

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 2019



Consolidated Statements of Financial Position
As at 30 June 2019 - Unaudited

	Note	Group		Bank	
		30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Assets					
Cash and short term funds	12.1	2,813,126	1,793,561	2,813,126	1,793,561
Deposits and placements with banks and other financial institutions	12.2	129,997	374,990	129,997	374,990
Reverse repurchase agreements		181,772	146,401	181,772	146,401
Financial securities	13	2,696,620	3,407,359	2,696,620	3,407,359
Loans, advances and financing	14	3,205,305	2,275,345	3,205,305	2,275,345
Other assets	15	1,816,489	1,283,639	1,816,489	1,283,639
Tax recoverable		4,335	15,188	4,335	15,188
Statutory deposit with Bank Negara Malaysia		10,000	20,000	10,000	20,000
Investments in subsidiary companies		-	-	20	20
Property and equipment		2,395	2,927	2,395	2,927
Deferred tax assets		39,382	35,355	39,382	35,355
Total assets		<u>10,899,421</u>	<u>9,354,765</u>	<u>10,899,441</u>	<u>9,354,785</u>
Liabilities and shareholders' funds					
Deposits from customers	16	4,310,275	4,226,840	4,310,295	4,226,860
Deposits and placements of banks and other financial institutions	17	2,342,510	1,514,300	2,342,510	1,514,300
Other liabilities	18	2,233,637	1,740,204	2,233,637	1,740,204
Total liabilities		<u>8,886,422</u>	<u>7,481,344</u>	<u>8,886,442</u>	<u>7,481,364</u>
Share capital		531,362	531,362	531,362	531,362
Reserves		1,280,739	1,342,059	1,280,739	1,342,059
Proposed Dividend		200,898	-	200,898	-
Shareholders' funds		<u>2,012,999</u>	<u>1,873,421</u>	<u>2,012,999</u>	<u>1,873,421</u>
Total liabilities and shareholders' funds		<u>10,899,421</u>	<u>9,354,765</u>	<u>10,899,441</u>	<u>9,354,785</u>
Commitments and contingencies	26	<u>96,204,518</u>	<u>97,386,346</u>	<u>96,204,518</u>	<u>97,386,346</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2018.

**Consolidated Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 30 June 2019 - Unaudited**

	Note	Group and Bank			
		Half year ended 30 June 2019 RM'000	30 June 2018 RM'000	Three months ended 30 June 2019 RM'000	30 June 2018 RM'000
Interest income	19	154,264	147,122	79,196	74,350
Interest expense	20	(47,483)	(41,366)	(24,188)	(19,427)
Net interest income		106,781	105,756	55,008	54,923
Net income from Islamic Banking Operations	27	1,321	1,809	700	897
Non-interest income	21	149,448	107,839	70,299	23,976
Operating income		257,550	215,404	126,007	79,796
Other operating expenses	22	(74,048)	(91,797)	(40,255)	(47,967)
Operating profit		183,502	123,607	85,752	31,829
Allowance (made) / written back for impairment	23	(72)	(1,298)	(25)	333
Profit before tax		183,430	122,309	85,727	32,162
Tax expense		(44,353)	(29,786)	(20,560)	(7,496)
Net profit for the period		139,077	92,523	65,167	24,666
Other comprehensive income:					
<i>Movement in fair value reserve (debt securities) :</i>					
Net change in fair value		704	3	612	(101)
Net amount transferred to profit or loss		(45)	67	6	28
Tax expense on other comprehensive income		(158)	(16)	(148)	18
Other comprehensive income for the period		501	54	470	(55)
Total comprehensive income for the period		139,578	92,577	65,637	24,611
Earnings per share (sen)		80.1 sen	53.3 sen	37.5 sen	14.2 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 2018.

**Consolidated Statements Of Changes In Equity
For The Financial Period Ended 30 June 2019**

Group and Bank	Note	<-----Attributable to owner of the Bank----->						
		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
At 1 January 2019		531,362	-	40,077	1,301,982	1,342,059	-	1,873,421
Net profit for the period		-	-	-	139,077	139,077	-	139,077
Other comprehensive income for the period		-	-	501	-	501	-	501
Total comprehensive income for the period		-	-	501	139,077	139,578	-	139,578
Proposed dividend		-	-	-	(200,898)	(200,898)	200,898	-
At 30 June 2019		531,362	-	40,578	1,240,161	1,280,739	200,898	2,012,999
At 1 January 2018		531,362	-	13,604	1,282,526	1,296,130	-	1,827,492
Net profit for the period		-	-	-	92,523	92,523	-	92,523
Other comprehensive income for the period		-	-	54	-	54	-	54
Total comprehensive income for the period		-	-	54	92,523	92,577	-	92,577
Transfer pursuant to BNM revised policy*		-	-	24,442	(24,442)	-	-	-
Proposed dividend		-	-	-	(155,000)	(155,000)	155,000	-
At 30 June 2018		531,362	-	38,100	1,195,607	1,233,707	155,000	1,920,069

* Bank Negara Malaysia ("BNM") had on 2 February 2018 issued a revised policy document on Financial Reporting which requires all banking institutions to maintain in aggregate, Stage 1 and 2 provisions and regulatory reserve of no less than 1% of all credit exposures, net of Stage 3 provision. During the financial period ended 30 June 2018, the Group and the Bank has transferred RM24,442,000 from its retained profits to other reserves 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 2018.

**Condensed Consolidated Statements Of Cash Flows
For The Financial Period Ended 30 June 2019**

	Group and Bank	
	30 June 2019 RM'000	30 June 2018 RM'000
Profit before taxation	183,430	122,309
Adjustments for non-operating and non-cash items	548	384
Operating profit before working capital changes	183,978	122,693
Changes in working capital:		
Net changes in operating assets	(776,783)	(1,745,780)
Net changes in operating liabilities	1,405,078	2,520,155
Income tax paid	(37,685)	(31,319)
Net cash generated from operations	774,588	865,749
Cash flows from investing activities:		
Purchase of property and equipment	(16)	(17)
Net cash used in investing activities	(16)	(17)
Net increase in cash and cash equivalents	774,572	865,732
Cash and cash equivalents at beginning of the period	2,168,551	3,749,261
Cash and cash equivalents at end of the period	2,943,123	4,614,993
Analysis of cash and cash equivalents:		
Cash and short-term funds	2,813,126	4,494,993
Deposits and placements with banks and other financial institutions	129,997	120,000
Cash and cash equivalents at end of the period	2,943,123	4,614,993

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 2018.

Explanatory Notes To The Interim Financial Statements For The Financial Period Ended 30 June 2019

1. Basis of preparation

The unaudited interim financial statements for the financial period ended 30 June 2019 have been prepared under the historical cost convention except for reverse repurchase agreements, financial securities 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 2018. 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 2018.

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 2018, 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"):

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 2020 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020; and
- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

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 2018 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 2019.

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 2019.

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 2019.

7. Dividend Paid

No dividend was paid during the financial period ended 30 June 2019. The final dividend recommended by the Directors in respect of the financial year ended 31 December 2018 is 115.7 sen per ordinary share totalling RM200,898,000. The shareholders approved the proposed dividend, and the dividend was paid on 18 July 2019.

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 2019.

10. Review of Performance

The Bank recorded profit before taxation for the financial period ended 30 June 2019 of RM183.4 million compared to RM122.3 million for the previous corresponding period. Operating income increased by RM42.1 million (+19.6%) from RM215.4 million to RM257.5 million, mainly attributed to higher non-interest income of RM149.4 million against RM107.8 million in the previous corresponding period. Operating expenses decreased by RM17.8 million (-19.4%) from RM91.8 million to RM74.0 million mainly attributed to lower intercompany charges and personnel costs.

Total assets registered an increase of RM1.5 billion or 16.5% from RM9.4 billion as at 31 December 2018 to RM10.9 billion as at 30 June 2019. The Bank's total common equity tier 1 ratio and total capital ratio remained strong at 17.4% and 17.9%, respectively.

11. Prospects

Globally, the outlook has deteriorated and the economy is seeing slower, but still positive growth. The impending growth slowdown is currently kept in check by the prompt actions of central banks, mainly rate cuts by the Fed and the ECB. The US economy is seeing slower growth and low inflation due to softer sentiments and slower jobs growth. However, consumer fundamentals remain solid and the labour market remains strong overall. In the Eurozone, growth is below trend mainly due to declining retail sales and weaker investment spending. However, a recession is mitigated by the resilience of the labour market and easy financial conditions. On the local front, the overnight policy rate was reduced by 25 basis points to 3.00%. The Malaysian economy is expected to remain on a steady growth path, primarily driven by private sector demand, while the external sector is likely to grow marginally in tandem with modest global demand.

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. Cash and cash equivalents

12.1 Cash and short-term funds

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	217,742	355,351
Money at call and deposit placements maturing within one month	2,595,384	1,438,210
	-----	-----
	2,813,126	1,793,561
	=====	=====

12.2 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Licensed bank	129,997	374,990
	=====	=====

12. Cash and cash equivalents (continued)

The following table shows reconciliations from the opening to the closing balance of the loss allowance for cash and cash equivalents.

Group and Bank	2019				2018			
	12-month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total	12-month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents								
Balance at 1 January	219	-	-	219	7	-	-	7
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(122)	-	-	(122)	204	-	-	204
New financial assets originated or purchased	11	-	-	11	15	-	-	15
Financial assets that have been derecognised	(15)	-	-	(15)	(7)	-	-	(7)
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 June / 31 December	93	-	-	93	219	-	-	219

13. Financial securities

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Debt securities at FVTPL		
Malaysian Government Securities	1,406,106	2,151,445
Malaysian Investment Issue	514,788	252,469
Treasury Bills	3,009	24,568
Cagamas bonds	140,032	200,000
Negotiable instruments of deposits	200,040	400,000
Corporate bonds	-	5,005
	-----	-----
	2,263,975	3,033,487
	-----	-----
Debt securities at FVOCI		
Malaysian Government Securities	431,054	272,281
Negotiable instruments of deposits	-	100,000
	-----	-----
	431,054	372,281
	-----	-----
Equity investments at FVOCI		
Unquoted shares in Malaysia	1,591	1,591
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	2,696,620	3,407,359
	=====	=====

13. Financial securities (continued)

The following table shows reconciliations from the opening to the closing balance of the loss allowance for debt securities at FVOCI.

Group and Bank	2019				2018			
	12-month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total	12-month ECL	Lifetime ECL not credit - impaired	Lifetime ECL credit - impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Debt securities at FVOCI								
Balance at 1 January	207	-	-	207	2	-	-	2
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(15)	-	-	(15)	-	-	-	-
New financial assets originated or purchased	158	-	-	158	207	-	-	207
Financial assets that have been derecognised	(187)	-	-	(187)	(2)	-	-	(2)
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 June / 31 December	163	-	-	163	207	-	-	207

14. Loans, advances and financing

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
<i>At amortised cost</i>		
Overdrafts	320,961	176,310
Term loans - housing loans	9,179	10,131
- other term loans	667,738	313,954
Bills receivable	374,237	386,579
Trust Receipt	105,887	44,009
Claims on customers under acceptance credits	1,757,296	1,365,775
Staff loans	63	887
	<u>3,235,361</u>	<u>2,297,645</u>
Unearned interest	(22,463)	(14,949)
	<u>3,212,898</u>	<u>2,282,696</u>
Gross loans, advances and financing		
Allowance for impaired loans and financing		
- Expected credit losses	(7,593)	(7,351)
	<u>3,205,305</u>	<u>2,275,345</u>
Net loans, advances and financing	=====	=====

14. Loans, advances and financing (continued)

The following table shows reconciliations from the opening to the closing balance of the loss allowance for loans, advances and financing.

Group and Bank	2019				2018			
	12-month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit – impaired	Total	12-month ECL	Lifetime ECL not credit – impaired	Lifetime ECL credit – impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing at amortised cost*								
Balance at 1 January	5,146	623	1,582	7,351	4,652	357	675	5,684
Transfer to 12-month ECL	176	(18)	(158)	-	131	-	(131)	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	(175)	-	175	-	(493)	-	493	-
Net remeasurement of loss allowance	(782)	(589)	121	(1,250)	527	405	545	1,477
New financial assets originated or purchased	1,549	7	-	1,556	1,164	158	-	1,322
Financial assets that have been derecognised	(64)	-	-	(64)	(835)	(297)	-	(1,132)
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 June / 31 December	5,850	23	1,720	7,593	5,146	623	1,582	7,351

* The loss allowance in this table includes ECL on loan commitment and financial guarantees.

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Maturing within one year	3,042,851	2,109,664
More than one to three years	161,626	163,682
More than three to five years	1,251	1,401
More than five years	7,170	7,949
	<u>3,212,898</u>	<u>2,282,696</u>
	=====	=====

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Domestic non-bank financial institutions	419,058	463,061
Domestic business enterprises	2,264,823	1,348,391
Government and statutory bodies	145,537	73,836
Individuals	9,243	11,018
Foreign entities	374,237	386,390
	<u>3,212,898</u>	<u>2,282,696</u>
	=====	=====

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Fixed rate		
- Other fixed rate loan / financing	26,975	13,651
Variable rate		
- Base lending rate plus	340,515	110,976
- Cost-plus	2,844,183	2,156,691
- Other variable rates	1,225	1,378
	<u>3,212,898</u>	<u>2,282,696</u>
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Malaysia	2,838,661	1,896,306
China	4,101	4,740
India	355,131	288,405
Turkey	1,729	62,759
Others	13,276	30,486
	<u>3,212,898</u> =====	<u>2,282,696</u> =====

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Mining and Quarrying	150,206	150,235
Manufacturing	675,353	241,598
Construction	186,637	150,416
Wholesale & retail trade and restaurants & hotels	342,013	264,299
Transport, storage and communication	764,782	410,549
Finance, insurance and business services	939,127	980,745
Education, health and others	145,537	73,836
Household	9,243	11,018
	<u>3,212,898</u> =====	<u>2,282,696</u> =====

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Balance at 1 January	2,965	2,032
Classified as impaired during the period/ year	311	1,437
Reclassified as non-impaired during the period/ year	(69)	(303)
Amount recovered	(357)	(201)
	<u>2,850</u> =====	<u>2,965</u> =====
At 30 June 2019 / 31 December 2018		
Gross impaired loans as a percentage of gross loans, advances and financing	0.09%	0.13%
	<u>0.09%</u> =====	<u>0.13%</u> =====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Household (Malaysia)	2,850	2,965
	<u>2,850</u>	<u>2,965</u>
	=====	=====

15. Other assets

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Interest / Income receivable	25,613	28,851
Margin placed with exchange	4,318	6,620
Derivatives	889,172	890,488
Other debtors, deposits and prepayments	897,386	357,680
	<u>1,816,489</u>	<u>1,283,639</u>
	=====	=====

16. Deposits from customers

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Demand deposits	3,994,528	3,885,051	3,994,548	3,885,071
Savings deposits	105	303	105	303
Fixed deposits	103,443	59,913	103,443	59,913
Other deposits	212,199	281,573	212,199	281,573
	<u>4,310,275</u>	<u>4,226,840</u>	<u>4,310,295</u>	<u>4,226,860</u>
	=====	=====	=====	=====

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

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Due within six months	181,548	185,534
More than six months to one year	1,038	31,212
More than five years	133,056	124,740
	<u>315,642</u>	<u>341,486</u>
	=====	=====

16. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Business enterprises	3,656,744	3,600,871	3,656,764	3,600,891
Individuals	376	594	376	594
Foreign customers	107,039	76,942	107,039	76,942
Others	546,116	548,433	546,116	548,433
	<u>4,310,275</u>	<u>4,226,840</u>	<u>4,310,295</u>	<u>4,226,860</u>
	=====	=====	=====	=====

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Licensed banks	250,000	-
Other financial institutions	2,092,510	1,514,300
	<u>2,342,510</u>	<u>1,514,300</u>
	=====	=====

18. Other liabilities

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Interest payable	4,297	2,148
Bills payable	16,404	42,640
Derivatives	863,582	854,986
Employee benefits	15,918	18,903
Other liabilities	1,333,436	821,527
	<u>2,233,637</u>	<u>1,740,204</u>
	=====	=====

19. Interest income

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	56,281	52,718	30,919	27,749
Money at call and deposit placements with financial institutions	42,169	50,299	21,071	21,192
Reverse repurchase agreements	895	1,784	287	542
Financial securities	54,829	42,321	26,876	24,867
Other interest income	90	-	43	-
	<u>154,264</u>	<u>147,122</u>	<u>79,196</u>	<u>74,350</u>
	=====	=====	=====	=====

20. Interest expense

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	19,155	12,601	10,088	6,564
Deposits from customers	28,235	28,764	14,065	12,862
Repurchase agreement	19	1	-	1
Other interest expense	74	-	35	-
	<u>47,483</u>	<u>41,366</u>	<u>24,188</u>	<u>19,427</u>
	=====	=====	=====	=====

21. Non-interest income

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	4,166	4,888	2,023	2,396
Service charges and fees	15,947	12,311	8,297	5,506
Guarantee fees	1,910	2,103	1,043	1,051
	<u>22,023</u>	<u>19,302</u>	<u>11,363</u>	<u>8,953</u>
Fee expense:				
Commissions	(2,874)	(2,252)	(1,468)	(1,162)
Service charges and fees	(7,927)	(5,463)	(4,619)	(2,872)
	<u>(10,801)</u>	<u>(7,715)</u>	<u>(6,087)</u>	<u>(4,034)</u>
Net fee income	<u>11,222</u>	<u>11,587</u>	<u>5,276</u>	<u>4,919</u>
Net gains from financial instruments:				
Net gain / (loss) arising from financial securities:				
Realised gain / (loss)	26,451	11,553	10,043	(1,146)
Unrealised gain / (loss)	4,432	(1,209)	406	(3,280)
Net (loss) / gain arising from derivatives:				
Realised (loss) / gain	(41,452)	36,421	(27,856)	55,349
Unrealised revaluation (loss) / gain	(13,841)	(3,142)	1,601	5,313
Foreign exchange gain / (loss)	146,936	45,897	71,092	(40,329)
Gross dividend income	45	45	45	45
Loss from disposal of property and equipment	-	(6)	-	-
Other income:				
Other operating income, net	15,655	6,693	9,692	3,105
	<u>138,226</u>	<u>96,252</u>	<u>65,023</u>	<u>19,057</u>
	<u>149,448</u>	<u>107,839</u>	<u>70,299</u>	<u>23,976</u>
	=====	=====	=====	=====

22. Other operating expenses

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	21,948	23,766	10,809	11,734
- Others	6,435	13,547	3,499	8,363
Establishment costs				
- Rental	1,011	991	559	501
- Depreciation	548	384	267	186
- Others	2,315	3,388	1,091	2,138
Marketing expenses	1,045	1,081	333	410
Administration and general expenses				
- Intercompany expenses	34,721	40,108	20,807	20,513
- Communication	839	1,158	406	525
- Others	5,186	7,374	2,484	3,597
	<u>74,048</u>	<u>91,797</u>	<u>40,255</u>	<u>47,967</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 196 (June 2018 – 215).

23. Allowance for impairment

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Expected credit losses				
(Allowance) / written back for impairment				
- loans, advances and financing	(242)	(1,100)	61	472
- cash and cash equivalent	126	(131)	(79)	(111)
- debt securities at FVOCI	44	(67)	(7)	(28)
	<u>(72)</u>	<u>(1,298)</u>	<u>(25)</u>	<u>333</u>
	=====	=====	=====	=====

24. Credit transactions and exposures with connected parties

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Outstanding credit exposures with connected parties	250,738	419,077
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	10,303,200	8,373,088
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	2.43%	5.01%
- as a proportion of capital base which is non performing	15.26%	22.73%
	0%	0%

25. Capital adequacy

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	531,362	531,362
Other disclosed reserves	204	36
Retained profits	1,101,084	1,301,982
Less: Deferred tax assets	(35,355)	(35,355)
Total common equity tier 1 / Total tier 1 capital	1,597,295	1,798,025
Tier 2 capital		
Expected credit losses ("ECL")*	5,873	5,769
Regulatory reserve	40,000	40,000
Total capital base	1,643,168	1,843,794
Common equity tier 1 / Tier 1 capital ratio	17.395%	19.186%
Total capital ratio	17.895%	19.674%

* Refers to ECL for Stage 1 and Stage 2.

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 2 February 2018. 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 is at 2.5%.

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 2019 RM'000	31 December 2018 RM'000
1	Credit risk	5,970,541	4,945,990
2	Market risk	2,396,977	3,645,457
3	Operational risk	814,791	780,229
Total		9,182,309	9,371,676

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 2019 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	602,605	301,302	288,215
Short Term Self Liquidating Trade Related Contingencies	227,718	45,544	43,363
Foreign exchange related contracts			
One year or less	13,106,362	257,234	197,399
Over one year to five years	1,418,270	110,967	110,967
Over five years	334,876	36,592	19,516
Interest/Profit rate related contracts			
One year or less	913,674	175,009	174,632
Over one year to five years	404,570	9,060	6,275
Over five years	27,063	2,165	433
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	76,488,401	1,552,458	347,191
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	693,609	346,805	346,805
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,987,370	397,474	397,474
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	96,204,518	3,234,610	1,932,270

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 2018 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	599,291	299,646	285,918
Short Term Self Liquidating Trade Related Contingencies	185,199	37,040	34,438
Foreign exchange related contracts			
One year or less	12,088,276	279,886	221,626
Over one year to five years	1,918,247	148,283	148,283
Over five years	350,131	38,118	21,042
Interest/Profit rate related contracts			
One year or less	868,592	201,431	200,199
Over one year to five years	584,874	10,363	7,337
Over five years	27,063	2,165	433
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	77,054,912	1,600,811	351,278
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	743,120	371,560	371,560
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,966,641	593,328	591,131
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	97,386,346	3,582,631	2,233,245

27. The operations of Islamic Banking

Statement of Financial Position
As at 30 June 2019 – Unaudited

	Note	Bank	
		30 June 2019 RM'000	31 December 2018 RM'000
Assets			
Cash and short term funds	(a)	77,000	94,593
Other assets		54	8
Total assets		<u>77,054</u> =====	<u>94,601</u> =====
Liabilities and shareholders' funds			
Deposits from customer	(b)	34,546	54,449
Other liabilities	(c)	5,554	3,711
Tax payable		315	798
Total liabilities		<u>40,415</u> -----	<u>58,958</u> -----
Capital funds		25,000	25,000
Retained profits		11,639	10,643
Islamic banking funds		<u>36,639</u> -----	<u>35,643</u> -----
Total liabilities and Islamic banking funds		<u>77,054</u> =====	<u>94,601</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 2019 - Unaudited

	Half year ended		Bank Three months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income derived from investment of Islamic banking funds	1,321	1,809	700	897
Total net income	<u>1,321</u>	<u>1,809</u>	<u>700</u>	<u>897</u>
Other operating expenses	(10)	(10)	(5)	(5)
Profit before taxation	<u>1,311</u>	<u>1,799</u>	<u>695</u>	<u>892</u>
Taxation	(315)	(432)	(167)	(214)
Profit and total comprehensive income for the period	<u>996</u> =====	<u>1,367</u> =====	<u>528</u> =====	<u>678</u> =====

Statement Of Changes In Islamic Banking Funds
For The Financial Period Ended 30 June 2019

	Capital funds RM'000	Retained profits RM'000	Total RM'000
Bank			
At 1 January 2019	25,000	10,643	35,643
Profit and total comprehensive income for the period	-	996	996
At 30 June 2019	<u>25,000</u>	<u>11,639</u>	<u>36,639</u>
At 1 January 2018	25,000	8,116	33,116
Profit and total comprehensive income for the period	-	1,367	1,367
At 30 June 2018	<u>25,000</u>	<u>9,483</u>	<u>34,483</u>

27. The operations of Islamic Banking (continued)

Statement Of Cash Flows
For The Financial Period Ended 30 June 2019

	Bank	
	30 June 2019	30 June 2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	1,311	1,799
Operating profit before working capital changes	<u>1,311</u>	<u>1,799</u>
Changes in working capital:		
Net changes in operating assets	(46)	(59)
Net changes in operating liabilities	(18,060)	52,968
Income taxes paid	(798)	(2,579)
Net cash (used in) / generated from operations	<u>(17,593)</u>	<u>52,129</u>
Net (decrease) / increase in cash and cash equivalents	(17,593)	52,129
Cash and cash equivalents at beginning of period	94,593	115,686
Cash and cash equivalents at end of period	<u>77,000</u>	<u>167,815</u>
	=====	=====
Analysis of cash and cash equivalents:		
Cash and short term funds	77,000	167,815
	=====	=====

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 Hussein 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 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	77,000 =====	94,593 =====

(b) Deposits from customer

	Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Non-Mudharabah Demand deposits	34,546 =====	54,449 =====

(c) Other liabilities

	Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Bills payable	8	12
Others	5,546	3,699
	<u>5,554</u> =====	<u>3,711</u> =====

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 2019 RM'000	31 December 2018 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	10,643	10,643
Total common equity tier 1/ Total tier 1 capital	<u>35,643</u>	<u>35,643</u>
Total Tier 2 capital	-	-
Capital base	<u>35,643</u> =====	<u>35,643</u> =====
Common equity tier 1 / Tier 1 capital ratio	731.044%	498.808%
Total capital ratio	<u>731.044%</u> =====	<u>498.808%</u> =====

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

Risk Type		Risk Weighted Assets	
		30 June 2019 RM'000	31 December 2018 RM'000
1	Credit risk	-	938
2	Market risk	-	1,875
3	Operational risk	4,876	4,333
Total		4,876	7,146