

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

Unaudited Condensed Interim Financial Statements
- 30 June 2013

Domiciled in Malaysia
Registered office
Level 18, Menara IMC
No. 8 Jalan Sultan Ismail
50250 Kuala Lumpur



DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013 - UNAUDITED

	Note	Group		Bank	
		30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Assets					
Cash and short term funds		2,635,810	3,429,964	2,635,810	3,429,964
Securities purchased under resale agreements		2,727,959	2,748,825	2,727,959	2,748,825
Financial assets held-for-trading	12	3,203,610	2,441,283	3,203,610	2,441,283
Financial investments available-for-sale	13	1,591	1,591	1,591	1,591
Loans, advances and financing	14	739,769	703,888	739,769	703,888
Other assets	15	2,064,983	1,338,580	2,064,983	1,338,580
Statutory deposit with Bank Negara Malaysia		4,000	4,000	4,000	4,000
Investments in subsidiary companies			-	20	20
Property, plant and equipment		3,046	3,502	3,046	3,502
Deferred tax assets		22,144	20,987	22,144	20,987
Tax recoverable		31,958	32,999	31,958	32,999
Total assets		<u>11,434,870</u>	<u>10,725,619</u>	<u>11,434,890</u>	<u>10,725,639</u>
Liabilities and shareholders' funds					
Deposits from customers	16	6,133,411	6,038,320	6,133,431	6,038,340
Deposits and placements of banks and other financial institutions	17	804,828	337,533	804,828	337,533
Obligations on securities sold under repurchase agreements		-	936,689	-	936,689
Other liabilities	18	2,969,843	1,958,410	2,969,843	1,958,410
Total liabilities		<u>9,908,082</u>	<u>9,270,952</u>	<u>9,908,102</u>	<u>9,270,972</u>
Share capital		<u>173,599</u>	<u>173,599</u>	<u>173,599</u>	<u>173,599</u>
Reserves		<u>1,353,189</u>	<u>1,281,068</u>	<u>1,353,189</u>	<u>1,281,068</u>
Shareholders' funds		<u>1,526,788</u>	<u>1,454,667</u>	<u>1,526,788</u>	<u>1,454,667</u>
Total liabilities and shareholders' funds		<u>11,434,870</u>	<u>10,725,619</u>	<u>11,434,890</u>	<u>10,725,639</u>
Commitments and contingencies	27	<u>149,551,639</u>	<u>136,983,789</u>	<u>149,551,639</u>	<u>136,983,789</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013 - UNAUDITED

	Note	Group and Bank			
		Half Year Ended 30 June 2013 RM'000	30 June 2012 RM'000	2 nd Quarter ended 30 June 2013 RM'000	30 June 2012 RM'000
Interest income	19	112,084	118,783	56,972	54,890
Interest expense	20	(37,644)	(42,025)	(19,380)	(19,378)
Net interest income		<u>74,440</u>	<u>76,758</u>	<u>37,592</u>	<u>35,512</u>
Net (loss)/income from Islamic Banking Operations	28	(463)	467	(693)	128
Non-interest income	21	80,132	121,663	68,103	48,189
Operating income		<u>154,109</u>	<u>198,888</u>	<u>105,002</u>	<u>83,829</u>
Other operating expenses	22	(54,745)	(52,276)	(27,881)	(27,926)
Operating profit		<u>99,364</u>	<u>146,612</u>	<u>77,121</u>	<u>55,903</u>
Allowance for impairment on loans, advances and financing	23	(1,400)	(1,204)	1,182	(418)
Profit before taxation		<u>97,964</u>	<u>145,408</u>	<u>78,303</u>	<u>55,485</u>
Tax expense		(25,843)	(37,178)	(20,530)	(13,778)
Net profit for the period		<u>72,121</u>	<u>108,230</u>	<u>57,773</u>	<u>41,707</u>
Other comprehensive loss, net of tax					
Fair value of financial investments available-for-sale		-	(362)	-	(156)
Other comprehensive loss for the period, net of tax		-	(362)	-	(156)
Total comprehensive income for the period		<u>72,121</u>	<u>107,868</u>	<u>57,773</u>	<u>41,551</u>
Earnings per share (sen)		41.5 sen	62.3 sen	33.3 sen	24.0 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

	<-----Attributable to equity holders of the Bank----->					
	<--Non-distributable-->			Distributable		
	Share capital	Share premium	Other reserves	Retained profits	Total reserves	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank						
At 1 January 2013	173,599	357,763	174,722	748,583	1,281,068	1,454,667
Net profit for the period	-	-	-	72,121	72,121	72,121
Total comprehensive income for the period	-	-	-	72,121	72,121	72,121
At 30 June 2013	173,599	357,763	174,722	820,704	1,353,189	1,526,788
At 1 January 2012	173,599	357,763	177,555	689,831	1,225,149	1,398,748
Net profit for the period	-	-	-	108,230	108,230	108,230
Other comprehensive loss	-	-	(362)	-	(362)	(362)
Total comprehensive (loss) / income for the period	-	-	(362)	108,230	107,868	107,868
At 30 June 2012	173,599	357,763	177,193	798,061	1,333,017	1,506,616

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

	Group and Bank	
	30 June 2013 RM'000	30 June 2012 RM'000
Profit before taxation	97,964	145,408
Adjustments for non-operating and non-cash items	663	(272)
	<hr/>	<hr/>
Operating profit before working capital changes	98,627	145,136
Changes in working capital:		
Net changes in operating assets	(1,503,745)	(2,664,910)
Net changes in operating liabilities	637,129	301,500
Income tax paid	(25,959)	-
Tax refunds received	-	2,048
	<hr/>	<hr/>
Net cash used in operations	(793,948)	(2,216,226)
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(206)	1,093
	<hr/>	<hr/>
	(206)	1,093
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(794,154)	(2,215,133)
Cash and cash equivalents at beginning of the period	3,429,964	4,478,340
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	2,635,810	2,263,207
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and short-term funds	2,635,810	2,263,207
	<hr/>	<hr/>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
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AND ITS SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2013

1. Basis of preparation

The unaudited interim financial statements for the financial half year ended 30 June 2013 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited interim financial statements have been prepared in accordance with FRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Bank Negara Malaysia’s Guidelines on Financial Reporting for Banking Institutions. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2012.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business. Islamic banking business refers generally to the acceptance of deposits under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Company:

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

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures*

1. Basis of preparation (continued)

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

- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the applicable standards, amendments and interpretations is not expected have any material financial impacts to the current and prior periods financial statements upon their first adoption.

2. Audit report

The audit report on the audited annual financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

3. Seasonality or Cyclicity of Operations

The business operations of the Group and the Bank are not subject to material seasonal or cyclical fluctuations.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank for the financial half year ended 30 June 2013.

5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial half year ended 30 June 2013.

6. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the financial half year ended 30 June 2013.

7. Dividend Paid

No dividend was paid during the financial half year ended 30 June 2013.

8. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

9. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial half year ended 30 June 2013.

10. Review of Performance

The Bank recorded profit before taxation for the half year ended 30 June 2013 of RM98.0 million compared to RM145.4 million profit for the previous corresponding period. Operating income decreased by RM44.8 million (-22.5%) from RM198.9 million to RM154.1 primarily on lower non-interest income from trading activities of RM80.1 million against non-interest income of RM121.7 million in the previous corresponding period. Net interest income decreased by RM2.3 million (-3.0%) from RM76.7 million to RM74.4 million. Operating expenses increased by RM2.5 million (+4.8%) from RM52.2 million to RM54.7 million mainly attributed to higher personnel cost.

Total assets registered an increase of RM0.7 billion or 6.5% from RM10.7 billion to RM11.4 billion at 30 June 2013. The Bank's core capital ratio and risk weighted capital ratio remained strong at 12.55% and 12.60% respectively.

11. Prospects

The global macro outlook remains upbeat as we move into 2H 2013, with rising confidence on US growth and Euro Zone debt problems under control. In emerging economies, the threat of rising yields and outflow of foreign funds is expected to continue. Locally, Malaysia's economy is expected to show sustained strength, well supported by domestic consumption and government expenditure.

The Bank aims to remain competitive while maintaining strict risk, capital and cost discipline. We will be relentless in our focus on product innovation to broaden and strengthen our suite of products, and at the same time leverage on our global expertise to enhance value-added service to our clients.

The Bank will continue to focus on building our franchise in Markets and Transaction Banking, with emphasis on client flows in foreign exchange, fixed income, interest rate derivatives, credit derivatives, structured transactions, money markets, repo, capital market instruments, cash management, securities services, trade finance and islamic banking.

12. Financial assets held-for-trading

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
At fair value		
Malaysian Government Securities	833,569	637,883
Malaysian Investment Issue	167,520	186,161
Bank Negara Malaysia Bills	1,462,711	1,098,157
Cagamas bonds	16,358	9,463
Private debt securities	143,405	314,492
Negotiable instruments of deposit	565,002	180,007
Other debt securities	15,045	15,120
	<u>3,203,610</u>	<u>2,441,283</u>
	=====	=====

13. Financial investments available-for-sale

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
At cost		
Unquoted securities	1,591	1,591
	<u>1,591</u>	<u>1,591</u>
	=====	=====

14. Loans, advances and financing

	Group and Bank	
	30 June 2013	31 December 2012
	RM'000	RM'000
At amortised cost		
Overdrafts	176,867	115,943
Term loans - housing loans	25,728	27,223
- other term loans	52,146	55,765
Bills receivable	109,125	41,906
Claims on customers under acceptance credits	383,655	471,180
Staff loans	4,577	3,869
	<u>752,098</u>	<u>715,886</u>
Unearned interest	(1,782)	(2,851)
	<u>750,316</u>	<u>713,035</u>
Gross loans, advances and financing		
Allowance for impaired loans and financing		
- Collective assessment	(8,816)	(6,961)
- Individual assessment	(1,731)	(2,186)
	<u>739,769</u>	<u>703,888</u>
Net loans, advances and financing	=====	=====

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

	Group and Bank	
	30 June 2013	31 December 2012
	RM'000	RM'000
Maturing within one year	695,100	669,885
One year to three years	13,729	1,009
Three years to five years	14,360	13,971
Over five years	27,127	28,170
	<u>750,316</u>	<u>713,035</u>
	=====	=====

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

	Group and Bank	
	30 June 2013	31 December 2012
	RM'000	RM'000
Domestic business enterprises - others	618,601	645,534
Individuals	30,340	31,125
Foreign entities	101,375	36,376
	<u>750,316</u>	<u>713,035</u>
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Fixed rate		
- Other fixed rate loan / financing	4,577	3,869
Variable rate		
- Base lending rate plus	77,944	65,143
- Cost-plus	665,109	641,263
- Other variable rates	2,686	2,760
	<u>750,316</u>	<u>713,035</u>
	=====	=====

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Malaysia	648,941	676,659
Thailand	33,620	135
India	33,462	18,327
Other countries	34,293	17,914
	<u>750,316</u>	<u>713,035</u>
	=====	=====

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Manufacturing	197,864	273,996
Electricity, gas and water	3,508	-
Construction	59,675	56,962
Purchase of landed property:		
- Residential	29,029	30,195
Wholesale & retail trade and restaurants & hotels	154,135	253,124
Transport, storage and communication	1,764	-
Finance, insurance and business services	299,728	94,475
Purchase of transport vehicles	515	196
Others	4,098	4,087
	<u>750,316</u>	<u>713,035</u>
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Balance at 1 January	8,448	9,867
Classified as impaired during the period/year	1,107	2,718
Reclassified as non-impaired during the period/year	(1,041)	(1,507)
Amounts recovered	(1,189)	(2,630)
At 30 June 2013	<u>7,325</u>	<u>8,448</u>
	=====	=====
Gross impaired loans as a percentage of gross loans, advances and financing	0.98%	1.18%
	=====	=====

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	6,961	7,771
Made/(reversal) during the year	1,855	(810)
At 30 June 2013	<u>8,816</u>	<u>6,961</u>
	=====	=====

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	2,186	2,753
Allowance made during the period/year	189	395
Amounts recovered	(644)	(962)
At 30 June 2013	<u>1,731</u>	<u>2,186</u>
	=====	=====

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Manufacturing	2,368	3,209
Purchase of landed property - residential	4,912	5,196
Others	45	43
	<u>7,325</u>	<u>8,448</u>
	=====	=====

15. Other assets

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Interest / Income receivable	17,635	22,838
Margin placed with exchange	354	1,204
Derivatives	1,059,151	1,031,755
Other debtors, deposits and prepayments	987,843	282,783
	<u>2,064,983</u> =====	<u>1,338,580</u> =====

16. Deposits from customers

	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Demand deposits	2,509,392	2,136,141	2,509,412	2,136,161
Savings deposits	4,687	6,317	4,687	6,317
Fixed deposits	208,222	362,066	208,222	362,066
Other deposits	3,411,110	3,533,796	3,411,110	3,533,796
	<u>6,133,411</u> =====	<u>6,038,320</u> =====	<u>6,133,431</u> =====	<u>6,038,340</u> =====

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

	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Due within six months	2,863,699	1,934,077	2,863,699	1,934,077
More than six months to one year	65,340	1,098,202	65,340	1,098,202
More than one year to three years	577,029	469,424	577,029	469,424
More than three years to five years	80,000	219,211	80,000	219,211
More than five years	33,264	174,948	33,264	174,948
	<u>3,619,332</u> =====	<u>3,895,862</u> =====	<u>3,619,332</u> =====	<u>3,895,862</u> =====

16. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Business enterprises	3,032,340	3,177,505	3,032,360	3,177,525
Individuals	41,503	39,248	41,503	39,248
Foreign customers	317,129	231,200	317,129	231,200
Others	2,742,439	2,590,367	2,742,439	2,590,367
	<u>6,133,411</u>	<u>6,038,320</u>	<u>6,133,431</u>	<u>6,038,340</u>
	=====	=====	=====	=====

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Other financial institutions	804,828	337,533
	<u>804,828</u>	<u>337,533</u>
	=====	=====

18. Other liabilities

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Interest payable	1,044	2,802
Bills payable	154,019	183,815
Derivatives	1,202,698	1,278,111
Employee benefits	19,375	27,044
Other liabilities	1,592,707	466,638
	<u>2,969,843</u>	<u>1,958,410</u>
	=====	=====

19. Interest income

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	15,556	17,068	7,712	8,132
Money at call and deposit placements with financial institutions	9,875	10,250	4,927	4,823
Securities purchased under resale agreement	42,504	55,640	22,903	29,019
Financial assets held for trading	44,149	35,825	21,430	12,916
	<u>112,084</u>	<u>118,783</u>	<u>56,972</u>	<u>54,890</u>
	=====	=====	=====	=====
Of which:				
Interest income earned on impaired loans, advances and financing	189	218	88	106
	=====	=====	=====	=====

20. Interest expense

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	7,884	10,553	4,207	5,256
Obligations on securities sold under repurchase agreement	4,749	2,404	2,218	153
Deposits from customers	25,011	29,068	12,955	13,969
	<u>37,644</u>	<u>42,025</u>	<u>19,380</u>	<u>19,378</u>
	=====	=====	=====	=====

21. Non-Interest Income

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	5,606	4,798	3,104	2,525
Service charges and fees	9,708	7,938	5,711	4,619
Guarantee fees	3,999	4,085	2,021	2,387
	<u>19,313</u>	<u>16,821</u>	<u>10,836</u>	<u>9,531</u>
	-----	-----	-----	-----
Net gain/(loss) from financial instruments:				
Net gain/(loss) arising on financial assets held for trading :				
Net gain/(loss) from sale	3,915	7,992	1,115	10,392
Unrealised revaluation loss	(935)	720	(341)	3,050
Net (loss)/ gain arising on trading derivatives:				
Net loss on settlement	(140,014)	(106,281)	(110,274)	(59,080)
Unrealised revaluation gain / (loss)	52,720	60,819	38,779	(29,296)
Net gain/(loss) arising from dealing in foreign exchange :				
Net gain on settlement	161,331	161,901	129,544	100,936
Unrealised (loss) / gain from foreign exchange translation	(15,727)	(24,653)	(5,609)	13,654
Net gain arising on financial investments available-for-sale :				
Gross dividend income	34	63	34	40
Gain from sale of investment securities	-	908	-	908
Other income :				
Gain / (loss) on disposal of plant and equipment	-	94	-	(1)
Other operating (loss)/ income, net	(505)	3,279	4,019	(1,945)
	<u>60,819</u>	<u>104,842</u>	<u>57,267</u>	<u>38,658</u>
	-----	-----	-----	-----
	<u>80,132</u>	<u>121,663</u>	<u>68,103</u>	<u>48,189</u>
	=====	=====	=====	=====

22. Other operating expenses

	Group and Bank			
	Half Year ended		Three months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
-Salaries, allowances and bonuses	26,664	23,505	13,193	11,190
-Others	7,181	5,824	3,622	2,800
Establishment costs				
-Rental	1,255	1,341	627	773
-Depreciation	663	730	333	310
-Others	1,836	1,750	1,018	978
Marketing expenses	894	941	403	457
Administration and general expenses				
-Intercompany expenses	12,245	13,883	6,655	9,436
-Communication	779	818	396	393
-Others	3,228	3,484	1,634	1,589
	<u>54,745</u>	<u>52,276</u>	<u>27,881</u>	<u>27,926</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 163 (June 2012 - 150).

23. Allowance for impairment on loans, advances and financing

	Group and Bank			
	Half Year ended		Three months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance				
- made during the year	(189)	(218)	(88)	(106)
- written back	644	564	560	428
Recoveries from bad debt written off	-	100	-	83
Collective assessment allowance				
- (made) /reversal during the year	(1,855)	(1,650)	710	(823)
	<u>(1,400)</u>	<u>(1,204)</u>	<u>1,182</u>	<u>(418)</u>
	=====	=====	=====	=====

24. Contingent Liabilities

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

The Bank was awarded a judgement in its favour and the two companies then appealed against the judgement. The appeal was heard in April 2013 and in June 2013, the appeal court allowed the appeal against the Bank with damages to be separately assessed. The Bank has applied for leave to appeal to the Federal Court.

25. Credit transactions and exposures with connected parties

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Outstanding credit exposures with connected parties	614,011	678,586
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	8,946,383	7,896,879
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	6.86%	8.59%
- as a proportion of capital base	42.64%	47.12%
which is non performing	0%	0%

26. Capital adequacy

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	173,599	173,599
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Retained profits	748,583	748,583
Less: Deferred tax assets	(20,987)	(20,987)
Total Tier 1 capital	1,433,680	1,433,680
Tier 2 capital		
Collective assessment allowance	6,327	6,312
Total Capital	1,440,007	1,439,992
Less: Investments in subsidiary companies	-	(20)
Capital base	1,440,007	1,439,972
	=====	=====
Core capital ratio	12.55%	14.57%
Risk-weighted capital ratio	12.60%	14.64%
	=====	=====

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

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

RISK TYPE		Risk Weighted Assets	
		2013 RM'000	2012 RM'000
1	Credit risk	4,407,903	3,970,705
2	Market risk	6,593,335	5,447,128
3	Operational risk	425,133	420,593
Total		11,426,371	9,838,426

27. Commitments and contingencies

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows:

30 June 2013 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	10	10	10
Transaction Related Contingent Items	1,559,487	779,743	625,783
Short Term Self Liquidating Trade Related Contingencies	248,163	49,633	40,137
Foreign exchange related contracts			
One year or less	21,609,488	501,729	216,531
Over one year to five years	18,491,484	1,467,184	642,289
Over five years	3,384,731	475,773	170,823
Interest/Profit rate related contracts			
One year or less	24,304,109	58,442	17,629
Over one year to five years	62,260,973	1,795,905	567,385
Over five years	13,181,696	1,087,628	367,285
Equity related contracts			
One year or less	840,939	89,795	44,893
Over one year to five years	253,186	30,806	15,403
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	1,691,866	96,696	26,326
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	51	26	26
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,725,456	345,091	319,819
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	149,551,639	6,778,461	3,054,339

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27. Commitments and contingencies (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows (continued):

31 December 2012 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	1,405,487	702,743	553,732
Short Term Self Liquidating Trade Related Contingencies	71,405	14,281	11,537
Foreign exchange related contracts			
One year or less	14,272,430	222,531	108,755
Over one year to five years	14,336,298	1,187,330	510,537
Over five years	5,075,046	868,814	360,678
Interest/Profit rate related contracts			
One year or less	25,729,967	79,918	26,236
Over one year to five years	60,462,549	1,831,124	587,114
Over five years	11,973,104	1,100,680	349,787
Equity related contracts			
One year or less	821,382	87,276	43,255
Over one year to five years	277,623	34,092	16,988
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	1,147,715	72,369	19,366
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,410,783	282,157	260,628
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	136,983,789	6,483,315	2,848,613

28. The Operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013 - UNAUDITED

	Note	Bank	
		30 June 2013 RM'000	31 December 2012 RM'000
Assets			
Cash and short term funds	(a)	187	1,920
Financial assets-held-for-trading		105,453	90,211
Other assets		345	248
Total assets		<u>105,985</u> =====	<u>92,379</u> =====
Liabilities and shareholders' funds			
Deposits from customer	(b)	72,266	56,788
Deposits and placements of banks and other financial institutions	(c)	871	926
Other liabilities	(d)	3,228	4,574
Taxation		1,092	1,210
Total liabilities		<u>77,457</u> -----	<u>63,498</u> -----
Capital funds		25,000	25,000
Retained profits		3,528	3,881
Islamic banking funds		<u>28,528</u> -----	<u>28,881</u> -----
Total liabilities and Islamic banking funds		<u>105,985</u> =====	<u>92,379</u> =====
Commitments and contingencies		- =====	- =====

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28. The operations of Islamic Banking (continued)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2013 - UNAUDITED

	Bank		2 nd Quarter ended	
	Half Year ended 30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Income derived from investment of Islamic banking funds	(463)	467	(693)	128
Total net (loss)/ income	(463)	467	(693)	128
Other overheads and expenditures	(8)	-	(8)	-
(Loss)/Profit before taxation	(471)	467	(701)	128
Taxation	118	(117)	175	(32)
(Loss)/Profit after taxation	(353)	350	(526)	96
	=====	=====	=====	=====

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2013	25,000	3,881	28,881
Profit after taxation	-	(353)	(353)
At 30 June 2013	25,000	3,528	28,528
	=====	=====	=====
At 1 January 2012	25,000	2,316	27,316
Profit after taxation	-	350	350
At 30 June 2012	25,000	2,666	27,666
	=====	=====	=====

28. The operations of Islamic Banking (continued)

STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED 30 JUNE 2013

	30 June 2013 RM'000	30 June 2012 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(471)	467
Operating profit before working capital changes	<u>(471)</u>	<u>467</u>
Changes in working capital:		
Increase in operating assets	(15,339)	(24,635)
Increase in operating liabilities	14,077	17,757
Net cash used in operations	<u>(1,733)</u>	<u>(6,411)</u>
Net decrease in cash and cash equivalents	(1,733)	(6,411)
Cash and cash equivalents at beginning of period	1,920	12,099
Cash and cash equivalents at end of period	<u>187</u>	<u>5,688</u>
	=====	=====
Analysis of cash and cash equivalents		
Cash and short term funds	<u>187</u>	<u>5,688</u>

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28. The operations of Islamic Banking (continued)**Shariah Committee**

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

The committee comprises: Dr Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Encik Lokmanulhakim bin Hussain.

Basis of measurement

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

(a) Cash and short term funds

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Cash and balances with banks and other financial institutions	187	1,920
	187	1,920
	=====	=====

(b) Deposits from customer

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Non-Mudharabah		
Demand deposits	22,266	6,788
Other deposits	50,000	50,000
	72,266	56,788
	=====	=====

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Licensed bank	871	926
	871	926
	=====	=====

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28. The operations of Islamic Banking (continued)

(d) Other liabilities

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Bills payable	544	732
Others	2,684	3,842
	<u>3,228</u>	<u>4,574</u>
	=====	=====

(e) Capital adequacy

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

Components of Tier I and Tier II Capital:

	Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	3,881	3,881
Interim losses	(353)	-
Total Tier 1 capital	<u>28,528</u>	<u>28,881</u>
Total Tier 2 capital	-	-
Capital base	<u>28,528</u>	<u>28,881</u>
	=====	=====
Core capital ratio	946.83%	137.18%
Risk-weighted capital ratio	946.83%	137.18%
	=====	=====

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

RISK TYPE		Risk Weighted Assets	
		2013 RM'000	2012 RM'000
1	Credit risk	97	94
2	Market risk	187	17,688
3	Operational risk	2,729	3,271
Total		3,013	21,053