

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

Unaudited Condensed Interim Financial Statements  
for the Financial Period ended 30 June 2017



**Consolidated Statements of Financial Position**  
**As at 30 June 2017 - Unaudited**

	Note	Group		Bank	
		30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<b>Assets</b>					
Cash and short term funds		3,579,065	4,608,452	3,579,065	4,608,452
Deposits and placements of banks and other financial institutions		500,000	1,126	500,000	1,126
Reverse repurchase agreements		575,208	608,641	575,208	608,641
Financial assets held-for-trading	12	1,462,005	635,245	1,462,005	635,245
Financial investments available-for-sale	13	1,591	1,591	1,591	1,591
Loans, advances and financing	14	1,701,326	1,890,528	1,701,326	1,890,528
Other assets	15	2,720,555	3,849,865	2,720,555	3,849,865
Tax recoverable		-	2,970	-	2,970
Statutory deposit with Bank Negara Malaysia		120,000	250,000	120,000	250,000
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		4,310	4,191	4,310	4,191
Deferred tax assets		37,959	35,761	37,959	35,761
<b>Total assets</b>		<b>10,702,019</b>	<b>11,888,370</b>	<b>10,702,039</b>	<b>11,888,390</b>
<b>Liabilities and shareholders' funds</b>					
Deposits from customers	16	4,433,627	4,285,140	4,433,647	4,285,160
Deposits and placements of banks and other financial institutions	17	1,057,010	1,441,194	1,057,010	1,441,194
Other liabilities	18	3,478,879	4,406,607	3,478,879	4,406,607
Tax payable		10,989	-	10,989	-
<b>Total liabilities</b>		<b>8,980,505</b>	<b>10,132,941</b>	<b>8,980,525</b>	<b>10,132,961</b>
Share capital		173,599	173,599	173,599	173,599
Reserves		1,547,915	1,581,830	1,547,915	1,581,830
Shareholders' funds		1,721,514	1,755,429	1,721,514	1,755,429
<b>Total liabilities and shareholders' funds</b>		<b>10,702,019</b>	<b>11,888,370</b>	<b>10,702,039</b>	<b>11,888,390</b>
<b>Commitments and contingencies</b>	26	<b>113,485,819</b>	<b>112,693,840</b>	<b>113,485,819</b>	<b>112,693,840</b>

*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 2016.*

**Consolidated Statements Of Profit Or Loss And Other Comprehensive Income  
For The Financial Period Ended 30 June 2017 - Unaudited**

	Note	Group and Bank			
		Half year ended 30 June 2017 RM'000	30 June 2016 RM'000	Three months ended 30 June 2017 RM'000	30 June 2016 RM'000
Interest income	19	119,941	96,314	61,162	50,538
Interest expense	20	(37,146)	(38,360)	(18,411)	(17,514)
Net interest income		82,795	57,954	42,751	33,024
Net income from Islamic Banking Operations	27	1,289	453	656	152
Non-interest income	21	133,058	143,845	53,271	92,286
Operating income		217,142	202,252	96,678	125,462
Other operating expenses	22	(69,651)	(69,778)	(36,409)	(38,034)
Operating profit		147,491	132,474	60,269	87,428
Allowance written back/ (made) for impairment on loans, advances and financing	23	2,935	(2,475)	291	(3,294)
<b>Profit before tax</b>		150,426	129,999	60,560	84,134
Tax expense		(37,302)	(32,457)	(15,467)	(20,570)
<b>Net profit / Total comprehensive income for the period</b>		113,124	97,542	45,093	63,564
Earnings per share (sen)		65.2 sen	56.2 sen	26.0 sen	36.6 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 2016*

**Consolidated Statements Of Changes In Equity  
For The Financial Period Ended 30 June 2017**

Group and Bank	-----Attributable to owner of the Bank----->						Total RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total reserves RM'000	Proposed dividend RM'000	
At 1 January 2017	173,599	357,763	188,280	1,035,787	1,581,830	-	1,755,429
Transfer pursuant to BNM revised policy *			(174,722)	174,722	-	-	-
Net profit/ Total comprehensive income for the period	-	-	-	113,124	113,124	-	113,124
Dividend paid	-	-	-	(147,039)	(147,039)	-	(147,039)
At 30 June 2017	173,599	357,763	13,558	1,176,594	1,547,915	-	1,721,514
At 1 January 2016	173,599	357,763	188,280	988,748	1,534,791	-	1,708,390
Net profit/ Total comprehensive income for the period	-	-	-	97,542	97,542	-	97,542
Proposed Dividend	-	-	-	(100,000)	(100,000)	100,000	-
At 30 June 2016	173,599	357,763	188,280	986,290	1,532,333	100,000	1,805,932

\* Bank Negara Malaysia ("BNM") had on 3 May 2017 issued a revised policy document on Capital Funds ("Revised Policy Document"). This supersedes the guideline issued by BNM previously, namely Capital Funds dated 1 July 2013.

The key changes in the Revised Policy Document are:

- (a) the removal of the requirement on maintenance of a reserve fund; and
- (b) the revised component of capital funds shall exclude share premium and reserve fund

During the financial period ended 30 June 2017, the Group and the Bank has transferred RM174,722,000 from other reserves to its retained profits pursuant to the Revised Policy Document.

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 2016

**Condensed Consolidated Statements Of Cash Flows  
For The Financial Period Ended 30 June 2017**

	<b>Group and Bank</b>	
	<b>30 June 2017 RM'000</b>	<b>30 June 2016 RM'000</b>
Profit before taxation	150,426	129,999
Adjustments for non-operating and non-cash items	394	479
<b>Operating profit before working capital changes</b>	<b>150,820</b>	<b>130,478</b>
Changes in working capital:		
Net changes in operating assets	156,311	1,193,568
Net changes in operating liabilities	(1,163,425)	(1,912,394)
Income tax paid	(25,541)	(24,542)
<b>Net cash used in operations</b>	<b>(881,835)</b>	<b>(612,890)</b>
Cash flows from investing activities:		
Purchase of plant and equipment	(613)	(707)
Proceeds from disposal of plant and equipment	100	-
<b>Net cash used in investing activities</b>	<b>(513)</b>	<b>(707)</b>
Cash flows from financing activities:		
Dividend paid	(147,039)	-
<b>Net cash used in financing activities</b>	<b>(147,039)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,029,387)</b>	<b>(613,597)</b>
Cash and cash equivalents at beginning of the period	4,608,452	5,856,232
<b>Cash and cash equivalents at end of the period</b>	<b>3,579,065</b>	<b>5,242,635</b>
Analysis of cash and cash equivalents:		
Cash and short-term funds	3,579,065	5,242,635

*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 2016.*

## Explanatory Notes To The Interim Financial Statements For The Financial Period Ended 30 June 2017

### 1. Basis of preparation

The unaudited interim financial statements for the financial period ended 30 June 2017 have been prepared under the historical cost convention except for reverse repurchase agreements, financial assets held-for-trading and derivative financial instruments which are stated at fair values.

The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”). 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 2016. 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 2016.

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 2016, except for the adoption of the following Malaysian Financial Reporting Standard (“MFRS”), Amendments to MFRSs and IC Interpretation that have been issued by the Malaysian Accounting Standard Board (“MASB”):

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by MASB but have not been adopted by the Group and the Bank:

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS15, *Revenue from Contract Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

## 1. Basis of preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018; and,
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank except as mentioned in the subsequent paragraphs:

(i) MFRS 9, *Financial Instruments*

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

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

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

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15 and MFRS 16.

**2. Audit report**

The audit report on the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2016 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 period ended 30 June 2017.

**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 period ended 30 June 2017.

**6. Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities during the financial period ended 30 June 2017.

**7. Dividend Paid**

Since the end of the previous financial year, the Bank paid the final dividend of 84.7 sen per ordinary share totalling RM147,039,000 in respect of the financial year ended 31 December 2016. The dividend was paid on 22 June 2017.

**8. Material Events**

There were no material events subsequent to the reporting 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 period ended 30 June 2017.

**10. Review of Performance**

The Bank recorded profit before taxation for the financial period ended 30 June 2017 of RM150.4 million compared to RM130.0 million profit for the previous corresponding period. Operating income increased by RM14.9 million (+7.4%) from RM202.3 million to RM217.2 million, mainly attributed to net interest income increased by RM24.8 million (+42.8%) from RM58.0 million to RM82.8 million, primarily driven by higher interest income earned from loan and advances and financial assets held for trading. Non-interest income decreased by RM10.7 million (-7.5%) from RM143.8 million to RM133.1 million, mainly driven by lower net gain on financial assets held for trading.

Total assets registered a decrease of RM1.2 billion or 10.1% from RM11.9 billion as at 31 December 2016 to RM10.7 billion as at 30 June 2017. The Bank's total common equity tier 1 ratio and total capital ratio remained strong at 21.1% and 21.4%, respectively.



**11. Prospects**

Global growth is projected to rise modestly throughout 2017 with signs of improvement seen in industrial production as well as pick up in investment and trade levels. US economy is expected to continue its steady expansion as headwinds from past appreciation of exchange rates subside whilst labour market tightens with stronger wage growth. Europe economy also echoes similar sentiment where it outperforms expectations in its economic indicators and showing signs of receding political uncertainty. On the local front, the Central Bank of Malaysia in its recent monetary policy meeting announced overnight policy rate to remain at 3.00%. The favourable global growth prospects is expected to lift the Malaysia export performance as well as domestic economy. Local economy is anticipated to continue on steady growth in 2017.

The Bank remains competitive with the solid frameworks around capital and liquidity management, risk controls and enhanced internal processes. We continue to be relentless in our commitment towards client centricity and in driving product innovation to deliver sustainable performance.

The Bank looks forward to contribute to the economic growth and wellbeing of the communities which we operate and to create positive impact for our clients, investors, employees and society at large.

**12. Financial assets held-for-trading**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
At fair value		
Malaysian Government Securities	1,241,698	490,502
Malaysian Investment Issue	208,083	142,658
Bank Negara Malaysia Bills	209	-
Treasury Bills	12,015	-
Cagamas bonds	-	2,085
	<u>1,462,005</u>	<u>635,245</u>
	=====	=====

**13. Financial investments available-for-sale**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
At cost		
Unquoted shares	1,591	1,591
	<u>1,591</u>	<u>1,591</u>
	=====	=====

**14. Loans, advances and financing**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost		
Overdrafts	110,883	130,457
Term loans - housing loans	13,841	15,059
- other term loans	253,287	228,226
Bills receivable	286,489	677,220
Claims on customers under acceptance credits	1,074,237	871,013
Staff loans	3,100	3,356
	<u>1,741,837</u>	<u>1,925,331</u>
Unearned interest	(26,446)	(17,803)
	<u>1,715,391</u>	<u>1,907,528</u>
Gross loans, advances and financing		
Allowance for impaired loans and financing		
- Collective assessment	(13,892)	(16,822)
- Individual assessment	(173)	(178)
	<u>1,701,326</u>	<u>1,890,528</u>
	=====	=====

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Maturing within one year	1,679,136	1,870,033
More than one to three years	23,036	23,161
More than three to five years	1,521	1,527
More than five years	11,698	12,807
	<u>1,715,391</u>	<u>1,907,528</u>
	=====	=====

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Domestic banking institutions	-	2,546
Domestic non-bank financial institutions	356,428	229,504
Domestic business enterprises	1,018,910	874,918
Government and statutory bodies	36,864	109,782
Individuals	16,941	18,415
Foreign entities	286,248	672,363
	<u>1,715,391</u>	<u>1,907,528</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 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- Other fixed rate loan / financing	3,100	3,231
Variable rate		
- Base lending rate plus	37,892	42,347
- Cost-plus	1,672,636	1,859,986
- Other variable rates	1,763	1,964
	<u>1,715,391</u>	<u>1,907,528</u>
	=====	=====

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Malaysia	1,429,143	1,235,165
China	15,632	102,124
Singapore	-	175,237
India	85,459	326,747
Vietnam	22,290	10,667
Turkey	154,909	30,746
Others	7,958	26,842
	<u>1,715,391</u>	<u>1,907,528</u>
	=====	=====

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Mining and Quarrying	2,226	2,748
Manufacturing	324,596	339,073
Construction	79,852	72,004
Wholesale & retail trade and restaurants & hotels	199,028	205,397
Transport, storage and communication	410,150	242,332
Finance, insurance and business services	645,734	917,777
Education, health and others	36,864	109,782
Household	16,941	18,415
	<u>1,715,391</u>	<u>1,907,528</u>
	=====	=====

**14. Loans, advances and financing (continued)**

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Balance at 1 January	2,634	2,982
Classified as impaired during the period/ year	263	638
Reclassified as non-impaired during the period/ year	(414)	(540)
Amount recovered	(249)	(446)
At 30 June 2017/ 31 December 2016	<u>2,234</u> =====	<u>2,634</u> =====
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.13%</u> =====	<u>0.14%</u> =====

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	16,822	9,268
Allowance (recovered)/ made during the period/ year	(2,930)	7,554
At 30 June 2017/ 31 December 2016	<u>13,892</u> =====	<u>16,822</u> =====

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	178	315
Allowance made during the period/ year	7	126
Amount recovered	(12)	(263)
At 30 June 2017/ 31 December 2016	<u>173</u> =====	<u>178</u> =====

Impaired loans, advances and financing analysed by economic sector and geographical distribution are as follows:

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Household (Malaysia)	<u>2,234</u> =====	<u>2,634</u> =====

**15. Other assets**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Interest / Income receivable	22,504	7,928
Margin placed with exchange	4,047	21,761
Derivatives	1,589,490	2,778,605
Other debtors, deposits and prepayments	1,104,514	1,041,571
	<u>2,720,555</u> =====	<u>3,849,865</u> =====

**16. Deposits from customers**

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Demand deposits	3,916,405	3,907,414	3,916,425	3,907,434
Savings deposits	2,439	3,136	2,439	3,136
Fixed deposits	314,150	115,040	314,150	115,040
Other deposits	200,633	259,550	200,633	259,550
	<u>4,433,627</u> =====	<u>4,285,140</u> =====	<u>4,433,647</u> =====	<u>4,285,160</u> =====

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

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Due within six months	300,961	276,094
More than six months to one year	113,780	6,813
More than one year to three years	250	207
More than five years	99,792	91,476
	<u>514,783</u> =====	<u>374,590</u> =====

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Business enterprises	3,546,986	3,564,977	3,547,006	3,564,997
Individuals	22,016	25,728	22,016	25,728
Foreign customers	96,107	109,666	96,107	109,666
Others	768,518	584,769	768,518	584,769
	<u>4,433,627</u> =====	<u>4,285,140</u> =====	<u>4,433,647</u> =====	<u>4,285,160</u> =====

**17. Deposits and placements of banks and other financial institutions**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Other financial institutions	1,057,010	1,441,194
	<u>1,057,010</u>	<u>1,441,194</u>
	=====	=====

**18. Other liabilities**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Interest payable	1,929	2,378
Bills payable	79,534	57,070
Derivatives	1,772,323	2,819,612
Employee benefits	11,727	13,464
Other liabilities	1,613,366	1,514,083
	<u>3,478,879</u>	<u>4,406,607</u>
	=====	=====

**19. Interest income**

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	34,894	25,843	16,974	12,865
Money at call and deposit placements with financial institutions	57,737	53,536	29,093	29,491
Reverse repurchase agreements	6,470	3,608	4,114	2,342
Financial assets held for trading	20,830	13,327	10,971	5,840
Others	10	-	10	-
	<u>119,941</u>	<u>96,314</u>	<u>61,162</u>	<u>50,538</u>
	=====	=====	=====	=====
Of which:				
Interest income earned on impaired loans, advances and financing	66	83	32	40
	=====	=====	=====	=====

**20. Interest expense**

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,237	5,959	2,396	1,902
Repurchase agreements	-	56	-	45
Deposits from customers	31,909	32,345	16,015	15,567
	<u>37,146</u>	<u>38,360</u>	<u>18,411</u>	<u>17,514</u>
	=====	=====	=====	=====

## 21. Non-interest income

	Group and Bank			
	Half year ended		Three months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	7,710	9,157	2,900	4,889
Service charges and fees	14,769	19,155	7,378	9,550
Guarantee fees	1,964	2,794	1,165	1,265
	<u>24,443</u>	<u>31,106</u>	<u>11,443</u>	<u>15,704</u>
Fee expense:				
Commissions	(1,430)	(3,318)	(393)	(2,611)
Service charges and fees	(4,977)	(5,168)	(2,447)	(3,321)
	<u>(6,407)</u>	<u>(8,486)</u>	<u>(2,840)</u>	<u>(5,932)</u>
Net fee income	<u>18,036</u>	<u>22,620</u>	<u>8,603</u>	<u>9,772</u>
Net gains from financial instruments:				
Net gain arising on financial assets held for trading:				
Realised gain	10,400	16,917	1,395	9,222
Unrealised gain/ (loss)	521	1,582	(43)	567
Net (loss)/ gain arising on trading derivatives:				
Realised (loss)/ gain	(72,095)	(51,257)	(158,089)	97,552
Unrealised revaluation (loss)/ gain	(145,095)	78,611	29,697	(205,772)
Foreign exchange gain	314,744	66,077	169,095	175,417
Gross dividend income	45	45	45	45
Gain from disposal of plant and equipment	100	-	100	-
Other income:				
Other operating income, net	6,402	9,250	2,468	5,483
	<u>115,022</u>	<u>121,225</u>	<u>44,668</u>	<u>82,514</u>
	<u>133,058</u>	<u>143,845</u>	<u>53,271</u>	<u>92,286</u>
	=====	=====	=====	=====



**22. Other operating expenses**

	Group and Bank			
	Half year ended		Three months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Personnel costs				
- Salaries, allowances and bonuses	24,199	24,012	11,668	11,977
- Others	8,828	7,574	5,554	4,340
Establishment costs				
- Rental	1,454	1,456	727	729
- Depreciation	494	479	241	245
- Others	2,491	1,936	1,583	1,361
Marketing expenses	929	980	346	455
Administration and general expenses				
- Intercompany expenses	23,445	24,348	11,976	12,352
- Communication	786	1,002	329	544
- Others	7,025	7,991	3,985	6,031
	<u>69,651</u>	<u>69,778</u>	<u>36,409</u>	<u>38,034</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 228 (June 2016 - 227).

**23. Allowance for impairment on loans, advances and financing**

	Group and Bank			
	Half year ended		Three months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Individual assessment allowance				
- made during the period	(7)	(16)	(3)	(8)
- written back	12	46	2	35
Collective assessment allowance				
- recovered/ (made) during the period	2,930	(2,505)	292	(3,321)
	<u>2,935</u>	<u>(2,475)</u>	<u>291</u>	<u>(3,294)</u>
	=====	=====	=====	=====

**24. Credit transactions and exposures with connected parties**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Outstanding credit exposures with connected parties	527,845	648,324
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	10,755,642	10,928,832
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	4.91%	5.93%
- as a proportion of capital base which is non performing	33.38%	37.45%
	0%	0%

**25. Capital adequacy**

	Group and Bank	
	30 June 2017 RM'000	31 December 2016 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
Retained profits	1,063,470	1,035,787
Less: Deferred tax assets	(35,761)	(35,761)
Total common equity tier 1(CET 1) / Total tier 1 capital	1,559,071	1,706,110
Tier 2 capital		
Collective assessment allowance#	8,723	11,351
Regulatory reserve	13,558	13,558
Total Capital / Capital base	1,581,352	1,731,019
Common equity tier 1(CET 1) / Tier 1 capital ratio	21.105%	21.868%
Total capital ratio	21.406%	22.187%

# Excludes collective assessment allowance on impaired loan restricted from Tier 2 capital of the Bank of RM5,169,000 (31 December 2016 : RM5,471,000)

**25. Capital adequacy (continued)**

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) reissued on 13 October 2015 and became effective from 1 January 2016. 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 ratios before including capital conservation buffer and countercyclical capital buffer (CCyB) are 4.5% for CET1 Capital Ratio, 6.0% for Tier 1 Capital Ratio and 8.0% for Total Capital Ratio.

The capital conservation buffer required to be maintained in the form of CET1 Capital above the minimum regulatory capital adequacy ratios requirement will be phased-in as follow:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposure in Malaysia yet but may be applied by regulators in the future.

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

Risk Type		Risk Weighted Assets	
		30 June 2017 RM'000	31 December 2016 RM'000
1	Credit risk	4,273,010	4,617,845
2	Market risk	2,457,692	2,570,452
3	Operational risk	656,582	613,663
Total		7,387,284	7,801,960

## 26. 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 2017 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	714,843	357,422	336,477
Short Term Self Liquidating Trade Related Contingencies	167,289	33,458	29,869
Foreign exchange related contracts			
One year or less	11,029,400	200,839	174,310
Over one year to five years	1,020,778	63,328	63,328
Over five years	310,475	34,152	17,076
Interest/Profit rate related contracts			
One year or less	292,830	1,365	1,092
Over one year to five years	1,298,763	158,015	148,415
Over five years	602,709	50,628	47,934
Equity related contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	95,178,357	2,053,482	369,078
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	515,739	257,869	257,869
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,354,636	470,927	459,567
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	-	-	-
<b>Total</b>	<b>113,485,819</b>	<b>3,681,485</b>	<b>1,905,015</b>

## 26. 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 2016 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	724,468	362,234	335,371
Short Term Self Liquidating Trade Related Contingencies	279,829	55,966	47,622
Foreign exchange related contracts			
One year or less	8,725,219	404,482	394,771
Over one year to five years	1,264,985	84,078	84,078
Over five years	310,475	34,152	17,076
Interest/Profit rate related contracts			
One year or less	247,678	83,038	83,038
Over one year to five years	1,187,649	31,645	18,541
Over five years	33,663	3,366	673
Equity related contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	97,368,433	2,461,119	515,432
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	224,027	112,014	112,014
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,327,414	465,483	454,123
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	-	-	-
<b>Total</b>	<b>112,693,840</b>	<b>4,097,577</b>	<b>2,062,739</b>

## 27. The operations of Islamic Banking

Statement of Financial Position  
As at 30 June 2017 – Unaudited

	Note	Bank	
		30 June 2017 RM'000	31 December 2016 RM'000
<b>Assets</b>			
Cash and short term funds	(a)	196,427	67,160
Other assets		18	10
<b>Total assets</b>		<u>196,445</u> =====	<u>67,170</u> =====
<b>Liabilities and shareholders' funds</b>			
Deposits from customer	(b)	160,382	32,764
Other liabilities	(c)	1,705	1,327
Taxation		2,258	1,951
<b>Total liabilities</b>		<u>164,345</u> -----	<u>36,042</u> -----
Capital funds		25,000	25,000
Retained profits		7,100	6,128
<b>Islamic banking funds</b>		<u>32,100</u> -----	<u>31,128</u> -----
<b>Total liabilities and Islamic banking funds</b>		<u>196,445</u> =====	<u>67,170</u> =====
<b>Commitments and contingencies</b>		- =====	- =====

## 27. The operations of Islamic Banking (continued)

**Statement Of Profit Or Loss And Other Comprehensive Income  
For The Financial Period Ended 30 June 2017 - Unaudited**

	Half year ended		Bank Three months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of Islamic banking funds	1,289	453	656	152
Total net income	<u>1,289</u>	<u>453</u>	<u>656</u>	<u>152</u>
Other operating expenses	(10)	(8)	(5)	(4)
<b>Profit before taxation</b>	<u>1,279</u>	<u>445</u>	<u>651</u>	<u>148</u>
Taxation	(307)	(107)	(156)	(36)
<b>Profit and total comprehensive income for the period</b>	<u>972</u> =====	<u>338</u> =====	<u>495</u> =====	<u>112</u> =====

**Statement Of Changes In Islamic Banking Funds  
For The Financial Period Ended 30 June 2017**

	Capital funds RM'000	Retained profits RM'000	Total RM'000
<b>Bank</b>			
At 1 January 2017	25,000	6,128	31,128
Profit and total comprehensive income for the period	-	972	972
At 30 June 2017	<u>25,000</u>	<u>7,100</u>	<u>32,100</u>
At 1 January 2016	25,000	5,718	30,718
Profit and total comprehensive income for the period	-	338	338
At 30 June 2016	<u>25,000</u> =====	<u>6,056</u> =====	<u>31,056</u> =====

## 27. The operations of Islamic Banking (continued)

**Statement Of Cash Flows**  
**For The Financial Period Ended 30 June 2017**

	<b>Bank</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash flows from operating activities		
Profit before taxation	1,279	445
<b>Operating profit before working capital changes</b>	<u>1,279</u>	<u>445</u>
Changes in working capital:		
Net changes in operating assets	(8)	(1,073)
Net changes in operating liabilities	127,996	(5,619)
<b>Net cash generated from / (used in) operations</b>	<u>129,267</u>	<u>(6,247)</u>
Net increase / (decrease) in cash and cash equivalents	129,267	(6,247)
Cash and cash equivalents at beginning of period	67,160	67,923
<b>Cash and cash equivalents at end of period</b>	<u>196,427</u>	<u>61,676</u>
	=====	=====
Analysis of cash and cash equivalents:		
Cash and short term funds	196,427	61,676
	<u>196,427</u>	<u>61,676</u>



**27. 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 Shariah Committee comprises of Dr Sheikh Hussain Hamed Sayed Hassan, Dr Muhammad Qaseem and Encik Mohd Hilmi bin Ramli.

Whilst the Shariah Governance Framework requires 5 Shariah Committee members, the Bank has sought and received approval from BNM to operate on 3 Shariah Committee members.

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.

**(a) Cash and short term funds**

	Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Cash and balances with banks and other financial institutions	196,427	67,160
	=====	=====

**(b) Deposits from customer**

	Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Non-Mudharabah Demand deposits	160,382	32,764
	=====	=====

**(c) Other liabilities**

	Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Bills payable	499	121
Others	1,206	1,206
	-----	-----
	1,705	1,327
	=====	=====

**27. The operations of Islamic Banking (continued)****(d) Capital adequacy**

The capital adequacy ratios of the Islamic banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank'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 2017 RM'000	31 December 2016 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	6,128	6,128
Total common equity tier 1/ Total tier 1 capital	31,128	31,128
Total Tier 2 capital	-	-
Capital base	31,128	31,128
Common equity tier 1/ Tier 1 capital ratio	662.227%	791.910%
Total capital ratio	662.227%	791.910%

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

Risk Type		Risk Weighted Assets	
		30 June 2017	31 December 2016
		RM'000	RM'000
1	Credit risk	830	689
2	Market risk	1,651	1,376
3	Operational risk	2,220	1,866
Total		4,701	3,931