

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**

Annual financial statements  
and  
Audit Report of Certified Public Accountant

For the years ended  
31 December 2008 and 2007



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## Audit Report of Certified Public Accountant

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

I have audited the balance sheets of Deutsche Bank Aktiengesellschaft, Bangkok Branch as at 31 December 2008 and 2007, the related statements of income, changes in equity of head office and other branches of the same juristic person and cash flows for each of the years then ended. The Bangkok 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 Bangkok Branch and reflect only transactions recorded locally. The Bangkok Branch's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my 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's operations in Thailand as at 31 December 2008 and 2007, the results of its operations and its cash flows in Thailand for each of the years then ended, in accordance with generally accepted accounting principles.

(Thirdthong Thepmongkorn)  
Certified Public Accountant  
Registration No. 3787

KPMG Phoomchai Audit Ltd.  
Bangkok  
20 April 2009

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Balance sheets

As at 31 December 2008 and 2007

Assets	Note	2008	2007
		(in Baht)	
<b>Cash</b>		52,180,589	42,928,354
<b>Interbank and money market items</b>	4.1		
<i>Domestic items</i>			
Interest bearing		10,931,310,806	16,020,744,508
Non-interest bearing		420,331,770	1,132,354,618
<i>Foreign items</i>			
Interest bearing		6,020,664,103	3,315,474,284
Non-interest bearing		41,788,393	122,518,930
<b>Total interbank and money market items</b>		<u>17,414,095,072</u>	<u>20,591,092,340</u>
<b>Investments in securities</b>	4.2		
Current investments - net		29,573,417,857	38,733,003,023
Long-term investments - net		6,567,294	3,451,721,138
<b>Total investments in securities - net</b>		<u>29,579,985,151</u>	<u>42,184,724,161</u>
<b>Loans and accrued interest receivable</b>			
Loans	4.3, 4.4, 4.5	14,555,060,090	13,533,186,056
Accrued interest receivable		44,566,836	38,815,192
Total loans and accrued interest receivable		14,599,626,926	13,572,001,248
Less: allowance for doubtful accounts	4.6	(200,055,185)	(219,127,073)
<b>Total loans and accrued interest receivable - net</b>		<u>14,399,571,741</u>	<u>13,352,874,175</u>
<b>Leasehold improvements and equipment - net</b>	4.7	290,256,741	40,195,114
<b>Unrealised gains on forward and derivative contracts</b>	5	52,216,861,500	20,891,966,774
<b>Trading securities receivable</b>		5,178,859,972	6,818,310,689
<b>Other assets</b>	4.8, 4.16	824,402,708	1,105,533,008
<b>Total assets</b>		<u><u>119,956,213,474</u></u>	<u><u>105,027,624,615</u></u>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Balance sheets

As at 31 December 2008 and 2007

Liabilities and equity of head office and other branches of the same juristic person	Note	2008	2007
		(in Baht)	
<b>Liabilities</b>			
<b>Deposits</b>	4.9		
Deposits in Baht		20,063,009,740	21,901,096,711
Deposits in foreign currencies		4,683,640,883	3,161,796,481
<b>Total deposits</b>		<u>24,746,650,623</u>	<u>25,062,893,192</u>
<b>Interbank and money market items</b>	4.10		
<i>Domestic items</i>			
Interest bearing		6,707,626,029	10,324,068,781
Non - interest bearing		211,166,257	61,702,889
<i>Foreign items</i>			
Interest bearing		109,498	132,910
Non - interest bearing		81,907,132	55,444,351
<b>Total interbank and money market items</b>		<u>7,000,808,916</u>	<u>10,441,348,931</u>
<b>Liabilities payable on demand</b>		1,335,315,867	2,787,761,484
<b>Securities sold under repurchase agreement</b>	4.11	-	400,000,000
<b>Borrowings</b>	4.12		
Short-term borrowings		8,274,477,655	23,600,990,076
Long-term borrowings		3,658,136,381	3,781,156,381
<b>Total borrowings</b>		<u>11,932,614,036</u>	<u>27,382,146,457</u>
<b>Provision against derivative products</b>	4.13	1,920,671,532	1,656,717,329
<b>Unrealised losses on forward and derivative contracts</b>		40,880,158,805	13,272,542,798
<b>Accrued interest payable</b>		172,586,491	338,622,339
<b>Trading securities payable</b>		4,978,794,500	1,028,693,659
<b>Other liabilities</b>	4.14	1,414,685,117	1,291,262,445
<b>Total liabilities</b>		<u>94,382,285,887</u>	<u>83,661,988,634</u>
<b>Equity of head office and other branches of the same juristic person</b>			
Funds remitted into Thailand and reserve for maintenance of assets under section 32 of the Financial Institutions Business Act, B.E. 2551 (2007 : section 6 of Commercial Banking Act B.E. 2505)			
	4.15	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			
	4.15, 5	4,922,847,880	1,929,456,345
Unrealised gains on revaluation of securities	4.2	1,919,795	19,993,543
Retained earnings		2,849,159,912	1,616,186,093
<b>Total equity of head office and other branches of the same juristic person</b>		<u>25,573,927,587</u>	<u>21,365,635,981</u>
<b>Total liabilities and equity of head office and other branches of the same juristic person</b>		<u>119,956,213,474</u>	<u>105,027,624,615</u>
<b>Off balance sheet items - contingencies</b>			
	4.18		
Avals to bills and guarantees of loans		99,210,044	-
Unmatured import bills		281,007,724	167,559,508
Letters of credit		257,691,214	682,819,716
Others		1,641,388,057,732	1,373,519,071,735

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of income

For the years ended 31 December 2008 and 2007

	Note	2008	2007
		(in Baht)	
<b><i>Interest and dividend income</i></b>	5		
Loans		570,884,191	620,075,395
Interbank and money market items		709,034,621	774,577,770
Investments		1,285,092,093	1,951,841,600
<b>Total interest and dividend income</b>		<b>2,565,010,905</b>	<b>3,346,494,765</b>
<b><i>Interest expense</i></b>	5		
Deposits		537,006,743	835,351,880
Interbank and money market items		637,575,708	427,227,964
Borrowings			
Short-term borrowings		435,832,500	792,136,739
Long-term borrowings		92,813,635	109,128,045
<b>Total interest expense</b>		<b>1,703,228,586</b>	<b>2,163,844,628</b>
Net interest and dividend income		861,782,319	1,182,650,137
Bad debt and doubtful accounts		1,866,362	12,525,863
<b>Net interest and dividend income after bad debt and doubtful accounts</b>		<b>863,648,681</b>	<b>1,195,176,000</b>
<b><i>Non - interest income</i></b>			
Gains on trading in securities		399,612,917	872,184,262
Fee and commission income			
Acceptances, avals and guarantees		49,940,984	43,658,062
Others		222,803,154	259,307,085
Gains on exchange		501,085,331	334,308,381
Gains from trading derivatives		1,856,133,992	585,269,855
Other income		316,519,680	245,960,604
<b>Total non - interest income</b>		<b>3,346,096,058</b>	<b>2,340,688,249</b>
<b><i>Non - interest expenses</i></b>			
Personnel expenses		488,653,171	483,144,381
Premises and equipment expenses		142,411,826	119,290,738
Taxes and duties		34,415,455	315,367,396
Fees and service expenses		96,989,702	69,458,592
Expenses allocated from head office	5	469,551,900	770,806,856
Payments to the Financial Institutions Development Fund and Deposit Protection Agency		126,304,879	87,864,895
Other expenses		121,722,500	109,662,600
<b>Total non - interest expenses</b>		<b>1,480,049,433</b>	<b>1,955,595,458</b>
<b>Income before income tax</b>		<b>2,729,695,306</b>	<b>1,580,268,791</b>
Income tax expenses	4.16	778,821,487	453,716,621
<b>Net income</b>		<b>1,950,873,819</b>	<b>1,126,552,170</b>

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

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Statements of changes in equity of head office and other branches of the same juristic person

For the years ended 31 December 2008 and 2007

	Fund remitted into Thailand and reserved for maintaining assets	Balance of inter-office accounts with head office and other branches of the same juristic person	Unrealised gain (loss) on revaluation of securities	Retained earnings	Total
			(in Baht)		
<b>Balance as at 1 January 2007</b>	<b>8,500,000,000</b>	<b>1,065,839,863</b>	<b>8,774,555</b>	<b>489,633,923</b>	<b>10,064,248,341</b>
Unrealised gain on revaluation of securities	-	-	11,218,988	-	11,218,988
Net income (expenses) recognised in head office's equity	-	-	11,218,988	-	11,218,988
Net income	-	-	-	1,126,552,170	1,126,552,170
Total recognised income (expenses) during the year	-	-	11,218,988	1,126,552,170	1,137,771,158
Balance of inter-office accounts with head office and other branches of the same juristic person - net	-	863,616,482	-	-	863,616,482
Funds remitted from head office	9,300,000,000	-	-	-	9,300,000,000
<b>Balance as at 31 December 2007</b>	<b>17,800,000,000</b>	<b>1,929,456,345</b>	<b>19,993,543</b>	<b>1,616,186,093</b>	<b>21,365,635,981</b>
Unrealised loss on revaluation of securities	-	-	(18,073,748)	-	(18,073,748)
Net income (expenses) recognised in head office's equity	-	-	(18,073,748)	-	(18,073,748)
Net income	-	-	-	1,950,873,819	1,950,873,819
Total recognised income (expenses) during the year	-	-	(18,073,748)	1,950,873,819	1,932,800,071
Balance of inter-office accounts with head office and other branches of the same juristic person - net	-	2,993,391,535	-	-	2,993,391,535
Profit remitted to head office	-	-	-	(717,900,000)	(717,900,000)
<b>Balance as at 31 December 2008</b>	<b>17,800,000,000</b>	<b>4,922,847,880</b>	<b>1,919,795</b>	<b>2,849,159,912</b>	<b>25,573,927,587</b>

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of cash flows

For the years ended 31 December 2008 and 2007

	Note	2008	2007
		(in Baht)	
<b><i>Cash flows from operating activities</i></b>			
Net income		1,950,873,819	1,126,552,170
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities</i>			
Depreciation	4.7	29,195,625	26,851,894
Bad debt and doubtful accounts (reversal)		(4,330,429)	8,367,314
Unrealised (gains) losses on revaluation of trading securities		(103,463,576)	91,991,951
Amortisation of premium arising on acquisition of securities		100,156,391	76,586,738
Losses (gains) on disposal of equipment		184,346	(56,868)
Unrealised gains on forward and derivative contracts - net		(3,717,278,719)	(6,346,740,827)
Increase in provision against derivative products		263,954,203	828,733,204
Loss on impairment of investments in securities		43,252,185	98,576,432
Decrease in accrued interest receivable		252,620,488	97,059,828
Interest expenses		1,703,228,586	2,163,844,628
Income tax expenses		778,821,487	453,716,621
Increase (decrease) in other provisions		5,046,980	(24,589,112)
(Decrease) increase in liquidity provision for investments		(1,041,382)	2,743,382
<b>Net gain (loss) from operations before changes in operating assets and liabilities</b>		<b>1,301,220,004</b>	<b>(1,396,362,645)</b>
<b><i>(Increase) decrease in operating assets</i></b>			
Interbank and money market items		3,217,462,344	(9,343,666,534)
Securities purchased under resale agreements		-	6,230,000,000
Securities for trading		2,682,488,715	(15,234,074,391)
Loans		(1,079,915,274)	1,139,566,618
Trading securities receivable		1,639,450,718	(118,872,585)
Other assets		327,072,194	(261,809,471)
<b><i>Increase (decrease) in operating liabilities</i></b>			
Deposits		(316,242,569)	(337,592,748)
Interbank and money market items		(3,440,540,015)	1,417,916,862
Securities sold under repurchase agreements		(400,000,000)	400,000,000
Short-term borrowings		(15,326,512,421)	4,978,009,288
Long-term borrowings		(123,020,000)	3,675,156,381
Liabilities payable on demand		(1,452,445,617)	1,039,982,422
Trading securities payable		3,950,100,841	(7,697,439,193)
Other liabilities		(596,119,524)	511,034,851
Interest paid		(1,869,264,434)	(2,143,849,934)
Income tax paid		(285,228,320)	(584,156,542)
<b>Net cash used in operating activities</b>		<b>(11,771,493,358)</b>	<b>(17,726,157,621)</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of cash flows

For the years ended 31 December 2008 and 2007

	<i>Note</i>	2008	2007
		<i>(in Baht)</i>	
<b><i>Cash flows from investing activities</i></b>			
Decrease in available for sale securities		9,856,485,655	7,561,156,576
Purchases of equipment	4.7	(279,473,531)	(15,699,457)
Proceeds from sales of equipment		31,934	277,243
<b>Net cash provided by investing activities</b>		<b><u>9,577,044,058</u></b>	<b><u>7,545,734,362</u></b>
<b><i>Cash flows from financing activities</i></b>			
Funds remitted from head office		-	9,300,000,000
Increase in inter - office accounts		2,993,391,535	863,616,482
Profit remitted to head office		(717,900,000)	-
Income tax paid on profit remitted to head office		(71,790,000)	-
<b>Net cash provided by financing activities</b>		<b><u>2,203,701,535</u></b>	<b><u>10,163,616,482</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>9,252,235</b>	<b>(16,806,777)</b>
Cash and cash equivalents at beginning of year		<u>42,928,354</u>	<u>59,735,131</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>52,180,589</u></b>	<b><u>42,928,354</u></b>



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

<b>Note</b>	<b>Contents</b>
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Supplementary information
5	Related party transactions and balances
6	Thai Accounting Standards (TAS) not yet adopted
7	Reclassification of accounts
8	New regulations related to the Bank

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the management on 20 April 2009.

**1 General information**

Deutsche Bank Aktiengesellschaft (“the Bank”) was granted a licence by the Ministry of Finance to carry out domestic banking business in Thailand through the Deutsche Bank Aktiengesellschaft, Bangkok Branch under the Commercial Banking Act. The Bank was granted a licence to undertake its commercial banking business in April 1988 and granted a certificate of private fund in 12 May 2008.

As of 31 December 2008, the address of the Bank’s registered office is 208 Wireless Road, Lumpini, Phatumwan, Bangkok and moved to 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok on 26 January 2009.

As of 31 December 2008 the Bank employed 164 employees (2007: 149).

**2 Basis of preparation of the financial statements**

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards (“TAS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and in the format prescribed under the announcement of the Bank of Thailand (“BOT”) dated 3 August 2008 and in accordance with generally accepted accounting principles in Thailand.

The Bank has adopted the following new and revised Thai Accounting Standards (TAS) which were issued by the FAP during 2007 and effective for accounting periods beginning on or after 1 January 2008:

TAS 25 (revised 2007)	<i>Cash Flow Statements</i>
TAS 29 (revised 2007)	<i>Leases</i>
TAS 33 (revised 2007)	<i>Borrowing Costs</i>
TAS 35 (revised 2007)	<i>Presentation of Financial Statements</i>
TAS 39 (revised 2007)	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
TAS 51	<i>Intangible Assets</i>

The adoption of these new and revised TAS does not have any material impact on the Bank’s financial statements.

The FAP has issued during 2008 a number of revised TAS which are only effective for financial statements beginning on or after 1 January 2009 and have not been adopted in the preparation of these financial statements. These revised TAS are disclosed in note 6.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

The financial statements are presented in Thai Baht and rounded in the notes to the financial statements to the nearest Baht, unless otherwise stated. They are prepared on the historical cost basis except as disclosed in other notes.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These judgements, estimates and assumptions are based on historical experience and various other factors, including management's assessment of the potential impact on the Bank's operations and financial position of the global economic crisis. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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 4.2	Investments in securities
Note 4.6	Allowance for doubtful accounts
Note 4.13	Provisions against derivative products
Note 4.14	Other liabilities
Note 4.18	Financial instruments

### **3 Significant accounting policies**

#### **3.1 Interest income recognition**

Interest income on performing loans is recognised on an accruals basis. Interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received.

Interest income on deposits and investments in securities is recognised on an accruals basis.

#### **3.2 Interest expense recognition**

Interest expenses are recognised on an accruals basis.

#### **3.3 Investments in securities**

The Bank classifies investments in securities as for trading or available-for-sale securities.

Debt securities and marketable equity securities held for trading are stated at fair value, with any resultant gain or loss recognised in the statement of income.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

Debt securities and marketable equity securities, other than those securities held for trading, are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in a separate component of head office's equity. The exceptions are impairment losses and foreign exchange gains and losses, which are recognised in the statement of income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in a separate component of head office's equity is recognised in the statement of income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statement of income.

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

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the balance sheet 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 a separate component of head office's equity is recognised in the statement of income.

If the Bank 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.

**3.4 Loans**

Loans are presented using the principal amount outstanding at the end of the year, except for overdrafts which include principal and accrued interest.

**3.5 Allowance for doubtful accounts**

The Bank 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 Bank has set up the allowance for doubtful accounts according to the BOT regulations.

With reference to the BOT's directive, relating to the amended Criteria for allowances for doubtful accounts, the Bank 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 is 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.

The allowance for doubtful accounts is charged as an expense in each accounting year. Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**3.6 Restructured loans**

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.

**3.7 Leasehold improvements and equipment**

*Owned assets*

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

*Depreciation and amortisation*

Depreciation and amortisation are charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of assets. The estimated useful lives are as follows:

Leasehold improvements	10 years (or remaining lease term)
Furniture, fixtures and equipment	5-20 years
Vehicles	5 years

**3.8 Impairment**

The carrying amounts of the Bank's assets are reviewed at each balance sheet 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 whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income unless it reverses a previous revaluation credited to head office's equity, in which case it is charged to head office's equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in head office's equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income.

*Calculation of recoverable amount*

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

The recoverable amount of assets is the greater of the assets' net selling price and value in use. 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.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

*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. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in head office's equity.

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 the would have been determined, net of depreciation or amortization, if no impairment loss has been recognised.

**3.9 Foreign currency transactions**

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

**3.10 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. Derivative financial instruments are not use for speculative purpose. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognized in the statement of income when incurred. Subsequently to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy 3.11).

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

The fair value of forward exchange contracts is based on their listed market price, 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 balance sheet date for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**3.11 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 the statement of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statement of income.

*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 head office's equity.

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 head office's equity are recognised in the statement of income in the same period or periods during which the asset acquired or liability assumed affects the statement of income.

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 head office's equity are removed from head office's equity and recognised in the statement of income in the same period or periods during which the asset acquired or liability assumed affects the statement of income.

For cash flow hedges other than those noted in the preceding two paragraphs, the associated cumulative gains or losses that were recognised directly in head office's equity are removed from head office's equity and recognised in the statement of income in the same period or periods during which the hedged forecast transaction affects the statement of income.

*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 head office's equity is retained in head office's equity and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in head office's equity is recognised in the statement of income immediately.

**3.12 Provisions against derivative products**

Certain provisions have been established against the Bank's derivative products in order to reflect an economic assessment of their value to the Bank. 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 Bank had to close out the portfolio.
- Funding cost provision - The funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

- 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).

### 3.13 *Providend fund*

The Bank 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 Bank 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.

The Bank's contributions are expensed in the income statement as incurred.

### 3.14 *Provisions*

A provision is recognised in the balance sheet when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### *Share based payments*

The share option programme allows the Bank's employees to acquire shares of Deutsche Bank. The fair value of options granted is recognised as an employee expense in the statement of income and a provision in the balance sheet. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Bank revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expenses and in corresponding adjustments to provisions over the remaining vesting period.

### 3.15 *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in a separate component of head office's equity.

#### *Current tax*

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

#### *Deferred tax*

Deferred tax is provided, using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

### 3.16 Cash and cash equivalents

Cash and cash equivalents are those amounts included in the balance sheet under the caption of cash, which consists of cash on hand and cash on collection.

### 3.17 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

## 4 Supplementary information

### 4.1 Interbank and money market items (assets)

	At call	2008 Term	Total	At call	2007 Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
The Bank of Thailand and Financial Institutions Development Fund	9,371,668	-	9,371,668	10,830,939	-	10,830,939
Commercial banks	248,664	1,744,482	1,993,146	301,416	6,074,460	6,375,876
<b>Total</b>	<b>9,620,332</b>	<b>1,744,482</b>	<b>11,364,814</b>	<b>11,132,355</b>	<b>6,074,460</b>	<b>17,206,815</b>
Add: accrued interest receivable	-	4,274	4,274	-	7,029	7,029
Less: allowance for doubtful accounts	-	(17,445)	(17,445)	-	(60,745)	(60,745)
<b>Total domestic</b>	<b>9,620,332</b>	<b>1,731,311</b>	<b>11,351,643</b>	<b>11,132,355</b>	<b>6,020,744</b>	<b>17,153,099</b>
<b>Foreign</b>						
US Dollar	-	-	-	-	1,292,510	1,292,510
Euro	-	6,020,330	6,020,330	-	2,022,550	2,022,550
Other currencies	41,788	-	41,788	122,519	-	122,519
<b>Total</b>	<b>41,788</b>	<b>6,020,330</b>	<b>6,062,118</b>	<b>122,519</b>	<b>3,315,060</b>	<b>3,437,579</b>
Add: accrued interest receivable	-	334	334	-	414	414
<b>Total foreign</b>	<b>41,788</b>	<b>6,020,664</b>	<b>6,062,452</b>	<b>122,519</b>	<b>3,315,474</b>	<b>3,437,993</b>
<b>Total interbank and money market items - net</b>	<b>9,662,120</b>	<b>7,751,975</b>	<b>17,414,095</b>	<b>11,254,874</b>	<b>9,336,218</b>	<b>20,591,092</b>

As at 31 December 2008 and 2007 all of the Bank's term interbank and money market items had residual maturities within 3 months.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

### 4.2 Investments in securities

#### 1 Cost and market value

	2008		2007	
	Cost/book value	Market value	Cost/book value	Market value
	<i>(in thousand Baht)</i>			
<b>Current investments</b>				
<i>Securities held for trading</i>				
Government and state enterprise securities	29,535,212	29,573,418	30,538,049	30,571,534
Private debt and equity instruments	-	-	1,679,651	1,624,161
<b>Total</b>	<b>29,535,212</b>	<b>29,573,418</b>	<b>32,217,700</b>	<b>32,195,695</b>
Add (less): unrealised gains (losses) on revaluation	38,206	-	(22,005)	-
<b>Total securities held for trading - net</b>	<b>29,573,418</b>	<b>29,573,418</b>	<b>32,195,695</b>	<b>32,195,695</b>
<i>Available-for-sale securities</i>				
Government and state enterprise securities	-	-	6,511,824	6,537,308
Add: unrealised gains on revaluation	-	-	25,484	-
<b>Total available-for-sale securities</b>	<b>-</b>	<b>-</b>	<b>6,537,308</b>	<b>6,537,308</b>
<b>Total current investments - net</b>	<b>29,573,418</b>	<b>29,573,418</b>	<b>38,733,003</b>	<b>38,733,003</b>
<b>Long-term investments</b>				
<i>Available-for-sale securities</i>				
<b>Debt instruments</b>				
Government and state enterprise securities	-	-	3,444,818	3,435,581
Less: unrealised losses on revaluation	-	-	(9,237)	-
<b>Total debt instruments - net</b>	<b>-</b>	<b>-</b>	<b>3,435,581</b>	<b>3,435,581</b>
<b>Equity instruments</b>				
Investments in marketable securities	7,394	6,567	7,394	16,140
Add: unrealised gains on revaluation	2,742	-	12,315	-
Less: allowance for impairment	(3,569)	-	(3,569)	-
<b>Total equity instruments - net</b>	<b>6,567</b>	<b>6,567</b>	<b>16,140</b>	<b>16,140</b>
<b>Total available-for-sale securities - net</b>	<b>6,567</b>	<b>6,567</b>	<b>3,451,721</b>	<b>3,451,721</b>
<b>Total long-term investments - net</b>	<b>6,567</b>	<b>6,567</b>	<b>3,451,721</b>	<b>3,451,721</b>
<b>Total investments in securities - net</b>	<b>29,579,985</b>	<b>29,579,985</b>	<b>42,184,724</b>	<b>42,184,724</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

2 Classified by their remaining period

	1 year	2007 Maturity date 1-5 years (in thousand Baht)	Total
<i>Available-for-sale securities</i>			
Government and state enterprises bonds	6,511,824	3,444,818	9,956,642
Add (less) : allowance for revaluation	25,484	(9,237)	16,247
<b>Total</b>	<b>6,537,308</b>	<b>3,435,581</b>	<b>9,972,889</b>

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

	2008 (in thousand Baht)	2007 (in thousand Baht)
<i>Debt instruments</i>		
<i>Unrealised gains (losses) on revaluation of investments in debt instruments</i>		
Unrealised gains	-	34,924
Unrealised losses	-	(18,677)
<b>Unrealised gains on revaluation of investments in debt instruments - net</b>	<b>-</b>	<b>16,247</b>
<i>Equity securities</i>		
<i>Unrealised gains on revaluation of investments in equity securities</i>		
<b>Unrealised gains on revaluation of investment in equity securities</b>	<b>2,742</b>	<b>12,315</b>
Deferred tax charged on net unrealised gains on revaluation of investments in securities	(823)	(8,569)
<b>Total unrealised gains on revaluation of securities - net</b>	<b>1,919</b>	<b>19,993</b>

**4.3 Loans and accrued interest receivables**

1 Classified by type of credit

	2008 (in thousand Baht)	2007 (in thousand Baht)
Overdrafts	128,449	162,440
Loans	14,426,611	13,370,746
Total	14,555,060	13,533,186
Add: accrued interest receivable	44,567	38,815
Less: allowance for doubtful accounts	(200,055)	(219,127)
<b>Total</b>	<b>14,399,572</b>	<b>13,352,874</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

2 Classified by residual maturity of credit contracts

	2008	2007
	<i>(in thousand Baht)</i>	
Within 1 year	13,540,080	13,495,686
Over 1 year	1,014,980	37,500
<b>Total</b>	<b><u>14,555,060</u></b>	<b><u>13,533,186</u></b>

3 Classified by currency and residency of debtors

	Domestic	2008 Foreign	Total
	<i>(in thousand Baht)</i>		
Baht	12,910,215	-	12,910,215
US Dollar	1,110,433	411,247	1,521,680
Other currencies	123,165	-	123,165
<b>Total</b>	<b><u>14,143,813</u></b>	<b><u>411,247</u></b>	<b><u>14,555,060</u></b>

	Domestic	2007 Foreign	Total
	<i>(in thousand Baht)</i>		
Baht	12,230,540	-	12,230,540
US Dollar	42,935	1,012,935	1,055,870
Other currencies	246,776	-	246,776
<b>Total</b>	<b><u>12,520,251</u></b>	<b><u>1,012,935</u></b>	<b><u>13,533,186</u></b>

4 Classified by type of business and loan classification

	Pass	Sub standard	2008 Doubtful	Doubtful of loss	Total
	<i>(in thousand baht)</i>				
Agriculture and mining	1,088,802	-	-	-	1,088,802
Manufacturing and commerce	11,018,220	-	25,000	57,299	11,100,519
Property development and construction	701,917	-	-	-	701,917
Infrastructure and services	257,235	10,445	-	-	267,680
Housing loans	-	-	-	358	358
Others	1,395,784	-	-	-	1,395,784
<b>Total</b>	<b><u>14,461,958</u></b>	<b><u>10,445</u></b>	<b><u>25,000</u></b>	<b><u>57,657</u></b>	<b><u>14,555,060</u></b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

	2007				Total
	Pass	Sub standard	Doubtful	Doubtful of loss	
<i>(in thousand baht)</i>					
Agriculture and mining	78,443	-	-	-	78,443
Manufacturing and commerce	9,569,744	-	68,947	115,803	9,754,494
Property development and construction	1,496,686	-	196,000	-	1,692,686
Infrastructure and services	290,301	-	-	-	290,301
Housing loans	-	-	-	428	428
Others	1,711,834	-	5,000	-	1,716,834
<b>Total</b>	<b>13,147,008</b>	<b>-</b>	<b>269,947</b>	<b>116,231</b>	<b>13,533,186</b>

### 5 Classified by loan grade

	2008				
	Loan and accrued Interest receivable	Debt after Collateral/ NPV of Cash flow from Debtors or sale of collateral	% allowance set up by BoT	Provision as per BoT	Actual provision
<i>(in thousand Baht)</i>					
Pass	14,506,525	9,266,254	1	92,662	106,953
Substandard	10,445	10,445	100	10,445	10,445
Doubtful	25,000	25,000	100	25,000	25,000
Doubtful of loss	57,657	57,657	100	57,657	57,657
	<b>14,599,627</b>	<b>9,359,356</b>		<b>185,764</b>	<b>200,055</b>

	2007				
	Loan and accrued Interest receivable	Debt after Collateral/ NPV of Cash flow from Debtors or sale of collateral	% allowance set up by BoT	Provision as per BoT	Actual provision
<i>(in thousand Baht)</i>					
Pass	13,185,823	5,115,760	1	51,158	60,396
Doubtful	269,947	42,500	100	42,500	42,500
Doubtful of loss	116,231	116,231	100	116,231	116,231
	<b>13,572,001</b>	<b>5,274,491</b>		<b>209,889</b>	<b>219,127</b>

\* For allowance for doubtful accounts established under IAS 39 basis, debt after collateral refers to the present value of future cash flows expected to be received, the expected proceeds from the disposal of collateral, or amount set up using collective approach, as applicable.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**Non-performing loans**

According to the Bank of Thailand's regulations, commercial banks are required to report additional information on non-performing loans (NPL), which includes:

- NPL net refers to the non-performing loan after allowances for doubtful accounts.
- The ratio of total loans after allowances for doubtful accounts means the ratio of NPL net to total loans after allowances for doubtful accounts.

As of 31 December 2008 and 2007 non-performing loans (NPL net) (including financial institutions) based on the above directive can be summarised as follows:

	2008	2007
	<i>(in thousand Baht)</i>	
Non-performing loans, net	-	196,000
Total loans used for NPL net ratio calculation <sup>(1)</sup>	25,406,440	29,417,468
Ratio of total loans	-	0.67

- <sup>(1)</sup> Total loans used for NPL ratio calculation are loans to customers as presented in the balance sheet and loans to financial institutions as included in inter-bank and money market items net to total loans after allowances for doubtful accounts.

As of 31 December 2008 and 2007 the Bank has non-accrual loans (including financial institutions) as follows:

	2008	2007
	<i>(in thousand Baht)</i>	
Non-performing loans, gross	93,102	386,178
Total loans used for ratio calculation <sup>(1)</sup>	25,499,542	29,607,646
Percentage of total loans	0.37	1.30

- <sup>(1)</sup> Total loans used for NPL ratio calculation are loans to customers as presented in the balance sheet and loans to financial institutions as included in inter-bank and money market items.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

### 4.4 Classified assets

As of 31 December 2008 and 2007, assets of the Bank, classified as investments, loans and accrued interest receivable (including financial institutions), properties foreclosed and other assets, were categorized 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:

	2008				Total
	Investments	Loans and Accrued Interest Receivable	Properties Foreclosed	Other Assets	
			<i>(in thousand Baht)</i>		
Pass	-	25,455,281	-	-	25,455,281
Sub-Standard	-	10,445	-	-	10,445
Doubtful	-	25,000	-	-	25,000
Doubtful of Loss	230,797	57,657	-	-	288,454
<b>Total</b>	<b>230,797</b>	<b>25,548,383</b>	<b>-</b>	<b>-</b>	<b>25,779,180</b>

  

	2007				Total
	Investments	Loans and Accrued Interest Receivable	Properties Foreclosed	Other Assets	
			<i>(in thousand Baht)</i>		
Pass	-	29,267,312	-	-	29,267,312
Doubtful	-	269,947	-	-	269,947
Doubtful of Loss	155,480	116,231	-	-	271,711
<b>Total</b>	<b>155,480</b>	<b>29,653,490</b>	<b>-</b>	<b>-</b>	<b>29,808,970</b>

### 4.5 Troubled debts restructuring

Restructuring methods	No. of customers	For the year ended 31 December 2007			Amount of debt after restructuring
		Amount of debt before restructuring	Type of transferred assets	Fair value of assets	
		<i>(in thousand Baht)</i>		<i>(in thousand Baht)</i>	<i>(in thousand Baht)</i>
Transfer of assets	2	45,262	Cash	36,821	-
<b>Total</b>		<b>45,262</b>		<b>36,821</b>	<b>-</b>

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

#### For the years ended 31 December 2008 and 2007

As at 31 December 2008, the Bank had a total of 155 customers (2007: 171 customers) with gross outstanding balances of Baht 14,555 million (2007: Baht 13,533 million) of which Baht 25 million (2007: Baht 46 million) were restructured debts.

For the year ended 31 December 2008 and 2007, no losses were incurred on debt restructuring.

The Bank recognised interest income from such restructured debts totaling Baht 2 million for the year ended 31 December 2008 (2007: Baht 1 million).

#### 4.6 Allowance for doubtful accounts

	2008						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess of allowance over minimum requirement	
	(in thousand baht)						
<b>Balance at beginning of the year</b>	51,158	-	-	42,500	116,231	9,238	219,127
Doubtful accounts	41,504	-	10,445	25,000	-	5,053	82,002
Recovery	-	-	-	(42,500)	(1,526)	-	(44,026)
Bad debts written off	-	-	-	-	(58,041)	-	(58,041)
Others	-	-	-	-	993	-	993
<b>Balance at the end of the year</b>	<b>92,662</b>	<b>-</b>	<b>10,445</b>	<b>25,000</b>	<b>57,657</b>	<b>14,291</b>	<b>200,055</b>

  

	2007						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess of allowance over minimum requirement	
	(in thousand baht)						
<b>Balance at beginning of the year</b>	71,662	-	-	25,000	127,004	42,849	266,515
Doubtful accounts	(20,504)	-	-	17,500	-	(33,611)	(36,615)
Recovery	-	-	-	-	(2,891)	-	(2,891)
Bad debts written off	-	-	-	-	(4,898)	-	(4,898)
Others	-	-	-	-	(2,984)	-	(2,984)
<b>Balance at the end of the year</b>	<b>51,158</b>	<b>-</b>	<b>-</b>	<b>42,500</b>	<b>116,231</b>	<b>9,238</b>	<b>219,127</b>



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**4.7 Leasehold improvements and equipment**

	<b>For the year ended 31 December 2008</b>						<b>Book value Ending balance</b>
	<b>Changes in cost during the year</b>		<b>Changes in accumulated depreciation during the year</b>		<b>Ending balance</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Ending balance</b>	<b>Beginning Balance</b>	<b>Depreciation (Disposals)</b>	<b>Ending balance</b>
Leasehold	40,920	-	-	40,920	33,136	5,478	38,614
Furniture, fixture and equipment	143,454	10,705	(14,405)	139,754	111,406	23,355	120,572
Vehicles	4,853	-	-	4,853	4,490	363	4,853
Work in process	-	268,769	-	268,769	-	-	268,769
<b>Total</b>	<b>189,227</b>	<b>279,474</b>	<b>(14,405)</b>	<b>454,296</b>	<b>149,032</b>	<b>29,196</b>	<b>164,039</b>
	<i>(in thousand Baht)</i>						
	<b>For the year ended 31 December 2007</b>						<b>Book value Ending balance</b>
	<b>Changes in cost during the year</b>		<b>Changes in accumulated depreciation during the year</b>		<b>Ending balance</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>(Disposals)</b>	<b>Ending balance</b>	<b>Beginning Balance</b>	<b>Depreciation (Disposals)</b>	<b>Ending balance</b>
Leasehold	38,251	3,237	(568)	40,920	29,388	4,137	33,136
Furniture, fixture and equipment	137,093	12,462	(6,101)	143,454	95,478	21,988	111,406
Vehicles	6,453	-	(1,600)	4,853	5,364	726	4,490
<b>Total</b>	<b>181,797</b>	<b>15,699</b>	<b>(8,269)</b>	<b>189,227</b>	<b>130,230</b>	<b>26,851</b>	<b>149,032</b>
	<i>(in thousand Baht)</i>						

Depreciation for the year ended 31 December 2008 of Baht 29.2 million was included in the statement of income (2007: Baht 26.9 million).

As at 31 December 2008, equipment with original cost of Baht 83.3 million which was fully depreciated was still in use (2007: Baht 82.4 million).

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**4.8 Other assets**

	2008	2007
	<i>(in thousand Baht)</i>	
Deferred tax assets (see note 4.16)	646,679	345,200
Accrued interest receivable	95,576	351,114
Deferred leasehold premises reinstatement	-	26,711
Others	82,148	382,508
<b>Total</b>	<b><u>824,403</u></b>	<b><u>1,105,533</u></b>

**4.9 Deposits**

1 Classified by type of deposits

	2008	2007
	<i>(in thousand Baht)</i>	
Current	1,598,933	1,951,053
Saving	18,380,382	14,639,133
Term		
Less than 6 months	4,562,829	1,692,005
6 months but less than 1 year	71,180	5,716,375
1 year and over	133,327	1,064,327
<b>Total</b>	<b><u>24,746,651</u></b>	<b><u>25,062,893</u></b>

2 Classified by residual maturity of deposit contracts

	2008	2007
	<i>(in thousand Baht)</i>	
Not over 1 year	24,613,324	23,998,566
Over 1 year	133,327	1,064,327
<b>Total</b>	<b><u>24,746,651</u></b>	<b><u>25,062,893</u></b>

3 Classified by currency and residency of depositors

	2008			2007		
	Resident	Non resident	Total	Resident	Non resident	Total
	<i>(in thousand Baht)</i>					
Baht	19,751,282	311,728	20,063,010	21,740,083	161,013	21,901,096
US Dollar	4,263,094	15,442	4,278,536	2,721,377	69,891	2,791,268
Other currencies	386,590	18,515	405,105	349,131	21,398	370,529
<b>Total</b>	<b><u>24,400,966</u></b>	<b><u>345,685</u></b>	<b><u>24,746,651</u></b>	<b><u>24,810,591</u></b>	<b><u>252,302</u></b>	<b><u>25,062,893</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

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

	At call	2008 Term	Total (in thousand Baht)	At call	2007 Term	Total
<b>Domestic</b>						
Commercial banks	210,412	93,136	303,548	61,518	2,093,136	2,154,654
Finance, securities and credit foncier companies	680	200,000	200,680	67,061	200,000	267,061
Other financial institutions	14,382	6,400,182	6,414,564	17,382	7,946,675	7,964,057
<b>Total domestic</b>	<b>225,474</b>	<b>6,693,318</b>	<b>6,918,792</b>	<b>145,961</b>	<b>10,239,811</b>	<b>10,385,772</b>
<b>Foreign</b>						
Other currencies	82,017	-	82,017	55,577	-	55,577
<b>Total foreign</b>	<b>82,017</b>	<b>-</b>	<b>82,017</b>	<b>55,577</b>	<b>-</b>	<b>55,577</b>
<b>Total interbank and money market items</b>	<b>307,491</b>	<b>6,693,318</b>	<b>7,000,809</b>	<b>201,538</b>	<b>10,239,811</b>	<b>10,441,349</b>

**4.11 Securities sold under repurchase agreements**

	2008 (in thousand Baht)	2007
Government bonds and Bank of Thailand's bonds	-	400,000

**4.12 Borrowings**

	2008		2007	
	Domestic	Total (in thousand Baht)	Domestic	Total
<b>Short-term borrowings</b>				
Bonds	1,544,000	1,544,000	12,901,000	12,901,000
Bills of exchange	6,730,478	6,730,478	10,699,990	10,699,990
<b>Total short-term borrowings</b>	<b>8,274,478</b>	<b>8,274,478</b>	<b>23,600,990</b>	<b>23,600,990</b>
<b>Long-term borrowings</b>				
Bonds	3,533,136	3,533,136	3,433,136	3,433,136
Bills of exchange	125,000	125,000	348,020	348,020
<b>Total long-term borrowings</b>	<b>3,658,136</b>	<b>3,658,136</b>	<b>3,781,156</b>	<b>3,781,156</b>
<b>Total borrowings</b>	<b>11,932,614</b>	<b>11,932,614</b>	<b>27,382,146</b>	<b>27,382,146</b>

At 31 December 2008, short-term borrowings of Baht 8,274 million (2007: Baht 23,601 million) are bonds and bills of exchange issued by the Bank in Thai Baht with residual maturities within 1 year and interest rates between 1.15% - 4.03% (2007: 1.00% - 3.50%).

At 31 December 2008, long-term borrowings of Baht 3,658 million (2007: Baht 3,781 million) are bills of exchange and bonds issued by the Bank in Thai Baht with interest rates between 2.60% - 4.06% (2007: 2.85% - 4.00%).

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**4.13 Provision against derivative products**

	Liquidity provision	Other provision <i>(in thousand Baht)</i>	Total
At 1 January 2007	120,213	707,771	827,984
Provision made	113,519	892,981	1,006,500
Provision used	(24,992)	(91,673)	(116,665)
Provision reversed	(46,578)	(14,524)	(61,102)
<b>At 31 December 2007 and 1 January 2008</b>	<b>162,162</b>	<b>1,494,555</b>	<b>1,656,717</b>
Provision made	178,264	1,285,068	1,463,332
Provision used	(132,718)	(139,169)	(271,887)
Provision reversed	(7,122)	(920,369)	(927,491)
<b>At 31 December 2008</b>	<b>200,586</b>	<b>1,720,085</b>	<b>1,920,671</b>

**4.14 Other liabilities**

	2008 <i>(in thousand Baht)</i>	2007
Accrued staff bonus	126,283	218,296
Income tax payable	1,016,994	229,892
Provision for off balance sheet items	16,335	11,288
Provision for reinstatement of leasehold premises	16,692	35,614
Reserve for BoT 30%	-	471,225
Others	238,381	324,947
<b>Total</b>	<b>1,414,685</b>	<b>1,291,262</b>

**4.15 Assets maintained in Thailand and Capital Fund**

The assets maintained in Thailand under section 32 of the Financial Institution Business Act, B.E. 2551 (2007: Commercial Banking Act B.E 2505 as amended by the Commercial Banking Act (No.2) B.E. 2522) at 31 December 2008 and 2007 were as follows:

	2008 <i>(in thousand Baht)</i>	2007
Thai Government bonds	2,993,624	4,227,865
Bank of Thailand's bonds	15,557,718	14,020,223
<b>Total</b>	<b>18,551,342</b>	<b>18,248,088</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**Capital Fund**

As at 31 December 2008 and 2007, the capital structure according to Section 32 of the Financial Institutions Business Act, B.E. 2551 and Section 6 of the Commercial Banking Act B.E. 2505, respectively can be summarised as follows:

	2008	2007
	<i>(in Baht)</i>	
Capital Fund	17,800,000	17,800,000
Net balance of inter-office accounts receivable (payable) with head office and other branches of the same juristic person	<u>4,922,848</u>	<u>1,929,456</u>
<b>Total</b>	<b><u>22,722,848</u></b>	<b><u>19,729,456</u></b>
<b>Capital Fund</b>	<b>17,800,000</b>	<b>17,800,000</b>
<b>Capital Adequacy Ratio (%)</b>	<b>14.19</b>	<b>31.73</b>

**4.16 Income tax and deferred tax**

*Income tax*

	2008	2007
	<i>(in thousand Baht)</i>	
<b>Current tax expense</b>		
Current year	<u>1,072,554</u>	<u>772,470</u>
	<b><u>1,072,554</u></b>	<b><u>772,470</u></b>
<b>Deferred tax expense</b>		
Movements in temporary differences	(293,733)	(407,093)
Benefit of tax losses recognised	-	88,340
	<u>(293,733)</u>	<u>(318,753)</u>
<b>Total</b>	<b><u>778,821</u></b>	<b><u>453,717</u></b>

*Reconciliation of effective tax rate*

	2008		2007	
	<i>Rate (%)</i>	<i>(in thousand Baht)</i>	<i>Rate (%)</i>	<i>(in thousand Baht)</i>
Profit before tax		<u>2,729,695</u>		<u>1,580,269</u>
Income tax using the Thai corporation tax rate	30	818,909	30	474,081
Expenses not deductible for tax purposes		914		522
Utilisation of previously unrecognised tax losses		(41,002)		(20,886)
<b>Total</b>	<b><u>28.53</u></b>	<b><u>778,821</u></b>	<b><u>28.71</u></b>	<b><u>453,717</u></b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

### Deferred tax

Deferred tax assets and liabilities determined after appropriate offsetting are included in the balance sheets as follows:

	2008	2007
	<i>(in thousand Baht)</i>	
Deferred tax assets	647,502	353,769
Deferred tax liabilities	<u>(823)</u>	<u>(8,569)</u>
<b>Net</b>	<b><u>646,679</u></b>	<b><u>345,200</u></b>

Movements in deferred tax assets and liabilities, prior to offsetting of balances, during the year are as follows:

	At 1 January 2008	<u>Charged/(credited) to</u>		At 31 December 2008
		Statement of income	Equity	
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Equipment	1,557	2,693	-	4,250
Provisions	14,584	2,081	-	16,665
Other items	337,628	288,959	-	626,587
<b>Total</b>	<b><u>353,769</u></b>	<b><u>293,733</u></b>	<b><u>-</u></b>	<b><u>647,502</u></b>
<b>Deferred tax liabilities</b>				
Other items	<u>(8,569)</u>	-	7,746	<u>(823)</u>
<b>Total</b>	<b><u>(8,569)</u></b>	<b><u>-</u></b>	<b><u>7,746</u></b>	<b><u>(823)</u></b>
<b>Net</b>	<b><u>345,200</u></b>	<b><u>293,733</u></b>	<b><u>7,746</u></b>	<b><u>646,679</u></b>
	At 1 January 2007	<u>Charged/(credited) to</u>		At 31 December 2007
		Statement of income	Equity	
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Equipment	(241)	1,798	-	1,557
Provisions	21,621	(7,037)	-	14,584
Other items	(78,465)	412,332	3,761	337,628
Tax value of loss carry forward	88,340	(88,340)	-	-
<b>Total</b>	<b><u>31,255</u></b>	<b><u>318,753</u></b>	<b><u>3,761</u></b>	<b><u>353,769</u></b>
<b>Deferred tax liabilities</b>				
Other items	-	-	(8,569)	(8,569)
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(8,569)</u></b>	<b><u>(8,569)</u></b>
<b>Net</b>	<b><u>31,255</u></b>	<b><u>318,753</u></b>	<b><u>(4,808)</u></b>	<b><u>345,200</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**4.17 Commitments**

***Lease and service agreement***

At 31 December 2008 the Bank had a 12 year lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Bank has commitments to pay rental and service fees as follows:

	Lease expense (in thousand Baht)
2009	36,909
2010	37,081
2011	37,081
2012	37,081
2013	37,081
2014	37,081
2015	37,081
2016	37,081
2017	37,081
2018	37,081
2019	37,081
2020	<u>26,352</u>
<b>Total</b>	<b><u>434,071</u></b>

***Operating leases***

	2008	2007
	(in thousand Baht)	
<b><i>Non- cancellable operating lease commitments</i></b>		
Within one year	883	-
After one year but within five years	<u>406</u>	<u>3,057</u>
<b>Total</b>	<b><u>1,289</u></b>	<b><u>3,057</u></b>

***Capital commitments***

As at 31 December 2008, the Bank had the following outstanding capital commitments approved and contracted but not provided for in the balance sheet:

	2007 (in thousand baht)
<b><i>Capital commitments</i></b>	
Furniture, fixtures and office equipment	<u>87,371</u>
<b>Total</b>	<b><u>87,371</u></b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**4.18 Financial instruments**

**Contingencies and credit commitments**

The Bank was a party to financial instruments with off-balance sheet 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 commitments to extend credit, letters of credit, financial guarantees, and forward foreign exchange and other derivative contracts.

As at 31 December 2008 and 2007 contingencies were as follows:

	Local currency	2008 Foreign currency	Total <i>(in thousand Baht)</i>	Local currency	2007 Foreign currency	Total
<i>Avals to bills and guarantees</i>						
of loans	3,200	96,010	99,210	-	-	-
Other guarantees	10,399,277	4,470,394	14,869,671	6,432,823	7,667,022	14,099,845
Letters of credit	54,601	203,090	257,691	42	682,778	682,820
Unmatured import bills	27,784	253,224	281,008	-	167,560	167,560
Other commitments						
<i>Forward exchange contracts</i>						
Bought contracts	182,810,542	274,352,266	457,162,808	204,341,826	297,472,542	501,814,368
Sold contracts	(206,371,059)	(246,018,434)	(452,389,493)	(256,912,005)	(245,435,678)	(502,347,683)
<i>Forward interest rate contracts</i>						
Bought contracts	780,461,831	224,856,794	1,005,318,625	563,275,535	145,922,449	709,197,984
Sold contracts	(762,125,681)	(243,192,944)	(1,005,318,625)	(548,933,060)	(160,264,924)	(709,197,984)
<i>Currency swap contracts</i>						
Bought contracts	70,036,440	83,199,949	153,236,389	75,753,844	53,201,510	128,955,354
Sold contracts	(54,158,835)	(96,312,607)	(150,471,442)	(32,997,547)	(100,368,127)	(133,365,674)
<i>Option contracts</i>						
<i>Call option contracts</i>						
Bought contracts	-	4,601,474	4,601,474	-	2,617,324	2,617,324
Sold contracts	-	-	-	-	-	-
<i>Put option contracts</i>						
Bought contracts	2,456,138	-	2,456,138	337,470	-	337,470
Sold contracts	-	-	-	-	(423,769)	(423,769)
<i>Interest rate cross currency swaps</i>						
Bought contracts	203,320	-	203,320	3,340,953	-	3,340,953
Sold contracts	-	(214,155)	(214,155)	-	(3,340,953)	(3,340,953)
<i>Forward rate agreements</i>						
Bought contracts	-	-	-	-	7,761,810	7,761,810
Sold contracts	-	-	-	-	(7,761,810)	(7,761,810)
<i>Index related contracts</i>						
Bought contracts	2,415,669	-	2,415,669	4,270,000	-	4,270,000
Sold contracts	(2,415,669)	-	(2,415,669)	(4,270,000)	-	(4,270,000)
<i>Credit related contracts</i>						
Bought contracts	1,123,965	-	1,123,965	1,123,965	-	1,123,965
Sold contracts	(1,123,965)	-	(1,123,965)	(1,123,965)	-	(1,123,965)



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### For the years ended 31 December 2008 and 2007

The following terms are used to describe the Bank's exposure to off balance sheet financial instruments.

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-balance-sheet 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.

The "regulatory credit equivalent" is calculated for capital adequacy purposes in accordance with the Bank of Thailand's guidelines. Credit equivalent amounts are calculated based on a credit conversion factor (calculated as a percentage of the notional amount).

The Bank's maximum exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit can be cancelled or revoked at any time at the Bank's option. Furthermore, the notional amounts do not necessarily reflect future cash requirements as facilities may expire without being drawn upon.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Details of the Bank's contingencies and commitments as at 31 December 2008 and 2007 compared with regulatory credit equivalent amounts determined in accordance with the Bank of Thailand's risk weighted capital adequacy guidelines were as follows:

	Local currency		2008 Foreign currency		Total	
	Notional amount	Credit equivalent	Notional amount	Credit equivalent	Notional amount	Credit equivalent
	<i>(in thousand Baht)</i>					
Other guarantees	10,399,277	5,252,518	4,470,394	2,177,721	14,869,671	7,430,239
Avals to bills and guarantees of loans	3,200	3,200	96,010	96,010	99,210	99,210
Letters of credit	54,601	10,920	203,090	40,618	257,691	51,538
Unmatured import bills	27,784	5,557	253,224	50,645	281,008	56,202
<b>Total</b>	<b>10,484,862</b>	<b>5,272,195</b>	<b>5,022,718</b>	<b>2,364,994</b>	<b>15,507,580</b>	<b>7,637,189</b>
	Local currency		2007 Foreign currency		Total	
	Notional amount	Credit equivalent	Notional amount	Credit equivalent	Notional amount	Credit equivalent
	<i>(in thousand Baht)</i>					
Other guarantees	6,432,823	3,719,415	7,667,022	3,870,455	14,099,845	7,589,870
Letters of credit	42	8	682,778	191,063	682,820	191,071
Unmatured import bills	-	-	167,560	33,512	167,560	33,512
<b>Total</b>	<b>6,432,865</b>	<b>3,719,423</b>	<b>8,517,360</b>	<b>4,095,030</b>	<b>14,950,225</b>	<b>7,814,453</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

Details of the Bank's outstanding derivative contracts as at 31 December 2008 and 2007 are set out below:

	Notional amount	2008 Credit equivalent (in thousand Baht)	Fair value
<i>Foreign exchange rate related contracts</i>			
Forward contracts	457,162,808	3,733,076	465,568,397
Cross currency swaps	153,236,389	7,598,560	158,756,537
Interest rate cross currency swaps	203,320	2,142	206,389
Options			
Call	4,601,474	56,483	4,943,663
Put	2,456,138	23,575	2,543,733
<b>Total foreign exchange rate related contracts</b>	<b>617,660,129</b>	<b>11,413,836</b>	<b>632,018,719</b>
<i>Equity/index related contracts</i>			
Index related contracts	2,415,669	25,439	2,420,678
<b>Total equity/index related contracts</b>	<b>2,415,669</b>	<b>25,439</b>	<b>2,420,678</b>
<i>Interest rate related contracts</i>			
Interest rate swaps	1,005,318,625	6,619,439	1,008,189,490
Forward rate agreements	-	-	-
<b>Total interest rate related contracts</b>	<b>1,005,318,625</b>	<b>6,619,439</b>	<b>1,008,189,490</b>
<i>Credit related contracts</i>			
Credit derivative swaps	1,123,965	56,198	1,128,527
<b>Total credit related contracts</b>	<b>1,123,965</b>	<b>56,198</b>	<b>1,128,527</b>
<b>Total</b>	<b>1,626,518,388</b>	<b>17,664,912</b>	<b>1,643,757,414</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

	Notional amount	2007 Credit equivalent (in thousand Baht)	Fair value
<b><i>Foreign exchange rate related contracts</i></b>			
Forward contracts	501,814,368	7,418,153	502,834,177
Cross currency swaps	128,955,354	5,815,401	132,934,723
Interest rate cross currency swaps	3,340,953	167,048	3,431,719
Options			
Call	2,617,324	100,943	2,870,052
Put	423,769	13,539	413,361
<b>Total foreign exchange rate related contracts</b>	<b>637,151,768</b>	<b>13,515,084</b>	<b>642,484,032</b>
<b><i>Equity/index related contracts</i></b>			
Index related contracts	4,270,000	29,800	4,313,266
<b>Total equity/index related contracts</b>	<b>4,270,000</b>	<b>29,800</b>	<b>4,313,266</b>
<b><i>Interest rate related contracts</i></b>			
Interest rate swaps	709,197,984	5,695,293	711,281,693
Forward rate agreements	7,761,810	38,809	7,761,989
<b>Total interest rate related contracts</b>	<b>716,959,794</b>	<b>5,734,102</b>	<b>719,043,682</b>
<b><i>Credit related contracts</i></b>			
Credit derivative swaps	1,123,965	-	1,131,263
<b>Total credit related contracts</b>	<b>1,123,965</b>	<b>-</b>	<b>1,131,263</b>
<b>Total</b>	<b>1,359,505,527</b>	<b>19,278,986</b>	<b>1,366,972,243</b>

Note: In accordance with industry practice, notional amounts disclosed for foreign exchange contracts represent the buy leg only and for swaps the receivable leg only.

## **2. Risk management**

The Bank 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 Bank is exposed to are credit risk, market risk and liquidity risk. These major risks are further described below:

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

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

**For the years ended 31 December 2008 and 2007**

#### ***Credit risk***

Credit risk is the largest component of the Bank's overall risk position. Credit risk arises when the Bank places reliance on another counterparty to perform contractual obligations that are of economic value to the Bank. The Bank has a number of core credit policies and procedures for the approval of transactions and management of exposures that result in credit risk, which include:

- The group risk board defining the Bank's appetite for risk and the group board approving these risk levels.
- Credit policies determined by the group credit policy committee, a sub-group of the group risk board.
- The group divisions implementing credit policies and applying credit strategies.
- The credit risk management assigned to the group division having primary day-to-day responsibility for:
  - assessing the credit worthiness of credit counterparties;
  - approving credit limits;
  - managing credit exposure;
  - managing credit portfolios through periodic reviews; and
  - developing and implementing tailored credit risk management infrastructure and systems.

The Bank takes collateral where it is considered necessary to support both on and off balance sheet financial instruments with credit risk. The Bank evaluates each customer's credit worthiness on a case by case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The collateral taken varies but may include cash deposits, real estate, plant and equipment, investments, inventory and receivables.

Credit risk on derivative contracts is minimised as the majority of counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

#### ***Market risk***

The trading unit in Global Corporates and Institutions and designated units responsible for the management of interest rate risk arising from the non-trading business in Global Corporates and Institutions are authorised to assume market risks within the scope of their authority to manage assets, liabilities and liquidity. The value-at-risk approach is used to derive a quantitative measure specifically for market risk under normal market conditions. The value-at-risk measure enables a consistent and uniform measure to be applied across all the trading businesses and products. This facilitates comparisons of the risk estimate both across time and with actual daily trading results.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

*Liquidity risk*

Liquidity risk management ensures the protection of the Bank's solvency and the ability to support asset portfolios with funding of appropriate term and at reasonable cost.

The Bank monitors net cash flows by currency and location as well as globally. An internal system used for cash flow monitoring captures future expected cash flows, both by day and by currency. The monitoring process also includes the ongoing assessment of the ability to sell liquid assets, mostly trading securities.

*Foreign currency risk*

The Bank 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 each reporting date. Details in respect of these significant exposures are described in notes 4.1, 4.3.3, 4.9.3 and 4.10.

**3. Fair value**

The fair value represents the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable and willing parties.

Quoted market prices are used as the measure of fair value where available. Where quoted market prices are not available, fair values are based on present value estimates or other methods of valuation.

*On-balance sheet financial instruments*

The carrying value of on balance sheet financial instruments approximates their fair value.

*Off-balance sheet financial instruments*

Fair value of unrecognised financial assets and financial liabilities are presented in a class or classes separate from recognised items and are offset only to the extent that they meet the offsetting criteria for recognised financial assets and financial liabilities.

The net fair value of off-balance sheet financial instruments is normally determined by estimating the amount that would be paid or received to terminate the contract or replace them at their current market rates, net of estimated transaction costs.

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2008 and 2007**

**4. Interest rate risk exposure**

Details of the Bank's interest rate risk based on the period to the earlier of the contractual repricing date or maturity as at 31 December 2008 and 2007 were as follows:

	2008					Total	Interest rate (%) p.a.
	On demand	Within 3 months	3-12 months	1-5 years	Over 5 years		
	<i>(in thousand Baht)</i>						
<b>Financial assets</b>							
Cash	-	-	-	-	-	52,180	-
Interbank and money market items	-	16,951,975	-	-	-	462,120	2.44
Trading securities	-	4,493,446	5,129,080	19,118,695	832,198	-	2.09
Available-for-sale securities	-	-	-	-	-	6,567	-
Loans and accrued interest receivable	559,675	10,343,530	1,863,894	1,015,145	-	817,383	3.88
<b>Financial liabilities</b>							
Deposits	18,380,382	4,586,402	178,934	2,000	-	1,598,933	1.52
Interbank and money market items	14,417	102,000	200,000	386,318	1,760,000	4,538,073	4.79
Liabilities payable on demand	-	-	-	-	-	1,335,316	-
Borrowings	-	7,634,451	1,065,027	1,053,136	810,000	1,370,000	3.62

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

### Notes to the financial statements

#### For the years ended 31 December 2008 and 2007

	2007					Total	Interest rate (%) p.a.
	On demand	Within 3 months	3-12 months	1-5 years	Over 5 years		
	<i>(in thousand Baht)</i>						
<b>Financial assets</b>							
Cash	-	-	-	-	-	42,928	-
Interbank and money market items	-	19,336,218	-	-	-	1,254,874	4.65
Trading securities	-	1,044,746	12,348,202	16,342,639	2,460,108	-	3.11
Available-for-sale securities	-	200,161	6,337,147	3,435,581	-	16,140	4.14
Loans and accrued interest receivable	177,186	9,112,991	2,621,502	38,042	-	1,622,280	3.89
<b>Financial liabilities</b>							
Deposits	14,639,133	4,562,216	2,881,762	1,028,729	-	1,951,053	2.74
Interbank and money market items	84,391	2,552,000	-	993,136	2,819,675	3,992,147	4.49
Liabilities payable on demand	-	-	-	-	-	2,787,761	-
Borrowings	-	20,830,025	2,787,837	331,148	1,983,136	1,450,000	3.53

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2008 and 2007

### 5 Related party transactions and balances

The Bank had transactions with its Head Office and other branches of the same juristic person. The financial statements reflect the effects of these transactions on the basis determined by the parties concerned. Transactions with related parties are conducted at prices based on market prices, or, where no market price exists, at contractually agreed prices.

As at and for the years ended 31 December 2008 and 2007 the significant account balances and transactions with its related parties were as follows:

	2008	2007
	<i>(in thousand Baht)</i>	
<b>Account balances as at 31 December</b>		
Loans from head office and other branches of the same juristic person	(23,750,963)	(18,639,593)
Unrealised gains on forward and derivative contracts - net	1,755,438	360,416
Interbranch accounts	(727,322)	(1,450,279)
<b>Transactions for the years ended 31 December</b>		
Interest income	6,399	13,529
Interest expense	222,624	116,977
Expenses allocated from head office	469,552	770,807

### 6 Thai Account Standards (TAS) not yet adopted

The Bank has not adopted the following revised TAS that have been issued as of the balance sheet date but are not yet effective. These revised TAS will become effective for financial periods beginning on or after 1 January 2009.

TAS 36 (revised 2007)	<i>Impairment of Assets</i>
TAS 54 (revised 2007)	<i>Non-current Assets Held for Sale and Discontinued Operations</i>

The adoption and initial application of these *revised* TAS is not expected to have any material impact on the Bank's financial statements.

### 7 Reclassification of accounts

Certain accounts in the 2007 financial statements have been reclassified to conform to the presentation in the 2008 financial statements as follows:

	Before reclass	2007 Reclass.	After reclass
	<i>(in thousand baht)</i>		
<b>Balance sheet</b>			
Deposits	28,496	(3,433)	25,063
Borrowings	23,949	3,433	27,382
<b>Statement of income</b>			
Interest expenses – deposits	945,899	(110,547)	835,352
Interest expenses - borrowings	790,717	110,547	901,264



# **Deutsche Bank Aktiengesellschaft, Bangkok Branch**

## **Notes to the financial statements**

**For the years ended 31 December 2008 and 2007**

### **8 New regulations related to the Bank**

#### *Financial Institution Businesses Act 2008 and Deposit Protection Act 2008*

On 3 August 2008, the Financial Institution Businesses Act 2008 and the related notifications, circulars and notices as issued by the Bank of Thailand became effective, as announced in the Government Gazette on 5 February 2008.

On 11 August 2008, the Deposit Protection Act 2008 and the related notifications, circulars and notices as issued by the Bank of Thailand become effective as, announced in the Government Gazette on 13 February 2008.

As at 31 December 2008, the compliance with such laws above does not have any material impact on the Bank's financial statements.