Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Financial statements for the year ended 31 December 2014

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

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

In the opinion of the Directors, the financial statements set out on pages 12 to 87 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

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

....
Tun Mohamed Dzaiddin bin Haji Abdullah

....
Dato' Yusof Annuar bin Yaacob

Kuala Lumpur

Date: 27 MAR 2015

Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Liew Yeh Yin**, being the officer primarily responsible for the financial management of Deutsche Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 87 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 27 MAR 2015.

....
Liew Yeh Yin

Before me:

PESURUHJAYA SUMPAH
No. W656
MANOHARAN
A/L SELLAMUTHU
MALAYSIA

No. 17, Tingkat 1, Jalan 1/68E,
Off Jalan Sentul Manis,
51000 Kuala Lumpur.

Deutsche Bank (Malaysia) Berhad
(Company No. 312552-W)
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Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Deutsche Bank (Malaysia) Berhad's Islamic Banking division during the year ended 31 December 2014. We have also conducted our review to form an opinion as to whether Deutsche Bank (Malaysia) Berhad's Islamic Banking division has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Deutsche Bank (Malaysia) Berhad's Islamic Banking division is responsible for ensuring that the financial institution conducts its business in accordance with the Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Deutsche Bank (Malaysia) Berhad's Islamic Banking division, and to report to you.

We have assessed the Shariah review work carried out by Shariah Compliance officer and internal Shariah audit.

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

In our opinion:

The contracts, transactions and dealings entered into by Deutsche Bank (Malaysia) Berhad's Islamic Banking division during the year ended 31 December 2014 that we have reviewed are in compliance with the Shariah principles.

Company No. 312552-W

We, the members of the Shariah Committee of Deutsche Bank (Malaysia) Berhad's Islamic Banking division, do hereby confirm that the operations of Deutsche Bank (Malaysia) Berhad's Islamic Banking division for the year ended 31 December 2014 have been conducted in conformity with the Shariah principles.

Hassan

....

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

....

Dr Muhammad Qaseem
(Member)

....

Encik Mohd Hilmi bin Ramli
(Member)
(Appointed 1 August 2014)

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

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Independent auditors' report to the member of Deutsche Bank (Malaysia) Berhad

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

Report on the Financial Statements

We have audited the financial statements of Deutsche Bank (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 87.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 312552-W

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

c) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Khaw Hock Hoe
Approval Number: 2229/04/16(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 27 MAR 2015

Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Statements of financial position as at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Assets					
Cash and short-term funds	3	5,145,807	2,496,327	5,145,807	2,496,327
Securities purchased under resale agreements		143,222	3,015,904	143,222	3,015,904
Financial assets held-for-trading	4	1,031,349	2,853,972	1,031,349	2,853,972
Financial investments available-for-sale	5	1,591	1,591	1,591	1,591
Loans, advances and financing	6	1,331,664	2,004,478	1,331,664	2,004,478
Other assets	7	2,665,660	2,040,137	2,665,660	2,040,137
Tax recoverable		-	27,188	-	27,188
Statutory deposit with Bank Negara Malaysia	8	31,000	6,000	31,000	6,000
Investments in subsidiary companies	9	-	-	20	20
Plant and equipment	10	2,767	2,766	2,767	2,766
Deferred tax assets	11	22,330	22,644	22,330	22,644
Total assets		10,375,390	12,471,007	10,375,410	12,471,027
Liabilities and shareholders' funds					
Deposits from customers	12	4,548,576	4,748,311	4,548,596	4,748,331
Deposits and placements of banks and other financial institutions	13	982,289	1,538,371	982,289	1,538,371
Obligations on securities sold under repurchase agreements		-	2,089,672	-	2,089,672
Other liabilities	14	3,129,026	2,522,919	3,129,026	2,522,919
Taxation		2,391	-	2,391	-
Total liabilities		8,662,282	10,899,273	8,662,302	10,899,293

The notes on pages 18 to 87 are an integral part of these financial statements.

Company No. 312552-W

Statements of financial position as at 31 December 2014 (continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Equity					
Share capital	15	173,599	173,599	173,599	173,599
Reserves	16	1,422,442	1,398,135	1,422,442	1,398,135
Proposed dividend		117,067	-	117,067	-
Total equity attributable to owner of the Bank		1,713,108	1,571,734	1,713,108	1,571,734
Total liabilities and equity		10,375,390	12,471,007	10,375,410	12,471,027

	Note	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Commitments and contingencies	29	140,246,038	141,760,260

The notes on pages 18 to 87 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2014

	Note	Group and Bank 2014 RM'000	2013 RM'000
Interest income	17	207,844	237,813
Interest expense	18	(85,748)	(90,949)
Net interest income		122,096	146,864
Net income from Islamic Banking Operations	35	844	575
Non-interest income	19	205,902	135,619
Operating income		328,842	283,058
Other operating expenses	20	(141,086)	(127,070)
Operating profit		187,756	155,988
Allowance written back/(made) for impairment on loans, advances and financing	21	2,026	(1,711)
Profit before tax		189,782	154,277
Tax expense	24	(48,408)	(37,210)
Profit for the year		141,374	117,067
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		141,374	117,067
Earnings per share (sen)	25	81.4	67.4

The notes on pages 18 to 87 are an integral part of these financial statements.

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

Statement of changes in equity for the year ended 31 December 2014

	< -------------- Attributable to owner of the Bank ------------->						
	<-------- Non-distributable ------->			Distributable			
Group and Bank	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
At 1 January 2013	173,599	357,763	174,722	748,583	1,281,068	-	1,454,667
Profit/Total comprehensive income for the year	-	-	-	117,067	117,067	-	117,067
Transfer to regulatory reserves	-	-	13,558	(13,558)	-	-	-
At 31 December 2013/1 January 2014	173,599	357,763	188,280	852,092	1,398,135	-	1,571,734
Profit/Total comprehensive income for the year	-	-	-	141,374	141,374	-	141,374
Proposed dividend	-	-	-	(117,067)	(117,067)	117,067	-
At 31 December 2014	173,599	357,763	188,280	876,399	1,422,442	117,067	1,713,108
	Note 15	Note 16	Note 16	Note 16			

The notes on pages 18 to 87 are an integral part of these financial statements.

Deutsche Bank (Malaysia) Berhad

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

and its subsidiaries

Statements of cash flows for the year ended 31 December 2014

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	189,782	154,277
Adjustments for:		
Depreciation of plant and equipment	1,259	1,314
Allowance (written back)/made for impairment on loans, advances and financing	(2,026)	1,711
Net unrealised gains on revaluation of trading portfolio (including derivatives)	(12,387)	(78,046)
Unrealised (gain)/losses from foreign exchange translations	(384,818)	110,427
Operating (loss)/profit before changes in operating assets	(208,190)	189,683
(Increase)/Decrease in operating assets		
Securities purchased under resale agreements	2,872,682	(267,079)
Financial assets held-for-trading	1,822,623	(412,689)
Loans, advances and financing	674,840	(1,302,301)
Other assets	(2,057,621)	(2,406,213)
Statutory deposit with Bank Negara Malaysia	(25,000)	(2,000)
Increase/(Decrease) in operating liabilities		
Deposits from customers	(199,735)	(1,290,009)
Deposits and placements of banks and other financial institutions	(556,082)	1,200,838
Obligations on securities sold under repurchase agreements	(2,089,672)	1,152,983
Other liabilities	2,435,410	2,236,784
Cash generated/(used in) operations	2,669,255	(900,003)
Net income taxes paid	(18,515)	(33,056)
Net cash generated/(used in) operating activities	2,650,740	(933,059)

Statements of cash flows for the year ended 31 December 2014 (continued)

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cash flows from investing activities		
Purchase of plant and equipment	(1,260)	(578)
Net cash used in investing activities	(1,260)	(578)
Net increase/(decrease) in cash and cash equivalents	2,649,480	(933,637)
Cash and cash equivalents at 1 January	2,496,327	3,429,964
Cash and cash equivalents at 31 December (Note 3)	5,145,807	2,496,327

The notes on pages 18 to 87 are an integral part of these financial statements.

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

Notes to the financial statements

Deutsche Bank (Malaysia) Berhad ("the Bank") is a public limited liability company incorporated and domiciled in Malaysia. The address of both its registered office and principal place of business is located at Level 18, Menara IMC, 8, Jalan Sultan Ismail, 50250 Kuala Lumpur. The consolidated financial statements of the Bank as at and for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Group is principally engaged in all aspect of banking and related financial services that also include Islamic Banking business, whilst the principal activities of the subsidiaries are stated at Note 9 to the financial statements. There have been no significant changes to these principal activities during the financial year.

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

Pursuant to paragraph 13 of the Guidelines on Classification and Impairment Provision for Loans/Financing, Bank Negara Malaysia ("BNM") via its letter dated 4 February 2014 requires all banking institutions to maintain in aggregate, collective impairment provision and regulatory reserve of no less than 1.2% over the total outstanding loan/financing, net of individual impairment provision, before 31 December 2015. The Bank has complied with the BNM's directive as at 31 December 2014.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements,* MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiatives*

1. *Basis of preparation (continued)*

(a) *Statement of compliance (continued)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- *MFRS 15, Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

The Group and the Bank plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for amendments to MFRS 1, 2, 3, 8, 119, 138 and 140 which are not applicable to the Company.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for amendments to MFRS 5, 10, 11, 12, 14, 127, 128, 134, and 141 which are not applicable to the Company.

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impact to the current year and prior year financial statements of the Group and the Bank except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The adoption of MFRS 15 may have an impact to the current revenue recognition policy of the Group and the Bank.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 may have an impact to the classification and measurement of financial assets and financial liabilities of the Group and the Bank.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 15 and MFRS 9.

(b) Basis of measurement

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

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

1. Basis of preparation (continued)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include fair value estimation for financial instruments as disclosed in Note 2(c)(vi).

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Bank also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Loss of control

Upon the loss of control of a subsidiary, the Bank derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Bank retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Transactions eliminated on consolidation

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

2. Significant accounting policies (continued)

(b) Cash and cash equivalents

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

Financial assets

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

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

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

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

(b) Loans and receivables

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

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

(c) Financial investments available-for-sale

Available-for-sale financial assets are non-derivative financial assets, comprising investment in equity and debt securities instruments, that are not categorised into any of the other categories above. Financial assets available-for-sale are usually held for an indefinite period of time, which may be sold in response to liquidity requirement or changes in market conditions.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

(c) Financial investments available-for-sale (continued)

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

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

Financial liabilities

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derecognition

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

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

(vi) Determination of fair value

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Bank uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Bank can access at the measurement date.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Determination of fair value (continued)

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Bank recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value.

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vii) Offsetting of financial instruments

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

(d) Impairment

(i) Financial assets

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

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

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

2. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Financial assets (continued)

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

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

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

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

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

2. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Financial assets (continued)

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

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

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

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

2. Significant accounting policies (continued)

(d) Impairment (continued)

(ii) Other assets (Continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the 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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(e) Resale and repurchase agreements

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

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

(f) Plant and equipment

(i) Recognition and measurement

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

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

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

2. Significant accounting policies (continued)

(f) Plant and equipment (continued)

(i) Recognition and measurement (continued)

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

2. Significant accounting policies (continued)

(g) Income tax

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

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

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

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

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

(h) Recognition of interest and financing income and expense

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

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

2. Significant accounting policies (continued)

(i) Recognition of fees and other income

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

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

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

(j) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group and the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date.

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

(k) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as expense in the statements of profit or loss and other comprehensive income as incurred.

2. Significant accounting policies (continued)

(k) Employee benefits (continued)

(iii) Share-based compensation

The Group and the Bank participate in equity-settled and cash settled share based compensation plan for the employees that is offered by the ultimate holding company, Deutsche Bank Aktiengesellschaft, a bank incorporated in Germany. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the profit of loss over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about hte number of options that are expected to vest. At reach reporting date, the Group and the Bank revise its estimates of the number of options that are expected to vest. It recognise the impact of the revision of original estimates, if any, in the profit or loss.

(l) Operating lease

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

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

(m) Provisions

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

3. Cash and short-term funds

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Cash and balances with banks and other financial institutions	320,234	337,311
Money at call and deposit placements maturing within one month	4,825,573	2,159,016
	5,145,807	2,496,327

4. Financial assets held-for-trading

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
At fair value		
Malaysian Government Securities	507,440	575,054
Malaysian Investment Issue	80,359	182,722
Bank Negara Malaysia Bills	61,954	1,466,387
Treasury Bills	-	29,705
Cagamas bonds	121,766	11,298
Negotiable instruments of deposit	250,000	449,959
Private debt securities	9,830	138,847
	1,031,349	2,853,972

5. Financial investments available-for-sale

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
At cost		
Unquoted securities	1,591	1,591

6. Loans, advances and financing

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
At amortised cost		
Overdrafts	148,515	105,006
Term loans - housing loans	21,127	24,209
- other term loans	139,047	55,304
Bills receivable	230,205	983,353
Claims on customers under acceptance credits	803,267	850,818
Staff loans	3,733	3,999
	1,345,894	2,022,689
Unearned interest	(5,119)	(7,185)
Gross loans, advances and financing	1,340,775	2,015,504
Allowance for impaired loans and financing		
- Collective assessment allowance	(8,807)	(10,623)
- Individual assessment allowance	(304)	(403)
Net loans, advances and financing	1,331,664	2,004,478

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

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Maturing within one year	1,279,835	1,947,934
One year to three years	7,193	10,151
Three years to five years	31,729	1,936
Over five years	22,018	55,483
	1,340,775	2,015,504

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

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Domestic banking institutions	-	1,889
Domestic business enterprises	900,666	1,008,088
Individuals	24,860	28,245
Government and statutory bodies	188,789	-
Foreign entities	226,460	977,282
	1,340,775	2,015,504

6. Loans, advances and financing (continued)

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

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Fixed rate		
- Other fixed rate loan/financing	3,733	3,845
Variable rate		
- Base lending rate plus	45,456	67,969
- Cost plus	1,289,019	1,940,919
- Other variable rates	2,567	2,771
	1,340,775	2,015,504

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

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Agriculture, hunting, forestry & fishing	-	5
Manufacturing	245,321	230,047
Electricity, gas and water	-	4,506
Construction	23,595	90,845
Purchase of landed property residential	23,987	27,085
Wholesale & retail trade and restaurants & hotel	318,215	261,229
Finance, insurance and business services	727,316	1,395,124
Purchase of transport vehicles	392	465
Others	1,949	6,198
	1,340,775	2,015,504

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

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Malaysia	1,114,316	1,038,221
China	98,745	625,613
France	14,608	180,659
India	73,262	-
Others	39,844	171,011
	1,340,775	2,015,504

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6. Loans, advances and financing (continued)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
At 1 January	4,614	8,448
Classified as impaired during the year	372	2,082
Reclassified as non-impaired during the year	(1,204)	(1,613)
Amounts recovered	(196)	(4,303)
Amounts written off	(49)	-
At 31 December	3,537	4,614
Gross impaired loans as a percentage of gross loans, advances and financing	0.26%	0.23%

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

6.6.1 Collective assessment allowance

	Group and Bank	
	2014	2013
	RM'000	RM'000
At 1 January	10,623	6,961
Allowance made/(reversed) during the year	(1,816)	3,662
At 31 December	8,807	10,623
As a percentage of gross loans, advances and financing less individual impairment provision	0.66%	0.53%

6.6.2 Individual impairment assessment

	Group and Bank	
	2014	2013
	RM'000	RM'000
At 1 January	403	2,186
Allowance made during the year	47	328
Amount recovered	(99)	(2,111)
Amount written off	(47)	-
At 31 December	304	403

6. Loans, advances and financing (continued)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Purchase of landed properties - residential	3,537	4,567
Others	-	47
	3,537	4,614

7. Other assets

	Group and Bank	
	2014	2013
	RM'000	RM'000
Interest/Income receivable	6,679	16,166
Margin placed with exchange	5,111	1,482
Derivatives (Note 32.3)	1,980,848	1,500,727
Other debtors, deposits and prepayments	673,022	521,762
	2,665,660	2,040,137

8. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amount of which is determined as a set percentage of total eligible liabilities.

9. Investments in subsidiary companies

	Bank	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost	20	20

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9. Investments in subsidiary companies (continued)

Details of the subsidiaries are as follows:-

Name	Principal activities	Effective ownership interest 2014	Effective ownership interest 2013
DB (Malaysia) Nominee (Tempatan) Sendirian Berhad	Nominee services	100%	100%
DB (Malaysia) Nominee (Asing) Sdn. Bhd.	Nominee services	100%	100%

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

10. Plant and equipment

Group and Bank	Renovations RM'000	Office equipment RM'000	Computer equipment and software RM'000	Furniture And Fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January 2013	11,015	4,988	13,468	3,678	467	33,616
Additions	-	203	334	41	-	578
At 31 December 2013/ 1 January 2014	11,015	5,191	13,802	3,719	467	34,194
Additions	94	47	1,064	55	-	1,260
At 31 December 2014	11,109	5,238	14,866	3,774	467	35,454
Accumulated depreciation						
At 1 January 2013	10,174	4,141	12,518	3,204	77	30,114
Charge for the year	485	222	422	92	93	1,314
At 31 December 2013/ 1 January 2014	10,659	4,363	12,940	3,296	170	31,428
Charge for the year	321	202	560	82	94	1,259
At 31 December 2014	10,980	4,565	13,500	3,378	264	32,687
Carrying amounts						
At 1 January 2013	841	847	950	474	390	3,502
At 31 December 2013/ 1 January 2014	356	828	862	423	297	2,766
At 31 December 2014	129	673	1,366	396	203	2,767

11. Deferred tax assets

The recognised net deferred tax assets are attributable to the following:

	Group and Bank	
	2014 RM'000	2013 RM'000
Plant and equipment - capital allowances	(394)	(194)
Collective impairment assessment for loans	2,202	2,656
Others	20,522	20,182
	22,330	22,644

The movements in net deferred tax assets during the financial year are as follows:

	Group and Bank	
	2014 RM'000	2013 RM'000
At 1 January	22,644	20,987
Recognised in profit or loss (Note 24)	(314)	1,657
At 31 December	22,330	22,644

12. Deposits from customers

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Demand deposits	2,907,568	2,574,926	2,907,588	2,574,946
Savings deposits	3,867	3,824	3,867	3,824
Fixed deposits	199,580	270,962	199,580	270,962
Other deposits	1,437,561	1,898,599	1,437,561	1,898,599
	4,548,576	4,748,311	4,548,596	4,748,331

12. Deposits from customers (continued)

12.1 The maturity structure of fixed deposits and other deposits are as follows:-

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Due within six months	1,147,994	1,486,539
More than six months to one year	235,996	90,792
More than one year to three years	194,939	550,650
More than three years to five years	-	-
More than five years	58,212	41,580
	1,637,141	2,169,561

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

	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Business enterprises	2,821,758	3,058,136	2,821,778	3,058,156
Individuals	33,989	39,779	33,989	39,779
Foreign customers	436,763	306,299	436,763	306,299
Others	1,256,066	1,344,097	1,256,066	1,344,097
	4,548,576	4,748,311	4,548,596	4,748,331

13. Deposits and placements of banks and other financial institutions

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Licensed banks	50,000	-
Other financial institutions	932,289	1,538,371
	982,289	1,538,371

14. Other liabilities

	Group and Bank	
	2014	2013
	RM'000	RM'000
Interest payable	1,703	5,224
Bills payable	147,653	161,718
Derivatives (Note 32.3)	1,884,656	1,736,015
Employee benefits	23,376	28,414
Other liabilities	1,071,638	591,548
	3,129,026	2,522,919

15. Share capital

	Group and Bank			
	Number of shares		Amount	
	2014	2013	2014	2013
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of RM1 each	173,599	173,599	173,599	173,599

16. Reserves

	Group and Bank	
	2014	2013
	RM'000	RM'000
Non-distributable:		
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Regulatory reserve	13,558	13,558
	188,280	188,280
Distributable:		
Retained profits	876,399	852,092
	1,422,442	1,398,135

The statutory reserve is maintained in compliance with Section 12 of the Financial Services Act, 2014 and is not distributable as cash dividends.

The regulatory reserve is maintained to comply with Bank Negara Malaysia's directive dated 4 February 2014 which required the Bank to maintain in aggregate, collective impairment provisions and regulatory reserves of not less than 1.2% of total outstanding loans/financing, net of individual impairment provision.

Subject to agreement by the Inland Revenue Board, the Bank has tax exempt income to frank approximately RM5,541,000 (2013: RM5,541,000) of its retained profits as at 31 December 2014 if paid out as dividend.

17. Interest income

	Group and Bank	
	2014	2013
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from impaired loans	54,853	36,820
Money at call and deposit placements with financial institutions	24,081	20,764
Securities purchased under resale agreements	76,574	92,615
Financial assets held-for-trading	52,336	87,614
	207,844	237,813

18. Interest expense

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Deposits and placements of banks and other financial institutions	10,266	15,154
Obligations on securities sold under repurchase agreements	24,063	22,632
Deposits from customers	51,419	53,163
	85,748	90,949

19. Non-interest income

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Fee income:		
Commissions	10,031	11,186
Service charges and fees	27,141	20,270
Guarantee fees	7,104	7,779
	44,276	39,235
Fee expense:		
Commissions	(3,886)	(3,464)
Service charges and fees	(4,112)	(3,666)
	(7,998)	(7,130)
Net fee income	36,278	32,105
Net gains from financial instruments:		
Net gain/(loss) arising on financial assets held-for-trading:		
Net gain/(loss) from settlement	6,857	(219)
Unrealised revaluation gain/(loss)	1,462	(4,397)
Net (loss)/gain arising on trading derivatives:		
Net loss on settlement	(106,059)	(275,140)
Unrealised revaluation gain	10,925	82,443
Net (loss)/gain arising on dealing in foreign exchange:		
Net (loss)/gain on settlement	(153,401)	398,553
Unrealised gain/(loss) from foreign exchange translation	384,818	(110,427)
Gross dividend income	100	101
Other income:		
Other operating income, net	24,922	12,600
	169,624	103,514
	205,902	135,619

20. Other operating expenses

	Group and Bank	
	2014	2013
	RM'000	RM'000
Personnel costs		
- Salaries, allowances and bonuses	53,200	48,385
- Contributions to Employees' Provident Fund	8,019	7,722
- Others	7,718	5,540
Establishment costs		
- Rental	2,571	2,511
- Depreciation	1,259	1,314
- Others	4,383	4,229
Marketing expenses	2,209	2,174
Administration and general expenses		
- Intercompany expenses	49,150	45,178
- Communication	1,738	1,476
- Auditors' remuneration		
- statutory audit fee	143	143
- other services	160	90
- Others	10,536	8,308
	141,086	127,070

The number of employees of the Group and the Bank at the end of the year was 197 (2013: 184).

21. Allowance for impairment on loans, advances and financing

	Group and Bank	
	2014	2013
	RM'000	RM'000
Individual assessment allowance		
- made during the year	(47)	(328)
- written back	99	2,111
Collective assessment allowance		
- reversal/(made) during the year	1,816	(3,662)
Recoveries from bad debts written off	160	168
Bad debts written off	(2)	-
	2,026	(1,711)

22. Related parties

Identity of related parties

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

The Bank has a related party relationship with its holding company, other related companies, Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 23.

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

2014	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	1,779	-	1
Other fee income	3,865	-	7,137
Other operating income	13,967	-	9,687
	19,611	-	16,825
Expenditure			
Interest on advances	3,358	-	21,181
Other fee expenses	342	-	2,901
Other operating expenses	47,918	-	332
	51,618	-	24,414
Amount due from			
Cash and short-term funds	4,439,718	-	2,877
Other assets			
- Others	238,052	-	2,789
- Derivatives	188,286	-	2
	4,866,056	-	5,668

22. Related parties (continued)

2014	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due to			
Deposits and placements of banks and other financial institutions	321,498	20	23,882
Other liabilities			
- Others	353,428	-	2,939
- Derivatives	399,893	-	-
- Interest payable	3	-	315
	1,074,822	20	27,136

2013	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest on advances and deposits	2,796	-	-
Other fee income	2,259	-	4,783
Other operating income	4,614	-	5,217
	9,669	-	10,000
Expenditure			
Interest on advances	734	-	22,673
Other fee expenses	1,559	-	1,266
Other operating expenses	40,342	-	2,204
	42,635	-	26,143
Amount due from			
Cash and short-term funds	174,103	-	42,282
Other assets			
- Others	37,500	-	478,123
- Derivatives	302,240	-	-
	513,843	-	520,405

22. Related parties (continued)

2013	Holding company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Amount due to			
Deposits and placements of banks and other financial institutions	1,193,911	20	25,626
Obligations on securities sold under repurchase agreements	-	-	2,089,672
Other liabilities			
- Others	247,654	-	183,510
- Derivatives	221,977	-	-
- Interest payable	198	-	4,267
	1,663,740	20	2,303,075

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances is secured.

Credit transactions and exposures with connected parties

	Group and Bank 2014 RM'000	2013 RM'000
Outstanding credit exposures with connected parties	618,199	642,363
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	6,813,311	9,501,945
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	9.07%	6.76%
- as a proportion of capital base	39.12%	41.25%
- which is non-performing	0%	0%

22. Related parties (continued)

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

23. Key management personnel compensation

The key management personnel compensation are as follows:

	Group and Bank	
	2014 RM'000	2013 RM'000
Executive Director		
- Salary and other remuneration	2,161	1,426
- Bonuses	1,456	1,835
- Benefits-in-kind	27	4
Non-Executive Directors		
- Fees	740	814
- Other remuneration	87	129
	4,471	4,208
Other key management personnel		
- Short-term employee benefits	4,166	7,736
- Share-based payments	21	1,400
	4,187	9,136

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Details of the Directors' remuneration are disclosed in the Statement of Corporate Governance.

24. Taxation

	Group and Bank 2014 RM'000	2013 RM'000
Current income tax		
Malaysian - current year	47,000	42,000
Under/(Over) provision in prior year	1,094	(3,133)
	48,094	38,867
Deferred tax expense		
Origination and reversal of temporary differences	2,796	(1,451)
Overprovision in prior year	(2,482)	(206)
	314	(1,657)
	48,408	37,210

Reconciliation of effective tax expense

	2014 RM'000	2013 RM'000
Profit before taxation	189,782	154,277
Tax at Malaysian tax rate of 25%	47,446	38,569
Non-deductible expenses	1,048	657
Other items	1,302	1,323
	49,796	40,549
Over provision in prior year	(1,388)	(3,339)
	48,408	37,210

25. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2014 RM'000	2013 RM'000
Profits attributable to ordinary shareholders	141,374	117,067
Weighted average number of ordinary shares - Issued ordinary shares during the year	173,599	173,599

25. Earnings per share (continued)

	Group 2014 (sen)	Group 2013 (sen)
Basic earnings per share	81.4	67.4

26. Contingent liabilities

In the prior year, there was a litigation in process against the Bank by two companies, seeking specific damages amounting to RM1 million and general damages for which the amount is not quantifiable.

The Bank was awarded a judgement in its favour and the two companies then appealed against the judgement. The appeal was heard in April 2013 and in June 2013. The appeal court allowed the appeal against the Bank with damages to be separately assessed. The Bank has applied for leave to appeal to the Federal Court and the said leave was granted in January 2014. The appeal was heard by the Federal Court on 25 February 2015 and judgement was reserved.

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Less than one year	524	2,466
Between one and five years	210	398
	734	2,864

The Group leases office premise under operating lease. The lease typically runs for a period of 3 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

28. Capital adequacy

	Bank 2014 RM'000	Bank 2013 RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	173,599	173,599
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Retained profits	876,399	852,092
Less: Deferred tax assets	(22,330)	(22,644)
Total common equity tier 1/Total tier 1 capital	1,560,153	1,535,532
Tier 2 capital		
Collective assessment allowance #	6,414	7,979
Regulatory reserve	13,558	13,558
Total capital base	1,580,125	1,557,069
Common equity tier 1/Tier 1 capital ratio	16.155%	14.962%
Total capital ratio	16.361%	15.172%

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

Excludes collective assessment allowance on impaired loans restricted from Tier 2 capital of the Bank of RM 2,393,000 (2013: RM2,644,000).

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

RISK TYPE		Risk Weighted Assets 2014 RM'000	Risk Weighted Assets 2013 RM'000
1	Credit risk	4,504,483	5,088,560
2	Market risk	4,650,706	4,772,403
3	Operational risk	502,402	402,002
Total		9,657,591	10,262,965

29. Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows:

2014 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	1,329,612	664,806	588,751
Short-Term Self Liquidating Trade Related contingencies	240,302	48,060	35,940
Foreign exchange related contracts			
One year or less	13,418,768	382,891	256,376
Over one year to five years	6,636,804	599,083	561,653
Over five years	378,907	46,042	22,922
Interest/Profit rate related contracts			
One year or less	2,278,851	12,084	4,485
Over one year to five years	8,612,779	219,661	98,834
Over five years	2,475,868	246,811	100,639
Equity related contracts			
One year or less	66,755	6,675	3,338
Over one year to five years	115,265	11,527	5,763
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	178,944	5,505	2,338
Over one year to five years	877,502	50,352	17,356
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	100,458,502	2,161,702	574,330
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	29	15	15
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,177,150	635,430	599,426
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	140,246,038	5,090,644	2,872,166

29. Commitments and contingencies (continued)

The off-balance sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows (continued):

2013 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	1,371,994	685,997	544,681
Short-Term Self Liquidating Trade Related contingencies	102,261	20,452	18,181
Foreign exchange related contracts			
One year or less	27,511,319	844,805	327,901
Over one year to five years	19,269,118	1,631,374	735,783
Over five years	3,470,145	528,088	180,903
Interest/Profit rate related contracts			
One year or less	22,976,056	52,109	13,828
Over one year to five years	49,798,208	1,395,454	455,849
Over five years	12,184,701	979,894	348,969
Equity related contracts			
One year or less	-	-	-
Over one year to five years	171,005	21,091	10,498
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	1,775,755	103,650	25,969
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	51	26	26
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,129,647	625,929	591,024
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	141,760,260	6,888,869	3,253,612

30. Capital management

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

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

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

31. Risk management

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

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

31. Risk management (continued)

Financial risk management (continued)

Credit risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

Principal exposures to credit risk in this regard are represented by the carrying amounts of investment and dealing securities, and loans and advances portfolios in the statements of financial position. The credit exposure arising from off balance sheet activities has been disclosed in Note 29 to the financial statements.

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Impaired	3,537	4,614
Past due but not impaired	9,847	11,014
Neither past due nor impaired	1,327,391	1,999,876
	1,340,775	2,015,504

31. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

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

(i) Impaired loans

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

(a) principal or interest or both are past due for 90 days/three (3) months or more;
(b) where a loan is in arrears for less than three (3) months, the loan exhibits indications of significant credit weaknesses; or
(c) where an impaired loan has been rescheduled or restructured, the loan continues to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

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

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

(ii) Past due but not impaired

Past due but not impaired loans are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than three (3) months or 90 days.

31. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

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

(ii) Past due but not impaired (continued)

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Past due but not impaired		
1 day to 30 days	3,572	4,406
31 days to <60 days	2,921	2,840
60 days to <90 days	3,354	3,768
Carrying amount	9,847	11,014

(iii) Neither past due nor impaired

As at reporting date, the Group and the Bank recorded loans, advances and financing that are neither past due nor impaired of RM1,327,391,000 (2013: RM1,999,876,000), of which RM1,100,931,000 (2013: RM1,020,705,000) and RM226,460,000 (2013: RM979,171,000) are loans and advances to customers and loans and advances to banks respectively.

No loan was renegotiated during the year (2013: Nil).

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

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

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

	2014	2013
	RM'000	RM'000
Against individually impaired	5,939	6,413
Against past due but not impaired	24,529	22,508
Against neither past due nor impaired	19,999	19,395
	50,467	48,316

31. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

(c) Credit quality of financial instruments

Set out below is the credit quality of assets analysed by external rating of the counterparties.

Group and Bank	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000
2014		
Domestic Rating		
AAA+ to AA-	131,596	100
A+ to A-	649,753	-
P1 to P3	250,000	-
Unrated	-	1,491
	1,031,349	1,591
2013		
Domestic Rating		
AAA+ to AA-	41,663	100
A+ to A-	2,253,868	-
P1 to P3	548,601	-
Unrated	9,840	1,491
	2,853,972	1,591

(d) Fair value of collateral held against derivative assets

The Group and the Bank hold collateral against derivative assets to banks and financial institutions counterparties in the form of cash of RM564,470,792 (2013: RM314,892,272) as at reporting date.

Market risk

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

31. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

Risk management objectives, policies and processes for managing the risk

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

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

A summary of the VaR position of the Bank's portfolios is as follows:

	At 31 December RM'000	Average RM'000	Maximum RM'000	Minimum RM'000
2014				
Interest Rate Risk:				
Market Risk	1,478	4,098	9,521	1,395
Specific Risk	232	354	806	45
Foreign Exchange Risk	3,806	3,801	9,504	472
Commodity Risk	210	120	438	-
Equity Risk	7	7	26	1
Total VaR	4,202	6,056	11,247	1,524
2013				
Interest Rate Risk:				
Market Risk	4,024	5,222	8,850	3,297
Specific Risk	495	699	1,277	464
Foreign Exchange Risk	3,292	4,536	15,598	795
Commodity Risk	6	30	357	-
Equity Risk	11	30	144	-
Total VaR	5,702	7,196	18,123	3,907

31. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

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

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

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

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

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

(e) Intra-day risk is not captured.

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

Liquidity risk

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

Risk management objectives, policies and processes for managing the risk

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

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

31. Risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

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

The following tables present the maturity analysis for financial liabilities as at 31 December 2014 and 31 December 2013:

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2014							
Deposits from customers	3,580,588	428,523	37,959	12,359	235,996	253,151	4,548,576
Deposits and placements of banks and other financial institutions	980,113	-	2,176	-	-	-	982,289
Derivative liabilities	228,680	42,981	58,150	187,437	295,119	1,072,289	1,884,656
Other liabilities	1,241,648	244	203	225	1,557	493	1,244,370
Total liabilities	6,031,029	471,748	98,488	200,021	532,672	1,325,933	8,659,891

31. Risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

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

Group 2013	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Deposits from customers	3,491,887	427,973	91,255	54,174	90,792	592,230	4,748,311
Deposits and placements of banks and other financial institutions	1,387,545	1,986	148,840	-	-	-	1,538,371
Obligations on securities sold under repurchase agreements	810,556	1,085,580	193,536	-	-	-	2,089,672
Derivative liabilities	40,093	58,860	94,255	224,829	132,416	1,185,562	1,736,015
Other liabilities	777,721	2,702	755	506	234	4,986	786,904
Total liabilities	6,507,802	1,577,101	528,641	279,509	223,442	1,782,778	10,899,273

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 (2013: RM20,000) cash consolidated from the subsidiaries with remaining contractual maturity of up to 7 days.

31. Risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

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

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

Group 2014	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
Deposits from customers	3,580,690	428,893	38,231	12,395	238,274	280,427	4,578,910
Deposits and placements of banks and other financial institutions	980,207	-	2,178	-	-	-	982,385
Derivative liabilities	228,370	37,937	49,382	211,583	287,708	841,758	1,656,738
Other liabilities	1,241,648	244	203	225	1,557	493	1,244,370
Total liabilities	6,030,915	467,074	89,994	224,203	527,539	1,122,678	8,462,403

31. Risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

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

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
2013							
Deposits from customers	3,492,018	428,175	91,516	54,215	92,432	634,498	4,792,854
Deposits and placements of banks and other financial institutions	1,387,599	1,986	148,921	-	-	-	1,538,506
Obligations on securities sold under repurchase agreements	810,809	1,087,521	194,175	-	-	-	2,092,505
Derivative liabilities	36,875	58,590	82,563	219,007	113,374	1,010,785	1,521,194
Other liabilities	777,721	2,702	755	506	234	4,986	786,904
Total liabilities	6,505,022	1,578,974	517,930	273,728	206,040	1,650,269	10,731,963

The above disclosure remains appropriate for the Bank level except that included in the deposits from customers is RM20,000 (2013: RM20,000) cash consolidated from the subsidiaries with remaining contractual maturity of up to 7 days.

31. Risk management (continued)

Financial risk management (continued)

Operational risk

Operational risk refers to the potential for incurring losses in relation to employees, contractual specifications and documentation, technology, infrastructure failure and disasters, external influences and customer relationships. This definition includes legal risk, but excludes strategic (business) and reputation risks.

Each Business Division is responsible for implementing the Operational Risk Management Framework globally, encompassing all regions and countries in which the division operates. The implementation includes an operational risk governance structure at the divisional level, operational risk and loss reporting and escalation procedures, and the use of operational data and information for management purposes. Based on this business partnership model the Bank ensures a close monitoring and high awareness for operational risk.

32. Financial assets and liabilities

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL") - Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Financial liabilities measure at amortised cost ("OL").

Group 2014	Carrying amount RM'000	L&R/ (OL) RM'000	FVTPL-HFT RM'000	AFS RM'000
Financial assets				
Cash and short-term funds	5,145,807	5,145,807	-	-
Securities purchased under resale agreements	143,222	-	143,222	-
Financial assets held-for trading	1,031,349	-	1,031,349	-
Financial investments available-for-sale	1,591	-	-	1,591
Loans, advances and financing	1,331,664	1,331,664	-	-
Derivative assets	1,980,848	-	1,980,848	-
Statutory deposit with Bank Negara Malaysia	31,000	31,000	-	-
	9,665,481	6,508,471	3,155,419	1,591
Financial liabilities				
Deposits from customers	4,548,576	4,548,576	-	-
Deposits and placements of banks and other financial institutions	982,289	982,289	-	-
Derivative liabilities	1,884,656	-	1,884,656	-
	7,415,521	5,530,865	1,884,656	-

32. Financial assets and liabilities (continued)

32.1 Categories of financial instruments (continued)

Group 2013	Carrying amount RM'000	L & R/ (OL) RM'000	FVTPL-HFT RM'000	AFS RM'000
Financial assets				
Cash and short-term funds	2,496,327	2,496,327	-	-
Securities purchased under resale agreements	3,015,904	-	3,015,904	-
Financial assets held-for trading	2,853,972	-	2,853,972	-
Financial investments available-for-sale	1,591	-	-	1,591
Loans, advances and financing	2,004,478	2,004,478	-	-
Derivative assets	1,500,727	-	1,500,727	-
Statutory deposit with Bank Negara Malaysia	6,000	6,000	-	-
	11,878,999	4,506,805	7,370,603	1,591
Financial liabilities				
Deposits from customers	4,748,311	4,748,311	-	-
Deposits and placements of banks and other financial institutions	1,538,371	1,538,371	-	-
Obligations on securities sold under repurchase agreements	2,089,672	2,089,672	-	-
Derivative liabilities	1,736,015	-	1,736,015	-
	10,112,369	8,376,354	1,736,015	-

The above disclosure is also applicable for the Bank level except that included in the deposits from customers is RM20,000 (2013: RM20,000) cash consolidated from the subsidiaries.

32.2 Determination of fair value and the fair value hierarchy

MFRS 13 *Fair Value Measurement* requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable as discussed in note 2(c)(vi).

32. Financial assets and liabilities

32.2 Determination of fair value and the fair value hierarchy (continued)

32.2.1 Financial instruments carried at fair value

The following table shows the Group's and the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2014			
Financial assets			
Securities purchased under resale agreements	-	143,222	-
Financial assets held-for-trading	-	1,031,349	-
Derivative assets	-	1,975,133	5,715
	-	3,149,704	5,715
Financial liabilities			
Derivative liabilities	-	(1,873,902)	(10,754)
2013			
Financial assets			
Securities purchased under resale agreements	-	3,015,904	-
Financial assets held-for-trading	-	2,853,972	-
Derivative assets	-	1,498,231	2,496
	-	7,368,107	2,496
Financial liabilities			
Obligations on securities sold under repurchase agreements	-	(2,089,672)	-
Derivative liabilities	-	(1,730,283)	(5,732)
	-	(3,819,955)	(5,732)

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

	2014 RM'000	2013 RM'000
Financial assets		
Balance at 1 January	2,496	91,964
Total gain recognised in profit or loss:		
-Settlements	-	(20,000)
-Attributable to gains/(losses) recognised relating to financial assets that have not been realised	3,219	(69,468)
Balance at 31 December	5,715	2,496

32. Financial assets and liabilities (continued)

32.2 Determination of fair value and the fair value hierarchy (continued)

32.2.1 Financial instruments carried at fair value (continued)

	2014 RM'000	2013 RM'000
Financial liabilities		
Balance at 1 January	(5,732)	(98)
Total loss recognised in profit or loss:		
-Attributable to losses relating to financial liabilities that have not been realised	(5,022)	(5,634)
Balance at 31 December	(10,754)	(5,732)

The unrealised gains/(losses) have been recognised net within non-interest income in profit or loss as shown in Note 19.

32.2.2 Financial instruments not carried at fair value

In respect of cash and short term funds, other assets (excluding derivatives), statutory deposit with Bank Negara Malaysia, deposits and placements of banks and other financial institutions, and other liabilities (excluding derivatives), the carrying amounts in the statements of financial position approximate their fair values due to the relatively short term/on demand nature of these financial instruments.

The fair values of other financial assets/liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	2014		2013	
Group	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Loans, advances and financing	1,331,664	1,335,040	2,004,478	2,005,795
Financial liabilities				
Deposits from customers	4,548,576	4,564,684	4,748,311	4,776,317

The above disclosure is also applicable for the Bank level except that included in the deposits from customers is RM20,000 (2013: RM20,000) cash consolidated from the subsidiaries.

32. Financial assets and liabilities (continued)

32.2 Determination of fair value and the fair value hierarchy (continued)

32.2.2 Financial instruments not carried at fair value (continued)

(a) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual installment payments and discounted at prevailing rates at reporting date offered for similar loans. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual assessment allowance for impaired debts and financing.

(b) Deposits from customers

The fair values for deposit liabilities payable on demand (demand and savings deposits) or with remaining maturities of less than one year are estimated to approximate their carrying values at reporting date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities.

The fair value of loans, advances and financing and deposit from customers shown above are classified under Level 3 within the fair value hierarchy disclosure in accordance to MFRS 7.

32. Financial assets and liabilities (continued)

32.3 Derivative financial instruments

The following table shows the notional and market values of the derivatives financial instrument as at 31 December 2014 and 31 December 2013:

	Group and Bank		
	Notional RM'000	Positive market value RM'000	Negative market value RM'000
2014			
Foreign exchange related contracts			
Forward exchange trades	39,155,773	782,926	(558,551)
Cross currency swaps	16,987,855	854,390	(1,015,210)
Foreign exchange options	610,235	3,797	(2,341)
Interest/Profit rate related contracts			
Swaption	802,983	28,340	(254)
Interest rate swap	76,074,933	286,668	(297,473)
Equity related contracts	182,020	-	(1,925)
Credit derivatives contracts	1,685,146	24,727	(8,902)
	135,498,945	1,980,848	(1,884,656)
2013			
Foreign exchange related contracts			
Forward exchange trades	28,927,989	229,038	(387,925)
Cross currency swaps	20,999,000	768,171	(792,711)
Foreign exchange options	323,593	50,809	(38,027)
Interest/Profit rate related contracts			
Swaption	1,018,310	38,650	-
Interest rate swap	83,940,655	383,621	(505,216)
Equity related contracts	171,005	620	(2,839)
Credit derivatives contracts	1,775,755	29,818	(9,297)
	137,156,307	1,500,727	(1,736,015)

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32. Financial assets and liabilities (continued)

32.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank 2014	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Values of the financial instruments* RM'000	Amount not offset in the statements of financial position: Cash collateral received/ pledged RM'000	Net amount RM'000
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	1,641,113	-	1,641,113	(433,519)	(605,102)	602,492
- Interest/Profit rate related contracts	315,008	-	315,008	(158,781)	(99,867)	56,360
- Equity related contracts	-	-	-	-	-	-
- Credit derivative contracts	24,727	-	24,727	(5,355)	(17,879)	1,493
	1,980,848	-	1,980,848	(597,655)	(722,848)	660,345
Reverse repurchase agreements	143,222	-	143,222	(147,800)	-	(4,578)
	2,124,070	-	2,124,070	(745,455)	(722,848)	655,767
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	1,576,102	-	1,576,102	(433,519)	(676,261)	466,322
- Interest/Profit rate related contracts	297,727	-	297,727	(158,781)	(69,123)	69,823
- Equity related contracts	1,925	-	1,925	-	(1,925)	-
- Credit derivative contracts	8,902	-	8,902	(5,355)	-	3,547
	1,884,656	-	1,884,656	(597,655)	(747,309)	539,692

* Include securities accepted as collateral

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32. Financial assets and liabilities (continued)

32.4 Offsetting of financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Group and Bank 2013	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statements of financial position RM'000	Amount presented in the statements of financial position RM'000	Amount not offset in the statements of financial position: Values of the financial instruments* RM'000	Amount not offset in the statements of financial position: Cash collateral received/ pledged RM'000	Net amount RM'000
Financial assets						
Derivative financial assets						
- Foreign exchange related contracts	1,048,018	-	1,048,018	(491,599)	(318,394)	238,025
- Interest/Profit rate related contracts	422,271	-	422,271	(323,151)	(71,326)	27,794
- Equity related contracts	620	-	620	-	(563)	57
- Credit derivative contracts	29,818	-	29,818	(5,265)	(21,932)	2,621
	1,500,727	-	1,500,727	(820,015)	(412,215)	268,497
Reverse repurchase agreements	3,015,904	-	3,015,904	(3,028,692)	-	(12,788)
	4,516,631	-	4,516,631	(3,848,707)	(412,215)	255,709
Financial liabilities						
Derivative financial liabilities						
- Foreign exchange related contracts	1,218,663	-	1,218,663	(491,599)	(359,423)	367,641
- Interest/Profit rate related contracts	505,216	-	505,216	(323,151)	(113,269)	68,796
- Equity related contracts	2,839	-	2,839	-	(2,804)	35
- Credit derivative contracts	9,297	-	9,297	(5,265)	(120)	3,912
	1,736,015	-	1,736,015	(820,015)	(475,616)	440,384
Obligation on securities sold under repurchase agreements	2,089,672	-	2,089,672	(2,035,579)	-	54,093
	3,825,687	-	3,825,687	(2,855,594)	(475,616)	494,477

* Include securities accepted as collateral

32. Financial assets and liabilities (continued)

32.4 Offsetting of financial assets and financial liabilities (continued)

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and reverse repurchase agreements included in the amount not set-off in the statements of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

33. Equity compensation benefits

The Bank participates in the following share and options compensation plans operated by Deutsche Bank AG ("DB").

Share Plans

All awards represent a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends before the settlement of the award.

Deutsche Bank Share Scheme

Under the Deutsche Bank Share Scheme, selected employees are granted deferred share rights to receive DB shares at a specific future date. These may be granted as part of annual bonuses or as exceptional awards in the case of sign-ons, buy-outs or as retention incentives. The compensation expense is recognised on a straight line basis over the vesting period, which is generally three years for the annual awards.

33. Equity compensation benefits (continued)

DB Global Share Plan

The Group offers a broad-based employee share ownership plan entitled Global Share Purchase Plan ("GSPP"). The GSPP offers all active employees at participating Deutsche Bank entities the opportunity to purchase Deutsche Bank shares in monthly instalments over one year. At the end of the purchase cycle, the Bank matches the acquired stock in a ratio of one to one up to a maximum of ten free shares, provided that the employee remains at Deutsche Bank Group for another year. In total, over 20,000 staff from 31 countries enrolled in the fifth cycle that began in November 2014.

DB Equity Plan

The Group made grants of share-based compensation under the DB Equity Plan. This plan represents a contingent right to receive Deutsche Bank common shares after a specified period of time. The award recipient is not entitled to receive dividends during the vesting period of the award.

The share awards granted under the terms and conditions of DB equity Plan may be forfeited fully or partly if the recipient voluntarily terminates employment before the end of the relevant vesting period. Vesting usually continues after termination of employment in cases such as redundancy or retirement.

In countries where legal or other restrictions hinder the delivery of shares, a cash plan variant of the DB Equity Plan was used for granting awards.

During the year, RM4,833,354 (2013: RM4,214,653) of expense was recognised in the profit or loss.

33. Equity compensation benefits (continued)

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

Group and Bank	2014 Number of deferred share rights	2013 Number of deferred share rights
Outstanding at 1 January	43,839	56,318
Granted during the year	29,887	44,590
Vested to employees during the year	(32,396)	(35,606)
Forfeited/Lapsed during the year	-	(21,463)
Outstanding at 31 December	41,330	43,839

	2014 €'000	2013 €'000
Grant value of share awards outstanding at 31 December	1,436	1,579
Grant value of share awards issued to the Scheme in the year	1,036	1,602
Grant value of share awards vested to employees in the year	1,179	1,421

34. Comparatives

Certain comparatives had been reclassified to conform with current year presentation.

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35. The operations of Islamic Banking

Statement of financial position as at 31 December 2014

Assets	Note	2014 RM'000	2013 RM'000
Cash and short term funds	(a)	74,200	6,859
Financial assets held-for-trading	(b)	50,117	83,474
Other assets		1,640	249
Total assets		125,957	90,582
Liabilities and shareholders' funds			
Deposits from customers	(c)	81,393	57,465
Deposits and placements of banks and other financial institutions	(d)	414	779
Other liabilities	(e)	12,891	1,780
Taxation		1,502	1,326
Total liabilities		96,200	61,350
Capital funds		25,000	25,000
Retained profits		4,757	4,232
Islamic Banking funds		29,757	29,232
Total liabilities and Islamic Banking funds		125,957	90,582
Commitments and contingencies		-	-

The notes on pages 85 to 87 are an integral part of these financial statements.

35. The operations of Islamic Banking (continued)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2014

	2014 RM'000	2013 RM'000
Income derived from investment of Islamic funds	844	575
Total net income	844	575
Other operating expenses	(144)	(108)
Profit before taxation	700	467
Taxation	(175)	(116)
Profit and total comprehensive income for the year	525	351

Statement of changes in Islamic Banking funds for the year ended 31 December 2014

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2013	25,000	3,881	28,881
Profit/Total comprehensive income for the year	-	351	351
At 31 December 2013/1 January 2014	25,000	4,232	29,232
Profit/Total comprehensive income for the year	-	525	525
At 31 December 2014	25,000	4,757	29,757

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

35. The operations of Islamic Banking (continued)

Statement of cash flows for the financial year ended 31 December 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before taxation	700	467
Operating profit before working capital changes	700	467
Increase in operating assets	31,967	6,736
Increase/(decrease) in operating liabilities	34,674	(2,264)
Cash generated from operations	67,341	4,939
Income taxes paid	-	-
Net increase in cash and cash equivalents	67,341	4,939
Cash and cash equivalents at 1 January	6,859	1,920
Cash and cash equivalents at 31 December (Note 35(a))	74,200	6,859

35. The operations of Islamic Banking (continued)

BNM had given its approval on 22 August 2007 for the Bank to conduct Islamic Banking business under Section 124 of the Banking and Financial Institutions Act 1989 (Now repealed and replaced by Financial Services Act 2014).

Shariah Committee

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

During the financial year ended 31 December 2014, a total of 4 meetings were held. The Shariah Committee comprises the following members and the details of attendance of each member was as follows :

Members	Number of Shariah Meetings Attended
Dr Sheikh Hussien Hamed Sayed Hassan	4/4
Dr Muhammad Qaseem	4/4
En.Mohd Hilmi bin Ramli	2/2

Basis of measurement

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Group and of the Bank as disclosed in Note 1 to the financial statements of the Group and of the Bank and have been prepared under the accrual basis of accounting.

(a) Cash and short-term funds

	2014 RM'000	2013 RM'000
Cash and balances with banks and other financial institutions	74,200	6,859

35. The operations of Islamic Banking (continued)

(b) Financial assets held-for-trading

	Group and Bank	
	2014	2013
	RM'000	RM'000
Malaysian Investment Issue	50,117	50,521
Bank Negara Malaysia Bills	-	32,953
	50,117	83,474

(c) Deposits from customers

	2014	2013
	RM'000	RM'000
Non-Mudharabah		
Demand deposits	31,393	7,465
Other deposits	50,000	50,000
	81,393	57,465

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

	2014	2013
	RM'000	RM'000
Licensed banks	414	779

(e) Other liabilities

	Group and Bank	
	2014	2013
	RM'000	RM'000
Bills payable	553	380
Other liabilities	12,338	1,400
	12,891	1,780

(f) Capital adequacy

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

35. The operations of Islamic Banking (continued)

(f) Capital adequacy (continued)

Components of Tier I and Tier II capital:

	2014 RM'000	2013 RM'000
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	4,757	4,232
Total common equity tier 1/Total tier 1 capital	29,757	29,232
Total Tier 2 capital	-	-
Capital base	29,757	29,232
Common equity tier 1/Tier 1 capital ratio	559.684%	627.811%
Total capital ratio	559.684%	627.811%

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

RISK TYPE		Risk Weighted Assets	
		2014 RM'000	2013 RM'000
1	Credit risk	1,487	117
2	Market risk	199	430
3	Operational risk	3,631	4,109
Total		**5,317**	**4,656**