

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**

Annual financial statements  
and  
Audit Report of Certified Public Accountant

For the years ended  
31 December 2011 and 2010





**KPMG Phoomchai Audit Ltd.**

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## **Audit Report of Certified Public Accountant**

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

I have audited the accompanying statement of financial position as at 31 December 2011, and the related statement of comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended of Deutsche Bank Aktiengesellschaft, Bangkok Branch. The Bangkok Branch is a segment of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Bangkok Branch and reflect only transactions recorded locally. The Bangkok Branch's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch for the year ended 31 December 2010 were audited by another auditor whose report dated 8 April 2011 expressed an unqualified opinion on those statements. As explained in notes 2 and 4 to the accompanying financial statements, with effect from 1 January 2011 the Bangkok Branch has adopted certain new and revised financial reporting standards and complied with the relevant Bank of Thailand's notification with regard to the presentation of the financial statements. The accompanying financial statements for the year ended 31 December 2010 have been restated accordingly.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets used in, and liabilities arising out of Deutsche Bank Aktiengesellschaft, Bangkok Branch's operations in Thailand as at 31 December 2011, the results of its operations and its cash flows in Thailand for the year then ended in accordance with generally accepted accounting principles.

*Chanchai S.*

(Chanchai Sakulkoedsin)  
Certified Public Accountant  
Registration No. 6827

KPMG Phoomchai Audit Ltd.  
Bangkok  
27 April 2012



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of financial position

As at 31 December 2011 and 2010

Assets	Note	2011	2010
		<i>(in Baht)</i>	
Cash		42,780,865	34,024,049
Interbank and money market items, net	9	63,863,326,557	111,523,641,002
Claims on security		11,129,997,459	12,999,996,996
Derivative assets	10	31,103,668,193	36,315,382,481
Investments, net	11	24,273,031,825	25,029,245,061
Loans to customers and accrued interest receivables, net	12		
Loans to customers		12,932,680,284	8,923,778,906
Accrued interest receivables		<u>28,450,985</u>	<u>11,253,303</u>
Total loans to customers and accrued interest receivables		12,961,131,269	8,935,032,209
Less allowance for doubtful accounts	12.4, 14	<u>(327,517,216)</u>	<u>(670,397,929)</u>
Total loans to customers and accrued interest receivables, net		<u>12,633,614,053</u>	<u>8,264,634,280</u>
Leasehold improvements and equipment, net	15	260,193,453	304,582,857
Deferred tax assets, net	16	135,424,070	425,631,223
Trading securities receivable	17	878,109,330	17,977,858,057
Other assets	18	<u>476,316,773</u>	<u>552,402,593</u>
<b>Total assets</b>		<b><u>144,796,462,578</u></b>	<b><u>213,427,398,599</u></b>

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of financial position

As at 31 December 2011 and 2010

Liabilities and accounts with head office and other branches of the same juristic person	Note	2011	2010
		<i>(in Baht)</i>	
<b>Liabilities</b>			
Deposits	20	34,270,148,868	47,013,817,056
Interbank and money market items	21	6,865,324,796	11,282,764,477
Liabilities payable on demand		1,905,284,729	1,692,331,650
Liabilities to deliver security	22	11,132,107,805	23,201,923,627
Derivative liabilities	10	31,606,080,397	35,083,253,438
Debt issued and borrowings	23, 30	31,265,239,967	45,367,644,159
Provisions against derivative products	24	257,487,890	1,292,667,889
Employee benefit obligations	25	30,990,023	-
Trading securities payable	26	724,539,282	15,800,384,804
Other liabilities	27, 30	860,744,054	860,364,318
<b>Total liabilities</b>		<b>118,917,947,811</b>	<b>181,595,151,418</b>
<b>Accounts with head office and other branches of the same juristic person</b>			
Funds brought in to maintain assets under the Act	8	17,800,000,000	17,800,000,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	8	5,814,780,242	12,521,285,577
Other components of accounts with head office and other branches of the same juristic person	11	6,004,356	6,334,338
Retained earnings		2,257,730,169	1,504,627,266
<b>Total accounts with head office and other branches of the same juristic person</b>		<b>25,878,514,767</b>	<b>31,832,247,181</b>
<b>Total liabilities and accounts with head office and other branches of the same juristic person</b>		<b>144,796,462,578</b>	<b>213,427,398,599</b>

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of comprehensive income

For the years ended 31 December 2011 and 2010

	Note	2011	2010
		(in Baht)	
Interest income	30, 31	4,134,936,409	3,208,332,450
Interest expense	30, 32	<u>2,632,687,687</u>	<u>2,413,245,268</u>
<b>Net interest income</b>		<b><u>1,502,248,722</u></b>	<b><u>795,087,182</u></b>
Fees and service income	33	268,250,929	278,899,732
Fees and service expenses	33	<u>92,586,647</u>	<u>141,596,698</u>
<b>Net fees and service income</b>	33	<b><u>175,664,282</u></b>	<b><u>137,303,034</u></b>
Net gains on trading and foreign exchange transactions	34	1,450,430,231	1,590,981,680
Other operating income		<u>763,224,829</u>	<u>221,186,915</u>
<b>Total operating income</b>		<b><u>3,891,568,064</u></b>	<b><u>2,744,558,811</u></b>
Other operating expenses			
Employee expenses	30, 36	484,263,833	506,055,641
Premises and equipment expenses		165,649,938	164,611,183
Taxes and duties		22,497,697	21,276,967
Expenses allocated from head office	30	468,933,801	455,701,346
Other expenses		<u>272,415,600</u>	<u>213,309,990</u>
<b>Total other operating expenses</b>		<b><u>1,413,760,869</u></b>	<b><u>1,360,955,127</u></b>
Impairment loss on loans	35	<u>99,425,799</u>	<u>469,903,289</u>
<b>Operating profit before income tax expense</b>		<b><u>2,378,381,396</u></b>	<b><u>913,700,395</u></b>
Income tax expense	37	<u>(755,278,493)</u>	<u>(277,042,510)</u>
<b>Net profit</b>		<b><u>1,623,102,903</u></b>	<b><u>636,657,885</u></b>
Other comprehensive income			
Gains (losses) on revaluation of available-for-sale investments		(1,251,189)	2,643,397
Income tax for other comprehensive income		<u>921,207</u>	<u>(793,023)</u>
<b>Total other comprehensive income, net</b>		<b><u>(329,982)</u></b>	<b><u>1,850,374</u></b>
<b>Total comprehensive income</b>		<b><u>1,622,772,921</u></b>	<b><u>638,508,259</u></b>

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

## Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statements of changes in accounts with head office and other branches of the same juristic person  
For the years ended 31 December 2011 and 2010

	Fund brought in to maintain assets under the Act	Balance of inter- office accounts with head office and other branches of the same juristic person, net	Other components of accounts with head office and other branches of the same juristic person Gains (losses) on revaluation of available-for-sale investments (in Baht)	Retained earnings	Total
<b>Balance at 1 January 2010</b>	<b>17,800,000,000</b>	<b>5,433,791,043</b>	<b>4,483,964</b>	<b>867,969,381</b>	<b>24,106,244,388</b>
<b>Comprehensive income for the year</b>					
Net profit	-	-	-	636,657,885	636,657,885
Other comprehensive income	-	-	1,850,374	-	1,850,374
Total comprehensive income	-	-	1,850,374	636,657,885	638,508,259
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	7,087,494,534	-	-	7,087,494,534
<b>Balance at 31 December 2010 and 1 January 2011</b>	<b>17,800,000,000</b>	<b>12,521,285,577</b>	<b>6,334,338</b>	<b>1,504,627,266</b>	<b>31,832,247,181</b>
<b>Comprehensive income for the year</b>					
Net profit	-	-	-	1,623,102,903	1,623,102,903
Other comprehensive income	-	-	(329,982)	-	(329,982)
Total comprehensive income	-	-	(329,982)	1,623,102,903	1,622,772,921
Balance of inter-office accounts with head office and other branches of the same juristic person, net	-	(6,706,505,335)	-	-	(6,706,505,335)
Profit remitted to head office	-	-	-	(783,000,000)	(783,000,000)
Income tax on remitted profits	-	-	-	(87,000,000)	(87,000,000)
<b>Balance at 31 December 2011</b>	<b>17,800,000,000</b>	<b>5,814,780,242</b>	<b>6,004,356</b>	<b>2,257,730,169</b>	<b>25,878,514,767</b>

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



**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Statements of cash flows**  
**For the years ended 31 December 2011 and 2010**

	2011	2010
	<i>(in Baht)</i>	
<b><i>Cash flows from operating activities</i></b>		
Operating profit before income tax expenses	2,378,381,396	913,700,395
<b><i>Adjustments to reconcile operating profit before income tax expense to cash received (paid) from operating activities</i></b>		
Depreciation	48,024,462	48,500,219
Bad debt and doubtful accounts (reversal)	(337,587,872)	472,898,383
Losses (gains) on revaluation of securities	(153,413,047)	91,778,969
Losses (gains) on disposal of equipment	(50,722)	121,555
Unrealised losses on forward and derivative contracts, net	1,734,541,247	4,038,002,916
Decrease in provision against derivative products	(1,035,179,999)	(372,180,910)
Decrease in other provisions	(3,572,536)	(7,895,742)
Increase in liquidity provision for investments	4,975,477	5,156,423
Increase in provision for reinstatement of leasehold premise	-	10,024,715
Net interest income	(1,502,248,722)	(795,087,182)
Proceeds from interest received	4,042,461,084	3,171,613,819
Interest paid	(2,646,360,191)	(2,444,167,400)
Income tax paid	(91,072,195)	(435,127)
<b>Net operating profit before changes in operating assets and liabilities</b>	<b>2,438,898,382</b>	<b>5,132,031,033</b>
<b><i>Decrease (increase) in operating assets</i></b>		
Interbank and money market items	47,644,225,215	(47,824,435,082)
Investment	908,375,092	5,589,102,806
Loans to customers	(4,008,901,378)	5,705,522,110
Trading securities receivable	17,099,748,727	(14,308,304,591)
Other assets	162,159,853	(348,598,662)
<b><i>Increase (decrease) in operating liabilities</i></b>		
Deposits	(12,743,668,188)	21,986,901,334
Interbank and money market items	(4,417,439,681)	2,594,712,712
Liabilities payable on demand	212,953,079	200,273,628
Liabilities to deliver security	(10,199,816,285)	934,033,701
Short-term debts issued and borrowings	(14,290,404,192)	3,699,080,782
Employee benefit obligations	30,990,023	-
Trading securities payable	(15,075,845,522)	12,127,260,651
Other liabilities	(360,428,639)	110,033,788
<b>Net cash provided by (used in) operating activities</b>	<b>7,400,846,486</b>	<b>(4,402,385,790)</b>

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Statements of cash flows

For the years ended 31 December 2011 and 2010

	2011	2010
	<i>(in Baht)</i>	
<b><i>Cash flows from investing activities</i></b>		
Purchase of equipment	(3,679,661)	(14,753,680)
Proceeds from sale of equipment	95,326	52,224
<b>Net cash used in investing activities</b>	<b>(3,584,335)</b>	<b>(14,701,456)</b>
<b><i>Cash flows from financing activities</i></b>		
Long-term debts issued and borrowings	188,000,000	(2,678,089,312)
Increase in balance of inter-office accounts with head office and other branches of the same juristic person, net	(6,706,505,335)	7,087,494,534
Profit remitted to head office	(783,000,000)	-
Income tax paid on profit remitted to head office	(87,000,000)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(7,388,505,335)</b>	<b>4,409,405,222</b>
<b>Net increase (decrease) in cash</b>	<b>8,756,816</b>	<b>(7,682,024)</b>
Cas at 1 January	34,024,049	41,706,073
<b>Cash at 31 December</b>	<b>42,780,865</b>	<b>34,024,049</b>

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

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**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
**Notes to the financial statements**  
**For the years ended 31 December 2011 and 2010**

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from and are consistent with the Thai language statutory financial statements, and both English and Thai language financial statements were approved and authorised for issue by the management on 27 April 2012.

**1 General information**

Deutsche Bank Aktiengesellschaft, Bangkok Branch (“the Bank”) was granted a licence by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Bank was granted a licence to undertake its commercial banking business in April 1988 and granted a certificate of private fund on 12 May 2008 and has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

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

**(a) Statement of compliance**

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

During 2010 and 2011, the FAP issued the following new and revised TFRS relevant to the Bank’s operations and effective for accounting periods beginning on or after 1 January 2011:

TFRS	Topic
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events After the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

TFRS	Topic
TAS 24 (revised 2009)	Related Party Disclosures
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TFRS 2	Share-based Payment
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
FAP's announcement 16/2554	Disclosure Guidance on Related Party Transactions with Government
FAP's announcement 17/2554	Transitional Procedures for Other Long-term Employee Benefits

The adoption of these new and revised TFRS has resulted in changes in the Bank's accounting policies. The effects of these changes are disclosed in note 4.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in Note 38.

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

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

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

### **(c) Presentation currency**

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

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

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

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

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

Note 3	Impact of severe flooding in Thailand
Note 6	Financial risk management
Note 7	Fair value of financial instruments
Note 10	Derivatives
Note 11	Investments, net
Note 14	Allowance for doubtful accounts
Note 15	Leasehold improvements and equipment, net
Note 16	Deferred tax assets, net
Note 24	Provisions against derivative products
Note 25	Employee benefit obligations
Note 27	Other liabilities

### 3 Impact of severe flooding in Thailand

Due to the recent flooding in Thailand, the Bank of Thailand has implemented measures requesting banks to provide support to their impacted customers, where a request for such support is made and approved by the Bank and where the customer's account status is Pass or Special Mention. Such measures are set out in Notification ForNorSor. (23) Wor. 1564/2554, dated 19 October 2011 (the "Notification").

The Bank continues to monitor the underlying performance of flood affected customers, and set up allowance for doubtful accounts where considered necessary.

Management has performed an assessment of the financial impact of the flood on other areas of the Bank's operations and concluded this is not material to the financial statements.

### 4 Changes in accounting policies

#### (a) Overview

From 1 January 2011, consequent to the adoption of new and revised TFRS as set out in note 2, the Bank has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for employee benefits
- Accounting for share based payment

Details of the new accounting policies adopted by the Bank and the impact of the changes on the financial statements are included in notes 4(b) to 4(d) below. Other new and revised TFRS have not had any material impact on the accounting policies, financial position or operating result of the Bank.

#### (b) Presentation of financial statements

From 1 January 2011, the Bank has adopted TAS 1 (Revised 2009) Presentation of Financial Statements. Under the revised standard, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in accounts with head office and other branches of the same juristic person;

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Bank presents all owner changes of accounts with head office and other branches of the same juristic person in the statement of changes in accounts with head office and the other branches of the same juristic person and all non-owner changes of accounts with head office and other branches of the same juristic person in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in accounts with head office and the other branches of the same juristic person.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit.

### (c) Accounting for employee benefits

From 1 January 2011, the Bank has adopted TAS 19 Employee Benefits.

Under the new policy, post-employment benefits and other long-term benefit obligations is recognised in the financial statements based on calculations performed annually by using the projected unit credit method. Previously, this liability was recognised as and when payments were made.

The Bank's liability for post-employment benefits as at 1 January 2011 has been determined to be Baht 38.5 million. The Bank has opted to record this increased liability as an expense in 2011, in accordance with the transitional provisions of TAS 19. The impact on the 2011 financial statements was as follows:

	2011 (in thousand Baht)
<b>Statement of financial position</b>	
(Increase) in employee benefit obligations	(30,990)
Decrease in deferred tax liability	7,128
<b>(Decrease) in retained earnings</b>	<b>(23,862)</b>
	2011 (in thousand Baht)
<b>Statement of comprehensive income for the year ended 31 December 2011</b>	
Increase in employee expenses resulting in:	
(Increase) in operating expenses	(33,367)
<b>(Decrease) in profit before income tax</b>	<b>(33,367)</b>
Increase in deferred tax expense	7,128
<b>(Decrease) in profit</b>	<b>(26,239)</b>

### (d) Accounting for share-based payments

From 1 January 2011, the bank has adopted TFRS 2 Share-based Payment.

Under TFRS 2, share-based payment awards granted to employees are recognised as personnel expenses. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### 5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 4, which addresses changes in accounting policies.

#### (a) Foreign currency transactions

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

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

#### (b) Cash

Cash consists of cash on hand and cash on collection.

#### (c) Investments

##### *Investments in debt securities and equity securities*

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

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

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

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

##### *Disposal of investments*

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

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

#### (d) Loans to customers

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



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

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

**For the years ended 31 December 2011 and 2010**

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

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

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

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

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

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

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

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

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

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

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

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

#### *Recognition and measurement*

##### *Owned assets*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of leasehold improvement and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

##### *Subsequent costs*

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

##### *Depreciation*

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

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

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

No depreciation is provided on assets under construction.

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

### (h) *Impairment*

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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

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

#### *Calculation of recoverable amount*

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

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

#### *Reversals of impairment*

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

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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

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

#### **Hedging**

##### *Fair value hedges*

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

##### *Cash flow hedges*

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

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

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

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

##### *Discontinuing hedge accounting*

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

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**Embedded derivatives**

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

**(j) Provisions against derivative products**

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

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Bank had to close out the portfolio.
- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (value at risk) and potential defaults under contractual agreements (default risk).

**(k) Employee benefits**

The Bank operates a number of employees’ benefit plans as follows:

***Short-term employee benefits***

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

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

***Post employment benefits***

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

***Defined contribution plan***

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

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

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*Defined benefit plan*

- Severance payment

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

- Other long-term employee benefits

*Long service award*

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

*Share based payment*

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

**(l) Provisions**

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

**(m) Interest income recognition**

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

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

**(n) Interest expense recognition**

The Bank recognises interest expenses on an accruals basis.

**(o) Income tax**

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

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

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Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

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

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

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

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

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

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

### **(q) Offsetting**

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

## **6 Financial risk management**

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

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

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

#### 6.1 Credit risk

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

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

Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent as at 31 December 2011 and 2010 were as follow:

	2011	2010
	<i>(in million Baht)</i>	
Foreign exchange contracts	16,740	12,748
Forward interest rate contracts	6,228	5,349
Equity option	-	8

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

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. In the Group, consistent standards are applied in the respective credit decision processes.
- The Bank actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the Bank’s capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Bank’s risk appetite.
- The Bank aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralization of existing portfolio where feasible.



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For the years ended 31 December 2011 and 2010

- The Bank is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.
- The Bank aims to secure derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Bank assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Bank reviews these periodically.

### 6.2 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.

#### *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 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 team and is thus managed on the basis of value-at-risk as reflected in trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, such as foreign exchange risk, it is mitigated by matching the funding of investment in the same currency.

#### *Foreign currency risk*

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

As at 31 December 2011 and 2010, the Bank has the financial assets and liabilities denominated in the various currencies in Baht equivalent were as follows:

	THB	USD	2011 EURO	Others	Total
			<i>(in thousand Baht)</i>		
<b>Financial assets</b>					
Cash	42,590	114	41	36	42,781
Interbank and money market items *	63,867,916	-	-	780	63,868,696
Claims on security	11,129,997	-	-	-	11,129,997
Investments, net	24,273,032	-	-	-	24,273,032
Loans to customers and accrued interest receivables **	10,692,251	2,268,880	-	-	12,961,131
Trading securities receivable	878,109	-	-	-	878,109
<b>Total financial assets</b>	<b>110,883,895</b>	<b>2,268,994</b>	<b>41</b>	<b>816</b>	<b>113,153,746</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

	THB	USD	2011 EURO	Others	Total
			(in thousand Baht)		
<b>Financial liabilities</b>					
Deposits	29,587,640	3,292,552	1,357,447	32,510	34,270,149
Interbank and money market items	6,862,693	141	-	2,491	6,865,325
Liabilities payable demand	1,785,087	37,799	79,682	2,717	1,905,285
Liabilities to deliver security	11,132,108	-	-	-	11,132,108
Debt issued and borrowings	31,265,240	-	-	-	31,265,240
Trading securities payable	724,539	-	-	-	724,539
<b>Total financial liabilities</b>	<b>81,357,307</b>	<b>3,330,492</b>	<b>1,437,129</b>	<b>37,718</b>	<b>86,162,646</b>
<b>On-financial reporting items, net</b>	<b>29,526,588</b>	<b>(1,061,498)</b>	<b>(1,437,088)</b>	<b>(36,902)</b>	<b>26,991,100</b>
<b>Off-financial reporting items, net</b>	<b>333,773,903</b>	<b>371,959,199</b>	<b>24,348,364</b>	<b>21,523,820</b>	<b>751,605,286</b>

\* Excluding allowance for doubtful accounts amounting to Baht 5 million

\*\* Including non-performing loans

	THB	USD	2010 EURO	Others	Total
			(in thousand Baht)		
<b>Financial assets</b>					
Cash	33,779	206	31	8	34,024
Interbank and money market items *	111,521,699	-	-	2,019	111,523,718
Claims on security	12,999,997	-	-	-	12,999,997
Investments, net	25,029,245	-	-	-	25,029,245
Loans to customers accrued interest receivables**	6,457,789	2,477,243	-	-	8,935,032
Trading securities receivable	17,923,540	54,318	-	-	17,977,858
<b>Total financial assets</b>	<b>173,966,049</b>	<b>2,531,767</b>	<b>31</b>	<b>2,027</b>	<b>176,499,874</b>
<b>Financial liabilities</b>					
Deposits	41,819,097	4,188,405	998,214	8,101	47,013,817
Interbank and money market items	11,282,600	150	-	14	11,282,764
Liabilities payable demand	1,644,644	6,598	40,971	119	1,692,332
Liabilities to deliver security	23,201,924	-	-	-	23,201,924
Debt issued and borrowings	45,367,644	-	-	-	45,367,644
Trading securities payable	15,800,385	-	-	-	15,800,385
<b>Total financial liabilities</b>	<b>139,116,294</b>	<b>4,195,153</b>	<b>1,039,185</b>	<b>8,234</b>	<b>144,358,866</b>
<b>On-financial reporting items, net</b>	<b>34,849,755</b>	<b>(1,663,386)</b>	<b>(1,039,154)</b>	<b>(6,207)</b>	<b>32,141,008</b>
<b>Off-financial reporting items, net</b>	<b>293,881,607</b>	<b>336,188,841</b>	<b>32,687,897</b>	<b>22,728,787</b>	<b>685,487,132</b>

\* Excluding allowance for doubtful accounts amounting to Baht 0.1 million

\*\* Including non-performing loans

### Interest rate risk

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

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

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2011

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years	Non-interest bearing	Total	Average interest rate (% per annum)
<b>Financial assets</b>								
Cash	-	-	-	-	-	42,781	42,781	-
Interbank and money market items*	490,652	62,847,218	-	-	-	530,826	63,868,696	3.23
Claims on security	-	11,129,997	-	-	-	-	11,129,997	3.13
Derivative assets	-	-	-	-	-	31,103,668	31,103,668	-
Investments, net	-	11,985,634	4,013,816	8,229,554	32,405	11,623	24,273,032	2.27
Loans to customers and accrued interest receivable**	2,402,384	8,608,463	1,053,218	192	-	896,874	12,961,131	3.58
Trading securities receivable	-	-	-	-	-	878,109	878,109	-
<b>Total financial assets</b>	<b>2,893,036</b>	<b>94,571,312</b>	<b>5,067,034</b>	<b>8,229,746</b>	<b>32,405</b>	<b>33,463,881</b>	<b>144,257,414</b>	
<b>Financial liabilities</b>								
Deposits	28,455,019	2,588,823	110,060	5,500	-	3,110,747	34,270,149	2.00
Interbank and money market items	14,116	1,700,000	-	16,521	-	5,134,688	6,865,325	3.45
Liabilities payable on demand	-	-	-	-	-	1,905,285	1,905,285	-
Liabilities to deliver security	-	11,129,997	2,111	-	-	-	11,132,108	3.13
Derivative liabilities	-	-	-	-	-	31,606,080	31,606,080	-
Debt issued and borrowings	-	28,140,240	2,497,000	-	-	628,000	31,265,240	3.20
Trading securities payable	-	-	-	-	-	724,539	724,539	-
<b>Total financial liabilities</b>	<b>28,469,135</b>	<b>43,559,060</b>	<b>2,609,171</b>	<b>22,021</b>	<b>-</b>	<b>43,109,339</b>	<b>117,768,726</b>	
<b>Difference of on-financial reporting items, net</b>	<b>(25,576,099)</b>	<b>51,012,252</b>	<b>2,457,863</b>	<b>8,207,725</b>	<b>32,405</b>	<b>(9,645,458)</b>	<b>26,488,688</b>	

\* Excluding allowance for doubtful accounts amounting to Baht 5 million

\*\* Including non-performing loans

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2010

	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years	Non-interest bearing	Total	Average interest rate (% per annum)
<b>Financial assets</b>								
Cash	-	-	-	-	-	34,024	34,024	-
Interbank and money market items*	-	109,443,014	-	-	-	2,080,704	111,523,718	1.95
Claims on security	-	12,999,997	-	-	-	-	12,999,997	1.94
Derivative assets	-	-	-	-	-	36,315,382	36,315,382	-
Investments, net	-	4,988,488	-	8,466,720	401,106	12,874	25,029,245	1.24
Loans to customers accrued interest receivable**	506,531	6,554,192	567,329	494,726	-	812,254	8,935,032	2.85
Trading securities receivable	-	-	-	-	-	17,977,858	17,977,858	-
<b>Total financial assets</b>	<b>506,531</b>	<b>133,985,691</b>	<b>11,727,386</b>	<b>8,961,446</b>	<b>401,106</b>	<b>57,233,096</b>	<b>212,815,256</b>	
<b>Financial liabilities</b>								
Deposits	39,851,433	4,487,861	53,360	7,000	-	2,614,163	47,013,817	1.34
Interbank and money market items	20,753	512,299	16,521	-	-	10,733,191	11,282,764	4.49
Liabilities payable on demand	-	-	-	-	-	1,692,332	1,692,332	-
Liabilities to deliver security	-	17,718,453	5,483,471	-	-	-	23,201,924	2.34
Derivative Liabilities	-	-	-	-	-	35,083,253	35,083,253	-
Debt issued and borrowings	3,284,000	41,194,905	158,739	730,000	-	-	45,367,644	1.86
Trading securities payable	-	-	-	-	-	15,800,385	15,800,385	-
<b>Total financial liabilities</b>	<b>43,156,186</b>	<b>63,913,518</b>	<b>5,712,091</b>	<b>737,000</b>	-	<b>65,923,324</b>	<b>179,442,119</b>	
<b>Difference of on-financial reporting items, net</b>	<b>(42,649,655)</b>	<b>70,072,173</b>	<b>6,015,295</b>	<b>8,224,446</b>	<b>401,106</b>	<b>(8,690,228)</b>	<b>33,373,137</b>	

\* Excluding allowance for doubtful accounts amounting to Baht 0.1 million

\*\* Including non-performing loans

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### 6.3 Liquidity risk

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

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

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

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

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

A maturity analysis for financial assets and liabilities as at 31 December 2011 and 2010 as follows:

	At call	Less than 3 months	3 months to 1 year	2011 1 to 5 years	over 5 years	No maturity	Total
	<i>(in thousand Baht)</i>						
<b>Financial assets</b>							
Cash	-	-	-	-	-	42,781	42,781
Interbank and money market items *	490,652	62,847,218	-	-	-	530,826	63,868,696
Claims on security	-	11,129,997	-	-	-	-	11,129,997
Derivative assets	1,381,480	1,593,185	4,190,263	14,787,795	9,150,945	-	31,103,668
Investments, net	-	11,985,634	4,013,816	8,229,554	32,405	11,623	24,273,032
Loans to customers and accrued interest receivables **	2,402,384	8,608,463	1,053,218	192	-	896,874	12,961,131
Trading securities receivable	878,109	-	-	-	-	-	878,109
<b>Total financial assets</b>	<b>5,152,625</b>	<b>96,164,497</b>	<b>9,257,297</b>	<b>23,017,541</b>	<b>9,183,350</b>	<b>1,482,104</b>	<b>144,257,414</b>
<b>Financial liabilities</b>							
Deposits	28,455,020	2,588,822	110,060	5,500	-	3,110,747	34,270,149
Interbank and money market items	14,116	1,700,000	-	16,521	-	5,134,688	6,865,325
Liabilities payable on demand	1,905,285	-	-	-	-	-	1,905,285
Liabilities to deliver security	-	11,129,997	-	-	2,111	-	11,132,108
Derivative liabilities	1,394,890	2,621,950	3,714,756	15,002,422	8,872,062	-	31,606,080
Debt issued and borrowings	-	28,140,240	2,497,000	-	-	628,000	31,265,240
Trading securities payable	724,539	-	-	-	-	-	724,539
<b>Total financial liabilities</b>	<b>32,493,850</b>	<b>46,181,009</b>	<b>6,321,816</b>	<b>15,024,443</b>	<b>8,874,173</b>	<b>8,873,435</b>	<b>117,768,726</b>
<b>Net liquidity gap</b>	<b>(27,341,225)</b>	<b>49,983,488</b>	<b>2,935,481</b>	<b>7,993,098</b>	<b>309,177</b>	<b>(7,391,331)</b>	<b>26,488,688</b>

\* Excluding allowance for doubtful accounts amounting to Baht 5 million

\*\* Including non-performing loans

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	At call	Less than 3 months	3 months to 1 year	2010 1 to 5 years	over 5 years	No maturity	Total
	(in thousand Baht)						
<b>Financial assets</b>							
Cash	-	-	-	-	-	34,024	34,024
Interbank and money market items*	-	109,443,014	-	-	-	2,080,704	111,523,718
Claims on security	-	12,999,997	-	-	-	-	12,999,997
Derivative assets	1,978,362	827,624	5,498,910	19,612,133	8,398,353	-	36,315,382
Investments, net	-	4,988,488	11,160,057	8,466,720	401,106	12,874	25,029,245
Loans to customers and accrued interest receivables**	506,531	6,554,192	567,329	494,726	-	812,254	8,935,032
Trading securities receivable	17,977,858	-	-	-	-	-	17,977,858
<b>Total financial assets</b>	<b>20,462,751</b>	<b>134,813,315</b>	<b>17,226,296</b>	<b>28,573,579</b>	<b>8,799,459</b>	<b>2,939,856</b>	<b>212,815,256</b>
<b>Financial liabilities</b>							
Deposits	39,851,433	4,487,861	53,360	7,000	-	2,614,163	47,013,817
Interbank and money market items	20,753	212,299	16,521	-	300,000	10,733,191	11,282,764
Liabilities payable on demand	1,692,332	-	-	-	-	-	1,692,332
Liabilities to deliver security	-	12,999,997	5,483,471	4,681,654	36,802	-	23,201,924
Derivative liabilities	2,747,804	2,711,281	6,927,614	15,184,420	7,512,134	-	35,083,253
Debt issued and borrowings	3,284,000	41,194,905	158,739	730,000	-	-	45,367,644
Trading securities payable	15,800,385	-	-	-	-	-	15,800,385
<b>Total financial liabilities</b>	<b>63,396,707</b>	<b>61,606,343</b>	<b>12,639,705</b>	<b>20,603,074</b>	<b>7,848,936</b>	<b>13,347,354</b>	<b>179,442,119</b>
<b>Net liquidity gap</b>	<b>(42,933,956)</b>	<b>73,206,972</b>	<b>4,586,591</b>	<b>7,970,505</b>	<b>950,523</b>	<b>(10,407,498)</b>	<b>33,373,137</b>

\* Excluding allowance for doubtful accounts amounting to Baht 0.1 million

\*\* Including non-performing loan

## 7 Fair value of financial instruments

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

Fair value is the estimated value that the Bank could receive from selling its financial assets or the estimated value for redeeming its financial liabilities based on market value or the estimated value that can be derived from using general market principles of calculation.

The carrying value and estimated fair values of financial instruments as at 31 December 2011 and 2010 were as follows:

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
	(in thousand Baht)			
<b>Financial assets</b>				
Cash	42,781	42,781	34,024	34,024
Interbank and money market items*	63,868,696	63,868,696	111,523,718	111,523,718
Derivative asset	31,103,668	31,103,668	36,315,382	36,315,382
Investments, net	24,273,032	24,273,032	25,029,245	25,029,245
Loans and accrued interest receivable**	12,633,614	12,633,614	8,264,634	8,264,634

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	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
<i>(in thousand Baht)</i>				
<b>Financial liabilities</b>				
Deposits	34,270,149	34,270,149	47,013,817	47,013,817
Interbank and money market items	6,865,325	6,865,325	11,282,764	11,282,764
Liabilities payable on demand	1,905,285	1,905,285	1,692,332	1,692,332
Derivative liabilities	31,606,080	31,606,080	35,083,253	35,083,253
Debt issued and borrowings	31,265,240	31,510,857	45,367,644	45,368,702

\* Excluding allowance for doubtful accounts amounting to Baht 0.5 million (2010: 0.1 million).

\*\* Including non-performing loan

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

**Cash:** The carrying amount present in statements of financial position is approximates at fair value.

**Interbank and money market items (Assets):** Fair value of interbank and money market items approximate the carrying value at which they are stated on the statement of financial position

**Derivatives:** The fair value of derivative assets and liabilities are stated according to the Bank's accounting policy mentioned in Note 5

**Investments :** The fair value of investments are stated according to the Bank's accounting policy mentioned in Note 5

**Loans to customers and accrued interest receivable:** The fair value of loans to customers and accrued interest receivable are considered to be materially consistent with carrying values as the majority of the loans are at market variable rates of interest and allowance for doubtful accounts are considered to materially reflect the credit risk inherent in the portfolio at the statement of financial position date.

**Deposits and Interbank and money market items (liabilities):** Fair value of deposits and interbank and money market items (liabilities) approximate the carrying value at which they are stated on the statement of financial position

**Liabilities payable on demand:** The fair value of liabilities payable on demand approximates the carrying value at which they are stated on the statement of financial position.

**Debt issued and borrowings:** The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values.

Fair values of other debt issued and borrowings are estimated using discounted cash flow analyses based on the Bank's current borrowing rates for similar type of debt issued and borrowing arrangements.

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### 8 Maintenance of capital fund

The Bank maintains its capital funds in accordance with Section 32 of the Financial Institution Business Act. B.E. 2551 by maintaining its capital fund as a proportion of risk assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2011 and 2010, can be summarised as follows:

	2011	2010
	<i>(in thousand Baht)</i>	
Thai Government bonds	2,898,061	4,021,799
Bank of Thailand's bonds	<u>15,731,878</u>	<u>14,520,038</u>
<b>Total</b>	<b><u>18,629,939</u></b>	<b><u>18,541,837</u></b>

As at 31 December 2011 and 2010, the Bank's capital fund can be summarised as follows:

	2011	2010
	<i>(in thousand Baht)</i>	
<b>Assets maintained under Section 32</b>	<b><u>18,629,939</u></b>	<b><u>18,541,837</u></b>
<b>Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts</b>		
Capital for maintenance of assets under Section 32	17,800,000	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	<u>5,814,780</u>	<u>12,521,286</u>
<b>Total</b>	<b><u>23,614,780</u></b>	<b><u>30,321,286</u></b>
<b>Capital Fund (in thousand Baht)</b>	<b>17,800,000</b>	<b>17,800,000</b>
<b>Capital Adequacy Ratio (%)</b>	<b>15.70</b>	<b>17.07</b>

As at 31 December 2011 and 2010, the Bank has applied the calculation for credit risk capital under "the Standard Approach (SA)", market risk capital under "the Standard Approach (SA)" and operational risk capital under "Basic Indicator Approach (BIA)" as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2011 and 2010, the Bank met the minimum capital ratio requirements set down by the Bank of Thailand for total capital at minimum of 7.5%.

In accordance with the Bank of Thailand Notification No. Sor.Nor.Sor. 25/2552 dated 14 December 2009, Re: "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank intends to disclose Capital maintenance information as of 31 December 2011 within four months after year end as indicated in the notification through the Bank's website "www.db.com/thailand".



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

	At call	2011 Term	Total	At call	2010 Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
The Bank of Thailand	526,687	-	526,687	2,074,032	73,500,000	75,574,032
Commercial banks	3,359	62,775,000	62,778,359	4,653	35,860,000	35,864,653
Other financial institutions*	490,652	-	490,652	-	-	-
<b>Total</b>	<b>1,020,698</b>	<b>62,775,000</b>	<b>63,795,698</b>	<b>2,078,685</b>	<b>109,360,000</b>	<b>111,438,685</b>
<i>Add</i> accrued interest receivable	-	72,219	72,219	-	83,014	83,014
<i>Less</i> allowance for doubtful accounts	-	(5,370)	(5,370)	-	(77)	(77)
<b>Total domestic</b>	<b>1,020,698</b>	<b>62,841,849</b>	<b>63,862,547</b>	<b>2,078,685</b>	<b>109,442,937</b>	<b>111,521,622</b>
<b>Foreign</b>						
Other currencies	780	-	780	2,019	-	2,019
<b>Total</b>	<b>780</b>	<b>-</b>	<b>780</b>	<b>2,019</b>	<b>-</b>	<b>2,019</b>
<b>Total foreign</b>	<b>780</b>	<b>-</b>	<b>780</b>	<b>2,019</b>	<b>-</b>	<b>2,019</b>
<b>Total domestic and foreign</b>	<b>1,021,478</b>	<b>62,841,849</b>	<b>63,863,327</b>	<b>2,080,704</b>	<b>109,442,937</b>	<b>111,523,641</b>

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

As at 31 December 2011 and 2010 all of interbank and money market items had residual maturities within 3 months.

### 10 Derivatives

As at 31 December 2011 and 2010, the fair value and notional amount classified by type of risks is as follows:

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

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Type of risk	Fair value		2010		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over to 1 year	
Forward exchange contracts	18,703,537	19,233,438	518,839,705	166,647,427	685,487,132
Forward interest rate contracts	17,595,989	15,849,815	371,450,909	800,079,624	1,171,530,533
Equity option	8,977	-	1,737,744	20,240	1,757,984
Bond option	6,879	-	212,299	-	212,299
<b>Total</b>	<b>36,315,382</b>	<b>35,083,253</b>	<b>892,240,657</b>	<b>966,747,291</b>	<b>1,858,987,948</b>

As at 31 December 2011 and 2010, proportions of the notional amount of derivative transactions, classified by counterparties, consist of:

	2011	2010
Counterparties		(%)
Financial institutions	95	94
Third parties	5	6
<b>Total</b>	<b>100</b>	<b>100</b>

## 11 Investments, net

### 11.1 Classification of investments in securities

As at 31 December 2011 and 2010, investments classified by investment type, consist of:

	2011	2010
	Fair value	Fair value
	(in thousand Baht)	
<b>Securities held for trading</b>		
Government and state enterprise securities	24,261,409	25,016,371
<b>Total</b>	<b>24,261,409</b>	<b>25,016,371</b>
<b>Available-for-sale</b>		
Investments in marketable securities	11,623	12,874
<b>Total</b>	<b>11,623</b>	<b>12,874</b>
<b>Total investments, net</b>	<b>24,273,032</b>	<b>25,029,245</b>

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

	2011	2010
	(in thousand Baht)	
<b>Equity securities</b>		
Unrealised gains on revaluation of investments in equity securities	7,798	9,049
Less: deferred tax liabilities	(1,794)	(2,715)
<b>Net</b>	<b>6,004</b>	<b>6,334</b>

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### 12 Loans to customers and accrued interest receivables, net

#### 12.1 Classified by type of loans

	2011	2010
	<i>(in thousand Baht)</i>	
Overdrafts	2,321,893	161,807
Loans	<u>10,610,787</u>	<u>8,761,972</u>
Total loans to customers	12,932,680	8,923,779
Add accrued interest receivables	<u>28,451</u>	<u>11,253</u>
Total loans to customers and accrued interest receivables	12,961,131	8,935,032
Less allowance for doubtful accounts		
BoT's minimum requirement - individual approach	(240,353)	(634,362)
allowance in excess	<u>(87,164)</u>	<u>(36,036)</u>
<b>Total</b>	<b><u>12,633,614</u></b>	<b><u>8,264,634</u></b>

#### 12.2 Classified by currency and residency of customers

	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	10,666,648	-	10,666,648	6,447,742	-	6,447,742
US Dollar	<u>1,134,156</u>	<u>1,131,876</u>	<u>2,266,032</u>	<u>1,439,668</u>	<u>1,036,369</u>	<u>2,476,037</u>
<b>Total</b>	<b><u>11,800,804</u></b>	<b><u>1,131,876</u></b>	<b><u>12,932,680</u></b>	<b><u>7,887,410</u></b>	<b><u>1,036,369</u></b>	<b><u>8,923,779</u></b>

#### 12.3 Classified by type of business and loan classification

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

  

	2010				Total
	Pass	Doubtful	Doubtful of loss		
	<i>(in thousand Baht)</i>				
Agriculture and mining	-	493,968	-		493,968
Manufacturing and commerce	6,930,956	-	57,299		6,988,255
Property development and construction	343,959	-	-		343,959
Infrastructure and services	48,027	-	-		48,027
Others	1,049,570	-	-		1,049,570
<b>Total</b>	<b><u>8,372,512</u></b>	<b><u>493,968</u></b>	<b><u>57,299</u></b>		<b><u>8,923,779</u></b>

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### 12.4 Classified by loan grade

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

  

	2010			
	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for allowance for doubtful accounts	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
Pass	8,383,765	8,309,512	1	83,095
Doubtful	493,968	493,968	100	493,968
Doubtful of loss	57,299	57,299	100	57,299
<b>Total</b>				<b>634,362</b>
Allowance in excess				36,036
<b>Total</b>	<b>8,935,032</b>	<b>8,860,779</b>		<b>670,398</b>

### 12.5 Non-performing loans

As at 31 December 2011 and 2010, non-performing loans, net (NPL net) (including financial institutions) accounting to the BoT's regulation can be summarised as follows:

	2011 (in thousand Baht)	2010
Non-performing loans, net	-	-
Total loans used for NPLs net ratio calculation <sup>(1)</sup>	76,089,115	109,932,512
Ratio of total loans <sup>(2)</sup>	-	-

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

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

As at 31 December 2011 and 2010 the Bank has non-performing loans on accrual basis (including financial institutions) as follows:

	2011	2010
	<i>(in thousand Baht)</i>	
Non-performing loans, gross	109,219	551,267
Total loans used for ratio calculation <sup>(1)</sup>	76,198,333	110,483,779
Ratio of total loans <sup>(2)</sup>	0.14	0.50

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

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

### 13 Troubled debt restructuring

As at 31 December 2011, the Bank had a total of 106 customers (2010: 98 customers) with gross outstanding balances of Baht 12,933 million (2010: Baht 8,924 million). The Bank has no troubled debt restructuring during 2011 and 2010.

For the years ended 31 December 2011 and 2010, no losses were incurred on debt restructuring.

For the year ended 31 December 2011, the Bank recognised no interest income from restructured debts (2010: Baht 0.7 million).

### 14 Allowance for doubtful accounts

	2011				Total
	Pass	Special Mention	Doubtful	Doubtful of loss	
	<i>(in thousand Baht)</i>				
<b>Balance at beginning of year</b>	83,095	-	493,968	57,299	634,362
Doubtful accounts	42,239	5,800	-	-	48,039
Recovery	-	-	(445,417)	-	(445,417)
Bad debts written off	-	-	-	-	-
Others	-	-	3,369	-	3,369
<b>Balance at the end of year</b>	<b>125,334</b>	<b>5,800</b>	<b>51,920</b>	<b>57,299</b>	<b>240,353</b>

  

	2010				Total
	Pass	Doubtful	Doubtful of loss		
	<i>(in thousand Baht)</i>				
<b>Balance at beginning of year</b>	82,940	25,000	-	57,657	165,597
Doubtful accounts	155	494,520	-	-	494,675
Recovery	-	(22,550)	(358)	-	(22,908)
Bad debts written off	-	(2,450)	-	-	(2,450)
Others	-	(552)	-	-	(552)
<b>Balance at the end of year</b>	<b>83,095</b>	<b>493,968</b>	<b>57,299</b>	<b>634,362</b>	<b>634,362</b>

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
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**For the years ended 31 December 2011 and 2010**

**15 Leasehold improvements and equipment, net**

	2011						Net book value at 31 December 2011	
	Cost			Accumulated depreciation				
	Beginning balance	Purchases	Disposals	Ending balance	Beginning balance (in thousand Baht)	Depreciation Disposals		Ending balance
Building improvement	206,025	1,035	-	207,060	39,473	20,610	60,083	146,977
Furniture, fixtures and equipment	241,797	2,644	(3,201)	241,240	103,766	27,415	128,024	113,216
Vehicles	1,223	-	-	1,223	1,223	-	1,223	-
<b>Total</b>	<b>449,045</b>	<b>3,679</b>	<b>(3,201)</b>	<b>449,523</b>	<b>144,462</b>	<b>48,025</b>	<b>189,330</b>	<b>260,193</b>
	2010						Net book value at 31 December 2010	
	Cost			Accumulated depreciation				
	Beginning balance	Purchases	Disposals	Ending balance	Beginning balance (in thousand Baht)	Depreciation Disposals		Ending balance
Building improvement	209,653	182	(3,810)	206,025	22,218	21,065	39,473	166,552
Furniture, fixtures and equipment	239,329	14,572	(12,104)	241,797	88,260	27,436	103,766	138,031
Vehicles	1,223	-	-	1,223	1,223	-	1,223	-
<b>Total</b>	<b>450,205</b>	<b>14,754</b>	<b>(15,914)</b>	<b>449,045</b>	<b>111,701</b>	<b>48,501</b>	<b>144,462</b>	<b>304,583</b>

Depreciation for the year ended 31 December 2011 of Baht 48.0 million was included in profit or loss (2010: Baht 48.5 million).

As at 31 December 2011, leasehold improvements and equipment with original cost of Baht 67.0 million which was fully depreciated was still in use (2010: Baht 32.0 million).

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### 16 Deferred tax assets, net

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

	2011	2010
	<i>(in thousand Baht)</i>	
Deferred tax assets	137,218	428,346
Deferred tax liabilities	<u>(1,794)</u>	<u>(2,715)</u>
<b>Net</b>	<b><u>135,424</u></b>	<b><u>425,631</u></b>

Movements in deferred tax assets and liabilities during the year ended 31 December 2011 and 2010 were as follows:

	At 1 January 2011	<i>Charged / (credited) to</i>		At 31 December 2011
		Profit or loss <i>(note 37)</i>	Other comprehensive income	
		<i>(in thousand Baht)</i>		
<b><i>Deferred tax assets</i></b>				
Building improvement and equipment	(1,497)	(778)	-	(2,275)
Allowance for doubtful accounts and other provision	6,894	(2,318)	-	4,576
Provisions against derivative products	389,625	(330,148)	-	59,477
Employee benefit obligations	-	7,128	-	7,128
Others	33,324	34,988	-	68,312
<b>Total</b>	<b><u>428,346</u></b>	<b><u>(291,128)</u></b>	<b><u>-</u></b>	<b><u>137,218</u></b>
<b><i>Deferred tax liabilities</i></b>				
Gains on revaluation of investments in available-for-sale securities	2,715	-	(921)	1,794
<b>Total</b>	<b><u>2,715</u></b>	<b><u>-</u></b>	<b><u>(921)</u></b>	<b><u>1,794</u></b>
<b>Net</b>	<b><u>425,631</u></b>	<b><u>(291,128)</u></b>	<b><u>921</u></b>	<b><u>135,424</u></b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

	At 1 January 2010	<i>Charged / (credited) to</i>		At 31 December 2010
		Profit or loss (note 37) <i>(in thousand Baht)</i>	Other comprehensive income	
<b><i>Deferred tax assets</i></b>				
Building improvement and equipment	6,445	(7,942)	-	(1,497)
Allowance for doubtful accounts and other provision	8,535	(1,641)	-	6,894
Loss carry forward	219,399	(219,399)	-	-
Provisions against derivative products	502,826	(113,201)	-	389,625
Others	(32,252)	65,576	-	33,324
<b>Total</b>	<b>704,953</b>	<b>(276,607)</b>	<b>-</b>	<b>428,346</b>
<b><i>Deferred tax liabilities</i></b>				
Gains on revaluation of investments in available-for- sale securities	1,922	-	793	2,715
<b>Total</b>	<b>1,922</b>	<b>-</b>	<b>793</b>	<b>2,715</b>
<b>Net</b>	<b>703,031</b>	<b>(276,607)</b>	<b>(793)</b>	<b>425,631</b>

### 17 Trading securities receivable

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

### 18 Other assets, net

	2011	2010
	<i>(in thousand Baht)</i>	
Accrued interest receivable	171,134	85,060
Others	305,183	467,343
<b>Total</b>	<b>476,317</b>	<b>552,403</b>

### 19 Classified assets

As at 31 December 2011 and 2010, were categorised by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

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



# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

	Investments	2010 Loans to customers and accrued interest receivables <i>(in thousand Baht)</i>	Total
Pass	-	110,026,138	110,026,138
Doubtful	-	493,968	493,968
Doubtful of loss	164,142	57,299	221,441
<b>Total</b>	<b>164,142</b>	<b>110,577,405</b>	<b>110,741,547</b>

## 20 Deposits

### 20.1 Classified by type of deposits

	2011	2010
	<i>(in thousand Baht)</i>	
Current	3,110,753	2,614,163
Savings	28,455,014	39,851,433
Term		
- Less than 6 months	2,573,822	4,481,867
- 6 months but less than 1 year	20,417	58,044
- 1 year and over	110,143	8,310
<b>Total</b>	<b>34,270,149</b>	<b>47,013,817</b>

### 20.2 Classified by currency and residency of depositors

	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	29,341,943	245,697	29,587,640	41,586,716	232,381	41,819,097
US Dollar	3,089,724	202,828	3,292,552	4,075,678	112,727	4,188,405
Other currencies	1,381,504	8,453	1,389,957	996,177	10,138	1,006,315
<b>Total</b>	<b>33,813,171</b>	<b>456,978</b>	<b>34,270,149</b>	<b>46,658,571</b>	<b>355,246</b>	<b>47,013,817</b>

## 21 Interbank and money market items (liabilities)

	2011			2010		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
<b>Domestic</b>						
Commercial banks	107,371	1,500,000	1,607,371	161,581	-	161,581
Other financial institutions	14,865	5,086,639	5,101,504	21,159	10,994,452	11,015,611
<b>Total domestic</b>	<b>122,236</b>	<b>6,586,639</b>	<b>6,708,875</b>	<b>182,740</b>	<b>10,994,452</b>	<b>11,177,192</b>
<b>Foreign</b>						
Other currencies	156,450	-	156,450	105,572	-	105,572
<b>Total foreign</b>	<b>156,450</b>	<b>-</b>	<b>156,450</b>	<b>105,572</b>	<b>-</b>	<b>105,572</b>
<b>Total domestic and foreign</b>	<b>278,686</b>	<b>6,586,639</b>	<b>6,865,325</b>	<b>288,312</b>	<b>10,994,452</b>	<b>11,282,764</b>

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**22 Liabilities to deliver security**

	2011	2010
	<i>(in thousand Baht)</i>	
Securities sold under repurchase agreements	11,129,997	12,999,997
Securities short sold	2,111	10,201,927
<b>Total</b>	<b><u>11,132,108</u></b>	<b><u>23,201,924</u></b>

**23 Debt issued and borrowings**

	2011	2010
	<i>(in thousand Baht)</i>	
<b>Domestic</b>		
Debentures	12,852,490	2,283,097
Bills of exchange	6,654,753	26,070,550
Promissory notes	628,000	4,014,000
Securities purchased under resale agreement	11,129,997	12,999,997
<b>Total</b>	<b><u>31,265,240</u></b>	<b><u>45,367,644</u></b>

As at 31 December 2011, Debt issued and borrowings of Baht 31,265 million (2010: Baht 45,368 million) are debentures, bills of exchange and promissory notes issued by the Bank in Thai Baht and securities purchased under resale agreement with residual maturities from within 1 year to 4 years (2010: within 1 year) and interest rates between 0.50%-5.62% per annum (2010: 0.60%-2.05% per annum).

**24 Provisions against derivative products**

	Liquidity provision	Other provision	Total
	<i>(in thousand Baht)</i>		
At 1 January 2010	169,398	1,495,450	1,664,848
Provision made	23,427	35,873	59,300
Provision used	(84,666)	(318,434)	(403,100)
Provision reversed	-	(28,381)	(28,381)
<b>At 31 December 2010 and 1 January 2011</b>	<b><u>108,159</u></b>	<b><u>1,184,508</u></b>	<b><u>1,292,667</u></b>
Provision made	63,096	90,567	153,663
Provision used	(28,770)	(862,084)	(890,854)
Provision reversed	(21,592)	(276,397)	(297,989)
<b>At 31 December 2011</b>	<b><u>120,893</u></b>	<b><u>136,594</u></b>	<b><u>257,487</u></b>

**25 Employee benefit obligations**

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

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

	2011 (in thousand Baht)
<b>Statements of comprehensive income recognised in profit or loss</b>	
Legal severance payment plan	11,661
Other long-term employee benefit (Long service award)	21,458
Termination	248
<b>Total</b>	<u><u>33,367</u></u>

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

### *Legal severance payment plan*

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

### *Long service award*

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

Present value of unfunded as at 31 December 2011 and 2010 was determined as follows:

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

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

	2011 (in thousand Baht)
At 1 January	-
Expense recognised in profit or loss	
Transitional obligation recognised	38,562
Current service cost	(6,166)
Interest on obligation	971
Paid during the year	(2,377)
<b>At 31 December</b>	<u><u>30,990</u></u>

The expense is recognised in profit or loss:

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

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
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Principal actuarial assumptions at 31 December 2011 as follows:

	2011 (%)
Discount rate	3.0
Future salary increases	0.0 - 6.0
Turnover rate	0.0 - 50.0

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

**26 Trading securities payable**

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

**27 Other liabilities**

	2011	2010
	<i>(in thousand Baht)</i>	
Accrued staff bonus	130,746	141,593
Income tax payable	373,678	600
Accrued interest payable	151,567	165,240
Impairment for off-financial reporting items	16,608	20,180
Provision for reinstatement of leasehold premises	12,300	12,300
Margin Call	28,177	322,391
Others	147,668	198,060
<b>Total</b>	<b><u>860,744</u></b>	<b><u>860,364</u></b>

**28 Commitments**

**(a) Lease and service agreement**

As at 31 December 2011, the Bank had a 12-years lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Bank has committed to pay rental and service fees as follows:

	2011	2010
	<i>(in thousand Baht)</i>	
Within one year	38,018	37,081
Over one year but within five years	152,072	148,324
Over five years	140,984	174,676
<b>Total</b>	<b><u>331,074</u></b>	<b><u>360,081</u></b>

**(b) Operating leases**

	2011	2010
	<i>(in thousand Baht)</i>	
<b><i>Non- cancellable operating lease commitments</i></b>		
Within one year	883	1,040
Over one year but within five years	1,440	343
<b>Total</b>	<b><u>2,323</u></b>	<b><u>1,383</u></b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

### (c) Other commitments

	2011	2010
	<i>(in thousand Baht)</i>	
Business Continuity Facility Charge agreement	63,870	81,270
<b>Total</b>	<b><u>63,870</u></b>	<b><u>81,270</u></b>

### 29 Contingent liabilities

Contingent liabilities as at 31 December 2011 and 2010 were as follows:

	2011	2010
	<i>(in thousand Baht)</i>	
Avals to bills and guarantees of loans	-	119,209
Other guarantees	19,902,396	18,987,989
Letters of credit	7,430,796	4,266,444
Unmatured import bills	170,114	129,420
<b>Total</b>	<b><u>27,503,306</u></b>	<b><u>23,503,062</u></b>

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

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

### 30 Related parties

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

Relationships with related parties were as follows:

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
<b><i>Head Office and other Branches</i></b>		
Deutsche Bank AG, Zentral Frankfurt	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Singapore	Singapore	Other Branches
Deutsche Bank AG, Mumbai	India	Other Branches
Deutsche Bank AG, Hong Kong	Hong Kong	Other Branches
Deutsche Bank AG, New York	U.S.A	Other Branches

**Deutsche Bank Aktiengesellschaft, Bangkok Branch**  
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<b>Name of entities / person</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
Deutsche Bank AG, London	U.K.	Other Branches
Deutsche Bank AG, Manila	Philippines	Other Branches
Deutsche Bank AG, Bangalore	India	Other Branches
<b><i>Other Group entities</i></b>		
Deutsche Knowledge Services Pte. Ltd., Manila	Philippines	Other Group entity
Deutsche Bank AG, New Zealand	New Zealand	Other Group entity
Deutsche Bank AG, Malaysia	Malaysia	Other Group entity
Deutsche Bank AG, Banco	Brazil	Other Group entity
Deutsche Securities Inc. Tokyo	Japan	Other Group entity
DWS Holding & Service GmbH	Germany	Other Group entity
Gemini Technology Services Inc.	U.S.A	Other Group entity
Deutsche Bank Securities Inc.	U.S.A	Other Group entity
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank Trust Company Americas	U.S.A	Other Group entity
DB Services New Jersey, Inc.	U.S.A	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DB Securities Services NJ Inc.	U.S.A	Other Group entity
DBOI Global Services (UK) Limited	U.K.	Other Group entity
DB Group Services (EURO)	U.K.	Other Group entity
Deutsche Bank Moscow	Russia	Other Group entity
DB Global Processing Services, Inc.	U.S.A	Other Group entity
Key Management Personnel	Various nationalities	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank's key management personnel consisted of: <ul style="list-style-type: none"> <li>- Chief Country Officer</li> <li>- Chief Operating Officer</li> <li>- Chief Financial Officer</li> <li>- Head of Global Transaction Banking</li> <li>- Head of Global Markets</li> <li>- Head of Corporate Finance</li> <li>- Head of Global Business Services</li> </ul>

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

<b>Transactions</b>	<b>Pricing policies</b>
<b><i>Income</i></b>	
Interest income	Market rate
<b><i>Expense</i></b>	
Interest expense	Market rate
Expense allocated	Contractually agreed price

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

For the years ended 31 December 2011 and 2010

Significant transactions for the years ended 31 December 2011 and 2010 with related parties were as follows:

<i>For the year ended 31 December</i>	2011	2010
	<i>(in thousand Baht)</i>	
<b>Head Office and other Branches</b>		
Interest income	319	113
Interest expense	178,864	152,492
Expense allocated from Head office	443,291	449,782
Profit remitted to Head Office	783,000	-
<b>Other Group entities</b>		
Expense allocated	25,643	5,920

### Key management personnel

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

	2011	2010
	<i>(in thousand Baht)</i>	
<b>Key management personnel compensation</b>		
Short-term benefits	110,572	118,930
Post-employment benefits	6,477	-
<b>Total</b>	<b>117,049</b>	<b>118,930</b>

Balances as at 31 December 2011 and 2010 with related parties were as follows:

	2011	2010
	<i>(in thousand Baht)</i>	
<b>Debts issued and borrowings</b>		
Deutsche Bank AG, London	12,581,406	-
Deutsche Bank AG, Singapore	9,572,327	21,226,515
Deutsche Bank AG, Zentral Frankfurt	633,824	1,266,354
Deutsche Bank AG, Tokyo	-	2,928,428
<b>Accrued interest payable</b>		
Deutsche Bank AG, London	19,280	-
Deutsche Bank AG, Singapore	9,597	86,296
Deutsche Bank AG, Zentral Frankfurt	17	42
Deutsche Bank AG, Tokyo	-	7,604
<b>Unrealised gains (losses) on derivative contracts, net</b>	<b>436,460</b>	<b>(1,017,978)</b>
<b>Interbranch accounts</b>	<b>(1,263,682)</b>	<b>(3,882,010)</b>

# Deutsche Bank Aktiengesellschaft, Bangkok Branch

## Notes to the financial statements

### For the years ended 31 December 2011 and 2010

As at 31 December 2011, debts issued and borrowings from related parties were due to mature from 4 January 2012 to 6 March 2012 (2010: 4 January 2011 to 16 November 2011) and carried interest between 0.49% - 0.59% per annum (2010: 0.26% - 0.97% per annum).

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

#### 31 Interest income

	2011	2010
	<i>(in thousand Baht)</i>	
Interbank and money market items	2,987,260	2,437,153
Investments and trading transactions	800,117	419,658
Loans to customers	347,559	351,521
<b>Total</b>	<b>4,134,936</b>	<b>3,208,332</b>

#### 32 Interest expenses

	2011	2010
	<i>(in thousand Baht)</i>	
Deposits	246,736	86,589
Interbank and money market items	690,538	972,974
Contribution to Deposit Protection Agency	133,623	104,983
Debt issued and borrowings	1,559,371	1,248,572
Others	2,420	127
<b>Total</b>	<b>2,632,688</b>	<b>2,413,245</b>

#### 33 Net fees and service income

	2011	2010
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	52,651	51,078
- Other	215,600	227,822
Total fees and service income	268,251	278,900
Fees and service expenses	(92,587)	(141,597)
<b>Total</b>	<b>175,664</b>	<b>137,303</b>

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

	2011	2010
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	(31,728)	566,395
- Interest rate related derivatives	1,472,364	(346,676)
- Debt securities	9,794	1,371,263
<b>Total</b>	<b>1,450,430</b>	<b>1,590,982</b>



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**35 Impairment loss on loans**

	2011	2010
	<i>(in thousand Baht)</i>	
Interbank and money market items	6,916	-
Loans to customers	92,510	469,903
<b>Total</b>	<b>99,426</b>	<b>469,903</b>

**36 Employee expenses**

	2011	2010
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	343,850	398,024
Legal severance payment plan	11,661	-
Long service award	21,458	6,056
Termination	248	1,205
Share-based payment transaction	29,080	15,665
Others	77,967	85,106
<b>Total</b>	<b>484,264</b>	<b>506,056</b>

**37 Income tax expenses**

*Income tax recognised in profit or loss*

	<i>Note</i>	2011	2010
		<i>(in thousand Baht)</i>	
<b>Current tax expense</b>			
Current year		464,150	436
		<b>464,150</b>	<b>436</b>
<b>Deferred tax expense</b>			
Movements in temporary differences		249,366	57,207
Income tax rate reduction		41,762	-
Benefit of tax losses recognised		-	219,399
	<i>16</i>	<b>291,128</b>	<b>276,606</b>
<b>Total</b>		<b>755,278</b>	<b>277,042</b>

*Income tax recognised in other comprehensive income*

	2011			2010		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Available-for-sale financial assets	(1,251)	921	(330)	2,643	(793)	1,850
<b>Total</b>	<b>(1,251)</b>	<b>921</b>	<b>(330)</b>	<b>2,643</b>	<b>(793)</b>	<b>1,850</b>

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<i>Reconciliation of effective tax rate</i>	2011		2010	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		2,378,381		913,700
Income tax using Thailand's corporation tax rate	30.0	713,514	30.0	274,110
Income tax reduction - deferred	1.8	41,762	-	-
Expenses not deductible for tax purposes	-	2	(3.7)	(33,734)
Utilisation of previously unrecognised tax losses	-	-	4.0	36,666
<b>Total</b>	<b>31.8</b>	<b>755,278</b>	<b>30.3</b>	<b>277,042</b>

### *Income tax reduction - deferred*

On 11 October 2011, the Cabinet passed a resolution regarding tax measures to increase Thailand's competitiveness and approved the reduction of the corporate income tax rate from 30% to 23% of net taxable profit for the accounting period 2012 which ends on or after 31 December 2012 and to 20% of net taxable profit for the accounting period which begins on or after 1 January 2013 and onwards.

In order to give effect to the above Cabinet resolution, the Government has issued a Royal Decree under the Revenue Code regarding the Reduction and Exemption in Income Taxes (No. 530) B.E. 2554 to reduce the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively. It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution.

Such announcement on the reduction of income tax rate has an impact on the measurement of deferred tax assets and deferred tax liabilities since Thai Accounting Standard No. 12 Income Taxes paragraph 47 states that deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Federation of Accounting Professions has considered this matter and has resolved that the substantively enacted tax rates which should be applied in measuring deferred tax assets and liabilities shall be the reduced rates as approved by the Cabinet; i.e. 23% shall be applied for the accounting period 2012 and 20% shall be applied for accounting periods 2013 onwards.

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

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

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

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

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

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

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

### **39 Reclassification of accounts**

Certain accounts in the statement of financial position as at 31 December 2010 and the statement of comprehensive income for the year ended 31 December 2010, which are included in the 2011 financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2011 financial statements. These reclassification have principally been made following TAS 1 (revised 2009). Presentation of Financial Statements and the Bank of Thailand (BoT) notification number Sor Nor Sor 11/2553, regarding. "The preparation and announcement of the financial statements of commercial banks and holding companies which are parent company of group of companies offering financial services." There were no other significant reclassifications of accounts.

