

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

Unaudited Condensed Interim Financial Statements
- 30 June 2012

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 2012 - UNAUDITED

	Note	Group		Bank	
		30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Assets					
Cash and short term funds		2,263,207	4,478,340	2,263,207	4,478,340
Securities purchased under resale agreements		4,788,603	3,409,464	4,788,603	3,409,464
Financial assets held-for-trading	12	1,989,073	939,707	1,989,073	939,707
Financial investments available-for-sale	13	6,300	7,165	6,300	7,165
Loans, advances and financing	14	706,329	831,064	706,329	831,064
Other assets	15	2,479,891	2,117,101	2,479,891	2,117,101
Statutory deposit with Bank Negara Malaysia		2,000	2,000	2,000	2,000
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		3,131	3,569	3,131	3,569
Deferred tax assets		17,275	17,746	17,275	17,746
Tax recoverable		-	35,796	-	35,796
Total assets		<u>12,255,809</u>	<u>11,841,952</u>	<u>12,255,829</u>	<u>11,841,972</u>
Liabilities and shareholders' funds					
Deposits from customers	16	5,738,918	5,971,441	5,738,938	5,971,461
Deposits and placements of banks and other financial institutions	17	2,141,671	1,941,001	2,141,671	1,941,001
Obligations on securities sold under repurchase agreements		63,240	-	63,240	-
Other liabilities	18	2,804,550	2,534,437	2,804,550	2,534,437
Taxation		3,252	-	3,252	-
Total liabilities		<u>10,751,631</u>	<u>10,446,879</u>	<u>10,751,651</u>	<u>10,446,899</u>
Share capital		173,599	173,599	173,599	173,599
Reserves		1,330,579	1,221,474	1,330,579	1,221,474
Shareholders' funds		<u>1,504,178</u>	<u>1,395,073</u>	<u>1,504,178</u>	<u>1,395,073</u>
Total liabilities and shareholders' funds		<u>12,255,809</u>	<u>11,841,952</u>	<u>12,255,829</u>	<u>11,841,972</u>
Commitments and contingencies	26	155,066,906	138,081,992	155,066,906	138,081,992

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 2011.

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 2012 - UNAUDITED

	Note	Group and Bank			
		Half Year Ended 30 June 2012 RM'000	30 June 2011 RM'000	2 nd Quarter ended 30 June 2012 RM'000	30 June 2011 RM'000
Interest income	19	118,783	144,359	54,890	69,636
Interest expense	20	(42,025)	(81,924)	(19,378)	(46,974)
Net interest income		<u>76,758</u>	<u>62,435</u>	<u>35,512</u>	<u>22,662</u>
Net income from Islamic Banking Operations	26	467	689	128	308
Non-interest income / (expense)	21	121,663	25,621	48,189	(35,455)
Operating income / (loss)		<u>198,888</u>	<u>88,745</u>	<u>83,829</u>	<u>(12,485)</u>
Other operating expenses	22	(52,276)	(56,612)	(27,926)	(24,740)
Operating profit / (loss)		<u>146,612</u>	<u>32,133</u>	<u>55,903</u>	<u>(37,225)</u>
Allowance for impairment on loans, advances and financing	23	446	248	405	50
Profit / (loss) before taxation		<u>147,058</u>	<u>32,381</u>	<u>56,308</u>	<u>(37,175)</u>
Tax (expense) / income		(37,591)	(8,934)	(13,984)	9,594
Net profit / (loss) for the period		<u>109,467</u>	<u>23,447</u>	<u>42,324</u>	<u>(27,581)</u>
Other comprehensive loss , net of tax					
Fair value of financial investments available-for-sale		(362)	(257)	(156)	(185)
Other comprehensive loss for the period, net of tax		<u>(362)</u>	<u>(257)</u>	<u>(156)</u>	<u>(185)</u>
Total comprehensive income / (loss) for the period		<u>109,105</u>	<u>23,190</u>	<u>42,168</u>	<u>(27,766)</u>
Earnings per share (sen)		63.1 sen	13.5 sen	24.4 sen	(15.9) 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 2011.

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 2012

	<-----Attributable to equity holders of the Bank----->					
	Share capital RM'000	<--Non-distributable-->		Distributable	Total	
		Share premium RM'000	Other reserves RM'000	Retained profits RM'000	reserves RM'000	Total RM'000
Group and Bank						
At 1 January 2012	173,599	357,763	177,555	686,156	1,221,474	1,395,073
Net profit for the period	-	-	-	109,467	109,467	109,467
Other comprehensive loss	-	-	(362)	-	(362)	(362)
Total comprehensive (loss) / income for the period	-	-	(362)	109,467	109,105	109,105
At 30 June 2012	173,599	357,763	177,193	795,623	1,330,579	1,504,178
At 1 January 2011	173,599	357,763	178,975	630,790	1,167,528	1,341,127
Net profit for the period	-	-	-	23,447	23,447	23,447
Other comprehensive loss	-	-	(257)	-	(257)	(257)
Total comprehensive (loss) / income for the period	-	-	(257)	23,447	23,190	23,190
At 30 June 2011	173,599	357,763	178,718	654,237	1,190,718	1,364,317

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 2011.

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 2012

	Group and Bank	
	30 June 2012 RM'000	30 June 2011 RM'000
Profit before taxation	147,058	32,381
Adjustments for non-operating and non-cash items	(272)	785
	147,786	33,166
Operating profit before working capital changes		
Changes in working capital:		
Net changes in operating assets	(2,666,560)	(1,896,697)
Net changes in operating liabilities	301,500	1,808,407
Income tax paid	-	(36,892)
Tax refunds received	2,048	-
	(2,216,226)	(92,016)
Net cash generated from operations		
Net cash generated from/(used in) investing activities	1,093	(79)
	1,093	(79)
Net change in cash and cash equivalents	(2,215,133)	(92,095)
Cash and cash equivalents at beginning of the period	4,478,340	5,405,903
Cash and cash equivalents at end of the period	2,263,207	5,313,808
Analysis of cash and cash equivalents		
Cash and short-term funds	2,263,207	5,313,808

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 2011.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2012

1. Basis of preparation

The unaudited interim financial statements for the financial half year ended 30 June 2012 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 2011. 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 2011.

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 2011.

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:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*

1. Basis of preparation (continued)

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

- Amendments to FRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

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

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)

The Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

2. Audit report

The audit report on the audited annual financial statements for the financial year ended 31 December 2011 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 2012.

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 2012.

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 2012.

7. Dividend Paid

No dividend was paid during the financial half year ended 30 June 2012.

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 2012.

10. Review of Performance

The Bank recorded profit before taxation for the half year ended 30 June 2012 of RM147.1 million compared to RM 32.4 million profit for the previous corresponding period. Operating income increased by RM110.1 million (124.0%) from RM88.8 million to RM198.9 primarily on higher non-interest income from trading activities of RM121.7 million against non-interest income of RM25.6 million in the previous corresponding period. Net interest income increased by RM14.3 million (22.9%) from RM62.5 million to RM76.8 million. Operating expenses decreased by RM4.3 million (7.6%) from RM56.6 million to RM52.3 million attributed to lower personnel cost.

Total assets registered an increase of RM0.4 billion or 3.4% from RM11.9 billion to RM12.3 billion at 30 June 2012. The Bank's core capital ratio and risk weighted capital ratio remained strong at 12.17% and 12.28% respectively.

11. Prospects

The Eurozone story continues to dominate financial markets in Q2 2012. The recent measures announced in the Euro Summit provided some respite and the Eurozone is expected to continue to drive volatilities in the global macroeconomic outlook. Locally, Malaysia's real GDP growth is forecasted at 4.0 - 5.0% for 2012. The resilient domestic demand continues to underpin the 2012 growth forecast. The Overnight Policy Rate is widely expected to remain stable at 3% in 2012.

The Bank's strategy remains steadfastly focused on the key business areas of Global Markets and Global Banking. In addition, we intend to capitalize on the momentum gained from our accomplishments and continue to solidify our Islamic Banking franchise by leveraging on our global franchise, international product platform and network in 2012 and beyond. Our strong client focus and drive to deliver comprehensive and innovative end-to-end solutions will continue to differentiate us and secure our position as a top-tier corporate and investment bank for clients in the local market.

The Bank will continue to manage capital efficiently to support business growth.

12. Financial assets held-for-trading

	Group and Bank	
	30 June 2012	31 December 2011
At fair value	RM'000	RM'000
Malaysian Government Securities	381,856	543,164
Malaysian Investment Issue	297,216	61,087
Bank Negara Malaysia Bills	641,194	288,428
Cagamas bonds	3,173	6,211
Private debt securities	10,634	40,817
Negotiable instruments of deposit	655,000	-
	1,989,073	939,707
	=====	=====

13. Financial investments available-for-sale

	Group and Bank	
	30 June 2012	31 December 2011
At fair value	RM'000	RM'000
Quoted securities	4,709	5,574
At cost		
Unquoted securities	1,591	1,591
	6,300	7,165
	=====	=====

14. Loans, advances and financing

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
At amortised cost		
Overdrafts	61,317	78,074
Term loans - housing loans	28,673	30,176
- other term loans	57,362	68,589
Bills receivable	42,359	55,156
Claims on customers under acceptance credits	530,981	614,688
Staff loans	3,871	3,111
	<u>724,563</u>	<u>849,794</u>
Unearned interest	(3,155)	(3,305)
	<u>721,408</u>	<u>846,489</u>
Gross loans, advances and financing	721,408	846,489
Allowance for impaired loans and financing		
- Collective assessment	(12,672)	(12,672)
- Individual assessment	(2,407)	(2,753)
Net loans, advances and financing	<u>706,329</u>	<u>831,064</u>
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Maturing within one year	673,410	795,505
One year to three years	629	3,497
Three years to five years	17,315	16,745
Over five years	30,054	30,742
	<u>721,408</u>	<u>846,489</u>
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Domestic business enterprises - others	646,716	762,195
Individuals	32,576	33,316
Foreign entities	42,116	50,978
	<u>721,408</u>	<u>846,489</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 2012 RM'000	31 December 2011 RM'000
Fixed rate		
- Other fixed rate loan / financing	3,871	3,111
Variable rate		
- Base lending rate plus	59,968	63,593
- Cost-plus	654,952	777,625
- Other variable rates	2,617	2,160
	<u>721,408</u>	<u>846,489</u>
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Malaysia	679,293	795,511
India	9,128	28,089
Other countries	32,987	22,889
	<u>721,408</u>	<u>846,489</u>
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Mining	-	769
Manufacturing	370,702	492,371
Electricity, gas and water	466	-
Construction	75,186	55,637
Purchase of landed property:		
- Residential	31,918	32,724
Wholesale & retail trade and restaurants & hotels	193,178	205,859
Finance, insurance and business services	46,743	57,716
Purchase of transport vehicles	225	256
Others	2,990	1,157
	<u>721,408</u>	<u>846,489</u>
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Balance at 1 January	9,867	11,499
Classified as impaired during the period/year	1,404	3,375
Reclassified as non-impaired during the period/year	(994)	(2,075)
Amounts recovered	(1,399)	(2,932)
At 30 June 2012	8,878	9,867
	=====	=====
Gross impaired loans as a percentage of gross loans, advances and financing	1.23%	1.17%
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	12,672	23,946
Reversal during the year	-	(11,274)
At 30 June 2012	12,672	12,672
	=====	=====

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	2,753	3,419
Allowance made during the period/year	218	816
Amounts recovered	(564)	(1,482)
At 30 June 2012	2,407	2,753
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Manufacturing	3,555	4,186
Purchase of landed property - residential	5,280	5,638
Others	43	43
	8,878	9,867
	=====	=====

15. Other assets

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Interest / Income receivable	16,547	15,769
Margin placed with exchange	4,164	627
Derivatives	1,860,278	1,677,119
Other debtors, deposits and prepayments	598,902	423,586
	<u>2,479,891</u>	<u>2,117,101</u>
	=====	=====

16. Deposits from customers

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Demand deposits	1,768,056	1,870,159	1,768,076	1,870,179
Savings deposits	7,691	9,052	7,691	9,052
Fixed deposits	531,160	599,283	531,160	599,283
Other deposits	3,432,011	3,442,947	3,432,011	3,442,947
Negotiable instruments of deposits	-	50,000	-	50,000
	<u>5,738,918</u>	<u>5,971,441</u>	<u>5,738,938</u>	<u>5,971,461</u>
	=====	=====	=====	=====

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Due within six months	1,970,847	2,017,830	1,970,847	2,017,830
More than six months to one year	58,247	132,916	58,247	132,916
More than one year to three years	1,337,804	1,238,583	1,337,804	1,238,583
More than three years to five years	429,641	544,585	429,641	544,585
More than five years	166,632	158,316	166,632	158,316
	<u>3,963,171</u>	<u>4,092,230</u>	<u>3,963,171</u>	<u>4,092,230</u>
	=====	=====	=====	=====

16. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Business enterprises	2,598,727	2,780,935	2,598,747	2,780,955
Individuals	41,581	45,645	41,581	45,645
Foreign customers	218,195	134,588	218,195	134,588
Others	2,880,415	3,010,273	2,880,415	3,010,273
	<u>5,738,918</u>	<u>5,971,441</u>	<u>5,738,938</u>	<u>5,971,461</u>
	=====	=====	=====	=====

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Other financial institutions	2,141,671	1,941,001
	<u>2,141,671</u>	<u>1,941,001</u>
	=====	=====

18. Other liabilities

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Interest payable	2,035	2,717
Bills payable	144,945	155,145
Derivatives	1,979,462	1,875,631
Employee benefits	6,337	18,426
Other liabilities	671,771	482,518
	<u>2,804,550</u>	<u>2,534,437</u>
	=====	=====

19. Interest income

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	17,068	14,131	8,132	7,315
Money at call and deposit placements with financial institutions	10,250	12,867	4,823	7,810
Securities purchased under resale agreement	55,640	74,395	29,019	38,131
Financial assets held for trading	35,825	42,915	12,916	16,379
Others	-	51	-	1
	<u>118,783</u>	<u>144,359</u>	<u>54,890</u>	<u>69,636</u>
	=====	=====	=====	=====
Of which:				
Interest income earned on impaired loans, advances and financing	218	354	106	162
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20. Interest expense

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	10,553	3,933	5,256	2,294
Obligations on securities sold under repurchase agreement	2,404	49,012	153	29,449
Deposits from customers	29,068	28,979	13,969	15,231
	<u>42,025</u>	<u>81,924</u>	<u>19,378</u>	<u>46,974</u>
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21. Non-Interest Income

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	4,798	4,762	2,525	429
Service charges and fees	7,938	7,115	4,619	5,910
Guarantee fees	4,085	1,918	2,387	970
	<u>16,821</u>	<u>13,795</u>	<u>9,531</u>	<u>7,309</u>
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Net gain/(loss) from financial instruments:				
Net gain/(loss) arising on financial assets held for trading :				
Net gain/(loss) from sale	7,992	(5,898)	10,392	3,759
Unrealised revaluation loss	720	1,250	3,050	2,087
Net (loss)/ gain arising on trading derivatives :				
Net loss on settlement	(106,281)	(163,789)	(59,080)	(181,965)
Unrealised revaluation gain/(loss)	60,819	44,721	(29,296)	42,863
Net gain/(loss) arising from dealing in foreign exchange :				
Net gain on settlement	161,901	183,389	100,936	83,680
Unrealised (loss)/gain from foreign exchange translation	(24,653)	(55,001)	13,654	1,616
Net gain arising on financial investments available-for-sale :				
Gross dividend income	63	70	40	55
Gain from sale of investment securities	908	-	908	-
Other income :				
Gain/(loss) on disposal of plant and equipment	94	-	(1)	-
Other operating income, net	3,279	7,084	(1,945)	5,141
	<u>104,842</u>	<u>11,826</u>	<u>38,658</u>	<u>(42,764)</u>
	-----	-----	-----	-----
	<u>121,663</u>	<u>25,621</u>	<u>48,189</u>	<u>(35,455)</u>
	=====	=====	=====	=====

22. Other operating expenses

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
-Salaries, allowances and bonuses	23,505	28,545	11,190	13,994
-Others	5,824	7,188	2,800	4,291
Establishment costs				
-Rental	1,341	1,354	773	677
-Depreciation	730	784	310	388
-Others	1,750	1,593	978	781
Marketing expenses	941	1,262	457	591
Administration and general expenses				
-Intercompany expenses	13,883	11,790	9,436	1,718
-Communication	818	812	393	436
-Others	3,484	3,284	1,589	1,864
	<u>52,276</u>	<u>56,612</u>	<u>27,926</u>	<u>24,740</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 150 (June 2011 - 148).

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
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance				
- made during the year	(218)	(356)	(106)	(164)
- written back	564	604	428	214
Recoveries from bad debt written off	100	-	83	-
	<u>446</u>	<u>248</u>	<u>405</u>	<u>50</u>
	=====	=====	=====	=====

24. Contingent Liabilities

As at 30 June 2012, the Bank has received a judgment in its favour in the litigation commenced against it by two companies, seeking specific damages amounting to RM1 million and general damages for which the amount is not quantifiable at this stage. The two companies have lodged an appeal against the judgment.

The information usually required by FRS137, Provision, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation.

25. Credit transactions and exposures with connected parties

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Outstanding credit exposures with connected parties	697,647	548,415
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	9,049,325 =====	8,000,095 =====
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	7.71%	6.85%
- as a proportion of capital base	50.29%	39.54%
which is non performing	0%	0%

26. Capital adequacy

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 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	686,156	686,156
Less: Deferred tax assets	(17,746)	(17,746)
Total Tier 1 capital	1,374,494	1,374,494
Tier 2 capital		
Collective assessment allowance	12,672	12,672
Total Capital	1,387,166	1,387,166
Less: Investments in subsidiary companies	(20)	(20)
Capital base	1,387,146	1,387,146
	=====	=====
Core capital ratio	12.17%	14.39%
Risk-weighted capital ratio	12.28%	14.52%
	=====	=====

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	
		2012 RM'000	2011 RM'000
1	Credit risk	4,416,123	4,004,524
2	Market risk	6,402,545	5,089,609
3	Operational risk	478,513	457,788
Total		11,297,181	9,551,921

26. Capital adequacy (continued)

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

30 June 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	1,342,743	671,371	542,131
Short Term Self Liquidating Trade Related Contingencies	131,340	26,268	24,774
Foreign exchange related contracts			
One year or less	25,200,698	586,069	286,455
Over one year to five years	11,158,254	1,067,393	486,784
Over five years	5,625,919	1,149,582	514,318
Interest/Profit rate related contracts			
One year or less	25,220,099	81,097	21,032
Over one year to five years	67,637,621	2,258,265	669,375
Over five years	15,232,602	1,430,111	468,382
Equity related contracts			
One year or less	108,555	11,528	4,796
Over one year to five years	1,113,947	143,085	71,543
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	121,495	2,009	1,005
Over one year to five years	876,479	63,496	15,107
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	1,297,154	259,431	236,423
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	155,066,906	7,749,705	3,342,125

26. Capital adequacy (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 2011 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	963,205	481,603	416,700
Short Term Self Liquidating Trade Related Contingencies	120,479	24,096	19,344
Foreign exchange related contracts			
One year or less	14,952,336	344,037	194,372
Over one year to five years	8,949,139	769,683	360,775
Over five years	5,597,133	1,209,122	546,968
Interest/Profit rate related contracts			
One year or less	29,067,309	81,646	22,988
Over one year to five years	60,292,816	1,941,932	580,580
Over five years	15,443,759	1,417,324	474,950
Equity related contracts			
One year or less	36,658	3,666	1,833
Over one year to five years	1,139,334	141,351	70,676
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	79,425	8,345	4,173
Over one year to five years	245,700	34,975	11,970
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	1,194,699	238,940	209,762
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	138,081,992	6,696,720	2,915,091

27. The Operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012 - UNAUDITED

	Note	Bank	
		30 June 2012 RM'000	31 December 2011 RM'000
Assets			
Cash and short term funds	(a)	5,688	12,099
Financial assets-held-for-trading		105,459	80,821
Other assets		244	247
Total assets		<u>111,391</u> =====	<u>93,167</u> =====
Liabilities and shareholders' funds			
Deposits from customer	(b)	75,957	59,240
Deposits and placements of banks and other financial institutions	(c)	4,364	4,779
Other liabilities	(d)	2,599	1,144
Taxation		805	688
Total liabilities		<u>83,725</u> -----	<u>65,851</u> -----
Capital funds		25,000	25,000
Retained profits		2,666	2,316
Islamic banking funds		<u>27,666</u> -----	<u>27,316</u> -----
Total liabilities and Islamic banking funds		<u>111,391</u> =====	<u>93,167</u> =====
Commitments and contingencies		- =====	- =====

27. The operations of Islamic Banking (continued)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2012 - UNAUDITED

	Bank			
	Half Year ended 30 June 2012 RM'000	30 June 2011 RM'000	2 nd Quarter ended 30 June 2012 RM'000	30 June 2011 RM'000
Income derived from investment of Islamic banking funds	467	689	128	308
Profit before taxation	<u>467</u>	<u>689</u>	<u>128</u>	<u>308</u>
Taxation	(117)	(172)	(32)	(77)
Profit after taxation	<u>350</u> =====	<u>517</u> =====	<u>96</u> =====	<u>231</u> =====

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE HALF YEAR ENDED 30 JUNE 2012

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2012	25,000	2,316	27,316
Profit after taxation	-	350	350
At 30 June 2012	<u>25,000</u>	<u>2,666</u>	<u>27,666</u>
=====			
At 1 January 2011	25,000	1,109	26,109
Profit after taxation	-	517	517
At 30 June 2011	<u>25,000</u>	<u>656</u>	<u>26,626</u>
=====			

27. The operations of Islamic Banking (continued)

**STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED 30 JUNE 2012**

	30 June 2012 RM'000	30 June 2011 RM'000
Cash flows from operating activities		
Profit before taxation	467	689
Operating profit before working capital changes	<u>467</u>	<u>689</u>
Changes in working capital:		
Increase in operating assets	(24,635)	436
Decrease in operating liabilities	17,757	(10,163)
Net cash used in operations	<u>(6,411)</u>	<u>(9,038)</u>
Net cash used in investing activity	-	-
	<u>-</u>	<u>-</u>
Net decreased in cash and cash equivalents	(6,411)	(9,038)
Cash and cash equivalents at beginning of period	12,099	54,065
Cash and cash equivalents at end of period	<u>5,688</u>	<u>45,027</u>
	=====	=====
Analysis of cash and cash equivalents		
Cash and short term funds	<u>5,688</u>	<u>45,027</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 committee comprises: Dr Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Haji Ismail Aminuddin.

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 2012 RM'000	31 December 2011 RM'000
Cash and balances with banks and other financial institutions	5,688	6,099
Money at call and deposit placements maturing within one month	-	6,000
	5,688	12,099
	=====	=====

(b) Deposits from customer

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Non-Mudharabah		
Demand deposits	25,957	9,240
Other deposits	50,000	50,000
	75,957	59,240
	=====	=====

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Licensed bank	4,364	4,779
	4,364	4,779
	=====	=====

27. The operations of Islamic Banking (continued)

(d) Other liabilities

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Bills payable	52	65
Others	2,547	1,079
	<u>2,599</u>	<u>1,144</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 2012 RM'000	31 December 2011 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	2,316	2,316
Total Tier 1 capital	<u>27,316</u>	<u>27,316</u>
Total Tier 2 capital	-	-
Capital base	<u>27,316</u>	<u>27,316</u>
	=====	=====
Core capital ratio	118.10%	122.06%
Risk-weighted capital ratio	118.10%	122.06%
	=====	=====

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

RISK TYPE		Risk Weighted Assets	
		2012 RM'000	2011 RM'000
1	Credit risk	96	103
2	Market risk	20,810	20,346
3	Operational risk	2,223	1,931
Total		23,129	22,380