,394)	(17,776)
	<hr/>	<hr/>
Total Tier 1 capital	908,531	766,444
Tier 2 capital		
General allowance for bad and doubtful debts	23,946	23,946
	<hr/>	<hr/>
Total Capital	932,477	790,390
Less: Investments in subsidiary companies	(20)	(20)
	<hr/>	<hr/>
Capital base	<u>932,457</u>	<u>790,370</u>
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
	2007 RM'000	2006 RM'000
0%	809,841	881,254
10%	-	-
20%	4,665,932	6,270,784
50%	636,745	460,505
100%	821,666	648,002
	<hr/>	<hr/>
Total assets for risk-weighted capital ratio	6,934,184	8,260,545
	<hr/>	<hr/>
Total risk weighted assets	2,073,225	2,132,411
Total market risk	3,420,379	3,132,066
	<hr/>	<hr/>
	<u>5,493,604</u>	<u>5,264,477</u>
	<hr/>	<hr/>
Core capital ratio	16.54%	14.56%
Risk-weighted capital ratio	<u>16.97%</u>	<u>15.01%</u>

## 32. Risk Management

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

### Credit risk

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

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

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

### Market risk

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

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

## 32. Risk Management (continued)

### Liquidity risk

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

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

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

### Operational Risk

Operational risk refers to the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal risk, but excludes strategic (business) and reputational 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 we ensure a close monitoring and high awareness for operational risk.

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### 33. 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 2007	Non-trading book							Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000					Over 5 years RM'000
<b>Assets</b>												
Cash and short term funds	2,200,753	-	-	-	-	-	-	-	93,740	-	2,294,493	4.63%
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	5,589,379	5,589,379	3.48%
Securities held-for-trading	-	-	-	-	-	-	-	-	-	2,523,351	2,523,351	3.58%
Securities available-for-sale	-	-	-	-	-	-	-	-	3,621	-	3,621	-
Securities held-to-maturity	-	-	-	-	-	-	-	-	1,591	-	1,591	-
Loans, advances and financing												
- performing	409,988	197,519	55,121	1,798	17,233	1,080	884	43,005	-	-	726,628	4.81%
- non-performing*	-	-	-	-	-	-	-	-	(17,269)	-	(17,269)	-
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	126,042	915,134	1,041,176	-
<b>Total assets</b>	<b>2,610,741</b>	<b>197,519</b>	<b>55,121</b>	<b>1,798</b>	<b>17,233</b>	<b>1,080</b>	<b>884</b>	<b>43,005</b>	<b>207,725</b>	<b>9,027,864</b>	<b>12,162,970</b>	

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## 33. Interest rate risk (continued)

Group and Bank 2007	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effect inter r %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
<b>Liabilities and shareholders' equity</b>												
Deposits from customers	1,386,365	196,532	83,774	969,206	395,182	53,600	600,000	185,000	506,267	-	4,375,926	3.6
Deposits and placement with banks and other financial institutions	1,407,776	-	-	-	6,000	-	-	-	1,312,504	-	2,726,280	4.2
Obligations on securities sold under repurchase agreements	927,260	1,683,889	497,987	-	-	-	-	-	-	-	3,109,136	3.3
Other non-interest sensitive balance	-	-	-	-	-	-	-	-	443,657	581,985	1,025,642	-
<b>Total liabilities</b>	<b>3,721,401</b>	<b>1,880,421</b>	<b>581,761</b>	<b>969,206</b>	<b>401,182</b>	<b>53,600</b>	<b>600,000</b>	<b>185,000</b>	<b>2,262,428</b>	<b>581,985</b>	<b>11,236,984</b>	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>925,986</b>	<b>-</b>	<b>925,986</b>	
<b>Total liabilities and shareholders' equity</b>	<b>3,721,401</b>	<b>1,880,421</b>	<b>581,761</b>	<b>969,206</b>	<b>401,182</b>	<b>53,600</b>	<b>600,000</b>	<b>185,000</b>	<b>3,188,414</b>	<b>581,985</b>	<b>12,162,970</b>	
On-balance sheet interest sensitivity gap	(1,110,660)	(1,682,902)	(526,640)	(967,408)	(383,949)	(52,520)	(599,116)	(141,995)	(2,980,689)	8,445,879	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,240,000	4,363,800	34,395,688	21,570,948	17,497,556	11,410,166	13,428,340	9,031,516	-	-	112,938,014	
<b>Total interest sensitivity</b>	<b>129,340</b>	<b>2,680,898</b>	<b>33,869,048</b>	<b>20,603,540</b>	<b>17,113,607</b>	<b>11,357,646</b>	<b>12,829,224</b>	<b>8,889,521</b>	<b>(2,980,689)</b>	<b>8,455,879</b>	<b>112,938,014</b>	

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

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## 33. Interest rate risk (continued)

Group and Bank 2006	Non-trading book								Trading book RM'000	Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				Non-interest sensitive RM'000
<b>Assets</b>												
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	-
<b>Total assets</b>	<b>4,364,019</b>	<b>140,439</b>	<b>436,782</b>	<b>91</b>	<b>6,927</b>	<b>20,679</b>	<b>170</b>	<b>39,293</b>	<b>244,602</b>	<b>3,622,958</b>	<b>8,875,960</b>	



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### 33. Interest rate risk (continued)

Group and Bank 2006	Non-trading book								Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effectiv interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
<b>Liabilities and shareholders' equity</b>												
Deposits from customers	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	-
<b>Total liabilities</b>	<b>3,845,023</b>	<b>1,038,058</b>	<b>22,215</b>	<b>45,000</b>	<b>721,050</b>	<b>10,100</b>	<b>394,600</b>	<b>112,150</b>	<b>1,158,886</b>	<b>685,105</b>	<b>8,032,187</b>	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>843,773</b>	<b>-</b>	<b>843,773</b>	
<b>Total liabilities and shareholders' equity</b>	<b>3,845,023</b>	<b>1,038,058</b>	<b>22,215</b>	<b>45,000</b>	<b>721,050</b>	<b>10,100</b>	<b>394,600</b>	<b>112,150</b>	<b>2,002,659</b>	<b>685,105</b>	<b>8,875,960</b>	
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)	7,598,645	11,115,964	33,226,795	24,316,364	14,481,539	12,597,500	9,952,631	8,384,785	-	-	121,674,223	
<b>Total interest sensitivity</b>	<b>8,117,641</b>	<b>10,218,345</b>	<b>33,641,362</b>	<b>24,271,455</b>	<b>13,767,416</b>	<b>12,608,079</b>	<b>9,558,201</b>	<b>8,311,928</b>	<b>(1,758,057)</b>	<b>2,937,853</b>	<b>121,674,223</b>	

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

### 34. 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:

	2007		2006	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial assets</b>				
Securities held-for-trading	2,523,351	2,523,351	1,031,738	1,031,738
Securities available-for-sale	3,621	3,621	2,784	2,784
Securities held-to-maturity	1,591	1,591	1,591	1,591
Loans, advances and financing	709,359	709,016	515,813	515,591

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

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

### 34. 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.

### 35. 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 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.

### 35. Equity compensation benefits (continued)

#### *DB Equity Plan*

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

During the year, RM3,842,000 (2006 - RM4,509,000) of expense was recognised in the income statement.

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

#### **Group and Bank**

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Outstanding at 1 January	29,483	28,751
Granted during the year	11,534	6,721
Vested to employees during the year	(19,398)	(5,823)
Net transferred during the year	(2,574)	(76)
Forfeited/lapsed during the year	(60)	(90)
	<u>18,985</u>	<u>29,483</u>
	<b>€'000</b>	<b>€'000</b>
Grant value of share awards outstanding at 31 December	<u>1,531</u>	<u>1,692</u>
Grant value of share awards issued to the Scheme in the year	<u>1,189</u>	<u>619</u>
Grant value of share awards vested to employees in the year	<u>1,084</u>	<u>454</u>

### 35. Equity compensation benefits (continued)

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

	2007 Number	2006 Number
Outstanding at 1 January	364	300
Net transferred during the year	186	64
Outstanding at 31 December	<u>550</u>	<u>364</u>

No options were granted since year 2003.

Exercise period	Strike price Euro	2007 Number	2006 Number
January 2007 - November 2008	59.39	450	-
January 2007 - November 2009	75.24	100	364