

Deutsche Bank

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 2016

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



Consolidated Statements of Financial Position
As at 30 June 2016 - Unaudited

	Note	Group		Bank	
		30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Assets					
Cash and short term funds		5,242,635	5,856,232	5,242,635	5,856,232
Securities purchased under resale agreements		199,488	530,140	199,488	530,140
Financial assets held-for-trading	12	711,379	832,514	711,379	832,514
Financial investments available-for-sale	13	1,591	1,591	1,591	1,591
Loans, advances and financing	14	1,362,475	1,332,466	1,362,475	1,332,466
Other assets	15	4,229,527	5,001,317	4,229,527	5,001,317
Tax recoverable		10,574	4,532	10,574	4,532
Statutory deposit with Bank Negara Malaysia		20,000	20,000	20,000	20,000
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		4,275	4,047	4,275	4,047
Deferred tax assets		12,586	26,543	12,586	26,543
Total assets		<u>11,794,530</u>	<u>13,609,382</u>	<u>11,794,550</u>	<u>13,609,402</u>
Liabilities and shareholders' funds					
Deposits from customers	16	4,982,282	4,817,557	4,982,302	4,817,577
Deposits and placements of banks and other financial institutions	17	1,062,900	1,856,651	1,062,900	1,856,651
Other liabilities	18	3,943,416	5,226,784	3,943,416	5,226,784
Total liabilities		<u>9,988,598</u>	<u>11,900,992</u>	<u>9,988,618</u>	<u>11,901,012</u>
Share capital		173,599	173,599	173,599	173,599
Reserves		1,532,333	1,534,791	1,532,333	1,534,791
Proposed dividend		100,000	-	100,000	-
Shareholders' funds		<u>1,805,932</u>	<u>1,708,390</u>	<u>1,805,932</u>	<u>1,708,390</u>
Total liabilities and shareholders' funds		<u>11,794,530</u>	<u>13,609,382</u>	<u>11,794,550</u>	<u>13,609,402</u>
Commitments and contingencies	26	121,964,089	120,439,647	121,964,089	120,439,647

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 2015.

Consolidated Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 30 June 2016 - Unaudited

	Note	Group and Bank			
		Half year ended 30 June 2016 RM'000	30 June 2015 RM'000	Three months ended 30 June 2016 RM'000	30 June 2015 RM'000
Interest income	19	96,314	89,941	50,538	48,571
Interest expense	20	(38,360)	(31,728)	(17,514)	(15,723)
Net interest income		<u>57,954</u>	<u>58,213</u>	<u>33,024</u>	<u>32,848</u>
Net income from Islamic Banking Operations	27	453	857	152	329
Non-interest income	21	143,845	92,223	92,286	43,809
Operating income		<u>202,252</u>	<u>151,293</u>	<u>125,462</u>	<u>76,986</u>
Other operating expenses	22	(69,778)	(66,646)	(38,034)	(33,624)
Operating profit		<u>132,474</u>	<u>84,647</u>	<u>87,428</u>	<u>43,362</u>
Allowance (made)/written back for impairment on loans, advances and financing	23	(2,475)	107	(3,294)	506
Profit before tax		<u>129,999</u>	<u>84,754</u>	<u>84,134</u>	<u>43,868</u>
Tax expense		(32,457)	(21,984)	(20,570)	(10,804)
Net profit / Total comprehensive income for the period		<u>97,542</u> =====	<u>62,770</u> =====	<u>63,564</u> =====	<u>33,064</u> =====
Earnings per share (sen)		56.2 sen =====	36.2 sen =====	36.6 sen =====	19.0 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 2015.

Consolidated Statements Of Changes In Equity
For The Financial Period Ended 30 June 2016

	<-----Attributable to owner of the Bank----->						
	<-----Non-distributable----->			Distributable			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
Group and Bank 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
=====							
At 1 January 2015	173,599	357,763	188,280	876,399	1,422,442	117,067	1,713,108
Net profit/Total comprehensive income for the period	-	-	-	62,770	62,770	-	62,770
Dividend paid	-	-	-	-	-	(117,067)	(117,067)
At 30 June 2015	173,599	357,763	188,280	939,169	1,485,212	-	1,658,811
=====							

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 2015

Condensed Consolidated Statements Of Cash Flows
For The Financial Period Ended 30 June 2016

	Group and Bank	
	30 June 2016 RM'000	30 June 2015 RM'000
Profit before taxation	129,999	84,754
Adjustments for non-operating and non-cash items	479	516
Operating profit before working capital changes	130,478	85,270
Changes in working capital:		
Net changes in operating assets	1,193,568	(2,674,284)
Net changes in operating liabilities	(1,912,394)	1,126,536
Income tax paid	(24,542)	(17,012)
Net cash used in operations	(612,890)	(1,479,490)
Cash flows from investing activities:		
Purchase of plant and equipment	(707)	(74)
Net cash used in investing activities	(707)	(74)
Cash flows from financing activities:		
Dividend paid	-	(117,067)
Net cash used in financing activities	-	(117,067)
Net decrease in cash and cash equivalents	(613,597)	(1,596,631)
Cash and cash equivalents at beginning of the period	5,856,232	5,145,807
Cash and cash equivalents at end of the period	5,242,635	3,549,176
Analysis of cash and cash equivalents:		
Cash and short-term funds	5,242,635	3,549,176

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 2015.

Explanatory Notes To The Interim Financial Statements
For The Financial Period Ended 30 June 2016

1. Basis of preparation

The unaudited interim financial statements for the financial period ended 30 June 2016 have been prepared under the historical cost convention except for securities purchased under resale 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 2015. 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 2015.

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 2015, 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 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS128, *Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiatives*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

1. Basis of preparation (continued)

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 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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*

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

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for 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 accounting standards, amendments and interpretations as follows:

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- 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.

1. Basis of preparation (continued)

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

(i) MFRS 9, *Financial Instruments*

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

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

(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*.

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

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

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 2015 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 2016.

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 2016.

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 2016.

7. Dividend Paid

No dividend was paid during the financial period ended 30 June 2016. The final dividend recommended by the Directors in respect of the financial year ended 31 December 2015 is 57.6 sen per ordinary share totalling RM100,000,000. The shareholders approved the proposed dividend, and the dividend is expected to be paid on 29 July 2016.

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 2016.

10. Review of Performance

The Bank recorded profit before taxation for the financial period ended 30 June 2016 of RM130.0 million compared to RM84.8 million profit for the previous corresponding period. Operating income increased by RM51.0 million (+33.7%) from RM151.3 million to RM202.3 million primarily driven by higher non-interest income of RM143.8 million against RM92.2 million in the previous corresponding period. Net interest income decreased by RM0.2 million (-0.4%) from RM58.2 million to RM58.0 million. Operating expenses increased by RM3.1 million (+4.7%) from RM66.6 million to RM69.7 million mainly attributed to higher recruitment cost and indirect tax expenses.

Total assets registered a decrease of RM1.8 billion or 13.3% from RM13.6 billion as at 31 December 2015 to RM11.8 billion as at 30 June 2016. The Bank's total common equity tier 1 ratio and total capital ratio remained strong at 18.9% and 19.1%, respectively.

11. Prospects

Global outlook may be lower than initial forecast as advanced economies are projected to experience headwinds from substantial increase in economic, political and institutional uncertainties following the unexpected outcome from UK Referendum on Brexit amid already-fragile sentiment from sluggish growth, low commodity prices, weak global trade, and diminishing capital flows.

On the local front, Central Bank of Malaysia in its recent policy meeting reduced the overnight policy rate by 25bps to 3.00%, and cited increasing downside risk in the global economic activity could weigh on Malaysia's growth prospect. Nonetheless, the Malaysia growth is expected to be on track with the 4.0% - 4.5% forecast for 2016, with domestic demand continue to be the main growth driver.

The Bank aims to remain competitive while maintaining strict risk, capital and cost discipline. We will continue to 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 Corporate & Investment 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.

The Bank looks forward to serve the best interest of our clients, employees and communities in which we operate in 2016 and beyond.

12. Financial assets held-for-trading

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
At fair value		
Malaysian Government Securities	340,549	283,324
Malaysian Investment Issue	360,757	222,048
Bank Negara Malaysia Bills	7,988	-
Cagamas bonds	2,085	27,142
Negotiable instruments of deposit	-	300,000
	<u>711,379</u>	<u>832,514</u>
	=====	=====

13. Financial investments available-for-sale

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 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 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Overdrafts	78,822	71,394
Term loans - housing loans	16,516	18,110
- other term loans	193,245	196,128
Bills receivable	453,369	240,143
Claims on customers under acceptance credits	637,166	819,245
Staff loans	3,467	3,739
	<u>1,382,585</u>	<u>1,348,759</u>
Unearned interest	(8,052)	(6,710)
	<u>1,374,533</u>	<u>1,342,049</u>
Gross loans, advances and financing		
Allowance for impaired loans and financing		
- Collective assessment	(11,773)	(9,268)
- Individual assessment	(285)	(315)
	<u>1,362,475</u>	<u>1,332,466</u>
Net loans, advances and financing	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Maturing within one year	1,328,029	1,290,887
More than one to three years	596	3,696
More than three to five years	31,384	31,368
More than five years	14,524	16,098
	<u>1,374,533</u>	<u>1,342,049</u>
	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Domestic banking institutions	1,178	1,729
Domestic business enterprises	908,932	973,534
Government and statutory bodies	-	114,888
Individuals	19,982	21,849
Foreign entities	444,441	230,049
	<u>1,374,533</u>	<u>1,342,049</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 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- Other fixed rate loan / financing	3,878	3,739
Variable rate		
- Base lending rate plus	33,640	37,075
- Cost-plus	1,334,936	1,298,911
- Other variable rates	2,079	2,324
	<u>1,374,533</u>	<u>1,342,049</u>
	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Malaysia	928,208	1,112,000
China	162,586	69,504
Singapore	228,741	48,679
India	5,432	44,144
Holland	-	35,182
France	13,136	-
Vietnam	15,377	10,355
Others	21,053	22,185
	<u>1,374,533</u>	<u>1,342,049</u>
	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Mining and Quarrying	2,755	-
Manufacturing	303,630	347,618
Construction	101,863	21,628
Wholesale & retail trade and restaurants & hotels	163,704	248,123
Transport, storage and communication	161,104	189,723
Finance, insurance and business services	621,495	513,108
Household	19,982	21,849
	<u>1,374,533</u>	<u>1,342,049</u>
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Balance at 1 January	2,982	3,537
Classified as impaired during the period/year	355	517
Reclassified as non-impaired during the period/year	(354)	(864)
Amount recovered	(224)	(208)
At 30 June 2016/31 December 2015	<u>2,759</u>	<u>2,982</u>
	=====	=====
Gross impaired loans as a percentage of gross loans, advances and financing	0.20%	0.22%
	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	9,268	8,807
Allowance made during the period/year	2,505	461
At 30 June 2016/31 December 2015	<u>11,773</u>	<u>9,268</u>
	=====	=====

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	315	304
Allowance made during the period/year	16	42
Amount recovered	(46)	(31)
At 30 June 2016/31 December 2015	<u>285</u>	<u>315</u>
	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Household	2,759	2,982
	<u>2,759</u>	<u>2,982</u>
	=====	=====

15. Other assets

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Interest / Income receivable	10,781	8,539
Margin placed with exchange	521	2,419
Derivatives	2,679,839	3,647,273
Other debtors, deposits and prepayments	1,538,386	1,343,086
	<u>4,229,527</u>	<u>5,001,317</u>
	=====	=====

16. Deposits from customers

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Demand deposits	4,396,667	3,660,188	4,396,687	3,660,208
Savings deposits	3,377	3,789	3,377	3,789
Fixed deposits	169,952	326,352	169,952	326,352
Other deposits	412,286	827,228	412,286	827,228
	<u>4,982,282</u>	<u>4,817,557</u>	<u>4,982,302</u>	<u>4,817,577</u>
	=====	=====	=====	=====

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

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Due within six months	485,019	990,951
More than six months to one year	13,853	87,593
More than one year to three years	206	192
More than five years	83,160	74,844
	<u>582,238</u>	<u>1,153,580</u>
	=====	=====

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Business enterprises	4,013,488	3,455,672	4,013,508	3,455,692
Individuals	31,303	33,342	31,303	33,342
Foreign customers	231,045	478,933	231,045	478,933
Others	706,446	849,610	706,446	849,610
	<u>4,982,282</u>	<u>4,817,557</u>	<u>4,982,302</u>	<u>4,817,577</u>
	=====	=====	=====	=====

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Other financial institutions	1,062,900	1,856,651
	<u>1,062,900</u>	<u>1,856,651</u>
	=====	=====

18. Other liabilities

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Interest payable	3,728	3,465
Bills payable	84,039	90,612
Derivatives	2,142,427	3,196,221
Employee benefits	7,625	19,660
Other liabilities	1,705,597	1,916,826
	<u>3,943,416</u>	<u>5,226,784</u>
	=====	=====

19. Interest income

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	25,843	26,765	12,865	13,351
Money at call and deposit placements with financial institutions	53,536	22,928	29,491	16,608
Securities purchased under resale agreement	3,608	8,296	2,342	2,693
Financial assets held for trading	13,327	31,952	5,840	15,919
	<u>96,314</u>	<u>89,941</u>	<u>50,538</u>	<u>48,571</u>
	=====	=====	=====	=====
Of which:				
Interest income earned on impaired loans, advances and financing	16	27	8	18
	=====	=====	=====	=====

20. Interest expense

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,959	3,041	1,902	1,707
Obligations on securities sold under repurchase agreement	56	398	45	84
Deposits from customers	32,345	28,289	15,567	13,932
	<u>38,360</u>	<u>31,728</u>	<u>17,514</u>	<u>15,723</u>
	=====	=====	=====	=====

21. Non-Interest Income

	Group and Bank			
	Half year ended		Three months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Fee income:				
Commissions	9,157	5,747	4,889	3,326
Service charges and fees	19,155	15,222	9,550	8,231
Guarantee fees	2,794	3,560	1,265	1,656
	<u>31,106</u>	<u>24,529</u>	<u>15,704</u>	<u>13,213</u>
Fee expense:				
Commissions	(3,318)	(1,481)	(2,611)	(738)
Service charges and fees	(5,168)	(2,061)	(3,321)	(1,627)
	<u>(8,486)</u>	<u>(3,542)</u>	<u>(5,932)</u>	<u>(2,365)</u>
Net fee income	<u>22,620</u>	<u>20,987</u>	<u>9,772</u>	<u>10,848</u>
Net gain from financial instruments:				
Net gain arising on financial assets held for trading :				
Realised gain	16,917	9,124	9,222	5,168
Unrealised revaluation gain/(loss)	1,582	3,476	567	(1,690)
Net gain/(loss) arising on trading derivatives:				
Realised (loss)/gain	(51,257)	(212,206)	97,552	(63,788)
Unrealised revaluation gain/(loss)	78,611	(55,631)	(205,772)	27,582
Foreign exchange gain	66,077	317,449	175,417	61,518
Gross dividend income	45	45	45	45
Other income:				
Other operating income, net	9,250	8,979	5,483	4,126
	<u>121,225</u>	<u>71,236</u>	<u>82,514</u>	<u>32,961</u>
	<u>143,845</u>	<u>92,223</u>	<u>92,286</u>	<u>43,809</u>
	=====	=====	=====	=====

22. Other operating expenses

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
-Salaries, allowances and bonuses	24,012	25,095	11,977	12,971
-Others	7,574	7,848	4,340	4,111
Establishment costs				
-Rental	1,456	1,346	729	727
-Depreciation	479	516	245	217
-Others	1,936	2,282	1,361	1,178
Marketing expenses	980	1,056	455	637
Administration and general expenses				
-Intercompany expenses	24,348	23,933	12,352	11,400
-Communication	1,002	805	544	405
-Others	7,991	3,765	6,031	1,978
	<u>69,778</u>	<u>66,646</u>	<u>38,034</u>	<u>33,624</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 227 (June 2015 -210).

23. Allowance for impairment on loans, advances and financing

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance				
- made during the period	(16)	(27)	(8)	(18)
- written back	46	8	35	2
Collective assessment allowance				
- (made)/recovered during the period	(2,505)	111	(3,321)	507
Recoveries from bad debt written off	-	15	-	15
	<u>(2,475)</u>	<u>107</u>	<u>(3,294)</u>	<u>506</u>
	=====	=====	=====	=====

24. Credit transactions and exposures with connected parties

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Outstanding credit exposures with connected parties	624,870	598,053
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	11,683,808	7,085,677
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	5.35%	8.44%
- as a proportion of capital base which is non performing	39.36%	35.40%
	0%	0%

25. Capital adequacy

	Group and Bank	
	30 June 2016 RM'000	31 December 2015 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	888,748	988,748
Less: Deferred tax assets	(26,543)	(26,543)
Total common equity tier 1(CET 1) / Total tier 1 capital	1,568,289	1,668,289
Tier 2 capital		
Collective assessment allowance#	5,837	7,460
Regulatory reserve	13,558	13,558
Total Capital / Capital base	1,587,684	1,689,307
Common equity tier 1(CET 1) / Tier 1 capital ratio	18.882%	19.323%
Total capital ratio	19.115%	19.567%

Excludes collective assessment allowance on impaired loan restricted from Tier 2 capital of the Bank of RM5,936,000 (31 December 2015:RM1,808,000)

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 2016 RM'000	31 December 2015 RM'000
1	Credit risk	4,338,957	4,367,429
2	Market risk	3,377,342	3,706,633
3	Operational risk	589,547	559,457
Total		8,305,846	8,633,519

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 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	928,605	464,303	438,166
Short Term Self Liquidating Trade Related Contingencies	168,701	33,740	28,786
Foreign exchange related contracts			
One year or less	12,936,531	870,642	466,233
Over one year to five years	1,725,940	136,520	136,520
Over five years	310,475	34,152	17,076
Interest/Profit rate related contracts			
One year or less	1,050,001	2,399	1,718
Over one year to five years	998,488	55,283	42,096
Over five years	33,663	3,703	741
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	101,488,080	2,496,912	543,281
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	403,053	201,527	199,946
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,920,552	384,110	252,783
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	121,964,089	4,683,291	2,127,346

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 2015 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	997,938	498,969	456,566
Short Term Self Liquidating Trade Related Contingencies	471,201	94,240	81,346
Foreign exchange related contracts			
One year or less	9,732,796	289,204	273,484
Over one year to five years	6,915,014	1,116,077	510,014
Over five years	311,586	34,312	17,237
Interest/Profit rate related contracts			
One year or less	1,136,150	2,952	2,202
Over one year to five years	872,040	31,010	18,646
Over five years	33,663	3,703	741
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	97,580,200	2,954,026	612,350
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	29	15	15
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,389,030	477,806	442,995
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	120,439,647	5,502,314	2,415,596

27. The Operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016 – UNAUDITED

	Note	Bank	
		30 June 2016 RM'000	31 December 2015 RM'000
Assets			
Cash and short term funds	(a)	61,676	67,923
Financial assets-held-for-trading	(b)	50,225	50,275
Other assets		2,374	1,251
Total assets		<u>114,275</u>	<u>119,449</u>
		=====	=====
Liabilities and shareholders' funds			
Deposits from customer	(c)	74,720	77,464
Deposits and placements of banks and other financial institutions	(d)	228	254
Other liabilities	(e)	6,342	9,191
Taxation		1,929	1,822
Total liabilities		<u>83,219</u>	<u>88,731</u>
		-----	-----
Capital funds		25,000	25,000
Retained profits		6,056	5,718
Islamic banking funds		<u>31,056</u>	<u>30,718</u>
		-----	-----
Total liabilities and Islamic banking funds		<u>114,275</u>	<u>119,449</u>
		=====	=====
Commitments and contingencies		-	-
		=====	=====

27. The operations of Islamic Banking (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 - UNAUDITED

	Bank			
	Half year ended 30 June 2016 RM'000	Half year ended 30 June 2015 RM'000	Three months ended 30 June 2016 RM'000	Three months ended 30 June 2015 RM'000
Income derived from investment of Islamic banking funds	453	857	152	329
Total net income	<u>453</u>	<u>857</u>	<u>152</u>	<u>329</u>
Other operating expenses	(8)	(7)	(4)	(3)
Profit before taxation	<u>445</u>	<u>850</u>	<u>148</u>	<u>326</u>
Taxation	(107)	(212)	(36)	(81)
Profit and total comprehensive income for the period	<u>338</u>	<u>638</u>	<u>112</u>	<u>245</u>
	=====	=====	=====	=====

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Capital funds RM'000	Retained profits RM'000	Total RM'000
Bank			
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>
	=====	=====	=====
At 1 January 2015	25,000	4,757	29,757
Profit and total comprehensive income for the period	-	638	638
At 30 June 2015	<u>25,000</u>	<u>5,395</u>	<u>30,395</u>
	=====	=====	=====

27. The operations of Islamic Banking (continued)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	30 June 2016 RM'000	Bank 30 June 2015 RM'000
Cash flows from operating activities		
Profit before taxation	445	850
Operating profit before working capital changes	<u>445</u>	<u>850</u>
Changes in working capital:		
Net changes in operating assets	(1,073)	(80,370)
Net changes in operating liabilities	(5,619)	5,511
Net cash used in operations	<u>(6,247)</u>	<u>(74,009)</u>
Net decrease in cash and cash equivalents	(6,247)	(74,009)
Cash and cash equivalents at beginning of period	67,923	74,200
Cash and cash equivalents at end of period	<u>61,676</u>	<u>191</u>
	=====	=====
Analysis of cash and cash equivalents:		
Cash and short term funds	<u>61,676</u>	<u>191</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 2016 RM'000	31 December 2015 RM'000
Cash and balances with banks and other financial institutions	61,676	67,923
	<u>=====</u>	<u>=====</u>

(b) Financial assets held-for-trading

	Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Malaysian Investment Issue	50,225	50,275
	<u>50,225</u>	<u>50,275</u>
	<u>=====</u>	<u>=====</u>

(c) Deposits from customer

	Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Non-Mudharabah		
Demand deposits	24,720	27,464
Other deposits	50,000	50,000
	<u>74,720</u>	<u>77,464</u>
	<u>=====</u>	<u>=====</u>

27. The operations of Islamic Banking (continued)

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

	Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Licensed bank	228	254
	=====	=====

(e) Other liabilities

	Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Bills payable	411	81
Others	5,931	9,110
	<u>6,342</u>	<u>9,191</u>
	=====	=====

(f) 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 2016 RM'000	31 December 2015 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	5,718	5,718
Total common equity tier 1/ Total tier 1 capital	<u>30,718</u>	<u>30,718</u>
Total Tier 2 capital	-	-
Capital base	<u>30,718</u>	<u>30,718</u>
	=====	=====
Common equity tier 1/ Tier 1 capital ratio	416.036%	707.543%
Total capital ratio	416.036%	707.543%
	=====	=====

27. The operations of Islamic Banking (continued)

(f) Capital adequacy (continued)

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

RISK TYPE		Risk Weighted Assets	
		30 June 2016 RM'000	31 December 2015 RM'000
1	Credit risk	2,780	1,104
2	Market risk	999	206
3	Operational risk	3,605	3,033
Total		7,384	4,343