

# **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

Financial statements for the year ended  
31 December 2012  
and  
Independent Auditor's Report



**KPMG Phoomchai Audit Ltd.**

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## **Independent Auditor's Report**

### **To the Management of Deutsche Bank Aktiengesellschaft, Bangkok Branch**

I have audited the accompanying financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch ("the Bangkok Branch") which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Bangkok Branch is an operating segment of Deutsche Bank Aktiengesellschaft, but is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Bangkok Branch and reflect only transactions recorded locally.

#### *Management's Responsibility for the Financial Statements*

Management of the Bangkok Branch is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bangkok Branch's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bangkok Branch's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets used in, and liabilities arising out of Deutsche Bank Aktiengesellschaft, Bangkok Branch, as at 31 December 2012, the financial performance and cash flows for the year then ended of Deutsche Bank Aktiengesellschaft, Bangkok Branch in accordance with Thai Financial Reporting Standards.

*Chanchai S.*

(Chanchai Sakulkoedsin)  
Certified Public Accountant  
Registration No. 6827

KPMG Phoomchai Audit Ltd.  
Bangkok  
29 April 2013

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Statement of financial position

Assets	Note	31 December	
		2012	2011
		<i>(in Baht)</i>	
Cash		46,184,206	42,780,865
Interbank and money market items, net	7	46,054,846,697	63,863,326,557
Claims on security		-	11,129,997,459
Derivative assets	8	24,706,157,502	31,103,668,193
Investments, net	9	29,693,533,654	24,273,031,825
Loans to customers and accrued interest receivables, net	10		
Loans to customers		12,456,600,826	12,932,680,284
Accrued interest receivables		21,031,044	28,450,985
Total loans to customers and accrued interest receivables		12,477,631,870	12,961,131,269
Less allowance for doubtful accounts	10.4, 12	(326,818,474)	(327,517,216)
Total loans to customers and accrued interest receivables, net		12,150,813,396	12,633,614,053
Leasehold building improvements and equipment, net	13	214,931,329	260,193,453
Deferred tax assets, net	14	122,263,781	135,424,070
Trading securities receivable	15	1,649,838,369	878,109,330
Other assets	16	227,382,743	476,316,773
<b>Total assets</b>		<b>114,865,951,677</b>	<b>144,796,462,578</b>

The accompanying notes are an integral part of these financial statements.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person	Note	31 December	
		2012	2011
		<i>(in Baht)</i>	
<b>Liabilities</b>			
Deposits	18	45,204,423,398	34,270,148,868
Interbank and money market items	19	9,844,350,281	6,518,206,603
Liabilities payable on demand		2,243,627,147	1,905,284,729
Liabilities to deliver security	20	100,285,901	11,132,107,805
Derivative liabilities	8	28,414,251,443	31,606,080,397
Debt issued and borrowings	21, 28	630,668,168	31,612,358,160
Provisions against derivative products	22	185,594,161	257,487,890
Employee benefit obligations	23	62,924,348	30,990,023
Trading securities payable	24	1,287,831,407	724,539,282
Other liabilities	25, 28	823,943,254	860,744,054
<b>Total liabilities</b>		<b>88,797,899,508</b>	<b>118,917,947,811</b>
<b>Accounts with head office and other branches of the same juristic person</b>			
Funds brought in to maintain assets under the Act	6, 28	17,800,000,000	17,800,000,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	6, 28	7,148,220,980	5,814,780,242
Other components of accounts with head office and other branches of the same juristic person	9	-	6,004,356
Retained earnings		1,119,831,189	2,257,730,169
<b>Total accounts with head office and other branches of the same juristic person</b>		<b>26,068,052,169</b>	<b>25,878,514,767</b>
<b>Total liabilities and accounts with head office and other branches of the same juristic person</b>		<b>114,865,951,677</b>	<b>144,796,462,578</b>

The accompanying notes are an integral part of these financial statements.

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Statement of comprehensive income

	Note	For the year ended 31 December	
		2012	2011
		<i>(in Baht)</i>	
Interest income	28, 30	3,117,177,597	4,134,936,409
Interest expense	28, 31	1,816,819,736	2,632,687,687
<b>Net interest income</b>		<b>1,300,357,861</b>	<b>1,502,248,722</b>
Fees and service income		269,065,415	268,250,929
Fees and service expenses		95,555,590	92,586,647
<b>Net fees and service income</b>	32	<b>173,509,825</b>	<b>175,664,282</b>
Net gains on trading and foreign exchange transactions	33	850,174,190	1,450,430,231
Net gain on investments	34	8,789,644	-
Other operating income		207,177,287	763,224,829
<b>Total operating income</b>		<b>2,540,008,807</b>	<b>3,891,568,064</b>
Other operating expenses			
Employee expenses	28, 36	488,644,937	484,263,833
Premises and equipment expenses		170,315,514	165,649,938
Taxes and duties		47,371,140	22,497,697
Expenses allocated from head office	28	536,299,366	598,166,167
Other expenses		186,494,034	139,272,254
<b>Total other operating expenses</b>		<b>1,429,124,991</b>	<b>1,409,849,889</b>
Bad debts, allowance for doubtful accounts and impairment loss	35	795,844	103,336,779
<b>Operating profit before income tax expense</b>		<b>1,110,087,972</b>	<b>2,378,381,396</b>
Income tax expense	37	347,986,952	755,278,493
<b>Net profit</b>		<b>762,101,020</b>	<b>1,623,102,903</b>
Other comprehensive income			
Losses on revaluation of available-for-sale investments		-	(1,251,189)
Income tax for other comprehensive income		-	921,207
<b>Total other comprehensive income, net</b>		<b>-</b>	<b>(329,982)</b>
<b>Total comprehensive income</b>		<b>762,101,020</b>	<b>1,622,772,921</b>

The accompanying notes are an integral part of these financial statements.

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Statement of changes in accounts with head office and other branches of the same juristic person

			Other components of accounts with head office and other branches of the same juristic person			
	Note	Funds brought in to maintain assets under the Act	Balance of inter- office accounts with head office and other branches of the same juristic person, net	Gains (losses) on revaluation of available-for-sale investments (in Baht)	Retained earnings	Total
<b>Balance at 1 January 2011</b>		17,800,000,000	12,521,285,577	6,334,338	1,504,627,266	31,832,247,181
<b>Comprehensive income for the year</b>						
Net profit		-	-	-	1,623,102,903	1,623,102,903
Other comprehensive income						
Gain on revaluation of available-for-sale investments, net of income tax		-	-	(329,982)	-	(329,982)
Total other comprehensive income		-	-	(329,982)	-	(329,982)
Total comprehensive income		-	-	(329,982)	1,623,102,903	1,622,772,921
Balance of inter-office accounts with head office and other branches of the same juristic person, net		-	(6,706,505,335)	-	-	(6,706,505,335)
Profit remitted to head office	28	-	-	-	(783,000,000)	(783,000,000)
Income tax on remitted profits		-	-	-	(87,000,000)	(87,000,000)
<b>Balance at 31 December 2011 and 1 January 2012</b>		17,800,000,000	5,814,780,242	6,004,356	2,257,730,169	25,878,514,767
<b>Comprehensive income for the year</b>						
Net profit		-	-	-	762,101,020	762,101,020
Other comprehensive income						
Gain on revaluation of available-for-sale investments, net of income tax		-	-	(6,004,356)	-	(6,004,356)
Total other comprehensive income		-	-	(6,004,356)	-	(6,004,356)
Total comprehensive income		-	-	(6,004,356)	762,101,020	756,096,664
Balance of inter-office accounts with head office and other branches of the same juristic person, net		-	1,333,440,738	-	-	1,333,440,738
Profit remitted to head office	28	-	-	-	(1,710,000,000)	(1,710,000,000)
Income tax on remitted profits		-	-	-	(190,000,000)	(190,000,000)
<b>Balance at 31 December 2012</b>		17,800,000,000	7,148,220,980	-	1,119,831,189	26,068,052,169

The accompanying notes are an integral part of these financial statements.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Statement of cash flows**

For the year ended 31 December  
2012 2011  
(in Baht)

*Cash flows from operating activities*

Operating profit before income tax expenses	1,110,087,972	2,378,381,396
<i>Adjustments to reconcile operating profit before income tax expense to cash received (paid) from operating activities</i>		
Depreciation	48,115,949	48,024,462
Bad debt and doubtful accounts (reversal)	(998,532)	(337,587,872)
Losses (gains) on revaluation of securities	3,328,754	(153,413,047)
Gains on disposal of equipment	(1,869)	(63,372)
Losses from write-off of equipment	12,488	12,650
Gains on sale of available for sale investment	(8,789,644)	-
Unrealised losses on forward and derivative contracts, net	3,205,681,737	1,734,541,247
Decrease in provision against derivative products	(71,893,729)	(1,035,179,999)
Decrease in other provisions	(4,554,522)	(3,572,536)
Increase (decrease) in liquidity provision for investments	(1,675,041)	(4,975,477)
Net interest income	(1,300,357,861)	(1,502,248,722)
Proceeds from interest received	3,134,079,119	4,042,461,084
Interest paid	(1,727,547,996)	(2,646,360,191)
Income tax paid	(608,721,863)	(91,072,195)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>3,776,764,962</b>	<b>2,428,947,428</b>
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	17,784,645,247	47,644,225,215
Investment in securities for trading	(5,435,453,175)	908,375,092
Loans to customers	476,079,458	(4,008,901,378)
Trading securities receivable	(771,729,039)	17,099,748,727
Other assets	263,586,852	162,159,853
<i>Increase (decrease) in operating liabilities</i>		
Deposits	10,934,274,531	(12,743,668,188)
Interbank and money market items	3,326,143,677	(4,440,925,312)
Liabilities payable on demand	338,342,418	212,953,079
Liabilities to deliver security	98,175,554	(10,199,816,285)
Short-term debts issued and borrowings	(30,735,239,967)	(13,902,404,192)
Employee benefit obligations	31,934,325	30,990,023
Trading securities payable	563,292,125	(15,075,845,522)
Other liabilities	155,845,733	(350,477,685)
<b>Net cash provided by operating activities</b>	<b>806,662,701</b>	<b>7,765,360,855</b>

The accompanying notes are an integral part of these financial statements.



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statement of cash flows

For the year ended 31 December

2012 2011

(in Baht)

### *Cash flows from investing activities*

Proceeds from sale of available-for-sale investment	12,614,372	-
Purchase of equipment	(2,866,313)	(3,679,661)
Proceeds from sale of equipment	1,869	95,326
<b>Net cash provided by (used in) investing activities</b>	<b>9,749,928</b>	<b>(3,584,335)</b>

### *Cash flows from financing activities*

Long-term debts issued and borrowings	(246,450,025)	(176,514,369)
Profit remitted to head office	(1,710,000,000)	(783,000,000)
Income tax paid on profit remitted to head office	(190,000,000)	(87,000,000)
Increase in balance of inter-office accounts with head office and other branches of the same juristic person, net	1,333,440,737	(6,706,505,335)
<b>Net cash used in financing activities</b>	<b>(813,009,288)</b>	<b>(7,753,019,704)</b>

<b>Net increase in cash</b>	<b>3,403,341</b>	<b>8,756,816</b>
Cash at 1 January	42,780,865	34,024,049
<b>Cash at 31 December</b>	<b>46,184,206</b>	<b>42,780,865</b>

The accompanying notes are an integral part of these financial statements.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

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# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from and are consistent with the Thai language statutory financial statements, and both English and Thai language financial statements were approved and authorised for issue by the management of Deutsche Bank Aktiengesellschaft, Bangkok Branch ("the Branch") on 29 April 2013.

### 1 General information

The Branch was granted a licence by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a licence to undertake its commercial banking business in October 1988.

The Branch has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

### 2 Basis of preparation of the financial statements

The Branch is a segment of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

#### (a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRS") and guidelines promulgated by the Federation of Accounting Professions ("FAP") and with the Bank of Thailand ("BoT") notification number Sor Nor Sor 11/2553, dated 3 December 2010, regarding the "The preparation and announcement of the financial statements of commercial banks and holding companies which are parent company of group of companies offering financial services".

As at 31 December 2012, the FAP has issued a number of new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in Note 38.

#### (b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- derivative financial instruments are measured at fair value;
- trading and available-for-sale financial assets are measured at fair value.

#### (c) *Presentation currency*

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand, unless otherwise stated.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### (d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 4	Financial risk management
Note 5	Fair value of financial instruments
Note 8	Derivatives
Note 9	Investments, net
Note 12	Allowance for doubtful accounts
Note 14	Deferred tax assets, net
Note 22	Provisions against derivative products
Note 23	Employee benefit obligations
Note 25	Other liabilities
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### 3 **Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

#### (a) *Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

#### (b) *Cash*

Cash comprise cash on hand and cash on collection.

#### (c) *Investments*

*Investments in debt securities and equity securities*

Debt securities and marketable equity securities held for trading are classified as trading securities and stated at fair value, with any resultant gain or loss recognised in profit or loss.

## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

Debt securities and marketable equity securities, other than those securities held for trading, are classified as being available-for-sale investments. Available-for-sale investments are subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in the accounts with head office and other branches of the same juristic person. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of investments classified as held-for-trading and available-for-sale is determined as the quoted investments bid price at the reporting date.

#### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in the accounts with head office and other branches of the same juristic person is recognised in profit or loss.

If the Branch disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

#### *(d) Loans to customers*

Loans to customers are presented using the outstanding principal amount, except for overdrafts which include accrued interest receivable. Bills purchased at a discount are stated at the face value of the bills, net of unearned discount.

#### *(e) Allowance for doubtful accounts*

The Branch provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of loans and receivables. The estimated losses are based on historical collection experience and a review of the current status of the loans and receivables.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of financing in conjunction with the consideration of collateral valuation. Financing classifications are based principally on the period that a financing is past due. The Branch has set up the allowance for doubtful accounts according to the BoT regulations.

With reference to the BoT's directive, the Branch has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cashflows expected to be received or the expected proceeds from the disposal of collateral, in accordance with BoT criteria.

## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

The allowance for doubtful accounts established during the year is charged as an expense in profit or loss.

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

#### ***(f) Troubled debt restructuring***

Losses on troubled debt restructuring resulting from the reduction of principal and accrued interest and other restructuring concessions including modification of terms, asset transfer, and debt to equity swap, etc. are recognised as expenses in profit or loss.

In case the troubled debt restructuring modifies the terms of payment, the Branch complies with the BoT's criteria requiring the Branch to choose between the collateral method by which a loss amount is to be estimated and/or the net present value method which represents expected cash flow in the future and applying the interest rate on the restructuring date for discounting purposes to calculate fair value. Losses from such debt restructuring are recognised in profit or loss.

Subsequent to the troubled debt restructuring, the Branch recalculates fair value of restructured debt based on the aforementioned discount rates as of the reporting date and makes an adjustment for the valuation on the restructured debt, if the fair value has changed. The recalculation made to the financial statements is in accordance with the aforementioned BoT criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed the investment value of restructured debt.

Restructured loans are classified as performing when the restructured loan agreements have been completed and when there is appropriate evidence that the restructured terms can be met.

#### ***(g) Leasehold building improvements and equipment***

##### *Recognition and measurement*

##### *Owned assets*

Leasehold building improvements and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold building improvements and equipment have different useful lives, they are accounted for as separate items of leasehold improvements and equipment.

Gains and losses on disposal of an item of leasehold building improvements and equipment are determined by difference between the proceeds from disposal and the carrying amount of leasehold building improvements and equipment, and are recognised within other income in profit or loss.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### *Subsequent costs*

The cost of replacing a part of an item of leasehold building improvements 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 Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or replacement cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Leasehold building improvements	10 years (or remaining lease term)
Furniture, fixtures and office equipment	4-10 years
Vehicles	5 year

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at least each financial year-end and adjusted if appropriate.

### **(h) Impairment**

The carrying amounts of the Branch's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses revaluation credited to account with the accounts with head office and other branches of the same juristic person, in case of impairment which case it is charged to the accounts with head office and other branches of the same juristic person.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the accounts with head office and other branches of the same juristic person and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

### *Calculation of recoverable amount*

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

The recoverable amount of a non-financial assets is the greater of the assets' value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

#### **(i) Derivative financial instruments**

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is based on broker quotes at the reporting date. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

The fair value of forward exchange contracts is based on their listed market price at the reporting date, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate such as government bonds.

### **Hedging**

#### *Fair value hedges*

Where a derivative financial instrument hedges the changes in fair value of a recognised asset, liability or unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on remeasuring the fair value or foreign currency component of the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.



## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the accounts with head office and other branches of same juristic person.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of same juristic person are recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of same juristic person are recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss.

For cash flow hedges other than those noted in the preceding two paragraphs, the associated cumulative gains or losses that were recognised directly in the accounts with head office and other branches of same juristic person are removed from the accounts with head office and other branches of same juristic person and recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss.

#### *Discontinuing hedge accounting*

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument existing in the accounts with head office and other branches of same juristic person is retained in the accounts with head office and other branches of same juristic person and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the accounts with head office and other branches of same juristic person is recognised in profit or loss immediately.

#### **Embedded derivatives**

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Branch accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in statements of financial position together with the host contract.

#### **(j) Provisions against derivative products**

Certain provisions have been established against the Branch's derivative products in order to reflect an economic assessment of their value to the Branch. The most significant provisions are as follows:

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Branch had to close out the portfolio.

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (value at risk) and potential defaults under contractual agreements (default risk).

#### (k) *Employee benefits*

The Branch operates a number of employees' benefit plans as follows:

##### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### *Post employment benefits*

The Branch provides post employee benefits to eligible employees under the following arrangement:

##### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan where the Branch pays fixed contributions to a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### *Defined benefit plan*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Branch's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Branch's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by an actuary using the projected unit credit method.

- Severance payment

The severance payment plan covers on the requirement of Thai Labour Protection Act B.E. 2541 (1998).

## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

- Other long-term employee benefits

#### *Long service award*

The Branch provides other long-term benefits to the eligible employees in return for their long-serving.

#### *Share based payment*

Fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

The Branch recognises all actuarial gains and losses arising from and all expenses related to defined benefit plan in profit or loss.

#### **(l) Provisions**

A provision is recognised if, as a result of a past event, the Branch 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.

#### **(m) Interest income recognition**

The Branch recognises interest income on loans to customer as income on an accruals basis, except for interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears more than three months overdue, regardless of whether it is covered by collateral is reversed from profit or loss.

Interest income on deposits and investments is recognised on an accruals basis. Discounts received on the purchase of debt securities are recognised on a straight-line basis over the period to maturity.

#### **(n) Interest expense recognition**

The Branch recognises interest expenses on an accruals basis.

#### **(o) Income tax**

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in the accounts with head office and other branches of the same juristic person or in other comprehensive income.

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

## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial 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 or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Branch to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

#### **(p) *Claims on security and liabilities to deliver security***

The Branch records “Claims on security” and “Liabilities to deliver security” in the statements of financial position as assets and liabilities respectively, according to the BoT’s guidance.

#### **(q) *Offsetting***

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Branch has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

## **4 Financial risk management**

### ***Financial risk management policies***

The Branch uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are common to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

The most important risks the Branch is exposed to are credit risk, market risk and liquidity risk. These 3 categories of risks are further described below:

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### 4.1 Credit risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which refer to collectively as “counterparties”) exist. These transactions are typically part of traditional non-traded lending activities (such as loans and contingent liabilities), or direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements). Some are related to positions in traded credit products (such as bonds). “Traded Default Risk” is managed using both credit and market risk parameters. Credit risk can be categorised into three types as follow:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that the Branch may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent as at 31 December 2012 and 2011 were as follow:

	2012	2011
	<i>(in million Baht)</i>	
Foreign exchange forward and currency swap contracts	18,297	16,740
Interest rate swap and interest rate option contracts	5,855	6,228
Commodity forward contracts	528	-

The Branch measures and manages credit risk by following philosophy and principles:

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. In the Group, consistent standards are applied in the respective credit decision processes.
- The Branch actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the Branch’s capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Branch’s risk appetite.
- The Branch aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralization of existing portfolio where feasible.
- The Branch is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.

## **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

### **Notes to the financial statements**

- The Branch aims to secure derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Branch assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Branch reviews these periodically.

#### **4.2 Market risk**

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

##### *Risk management objectives, policies and processes for managing the risk*

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

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

##### *Interest rate risk*

Interest rate risk refers to the risk that arises from the change in interest rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or fluctuation in the value of the Branch's financial assets and liabilities both in the current reporting period, and in future years. Interest rate risk also arises from the structure and characteristics of the Branch's assets, liabilities and the accounts with head office and other branches of the same juristic person.

The Branch charges interest rates on loans to customers mainly based on the cost of borrowings plus a profit margin which depends on the credit risk of each individual customer.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
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Details of interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2012 and 2011 were as follows:

	2012					Non-interest bearing	Total	Average interest rate (% per annum)
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years			
<b>Financial assets</b>								
Cash	-	-	-	-	-	46,184	46,184	-
Interbank and money market items*	490,521	45,025,000	-	-	-	544,396	46,059,917	2.91
Derivative assets	-	-	-	-	-	24,706,157	24,706,157	-
Investments, net	-	10,054,413	4,805,194	13,991,188	842,739	-	29,693,534	3.24
Loans to customers and accrued interest receivable**	1,121,099	10,703,502	630,994	1,006	-	21,031	12,477,632	3.59
Trading securities receivable	-	-	-	-	-	1,649,838	1,649,838	-
<b>Total financial assets</b>	<b>1,611,620</b>	<b>65,782,915</b>	<b>5,436,188</b>	<b>13,992,194</b>	<b>842,739</b>	<b>26,967,606</b>	<b>114,633,262</b>	
<b>Financial liabilities</b>								
Deposits	16,781,909	22,343,194	50,662	5,500	-	6,023,158	45,204,423	1.08
Interbank and money market items	9,803	8,547,198	93,521	-	700,000	493,828	9,844,350	1.52
Liabilities payable on demand	-	-	-	-	-	2,243,627	2,243,627	-
Liabilities to deliver security	-	-	-	100,286	-	-	100,286	3.05
Derivative liabilities	-	-	-	-	-	28,414,251	28,414,251	-
Debt issued and borrowings	-	260,000	-	-	370,668	-	630,668	2.85
Trading securities payable	-	-	-	-	-	1,287,831	1,287,831	-
<b>Total financial liabilities</b>	<b>16,791,712</b>	<b>31,150,392</b>	<b>144,183</b>	<b>105,786</b>	<b>1,070,668</b>	<b>38,462,695</b>	<b>87,725,436</b>	
<b>Difference of on-financial reporting items, net</b>	<b>(15,180,092)</b>	<b>34,632,523</b>	<b>5,292,005</b>	<b>13,886,408</b>	<b>(227,929)</b>	<b>(11,495,089)</b>	<b>26,907,826</b>	

\* Before deducting allowance for doubtful accounts amounting to Baht 5.1 million

\*\* Including non-performing loans

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

2011

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total	Average interest rate (% per annum)
	<i>(in thousand Baht)</i>							
<b>Financial assets</b>								
Cash	-	-	-	-	-	42,781	42,781	-
Interbank and money market items*	490,652	62,847,218	-	-	-	530,826	63,868,696	3.23
Claims on security	-	11,129,997	-	-	-	-	11,129,997	3.13
Derivative assets	-	-	-	-	-	31,103,668	31,103,668	-
Investments, net	-	11,985,634	4,013,816	8,229,554	32,405	11,623	24,273,032	2.27
Loans to customers and accrued interest receivable**	2,402,384	8,608,463	1,053,218	192	-	896,874	12,961,131	3.58
Trading securities receivable	-	-	-	-	-	878,109	878,109	-
<b>Total financial assets</b>	<b>2,893,036</b>	<b>94,571,312</b>	<b>5,067,034</b>	<b>8,229,746</b>	<b>32,405</b>	<b>33,463,881</b>	<b>144,257,414</b>	
<b>Financial liabilities</b>								
Deposits	28,455,019	2,588,823	110,060	5,500	-	3,110,747	34,270,149	2.00
Interbank and money market items	14,116	1,700,000	-	16,521	-	4,787,570	6,518,207	3.45
Liabilities payable on demand	-	-	-	-	-	1,905,285	1,905,285	-
Liabilities to deliver security	-	11,129,997	2,111	-	-	-	11,132,108	3.13
Derivative liabilities	-	-	-	-	-	31,606,080	31,606,080	-
Debt issued and borrowings	-	28,140,240	2,497,000	-	347,118	628,000	31,612,358	3.20
Trading securities payable	-	-	-	-	-	724,539	724,539	-
<b>Total financial liabilities</b>	<b>28,469,135</b>	<b>43,559,060</b>	<b>2,609,171</b>	<b>22,021</b>	<b>347,118</b>	<b>42,762,221</b>	<b>117,768,726</b>	
<b>Difference of on-financial reporting items, net</b>	<b>(25,576,099)</b>	<b>51,012,252</b>	<b>2,457,863</b>	<b>8,207,725</b>	<b>(314,713)</b>	<b>(9,298,340)</b>	<b>26,488,688</b>	

\* Before deducting allowance for doubtful accounts amounting to Baht 5.4 million

\*\* Including non-performing loans



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### Foreign currency risk

The Branch is exposed to foreign currency risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at the reporting date.

As at 31 December 2012 and 2011, the Branch has financial assets and liabilities denominated in various currencies, in Baht equivalent, as follows:

	THB	USD	2012 EURO	Others	Total
	<i>(in thousand Baht)</i>				
<b>Financial assets</b>					
Cash	45,997	-	80	107	46,184
Interbank and money market items *	45,987,832	-	-	72,085	46,059,917
Derivative assets	15,450,163	6,129,513	718,324	2,408,157	24,706,157
Investments, net	29,693,534	-	-	-	29,693,534
Loans to customers and accrued interest receivables**	10,393,703	2,030,971	52,958	-	12,477,632
Trading securities receivable	1,308,537	341,302	-	-	1,649,839
<b>Total financial assets</b>	<b>102,879,766</b>	<b>8,501,786</b>	<b>771,362</b>	<b>2,480,349</b>	<b>114,633,263</b>
<b>Financial liabilities</b>					
Deposits	40,402,849	3,977,423	805,412	18,739	45,204,423
Interbank and money market items	8,922,804	921,474	-	72	9,844,350
Liabilities payable on demand	2,193,868	38,598	11,147	14	2,243,627
Liabilities to deliver security	100,286	-	-	-	100,286
Derivative liabilities	9,772,389	17,864,933	293,061	483,868	28,414,251
Debt issued and borrowings	630,668	-	-	-	630,668
Trading securities payable	1,287,831	-	-	-	1,287,831
<b>Total financial liabilities</b>	<b>63,310,695</b>	<b>22,802,428</b>	<b>1,109,620</b>	<b>502,693</b>	<b>87,725,436</b>
<b>On-financial reporting items, net</b>	<b>39,569,071</b>	<b>(14,300,642)</b>	<b>(338,258)</b>	<b>1,977,656</b>	<b>26,907,827</b>
<b>Off-financial reporting items, net</b>	<b>393,334,811</b>	<b>416,210,951</b>	<b>24,633,066</b>	<b>15,939,096</b>	<b>850,117,924</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 5.1 million

\*\* Including non-performing loans

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

	THB	USD	2011 EURO	Others	Total
	<i>(in thousand Baht)</i>				
<b>Financial assets</b>					
Cash	42,590	114	41	36	42,781
Interbank and money market items *	63,867,916	-	-	780	63,868,696
Claims on security	11,129,997	-	-	-	11,129,997
Derivative assets	14,674,862	11,843,480	532,543	4,052,783	31,103,668
Investments, net	24,273,032	-	-	-	24,273,032
Loans to customers and accrued interest receivables **	10,692,251	2,268,880	-	-	12,961,131
Trading securities receivable	878,109	-	-	-	878,109
<b>Total financial assets</b>	<b>123,558,757</b>	<b>14,112,474</b>	<b>532,584</b>	<b>4,053,599</b>	<b>144,257,414</b>
<b>Financial liabilities</b>					
Deposits	29,587,640	3,292,552	1,357,447	32,510	34,270,149
Interbank and money market items	6,515,575	141	-	2,491	6,518,207
Liabilities payable on demand	1,785,087	37,799	79,682	2,717	1,905,285
Liabilities to deliver security	11,132,108	-	-	-	11,132,108
Derivative liabilities	20,331,331	10,630,140	593,478	51,131	31,606,080
Debt issued and borrowings	31,612,358	-	-	-	31,612,358
Trading securities payable	724,539	-	-	-	724,539
<b>Total financial liabilities</b>	<b>101,688,638</b>	<b>13,960,632</b>	<b>2,030,607</b>	<b>88,849</b>	<b>117,768,726</b>
<b>On-financial reporting items, net</b>	<b>21,870,119</b>	<b>151,842</b>	<b>(1,498,023)</b>	<b>3,964,750</b>	<b>26,488,688</b>
<b>Off-financial reporting items, net</b>	<b>333,773,903</b>	<b>371,959,199</b>	<b>24,348,364</b>	<b>21,523,820</b>	<b>751,605,286</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 5.4 million

\*\* Including non-performing loans

### 4.3 Liquidity risk

Liquidity risk management safeguards ability to meet all payment obligations when they come due.

In Thailand, the Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Liquidity risk management is discussed at the Asset and Liability Committee "ALCO" meeting in Thailand.

Liquidity risk management approach starts at the intraday level (operational liquidity) by managing the daily payments queue, forecasting cash flows and factoring in our access to central Banks. It then covers tactical liquidity risk management dealing with access to secure and unsecure funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities and the Branch's issuance strategy.

The Branch's cash-flow based reporting system provides daily liquidity risk information for global and regional management.

Stress testing and scenario analysis play a central role in the liquidity risk management framework. This also incorporates an assessment of asset liquidity i.e. the characteristics of asset, under various stress scenarios as well as contingent funding requirements from commitments.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

A maturity analysis for financial assets and liabilities as at 31 December 2012 and 2011 were as follows:

	At call	Less than 3 months	3 months to 1 year	2012 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
<b>Financial assets</b>							
Cash	-	-	-	-	-	46,184	46,184
Interbank and money market items*	496,313	45,073,083	-	-	-	490,521	46,059,917
Derivative assets	-	2,989,597	2,465,830	11,589,638	7,661,092	-	24,706,157
Investments, net	-	10,054,413	4,805,194	13,991,188	842,739	-	29,693,534
Loans to customers and accrued interest receivables**	292,482	10,723,626	631,901	1,006	-	828,617	12,477,632
Trading securities receivable	-	1,649,838	-	-	-	-	1,649,838
<b>Total financial assets</b>	<b>788,795</b>	<b>70,490,557</b>	<b>7,902,925</b>	<b>25,581,832</b>	<b>8,503,831</b>	<b>1,365,322</b>	<b>114,633,262</b>
<b>Financial liabilities</b>							
Deposits	22,805,067	22,343,194	50,662	5,500	-	-	45,204,423
Interbank and money market items	503,631	4,448,948	16,521	790,000	4,085,250	-	9,844,350
Liabilities payable on demand	2,243,627	-	-	-	-	-	2,243,627
Liabilities to deliver security	-	-	-	100,286	-	-	100,286
Derivative liabilities	-	4,540,465	4,716,268	13,240,233	5,917,285	-	28,414,251
Debt issued and borrowings	-	-	-	260,000	370,668	-	630,668
Trading securities payable	-	1,287,831	-	-	-	-	1,287,831
<b>Total financial liabilities</b>	<b>25,552,325</b>	<b>32,620,438</b>	<b>4,783,451</b>	<b>14,396,019</b>	<b>10,373,203</b>	<b>-</b>	<b>87,725,436</b>
<b>Net liquidity gap</b>	<b>(24,763,530)</b>	<b>37,870,119</b>	<b>3,119,474</b>	<b>11,185,813</b>	<b>(1,869,372)</b>	<b>1,365,322</b>	<b>26,907,826</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 5.1 million

\*\* Including non-performing loans

	At call	Less than 3 months	3 months to 1 year	2011 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
<b>Financial assets</b>							
Cash	-	-	-	-	-	42,781	42,781
Interbank and money market items*	490,652	62,847,218	-	-	-	530,826	63,868,696
Claims on security	-	11,129,997	-	-	-	-	11,129,997
Derivative assets	-	2,974,665	4,190,263	14,787,795	9,150,945	-	31,103,668
Investments, net	-	11,985,634	4,013,816	8,229,554	32,405	11,623	24,273,032
Loans to customers and accrued interest receivables**	2,402,384	8,608,463	1,053,218	192	-	896,874	12,961,131
Trading securities receivable	878,109	-	-	-	-	-	878,109
<b>Total financial assets</b>	<b>3,771,145</b>	<b>97,545,977</b>	<b>9,257,297</b>	<b>23,017,541</b>	<b>9,183,350</b>	<b>1,482,104</b>	<b>144,257,414</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

	At call	Less than 3 months	3 months to 1 year	2011			Total
				1 to 5 years	over 5 years	No maturity	
<i>(in thousand Baht)</i>							
<b>Financial liabilities</b>							
Deposits	28,455,020	2,588,822	110,060	5,500	-	3,110,747	34,270,149
Interbank and money market items	14,116	1,700,000	-	16,521	-	4,787,570	6,518,207
Liabilities payable on demand	1,905,285	-	-	-	-	-	1,905,285
Liabilities to deliver security	-	11,129,997	-	-	2,111	-	11,132,108
Derivative liabilities	-	4,016,840	3,714,756	15,002,422	8,872,062	-	31,606,080
Debt issued and borrowings	-	28,140,240	2,497,000	-	347,118	628,000	31,612,358
Trading securities payable	724,539	-	-	-	-	-	724,539
<b>Total financial liabilities</b>	<b>31,098,960</b>	<b>47,575,899</b>	<b>6,321,816</b>	<b>15,024,443</b>	<b>9,221,291</b>	<b>8,526,317</b>	<b>117,768,726</b>
<b>Net liquidity gap</b>	<b>(27,327,815)</b>	<b>49,970,078</b>	<b>2,935,481</b>	<b>7,993,098</b>	<b>(37,941)</b>	<b>(7,044,213)</b>	<b>26,488,688</b>

\* Before deducting allowance for doubtful accounts amounting to Baht 5.4 million

\*\* Including non-performing loans

## 5 Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Branch takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

The carrying value and estimated fair values of financial instruments as at 31 December 2012 and 2011 were as follows:

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
<i>(in thousand Baht)</i>				
<b>Financial assets</b>				
Cash	46,184	46,184	42,781	42,781
Interbank and money market items*	46,059,917	46,059,917	63,868,696	63,868,696
Claims on security	-	-	11,129,997	11,129,997
Derivative asset	24,706,157	24,706,157	31,103,668	31,103,668
Investments, net	29,693,534	29,693,534	24,273,032	24,273,032
Loans and accrued interest receivable**	12,150,813	12,150,813	12,633,614	12,633,614
<b>Financial liabilities</b>				
Deposits	45,204,423	45,204,423	34,270,149	34,270,149
Interbank and money market items	9,844,350	9,844,350	6,518,207	6,518,207
Liabilities payable on demand	2,243,627	2,243,627	1,905,285	1,905,285
Liabilities to deliver security	100,286	100,286	11,132,108	11,132,108
Derivative liabilities	28,414,251	28,414,251	31,606,080	31,606,080
Debt issued and borrowings	630,668	616,778	31,612,358	31,857,975

\* Before deducting allowance for doubtful accounts amounting to Baht 5.1 million in 2012 (2011: 5.4 million).

\*\* Including non-performing loan

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

The following methods and assumptions are used by the Branch in estimating fair values of financial assets and liabilities as disclosed herein:

Cash:	The carrying amount present in statements of financial position is approximates at fair value.
Interbank and money market items (Assets):	Fair value of interbank and money market items approximate the carrying value at which they are stated on the statement of financial position.
Derivatives:	The fair value of derivative assets and liabilities are stated according to the Branch's accounting policy mentioned in Note 3.
Investments:	The fair value of investments are stated according to the Branch's accounting policy mentioned in Note 3.
Loans to customers and accrued interest receivable:	The fair value of loans to customers and accrued interest receivable are considered to be materially consistent with carrying values as the majority of the loans are at market variable rates of interest and allowance for doubtful accounts are considered to materially reflect the credit risk inherent in the portfolio at the statement of financial position date.
Deposits and Interbank and money market items (liabilities):	Fair value of deposits and interbank and money market items (liabilities) approximate the carrying value at which they are stated on the statement of financial position.
Liabilities payable on demand:	The fair value of liabilities payable on demand approximates the carrying value at which they are stated on the statement of financial position.
Debt issued and borrowings:	The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values.  Fair values of other debt issued and borrowings are estimated using discounted cash flow analyses based on the Branch's current borrowing rates for similar type of debt issued and borrowing arrangements.

## 6 Maintenance of capital fund

The Branch maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act. B.E. 2551 by maintaining its capital fund as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2012 and 2011, can be summarised as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Thai Government bonds	4,406,555	2,898,061
Bank of Thailand's bonds	14,220,505	15,731,878
<b>Total</b>	<b>18,627,060</b>	<b>18,629,939</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

As at 31 December 2012 and 2011, the Branch's capital fund can be summarised as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
<b>Assets maintained under Section 32</b>	<b><u>18,627,060</u></b>	<b><u>18,629,939</u></b>
<b>Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts</b>		
Capital for maintenance of assets under Section 32	17,800,000	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	<u>7,148,221</u>	<u>5,814,780</u>
<b>Total</b>	<b><u>24,948,221</u></b>	<b><u>23,614,780</u></b>
<b>Capital Fund (in thousand Baht)</b>	<b>17,800,000</b>	<b>17,800,000</b>
<b>Capital Adequacy Ratio (%)</b>	<b>21.39</b>	<b>21.32</b>

As at 31 December 2012 and 2011, the Branch has applied the calculation for credit risk capital and market risk capital under "the Standard Approach (SA)" and operational risk capital under "Basic Indicator Approach (BIA)" as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2012 and 2011, the Branch met the minimum capital ratio requirements set down by the Bank of Thailand for total capital at minimum of 7.5%.

In accordance with the Bank of Thailand Notification No. Sor.Nor.Sor. 25/2552 dated 14 December 2009, Re: "Public Disclosure of Capital Maintenance for Commercial Banks", the Branch intends to disclose Capital maintenance information as of 31 December 2012 within four months after year end as indicated in the notification through the Branch's website "www.db.com/thailand".

### 7 Interbank and money market items, net (assets)

	2012			2011		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
The Bank of Thailand	419,645	-	419,645	526,687	-	526,687
Commercial banks	4,582	28,000,000	28,004,582	3,359	33,200,000	33,203,359
Specialised financial institutions*	-	17,025,000	17,025,000	-	29,575,000	29,575,000
Other financial institutions**	490,521	-	490,521	490,652	-	490,652
<b>Total</b>	<u>914,748</u>	<u>45,025,000</u>	<u>45,939,748</u>	<u>1,020,698</u>	<u>62,775,000</u>	<u>63,795,698</u>
Add accrued interest receivable	-	48,083	48,083	-	72,219	72,219
Less allowance for doubtful accounts	-	(5,070)	(5,070)	-	(5,370)	(5,370)
<b>Total domestic</b>	<u>914,748</u>	<u>45,068,013</u>	<u>45,982,761</u>	<u>1,020,698</u>	<u>62,841,849</u>	<u>63,862,547</u>
<b>Foreign</b>						
Other currencies	72,085	-	72,085	780	-	780
<b>Total</b>	<u>72,085</u>	<u>-</u>	<u>72,085</u>	<u>780</u>	<u>-</u>	<u>780</u>
<b>Total foreign</b>	<u>72,085</u>	<u>-</u>	<u>72,085</u>	<u>780</u>	<u>-</u>	<u>780</u>
<b>Total domestic and foreign</b>	<u>986,833</u>	<u>45,068,013</u>	<u>46,054,846</u>	<u>1,021,478</u>	<u>62,841,849</u>	<u>63,863,327</u>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

\* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

\*\* Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League of Thailand Limited

As at 31 December 2012 and 2011 all interbank and money market items had residual maturities within 3 months.

## 8 Derivatives

### 8.1 Derivatives held for trading

As at 31 December 2012 and 2011, the fair value and notional amount classified by type of risks is as follows:

Type of risk	Fair value		2012		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over 1 year	
Foreign exchange forward and currency swap contracts	11,616,213	13,977,988	611,659,649	238,458,274	850,117,923
Interest rate swap and interest rate option contracts	13,061,890	14,391,257	517,847,461	914,156,400	1,432,003,861
Commodity Forward contracts	28,055	45,006	5,280,422	-	5,280,422
<b>Total</b>	<b>24,706,158</b>	<b>28,414,251</b>	<b>1,134,787,532</b>	<b>1,152,614,674</b>	<b>2,287,402,206</b>

Type of risk	Fair value		2011		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over to 1 year	
Foreign exchange forward and currency swap contracts	15,126,838	14,657,035	526,026,864	225,578,424	751,605,288
Interest rate swap and interest rate option contracts	15,976,830	16,949,045	559,598,358	961,632,763	1,521,231,121
<b>Total</b>	<b>31,103,668</b>	<b>31,606,080</b>	<b>1,085,625,222</b>	<b>1,187,211,187</b>	<b>2,272,836,409</b>

The Branch was a party to financial instruments with off-financial reporting credit risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to transactions in interest rates and foreign exchange rates. These financial instruments included foreign exchange forward and other derivative contracts.

The “notional amount” is a measure of volume, which may be used for examining changes in derivative activities over time. The notional amount is the face value of the contract. Unlike on-financial reporting financial instruments, the notional amount of a derivative does not necessarily reflect the amount at risk, which is generally only a small fraction of this value.

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**Notes to the financial statements**

As at 31 December 2012 and 2011, proportions of the notional amount of derivative transactions, classified by counterparties, consist of:

	2012	(%)	2011
Counterparties			
Financial institutions	95		95
Third parties	5		5
<b>Total</b>	<b>100</b>		<b>100</b>

**9 Investments, net**

**9.1 Classification of investments in securities**

As at 31 December 2012 and 2011, investments classified by investment type, consist of:

	2012 Fair value	2011 Fair value
	<i>(in thousand Baht)</i>	
<i>Trading investments</i>		
Government and state enterprise securities	29,693,534	24,261,409
<b>Total</b>	<b>29,693,534</b>	<b>24,261,409</b>
<i>Available-for-sale investments</i>		
Equity in marketable securities	-	11,623
<b>Total</b>	<b>-</b>	<b>11,623</b>
<b>Total investments, net</b>	<b>29,693,534</b>	<b>24,273,032</b>

**9.2 Unrealised gains (losses) on revaluation of investments in available-for-sale securities**

	2012	2011
	<i>(in thousand Baht)</i>	
<b>Equity securities</b>		
Unrealised gains on revaluation of investments in equity securities	-	7,798
Less: deferred tax liabilities	-	(1,794)
<b>Net</b>	<b>-</b>	<b>6,004</b>

**10 Loans to customers and accrued interest receivables, net**

**10.1 Classified by type of loans**

	2012	2011
	<i>(in thousand Baht)</i>	
Overdrafts	828,617	2,321,893
Loans	11,627,984	10,610,787
Total loans to customers	12,456,601	12,932,680
Add accrued interest receivables	21,031	28,451
Total loans to customers net and accrued interest receivables	12,477,632	12,961,131
Less allowance for doubtful accounts		
BoT's minimum requirement - individual approach	(234,824)	(240,353)
Allowance in excess	(91,995)	(87,164)
<b>Total loans to customers and accrued interest receivables, net</b>	<b>12,150,813</b>	<b>12,633,614</b>



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**10.2 Classified by currency and residency of customers**

	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	10,374,269	-	10,374,269	10,666,648	-	10,666,648
US Dollar	1,866,617	162,992	2,029,609	1,134,156	1,131,876	2,266,032
EURO	52,723	-	52,723	-	-	-
<b>Total</b>	<b>12,293,609</b>	<b>162,992</b>	<b>12,456,601</b>	<b>11,800,804</b>	<b>1,131,876</b>	<b>12,932,680</b>

**10.3 Classified by type of business and loan classification**

	2012			
	Pass	Special Mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	50,184	50,184
Manufacturing and commerce	9,974,410	385,000	57,299	10,416,709
Property development and construction	378,687	-	-	378,687
Infrastructure and services	349,094	-	-	349,094
Others	1,261,927	-	-	1,261,927
<b>Total</b>	<b>11,964,118</b>	<b>385,000</b>	<b>107,483</b>	<b>12,456,601</b>

	2011			
	Pass	Special Mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	51,920	51,920
Manufacturing and commerce	9,789,631	290,000	57,299	10,136,930
Property development and construction	391,390	-	-	391,390
Infrastructure and services	48,290	-	-	48,290
Others	2,304,150	-	-	2,304,150
<b>Total</b>	<b>12,533,461</b>	<b>290,000</b>	<b>51,920</b>	<b>12,932,680</b>

**10.4 Classified by loan grade**

	2012			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount for allowance for doubtful accounts <i>(in thousand Baht)</i>	Rate used for allowance for doubtful accounts <i>(%)</i>	Allowance for doubtful accounts <i>(in thousand Baht)</i>
Allowance as per BoT's minimum requirement				
- Pass	11,984,949	11,964,118	1	119,641
- Special Mention	385,200	385,000	2	7,700
- Doubtful of loss	107,483	107,483	100	107,483
<b>Total</b>				<b>234,824</b>
Allowance in excess				91,995
<b>Total *</b>	<b>12,477,632</b>	<b>12,456,601</b>		<b>326,819</b>

\* Loans to customers included accrued interest receivables

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
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	2011			
	Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Net amount for allowance for doubtful accounts	Rate used for allowance for doubtful accounts <i>(%)</i>	Allowance for doubtful accounts <i>(in thousand Baht)</i>
Allowance as per BoT's minimum requirement				
- Pass	12,561,818	12,533,461	1	125,334
- Special Mention	290,094	290,000	2	5,800
- Doubtful	51,920	51,920	100	51,920
- Doubtful of loss	57,299	57,299	100	57,299
<b>Total</b>				<b>240,353</b>
Allowance in excess				87,164
<b>Total*</b>	<b>12,961,131</b>	<b>12,932,680</b>		<b>327,517</b>

\* Loans to customers included accrued interest receivables

### 10.5 Non-performing loans

As at 31 December 2012 and 2011 the Branch had non-performing loans gross (including financial institutions) based on the BoT notification are as follows:

	2012	2011
Non-performing loans, gross <i>(in thousand Baht)</i>	107,482	109,219
Total loans used for NPLs ratio calculation <sup>(1)</sup> <i>(in thousand Baht)</i>	57,972,122	76,198,333
Percentage of total loans <sup>(2)</sup> (%)	0.19	0.14

<sup>(1)</sup> Total loans used for NPL ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items.

<sup>(2)</sup> The ratio of NPL gross to total loans before allowance for doubtful accounts of non-performing loans.

As at 31 December 2012 and 2011, the Branch had non-performing loans, net (NPL net) (including financial institutions) based on the BoT notification are as follows:

	2012	2011
Non-performing loans, net <i>(in thousand Baht)</i>	-	-
Total loans used for NPLs net ratio calculation <sup>(1)</sup> <i>(in thousand Baht)</i>	57,864,639	76,089,115
Percentage of total loans <sup>(2)</sup> (%)	-	-

<sup>(1)</sup> Total loans used for NPL ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items net, after allowance for doubtful accounts.

<sup>(2)</sup> The ratio of NPL net to total loans after allowance for doubtful accounts of non-performing loans.

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

#### 11 Troubled debt restructuring

As at 31 December 2012, the Branch had a total of 98 customers (2011: 106 customers) with gross outstanding balances of Baht 12,457 million (2011: Baht 12,933 million). The Branch has no troubled debt restructuring during 2012 and 2011.

For the years ended 31 December 2012 and 2011, no losses were incurred on debt restructuring and the Branch recognised no interest income from restructured debts.

#### 12 Allowance for doubtful accounts

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2012 and 2011 consisted of:

	2012					Total
	Pass	Special Mention	Doubtful	Doubtful of loss	Allowance established in excess of BOT regulations	
<b>Balance at beginning of year</b>	125,334	5,800	51,920	57,299	87,164	327,517
Doubtful accounts	(5,693)	1,900	(50,184)	50,184	4,831	1,038
Others	-	-	(1,736)	-	-	(1,736)
<b>Balance at the end of year</b>	<b>119,641</b>	<b>7,700</b>	<b>-</b>	<b>107,483</b>	<b>91,995</b>	<b>326,819</b>

  

	2011					Total
	Pass	Special Mention	Doubtful	Doubtful of loss	Allowance established in excess of BOT regulations	
<b>Balance at beginning of year</b>	83,095	-	493,968	57,299	36,036	670,398
Doubtful accounts	42,239	5,800	-	-	51,128	99,167
Recovery	-	-	(445,417)	-	-	(445,417)
Others	-	-	3,369	-	-	3,369
<b>Balance at the end of year</b>	<b>125,334</b>	<b>5,800</b>	<b>51,920</b>	<b>57,299</b>	<b>87,164</b>	<b>327,517</b>

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**Notes to the financial statements**

**13 Leasehold building improvements and equipment, net**

	2012				2011				Net book value at 31 December 2012	
	Net book value At 1 January 2012	Beginning balance	Cost Purchases	Disposals	Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation Depreciation	Disposals		Ending balance
Leasehold building improvement	146,977	207,060	-	-	207,060	60,083	20,704	-	80,787	126,273
Furniture, fixtures and equipment	113,216	241,240	2,866	(3,453)	240,653	128,024	27,411	(3,440)	151,995	88,658
Vehicles	-	1,223	-	-	1,223	1,223	-	-	1,223	-
<b>Total</b>	<b>260,193</b>	<b>449,523</b>	<b>2,866</b>	<b>(3,453)</b>	<b>448,936</b>	<b>189,330</b>	<b>48,115</b>	<b>(3,440)</b>	<b>234,005</b>	<b>214,931</b>
Leasehold building improvement	166,552	206,025	1,035	-	207,060	39,473	20,610	-	60,083	146,977
Furniture, fixtures and equipment	138,031	241,797	2,644	(3,201)	241,240	103,766	27,415	(3,157)	128,024	113,216
Vehicles	-	1,223	-	-	1,223	1,223	-	-	1,223	-
<b>Total</b>	<b>304,583</b>	<b>449,045</b>	<b>3,679</b>	<b>(3,201)</b>	<b>449,523</b>	<b>144,462</b>	<b>48,025</b>	<b>(3,157)</b>	<b>189,330</b>	<b>260,193</b>

Depreciation for the year ended 31 December 2012 of Baht 48.1 million was included in profit or loss (2011: Baht 48.0 million).

As at 31 December 2012, leasehold building improvements and equipment with original cost of Baht 58.0 million which was fully depreciated was still in use (2011: Baht 67.0 million).

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**14 Deferred tax assets, net**

Deferred tax assets and liabilities determined after netting off are included in statements of financial position as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Deferred tax assets	127,007	139,493
Deferred tax liabilities	<u>(4,743)</u>	<u>(4,069)</u>
<b>Net</b>	<b><u>122,264</u></b>	<b><u>135,424</u></b>

Movements in deferred tax assets and liabilities during the year ended 31 December 2012 and 2011 were as follows:

	At 1 January 2012	<i>Charged / (credited) to</i>		At 31 December 2012
		Profit or loss <i>(note 37)</i> <i>(in thousand Baht)</i>	Other comprehensive income	
<b><i>Deferred tax assets</i></b>				
Allowance for doubtful accounts and other provision	4,576	(2,158)	-	2,418
Provisions against derivative products	59,477	(21,802)	-	37,675
Employee benefit obligations	7,128	5,457	-	12,585
Others	68,312	6,017	-	74,329
<b>Total</b>	<b><u>139,493</u></b>	<b><u>(12,486)</u></b>	<b><u>-</u></b>	<b><u>127,007</u></b>
<b><i>Deferred tax liabilities</i></b>				
Leasehold building improvement and equipment	2,275	2,468	-	4,743
Gains on revaluation of investments in available-for- sale securities	1,794	-	(1,794)	-
<b>Total</b>	<b><u>4,069</u></b>	<b><u>2,468</u></b>	<b><u>(1,794)</u></b>	<b><u>4,743</u></b>
<b>Net</b>	<b><u>135,424</u></b>	<b><u>(14,954)</u></b>	<b><u>1,794</u></b>	<b><u>122,264</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

	At 1 January 2011	Charged / (credited) to		At 31 December 2011
		Profit or loss (note 37) (in thousand Baht)	Other comprehensive income	
<b>Deferred tax assets</b>				
Allowance for doubtful accounts and other provision	6,894	(2,318)	-	4,576
Provisions against derivative products	389,625	(330,148)	-	59,477
Employee benefit obligations	-	7,128	-	7,128
Others	33,324	34,988	-	68,312
<b>Total</b>	<b>429,843</b>	<b>(290,350)</b>	<b>-</b>	<b>139,493</b>
<b>Deferred tax liabilities</b>				
Leasehold building improvement and equipment	1,497	778	-	2,275
Gains on revaluation of investments in available-for- sale securities	2,715	-	(921)	1,794
<b>Total</b>	<b>4,212</b>	<b>778</b>	<b>(921)</b>	<b>4,069</b>
<b>Net</b>	<b>425,631</b>	<b>(291,128)</b>	<b>921</b>	<b>135,424</b>

**15 Trading securities receivable**

The Branch records transactions for sale of investments in account trading securities receivable at the trade date while the settlement date occurs in the following period. These accounts receivable occur in the normal course of the Branch's businesses.

**16 Other assets, net**

	2012 (in thousand Baht)	2011
Accrued interest receivable	185,787	171,134
Others	41,596	305,183
<b>Total</b>	<b>227,383</b>	<b>476,317</b>

**17 Classified assets**

As at 31 December 2012 and 2011, assets of the Branch were categorised by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

	Investments	2012	Total
		Loans to customers and accrued interest receivables (in thousand Baht)	
Pass	-	57,548,554	57,548,554
Special Mention	-	385,200	385,200
Doubtful of loss	30,370	107,483	137,853
<b>Total</b>	<b>30,370</b>	<b>58,041,237</b>	<b>58,071,607</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

	Investments	2011 Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Total
Pass	-	75,899,689	75,899,689
Special Mention	-	290,094	290,094
Doubtful	-	51,920	51,920
Doubtful of loss	33,626	57,299	90,925
<b>Total</b>	<b>33,626</b>	<b>76,299,002</b>	<b>76,332,628</b>

**18 Deposits**

**18.1 Classified by type of deposits**

	2012	2011
	<i>(in thousand Baht)</i>	
Current	6,023,158	3,110,753
Savings	16,781,909	28,455,014
Term		
- Less than 6 months	18,344,911	2,573,822
- 6 months but less than 1 year	4,022,091	20,417
- 1 year and over	32,354	110,143
<b>Total</b>	<b>45,204,423</b>	<b>34,270,149</b>

**18.2 Classified by currency and residency of depositors**

	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	40,185,421	217,428	40,402,849	29,341,943	245,697	29,587,640
US Dollar	3,502,410	475,013	3,977,423	3,089,724	202,828	3,292,552
Others	819,507	4,644	824,151	1,381,504	8,453	1,389,957
<b>Total</b>	<b>44,507,338</b>	<b>697,085</b>	<b>45,204,423</b>	<b>33,813,171</b>	<b>456,978</b>	<b>34,270,149</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**19 Interbank and money market items (liabilities)**

	2012			2011		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
Commercial banks	299,268	-	299,268	107,371	-	107,371
Specialised financial institutions*	9,666	3,530,000	3,539,666	-	1,500,000	1,500,000
Other financial institutions**	64,344	5,810,719	5,875,063	14,865	4,739,521	4,754,386
<b>Total domestic</b>	<b>373,278</b>	<b>9,340,719</b>	<b>9,713,997</b>	<b>122,236</b>	<b>6,239,521</b>	<b>6,361,757</b>
<b>Foreign</b>						
Other currencies	130,353	-	130,353	156,450	-	156,450
<b>Total foreign</b>	<b>130,353</b>	<b>-</b>	<b>130,353</b>	<b>156,450</b>	<b>-</b>	<b>156,450</b>
<b>Total domestic and Foreign</b>	<b>503,631</b>	<b>9,340,719</b>	<b>9,844,350</b>	<b>278,686</b>	<b>6,239,521</b>	<b>6,518,207</b>

\* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

\*\* Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League of Thailand Limited

**20 Liabilities to deliver security**

	2012	2011
	<i>(in thousand Baht)</i>	
Securities sold under repurchase agreements	-	11,129,997
Securities short sold	100,286	2,111
<b>Total</b>	<b>100,286</b>	<b>11,132,108</b>

**21 Debt issued and borrowings**

	2012	2011
	<i>(in thousand Baht)</i>	
<b>Domestic</b>		
Debentures	-	12,852,490
Bills of exchange	370,668	7,001,871
Securities purchased under resale agreements	-	11,129,997
Others	260,000	628,000
<b>Total</b>	<b>630,668</b>	<b>31,612,358</b>

As at 31 December 2012, Debt issued and borrowings of Baht 631 million (2011: Baht 31,612 million) are bills of exchange and promissory notes issued by the Bank in Thai Baht and interest rates between 2.85% - 6.37% per annum (2011: 0.50% - 5.62% per annum).



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**22 Provisions against derivative products**

	Liquidity provision	Other provision <i>(in thousand Baht)</i>	Total
At 1 January 2011	108,159	1,184,508	1,292,667
Provision made	63,096	90,567	153,663
Provision used	(28,770)	(862,084)	(890,854)
Provision reversed	(21,592)	(276,397)	(297,989)
<b>At 31 December 2011 and 1 January 2012</b>	<b>120,893</b>	<b>136,594</b>	<b>257,487</b>
Provision made	1,669	82,448	84,117
Provision used	(58,028)	(96,008)	(154,036)
Provision reversed	(4)	(1,970)	(1,974)
<b>At 31 December 2012</b>	<b>64,530</b>	<b>121,064</b>	<b>185,594</b>

**23 Employee benefit obligations**

	2012 <i>(in thousand Baht)</i>	2011
<b>Statements of financial position obligation for:</b>		
Legal severance payment plan	41,984	11,661
Other long-term employee benefit (Long service award)	20,824	19,081
Termination	116	248
<b>Total</b>	<b>62,924</b>	<b>30,990</b>

	2012 <i>(in thousand Baht)</i>	2011
<b>Statements of comprehensive income:</b>		
<b>Recognised in profit or loss</b>		
Legal severance payment plan	36,877	11,661
Other long-term employee benefit (Long service award)	2,841	21,458
Termination	(132)	248
<b>Total</b>	<b>39,586</b>	<b>33,367</b>

The Branch has defined benefit obligations in accordance with the requirement of the Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

***Legal severance payment plan***

Under this plan, employees are entitled to legal severance payment benefits ranging from 30 to 300 days of final salary upon retirement or involuntary separation before retirement.

***Long service award***

As a show of appreciation to long-serving employees, the Branch will award employees based on the duration of continuous employment from 15 to 40 years of service.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

Present value of unfunded as at 31 December 2012 and 2011 was determined as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Present value of unfunded obligation		
<b>Statement of financial position obligation</b>	<b><u>62,924</u></b>	<b><u>30,990</u></b>

Movement in the present value of the defined benefit plans obligations:

	2012	2011
	<i>(in thousand Baht)</i>	
At 1 January	30,990	-
Expense recognised in profit or loss		
Transitional obligation recognised	-	38,562
Current service cost	5,842	(6,166)
Interest on obligation	821	971
Actuarial losses	32,923	-
Benefit paid during the year	<u>(7,652)</u>	<u>(2,377)</u>
<b>At 31 December</b>	<b><u>62,924</u></b>	<b><u>30,990</u></b>

The expense is recognised in profit or loss:

	2012	2011
	<i>(in thousand Baht)</i>	
Other operating expenses		
- Personnel expenses	<u>39,586</u>	<u>33,367</u>

Principal actuarial assumptions as at 31 December 2012 and 2011 were as follows:

	2012	2011
	(%)	
Discount rate	3.9	3.0
Future salary increases	4 - 10	0.0 - 6.0
Turnover rate	0.0 - 25.0	0.0 - 50.0

Assumptions regarding future mortality are based on published statistics and Thai mortality tables.

**24 Trading securities payable**

The Branch records transactions for purchase of investment in account trading securities payable at the trade date while the settlement date occurs in the following period. These accounts payable occur in the normal course of the Branch's business.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**25 Other liabilities**

	2012	2011
	<i>(in thousand Baht)</i>	
Accrued staff bonus	158,814	130,746
Income tax payable	97,989	373,678
Accrued interest payable	240,839	151,567
Impairment for off-financial reporting items	12,053	16,608
Provision for reinstatement of leasehold building improvement	12,300	12,300
Accrued deposit protection agency fee	132,469	60,680
Margin call	962	28,177
Others	168,517	86,988
<b>Total</b>	<b><u>823,943</u></b>	<b><u>860,744</u></b>

**26 Commitments**

**(a) Lease and service agreement**

As at 31 December 2012, the Branch had a 8 year lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Branch has committed to pay rental and service fees as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Within one year	37,873	38,005
Over one year but within five years	178,920	168,753
Over five years	147,448	195,489
<b>Total</b>	<b><u>364,241</u></b>	<b><u>402,247</u></b>

**(b) Operating leases**

	2012	2011
	<i>(in thousand Baht)</i>	
<b><i>Non- cancellable operating lease commitments</i></b>		
Within one year	1,445	945
Over one year but within five years	3,009	1,541
<b>Total</b>	<b><u>4,454</u></b>	<b><u>2,486</u></b>

**(c) Other commitments**

	2012	2011
	<i>(in thousand Baht)</i>	
Business Continuity Facility Charge agreement	49,040	67,448
Facility Management Solution agreement	18,348	23,511
<b>Total</b>	<b><u>67,388</u></b>	<b><u>90,959</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**27 Contingent liabilities**

Contingent liabilities as at 31 December 2012 and 2011 were as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
Avals to bills and guarantees of loans	3,532,147	-
Other guarantees	20,835,878	19,902,396
Letters of credit	7,853,356	7,430,796
Unmatured import bills	200,856	170,114
<b>Total</b>	<b><u>32,422,237</u></b>	<b><u>27,503,306</u></b>

**28 Related parties**

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

Relationships with related parties were as follows:

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Key Management Personnel	Various nationalities	Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly. The Branch's key management personnel consisted of: <ul style="list-style-type: none"> <li>- Chief Country Officer</li> <li>- Chief Operating Officer</li> <li>- Chief Financial Officer</li> <li>- Head of Global Transaction Banking</li> <li>- Head of Global Markets</li> <li>- Head of Corporate Finance</li> <li>- Head of Compliance</li> </ul>
<b><i>Head Office and other Branches</i></b>		
Deutsche Bank AG, Zentral Frankfurt	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Singapore	Singapore	Other Branches
Deutsche Bank AG, Mumbai	India	Other Branches
Deutsche Bank AG, Hong Kong	Hong Kong	Other Branches
Deutsche Bank AG, New York	U.S.A	Other Branches
Deutsche Bank AG, London	U.K.	Other Branches
Deutsche Bank AG, Manila	Philippines	Other Branches
Deutsche Bank AG, Bangalore	India	Other Branches
Deutsche Bank AG, Amsterdam	Netherlands	Other Branches

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Deutsche Bank AG, Colombo	Sri Lanka	Other Branches
Deutsche Bank AG, Jakarta	Indonesia	Other Branches
Deutsche Bank AG, Karachi	Pakistan	Other Branches
Deutsche Bank AG, Ho-Chi Minh	Vietnam	Other Branches
Deutsche Bank AG, Seoul	South Korea	Other Branches
Deutsche Bank AG, Taipei	Taiwan	Other Branches
Deutsche Bank AG, Brussels	Belgium	Other Branches
Deutsche Bank AG, Paris	France	Other Branches
Deutsche Bank AG, Shanghai	China	Other Branches
Deutsche Bank AG, Canada	Canada	Other Branches
Deutsche Bank AG, Tokyo	Japan	Other Branches
Deutsche Knowledge Services Pte. Ltd., Manila	Philippines	Other Branches
Deutsche Bank Trust Company Americas	U.S.A	Other Branches

### *Other Group entities*

Deutsche Bank AG, New Zealand	New Zealand	Other Group entity
Deutsche Bank AG, Malaysia	Malaysia	Other Group entity
Deutsche Bank AG, Banco	Brazil	Other Group entity
Deutsche Securities Inc. Tokyo	Japan	Other Group entity
DWS Holding & Service GmbH	Germany	Other Group entity
Gemini Technology Services Inc.	U.S.A	Other Group entity
Deutsche Bank Securities Inc.	U.S.A	Other Group entity
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank, Madrid	Spain	Other Group entity
Deutsche Bank, Luxembourg S.A.	Luxembourg	Other Group entity
Deutsche Bank, Milan	Italy	Other Group entity
Deutsche Investment Management Americas Inc.	U.S.A	Other Group entity
DB Services New Jersey, Inc.	U.S.A	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DBOI Global Services (UK) Limited	U.K.	Other Group entity
DB Group Services (EURO)	U.K.	Other Group entity
Deutsche Bank Moscow	Russia	Other Group entity

The pricing policies for particular types of transactions are explained further below:

#### **Transactions**

Interest income  
Interest expense  
Expense allocated

#### **Pricing policies**

Market rate  
Market rate  
Contractually agreed price

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

Significant transactions for the years ended 31 December 2012 and 2011 with related parties were as follows:

<i>For the year ended 31 December</i>	2012	2011
	<i>(in thousand Baht)</i>	
<b>Head Office and other Branches</b>		
Interest income	19	319
Interest expense	133,031	178,864
Expense allocated from Head office	528,292	387,898
Profit remitted to Head Office	1,710,000	783,000
<b>Other Group entities</b>		
Expense allocated	8,008	210,268

### Key management personnel

The Branch's management who are members of executive committee shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments in the group of its major shareholder as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
<b>Key management personnel compensation</b>		
Short-term benefits	91,548	110,572
Post-employment benefits	8,993	6,477
<b>Total</b>	<u>100,541</u>	<u>117,049</u>

Balances as at 31 December 2012 and 2011 with related parties were as follows:

	2012	2011
	<i>(in thousand Baht)</i>	
<b>Debts issued and borrowings</b>		
Deutsche Bank AG, London	-	12,581,406
Deutsche Bank AG, Singapore	21,413,020	9,572,327
Deutsche Bank AG, Zentral Frankfurt	-	633,824
<b>Accrued interest payable</b>		
Deutsche Bank AG, London	-	19,280
Deutsche Bank AG, Singapore	14,724	9,597
Deutsche Bank AG, Zentral Frankfurt	-	17
<b>Unrealised gains (losses) on derivative contracts, net</b>	<u>608,806</u>	<u>(436,460)</u>
<b>Interbranch accounts</b>	<u>2,911,671</u>	<u>1,234,789</u>

As at 31 December 2012, debts issued and borrowings from related parties were due to mature from 17 January 2013 to 6 March 2013 (2011: 4 January 2012 to 6 March 2012) and carried interest between 0.33% - 0.35% per annum (2011: 0.49% - 0.59% per annum).

The Branch enters into certain treasury transactions, including swap, foreign exchange, and option contracts with other Deutsche Branch entities for hedging purpose.

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

#### 29 The financial position and results of operations classified by domestic and foreign business

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only one domestic business in Thailand.

#### 30 Interest income

	2012	2011
	<i>(in thousand Baht)</i>	
Interbank and money market items	1,876,742	2,987,260
Investments and trading transactions	838,402	800,117
Loans to customers	402,033	347,559
<b>Total</b>	<b><u>3,117,177</u></b>	<b><u>4,134,936</u></b>

#### 31 Interest expenses

	2012	2011
	<i>(in thousand Baht)</i>	
Deposits	566,507	246,736
Interbank and money market items	514,049	690,538
Contribution to Deposit Protection Agency	256,436	133,623
Debt issued	347,881	1,201,002
Borrowings	131,947	358,369
Others	-	2,420
<b>Total</b>	<b><u>1,816,820</u></b>	<b><u>2,632,688</u></b>

#### 32 Net fees and service income

	2012	2011
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	63,209	52,651
- Fund transfer and collection services	66,646	63,083
- Others	139,210	152,517
<b>Total</b>	<b><u>269,065</u></b>	<b><u>268,251</u></b>
Fees and service expenses		
- Transfer fees between financial institutions	24,811	24,791
- Others	70,744	67,796
<b>Total</b>	<b><u>95,555</u></b>	<b><u>92,587</u></b>
<b>Net</b>	<b><u>173,510</u></b>	<b><u>175,664</u></b>

#### 33 Net gains on trading and foreign exchange transactions

	2012	2011
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	682,630	(31,728)
- Interest rate related derivatives	60,197	1,472,364
- Debt securities	107,347	9,794
<b>Total</b>	<b><u>850,174</u></b>	<b><u>1,450,430</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

**34 Net gain on investments**

	2012	2011
	<i>(in thousand Baht)</i>	
Gains on sales		
- Available-for-sale securities	8,790	-
<b>Total</b>	<b>8,790</b>	<b>-</b>

**35 Bad debts, allowance for doubtful accounts and impairment loss**

	2012	2011
	<i>(in thousand Baht)</i>	
Interbank and money market items (reversal)	(300)	5,191
Loans to customers	1,096	98,146
<b>Total</b>	<b>796</b>	<b>103,337</b>

**36 Employee expenses**

	2012	2011
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	359,172	343,850
Legal severance payment plan	36,877	11,661
Long service award	2,841	21,458
Termination	(132)	248
Share-based payment transaction	19,705	29,080
Others	70,182	77,967
<b>Total</b>	<b>488,645</b>	<b>484,264</b>

The Branch has established contributory provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates of 10% of their basic salaries and by the Branch at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

**37 Income tax expenses**

*Income tax recognised in profit or loss*

	<i>Note</i>	2012	2011
		<i>(in thousand Baht)</i>	
<b>Current tax expense</b>			
Current year		288,649	464,236
Adjustment for prior years under (over)		44,384	(86)
		<b>333,033</b>	<b>464,150</b>
<b>Deferred tax expense</b>			
Movements in temporary differences		(3,386)	249,366
Income tax reduction - deferred		18,340	41,762
	<i>14</i>	<b>14,954</b>	<b>291,128</b>
<b>Total</b>		<b>347,987</b>	<b>755,278</b>



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**

*Income tax recognised in other comprehensive income*

	Before tax	2012 Tax (expense) benefit	Net of tax <i>(in thousand Baht)</i>	Before tax	2011 Tax (expense) benefit	Net of tax
Available-for-sale financial assets	<u>(7,798)</u>	<u>1,794</u>	<u>(6,004)</u>	<u>(1,251)</u>	<u>921</u>	<u>(330)</u>
<b>Total</b>	<b><u>(7,798)</u></b>	<b><u>1,794</u></b>	<b><u>(6,004)</u></b>	<b><u>(1,251)</u></b>	<b><u>921</u></b>	<b><u>(330)</u></b>

*Reconciliation of effective tax rate*

	Rate (%)	2012 <i>(in thousand Baht)</i>	Rate (%)	2011 <i>(in thousand Baht)</i>
Profit before income tax		<u>1,110,088</u>		<u>2,378,381</u>
Income tax using Thailand's corporation tax rate	23.0	<u>255,320</u>	30.0	<u>713,514</u>
Income tax reduction - deferred	1.6	<u>18,340</u>	1.8	<u>41,762</u>
Expenses not deductible for tax purposes	1.9	<u>20,831</u>	-	<u>7</u>
Adjustment for prior year under (over) - current	4.0	<u>44,384</u>	-	<u>(86)</u>
Adjustment for prior year - deferred	0.8	<u>9,112</u>	-	<u>81</u>
<b>Total</b>	<b><u>31.3</u></b>	<b><u>347,987</u></b>	<b><u>31.8</u></b>	<b><u>755,278</u></b>

*Income tax reduction*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

**38 Thai Financial Reporting Standards (TFRS) not yet adopted**

The Branch has not adopted the following new and revised TFRS that has been issued as of the reporting date but is not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year effective
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TFRS 8	Operating Segments	2013

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the Branch's financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application. This standard is as follow:

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## Notes to the financial statements

### *TAS 21 (revised 2009) - The effects of changes in foreign exchange rates*

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the Branch operates. TAS 21 requires the Branch to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the Branch's functional currency.

Management has determined that the functional currency of the Branch is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 is not expected to have a significant impact on the Branch's reported assets, liabilities or retained earnings.

### *TFRS 8 – Operating segments*

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Branch's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Branch's financial statements.

Management is of the opinion that the adoption of TFRS 8 from 1 January 2013 will not have a significant impact on the Branch's financial statements.

## 39 Reclassification of accounts

Certain accounts in the 2011 financial statements have been reclassified to conform to the presentation in the 2012 financial statements.

	Before reclassification	2011 Reclassification	After reclassification
		<i>(in thousand Baht)</i>	
<b><i>Statement of financial position</i></b>			
Interbank and money market items	6,865,325	(347,118)	6,518,207
Debt issued and borrowings	31,265,240	347,118	31,612,358
		-	
<b><i>Statement of comprehensive income</i></b>			
Expenses allocated from head office	468,934	129,232	598,166
Other expenses	272,415	(133,143)	139,272
Bad debts, allowance for doubtful accounts and impairment loss	99,426	3,911	103,337
		-	

The reclassifications have been made, because in the opinion of management, the new classification is more appropriate to the Branch's nature of business.