

Deutsche Bank (Malaysia) Berhad
(Company No. 199401026871 (312552-W))
(Incorporated in Malaysia)
and its subsidiaries

Unaudited Condensed Interim Financial Statements
for the Financial Period ended 30 June 2020



Consolidated Statements of Financial Position
As at 30 June 2020 - Unaudited

	Note	Group		Bank	
		30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Assets					
Cash and short term funds	12.1	3,854,624	3,749,550	3,854,624	3,749,550
Deposits and placements with banks and other financial institutions	12.2	119,999	199,993	119,999	199,993
Reverse repurchase agreements		-	400,307	-	400,307
Financial securities	13	3,198,986	1,467,364	3,198,986	1,467,364
Loans, advances and financing	14	2,681,041	2,974,983	2,681,041	2,974,983
Other assets	15	1,905,497	1,240,510	1,905,497	1,240,510
Tax recoverable		-	7,406	-	7,406
Statutory deposit with Bank Negara Malaysia		10,000	10,000	10,000	10,000
Investments in subsidiary companies		-	-	20	20
Property and equipment		2,121	2,538	2,121	2,538
Right-of-use assets		1,201	2,139	1,201	2,139
Deferred tax assets		29,038	29,697	29,038	29,697
Total assets		<u>11,802,507</u>	<u>10,084,487</u>	<u>11,802,527</u>	<u>10,084,507</u>
Liabilities and shareholders' funds					
Deposits from customers	16	6,167,920	5,331,773	6,167,940	5,331,793
Deposits and placements of banks and other financial institutions	17	1,105,316	1,249,128	1,105,316	1,249,128
Lease liabilities		1,371	2,157	1,371	2,157
Other liabilities	18	2,456,895	1,606,056	2,456,895	1,606,056
Taxation		20,841	-	20,841	-
Total liabilities		<u>9,752,343</u>	<u>8,189,114</u>	<u>9,752,363</u>	<u>8,189,134</u>
Share capital		531,362	531,362	531,362	531,362
Reserves		1,296,747	1,364,011	1,296,747	1,364,011
Proposed dividend		222,055	-	222,055	-
Shareholders' funds		<u>2,050,164</u>	<u>1,895,373</u>	<u>2,050,164</u>	<u>1,895,373</u>
Total liabilities and shareholders' funds		<u>11,802,507</u>	<u>10,084,487</u>	<u>11,802,527</u>	<u>10,084,507</u>
Commitments and contingencies	26	<u>88,447,035</u>	<u>88,963,721</u>	<u>88,447,035</u>	<u>88,963,721</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 2019.

**Consolidated Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 30 June 2020 - Unaudited**

	Note	Group and Bank			
		Half year ended 30 June 2020 RM'000	30 June 2019 RM'000	Three months ended 30 June 2020 RM'000	30 June 2019 RM'000
Interest income	19	138,724	154,264	67,119	79,196
Interest expense	20	(28,426)	(47,483)	(11,508)	(24,188)
Net interest income		110,298	106,781	55,611	55,008
Net income from Islamic Banking Operations	27	1,141	1,321	534	700
Non-interest income	21	162,251	149,448	67,431	70,299
Operating income		273,690	257,550	123,576	126,007
Other operating expenses	22	(70,431)	(74,048)	(38,778)	(40,255)
Operating profit		203,259	183,502	84,798	85,752
Allowance made for impairment	23	(892)	(72)	(715)	(25)
Profit before tax		202,367	183,430	84,083	85,727
Tax expense		(49,919)	(44,353)	(21,102)	(20,560)
Net profit for the period		152,448	139,077	62,981	65,167
Other comprehensive income:					
<i>Movement in fair value reserve (debt securities) :</i>					
Net change in fair value		2,461	704	2,541	612
Net amount transferred to profit or loss		622	(45)	435	6
Tax expense on other comprehensive income		(740)	(158)	(714)	(148)
Other comprehensive income for the period		2,343	501	2,262	470
Total comprehensive income for the period		154,791	139,578	65,243	65,637
Earnings per share (sen)		87.8 sen	80.1 sen	36.3 sen	37.5 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 2019.

Consolidated Statements Of Changes In Equity
For The Financial Period Ended 30 June 2020

	Note	Attributable to owner of the Bank					Total RM'000
		Share capital RM'000	Non- distributable Other reserves RM'000	Distributable Retained profits RM'000	Total reserves RM'000	Proposed dividend RM'000	
Group and Bank							
At 1 January 2020		531,362	45,872	1,318,139	1,364,011	-	1,895,373
Net profit for the period		-	-	152,448	152,448	-	152,448
Other comprehensive income for the period		-	2,343	-	2,343	-	2,343
Total comprehensive income for the period		-	2,343	152,448	154,791	-	154,791
Proposed dividend		-	-	(222,055)	(222,055)	222,055	-
At 30 June 2020		531,362	48,215	1,248,532	1,296,747	222,055	2,050,164
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

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 2019.

**Condensed Consolidated Statements Of Cash Flows
For The Financial Period Ended 30 June 2020**

	Group and Bank	
	30 June 2020 RM'000	30 June 2019 RM'000
Profit before taxation	202,367	183,430
Adjustments for non-operating and non-cash items	1,477	1,560
Operating profit before working capital changes	203,844	184,990
Changes in working capital:		
Net changes in operating assets	(1,699,277)	(773,706)
Net changes in operating liabilities	1,543,174	1,401,897
Income tax paid	(34,333)	(37,685)
Tax refunds received	12,580	-
Net cash generated from operations	25,988	775,496
Cash flows from investing activities:		
Purchase of property and equipment	(86)	(16)
Net cash used in investing activities	(86)	(16)
Cash flows from financing activities:		
Payment of lease liabilities	(822)	(908)
Net cash used in financing activities	(822)	(908)
Net increase in cash and cash equivalents	25,080	774,572
Cash and cash equivalents at beginning of the period	3,949,543	2,168,551
Cash and cash equivalents at end of the period	3,974,623	2,943,123
Analysis of cash and cash equivalents:		
Cash and short-term funds	3,854,624	2,813,126
Deposits and placements with banks and other financial institutions	119,999	129,997
Cash and cash equivalents at end of the period	3,974,623	2,943,123

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 2019.

**Explanatory Notes To The Interim Financial Statements
For The Financial Period Ended 30 June 2020**

1. Basis of preparation

The unaudited interim financial statements for the financial period ended 30 June 2020 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 2019. 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 2019.

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 2019, 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 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*
- Amendments to MFRS 9, *Financial Instruments – MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- *Amendments to MFRS 16, Leases – Covid-19-Related Rent Concessions*

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 annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRSs contained in the document entitled "*Annual Improvements to MFRS Standards 2018-2020*"
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

1. Basis of preparation (continued)

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 accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020: and,
- from the annual period beginning on 1 January 2022 for the amendment, that is effective for annual periods beginning on or after 1 January 2022.

The Group and the Bank do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Bank.

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 2019 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 2020.

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 2020.

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 2020.

7. Dividend Paid

No dividend was paid during the financial period ended 30 June 2020. The final dividend recommended by the Directors in respect of the financial year ended 31 December 2019 is 127.9 sen per ordinary share totalling RM222,055,000. The shareholders approved the proposed dividend, and the dividend is expected to be paid on 30 July 2020.

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 2020.

10. Review of Performance

The Bank recorded profit before taxation for the financial period ended 30 June 2020 of RM202.4 million compared to RM183.4 million for the previous corresponding period. Operating income increased by RM16.1 million (+6.3%) from RM257.6 million to RM273.7 million, mainly attributed to higher non-interest income of RM162.3 million against RM149.4 million in the previous corresponding period. Operating expenses decreased by RM3.6 million (-4.9%) from RM74.0 million to RM70.4 million mainly attributed to lower intercompany expenses.

Total assets registered an increase of RM1.7 billion or 16.8% from RM10.1 billion as at 31 December 2019 to RM11.8 billion as at 30 June 2020. The Bank's total common equity tier 1 ratio and total capital ratio remained strong at 19.0% and 19.6%, respectively.

11. Prospects

In the second quarter of 2020, the global economy is in a recession. The global GDP is forecasted to remain below the pre-outbreak levels through most of next year. As such, unemployment is expected to rise, and this will further add to the pressure for some time. Locally, things were no different as the decreased economic activity caused by the outbreak has slowed growth. Initially the outbreak was viewed as a short-term risk, but as time as gone on, it has shown to be a cause of significant shock to both the supply-side and demand-side.

Going forward, the slowdown is expected to continue for at least until the end of the year, with positive recovery expected at the earliest in 2021, in line with global growth. A slew of measures were taken by BNM in order to mitigate the slowdown, including reductions in the OPR and SRR, deferment of loan and financing repayments for a period of six months, daily market operations and enhancements to existing financing facilities under BNM's Fund for SMEs. However, it remains to be seen if these measures will be successful in its aims to get the local economy back on track.

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 2020 RM'000	31 December 2019 RM'000
Cash and balances with banks and other financial institutions	147,727	304,703
Money at call and deposit placements maturing within one month	3,706,897	3,444,847
	-----	-----
	3,854,624	3,749,550
	=====	=====

12.2 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Licensed bank	119,999	-
Other financial institutions	-	199,993
	-----	-----
	119,999	199,993
	=====	=====

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	2020				2019			
	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	116	-	-	116	219	-	-	219
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	94	-	-	94	(107)	-	-	(107)
New financial assets originated or purchased	25	-	-	25	19	-	-	19
Financial assets that have been derecognised	(19)	-	-	(19)	(15)	-	-	(15)
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 June / 31 December	216	-	-	216	116	-	-	116

13. Financial securities

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Debt securities at FVTPL		
Malaysian Government Securities	1,513,711	485,124
Malaysian Investment Issue	417,264	301,966
Cagamas bonds	230,007	235,062
Negotiable instruments of deposits	120,000	150,009
	-----	-----
	2,280,982	1,172,161
	-----	-----
Debt securities at FVOCI		
Malaysian Government Securities	595,965	222,902
Malaysian Investment Issue	240,448	70,710
Negotiable instruments of deposits	80,000	-
	-----	-----
	916,413	293,612
	-----	-----
Equity investments at FVOCI		
Unquoted shares in Malaysia	1,591	1,591
	-----	-----
	3,198,986	1,467,364
	=====	=====

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	2020				2019			
	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	158	-	-	158	207	-	-	207
Transfer to 12-month ECL	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(12)	12	-	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	34	-	34	-	-	-	-
New financial assets originated or purchased	485	249	-	734	158	-	-	158
Financial assets that have been derecognised	(146)	-	-	(146)	(207)	-	-	(207)
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 June / 31 December	485	295	-	780	158	-	-	158

14. Loans, advances and financing

	Group and Bank	
	30 June 2020	31 December 2019
<i>At amortised cost</i>	RM'000	RM'000
Overdrafts	167,140	63,513
Term loans - housing loans	7,734	8,323
- other term loans	481,621	727,285
Bills receivable	107,173	127,861
Trust Receipt	171,530	171,530
Claims on customers under acceptance credits	1,768,322	1,905,015
Staff loans	40	52
	<u>2,703,560</u>	<u>3,003,579</u>
Unearned interest	(15,136)	(21,383)
	<u>2,688,424</u>	<u>2,982,196</u>
Gross loans, advances and financing		
Allowance for impaired loans and financing		
- Expected credit losses	(7,383)	(7,213)
	<u>2,681,041</u>	<u>2,974,983</u>
Net loans, advances and financing	<u>2,681,041</u>	<u>2,974,983</u>

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	2020				2019			
	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	4,073	1,193	1,947	7,213	5,146	623	1,582	7,351
Transfer to 12-month ECL	229	-	(229)	-	247	(18)	(229)	-
Transfer to lifetime ECL not credit-impaired	(1)	1	-	-	(2)	2	-	-
Transfer to lifetime ECL credit-impaired	(113)	-	113	-	(613)	-	613	-
Net remeasurement of loss allowance	(693)	(53)	-	(746)	(864)	305	(19)	(578)
New financial assets originated or purchased	969	757	-	1,726	1,084	444	-	1,528
Financial assets that have been derecognised	(391)	(419)	-	(810)	(925)	(163)	-	(1,088)
Write-offs	-	-	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 June / 31 December	4,073	1,479	1,831	7,383	4,073	1,193	1,947	7,213

* 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 2020 RM'000	31 December 2019 RM'000
Maturing within one year	2,395,770	2,804,093
More than one to three years	285,843	170,659
More than three to five years	1,293	1,266
More than five years	5,518	6,178
	<u>2,688,424</u>	<u>2,982,196</u>
	=====	=====

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

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Domestic banking institutions	2,245	-
Domestic non-bank financial institutions	373,995	410,306
Domestic business enterprises	2,023,519	2,361,447
Individuals	7,773	8,375
Government and statutory bodies	175,971	74,240
Foreign entities	104,921	127,828
	<u>2,688,424</u>	<u>2,982,196</u>
	=====	=====

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

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Fixed rate		
- Other fixed rate loan / financing	6,776	9,837
Variable rate		
- Base lending rate plus	263,593	225,194
- Cost-plus	2,406,049	2,735,059
- Other variable rates	12,006	12,106
	<u>2,688,424</u>	<u>2,982,196</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 2020 RM'000	31 December 2019 RM'000
Malaysia	2,583,503	2,854,368
China	-	751
India	58,055	118,661
Turkey	38,849	1,763
Others	8,017	6,653
	<u>2,688,424</u> =====	<u>2,982,196</u> =====

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

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Mining and Quarrying	150,143	150,215
Manufacturing	335,714	460,813
Construction	211,533	203,901
Wholesale & retail trade and restaurants & hotels	293,884	326,070
Transport, storage and communication	890,176	1,080,433
Finance, insurance and business services	623,230	678,147
Education, health and others	175,971	74,240
Household	7,773	8,375
Others	-	2
	<u>2,688,424</u> =====	<u>2,982,196</u> =====

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

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Balance at 1 January	3,526	2,965
Classified as impaired during the period/ year	322	2,070
Reclassified as non-impaired during the period/ year	(534)	(648)
Amount recovered	(232)	(861)
At 30 June 2020 / 31 December 2019	<u>3,082</u> =====	<u>3,526</u> =====
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.11%</u> =====	<u>0.12%</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 2020 RM'000	31 December 2019 RM'000
Household (Malaysia)	3,082	3,526
	<u>3,082</u>	<u>3,526</u>
	=====	=====

15. Other assets

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Interest / Income receivable	29,476	14,658
Margin placed with exchange	-	1,611
Derivatives	1,408,268	884,393
Other debtors, deposits and prepayments	467,753	339,848
	<u>1,905,497</u>	<u>1,240,510</u>
	=====	=====

16. Deposits from customers

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Demand deposits	5,280,666	5,000,687	5,280,686	5,000,707
Savings deposits	110	102	110	102
Fixed deposits	518,902	123,389	518,902	123,389
Other deposits	368,242	207,595	368,242	207,595
	<u>6,167,920</u>	<u>5,331,773</u>	<u>6,167,940</u>	<u>5,331,793</u>
	=====	=====	=====	=====

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

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Due within six months	736,817	188,142
More than six months to one year	639	1,470
More than five years	149,688	141,372
	<u>887,144</u>	<u>330,984</u>
	=====	=====

16. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Business enterprises	5,217,111	4,742,810	5,217,131	4,742,830
Individuals	401	405	401	405
Foreign customers	183,124	123,658	183,124	123,658
Others	767,284	464,900	767,284	464,900
	<u>6,167,920</u>	<u>5,331,773</u>	<u>6,167,940</u>	<u>5,331,793</u>
	=====	=====	=====	=====

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Other financial institutions	1,105,316	1,249,128
	<u>1,105,316</u>	<u>1,249,128</u>
	=====	=====

18. Other liabilities

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Interest payable	1,035	2,587
Bills payable	15,770	23,561
Derivatives	1,218,410	858,058
Employee benefits	20,150	22,023
Other liabilities	1,201,530	699,827
	<u>2,456,895</u>	<u>1,606,056</u>
	=====	=====

19. Interest income

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	58,681	56,281	27,762	30,919
Money at call and deposit placements with financial institutions	40,575	42,169	19,385	21,071
Reverse repurchase agreements	1,127	895	75	287
Financial securities	38,327	54,829	19,895	26,876
Other interest income	14	90	2	43
	<u>138,724</u>	<u>154,264</u>	<u>67,119</u>	<u>79,196</u>
	=====	=====	=====	=====

20. Interest expense

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	4,875	19,155	1,950	10,088
Deposits from customers	23,348	28,235	9,535	14,065
Repurchase agreement	15	19	-	-
Other interest expense	188	74	23	35
	<u>28,426</u>	<u>47,483</u>	<u>11,508</u>	<u>24,188</u>
	=====	=====	=====	=====

21. Non-interest income

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	2,982	4,166	1,371	2,023
Service charges and fees	11,305	15,947	4,998	8,297
Guarantee fees	1,384	1,910	694	1,043
	<u>15,671</u>	<u>22,023</u>	<u>7,063</u>	<u>11,363</u>
Fee expense:				
Commissions	(2,351)	(2,874)	(1,202)	(1,468)
Service charges and fees	(3,079)	(7,927)	(875)	(4,619)
	<u>(5,430)</u>	<u>(10,801)</u>	<u>(2,077)</u>	<u>(6,087)</u>
Net fee income	<u>10,241</u>	<u>11,222</u>	<u>4,986</u>	<u>5,276</u>
Net gains from financial instruments:				
Net gain arising from financial securities:				
Realised gain	58,811	26,451	30,046	10,043
Unrealised (loss)/gain	(1,038)	4,432	(3,132)	406
Net gain/(loss) arising from derivatives:				
Realised loss	(36,805)	(41,452)	(15,808)	(27,856)
Unrealised revaluation gain/(loss)	148,751	(13,841)	(23,251)	1,601
Foreign exchange (loss)/gain	(15,541)	146,936	75,393	71,092
Gross dividend income	45	45	45	45
Other (loss)/income:				
Other operating (loss)/income, net	(2,213)	15,655	(848)	9,692
	<u>152,010</u>	<u>138,226</u>	<u>62,445</u>	<u>65,023</u>
	<u>162,251</u>	<u>149,448</u>	<u>67,431</u>	<u>70,299</u>
	=====	=====	=====	=====

22. Other operating expenses

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	22,232	21,948	11,117	10,809
- Others	5,160	6,435	3,150	3,499
Establishment costs				
- Rental	295	103	125	19
- Depreciation – property and equipment	503	548	251	267
- Depreciation – right-of-use assets	938	938	469	469
- Others	2,926	2,285	1,736	1,162
Marketing expenses	866	1,045	250	333
Administration and general expenses				
- Intercompany expenses	30,783	34,721	16,663	20,807
- Communication	642	839	264	406
- Others	6,086	5,186	4,753	2,484
	<u>70,431</u>	<u>74,048</u>	<u>38,778</u>	<u>40,255</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 195 (June 2019 – 196).

23. Allowance for impairment

	Group and Bank			
	Half year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Expected credit losses				
(Allowance) / Written back for impairment				
- loans, advances and financing	(170)	(242)	(253)	61
- cash and cash equivalent	(100)	126	(27)	(79)
- debt securities at FVOCI	(622)	44	(435)	(7)
	<u>(892)</u>	<u>(72)</u>	<u>(715)</u>	<u>(25)</u>
	=====	=====	=====	=====

24. Credit transactions and exposures with connected parties

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Outstanding credit exposures with connected parties	283,493	247,393
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	10,645,574 =====	10,025,703 =====
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	2.66%	2.47%
- as a proportion of capital base which is non performing	15.15% 0%	13.23% 0%

25. Capital adequacy

	Group and Bank	
	30 June 2020 RM'000	31 December 2019 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	1,180	338
Retained profits	1,318,139	1,318,139
Less: Deferred tax assets	(29,697)	(29,697)
Total common equity tier 1 / Total tier 1 capital	1,820,984	1,820,142
Tier 2 capital		
Expected credit losses ("ECL")*	5,552	5,266
Regulatory reserve	45,000	45,000
Total capital base	1,871,536 =====	1,870,408 =====
Common equity tier 1 / Tier 1 capital ratio	19.047%	19.423%
Total capital ratio	19.576% =====	19.959% =====

* 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 2020 RM'000	31 December 2019 RM'000
1	Credit risk	5,175,877	5,399,155
2	Market risk	3,509,654	3,132,398
3	Operational risk	874,956	839,613
Total		9,560,487	9,371,166

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 2020 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	563,753	281,877	265,209
Short Term Self Liquidating Trade Related Contingencies	38,527	7,705	6,536
Foreign exchange related contracts			
One year or less	12,261,239	289,883	238,611
Over one year to five years	1,536,585	123,939	123,939
Over five years	310,475	31,048	15,524
Interest/Profit rate related contracts			
One year or less	208,054	1,853	959
Over one year to five years	150,000	6,444	3,482
Over five years	27,063	1,894	1,894
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	69,671,394	1,526,994	370,694
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	545,752	272,876	272,876
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,134,193	626,839	626,839
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	88,447,035	3,171,352	1,926,563

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 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	519,514	259,757	246,797
Short Term Self Liquidating Trade Related Contingencies	75,372	15,074	13,516
Foreign exchange related contracts			
One year or less	13,110,350	282,876	235,748
Over one year to five years	1,705,634	159,315	159,315
Over five years	310,475	31,048	15,524
Interest/Profit rate related contracts			
One year or less	230,127	835	579
Over one year to five years	270,000	6,497	2,948
Over five years	27,063	1,894	1,894
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	69,441,961	1,290,467	352,371
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	378,985	189,492	189,492
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,894,240	578,848	578,848
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	88,963,721	2,816,103	1,797,032

27. The operations of Islamic Banking

Statement of Financial Position
As at 30 June 2020 – Unaudited

	Note	Bank	
		30 June 2020 RM'000	31 December 2019 RM'000
Assets			
Cash and short term funds	(a)	245,000	56,000
Financial securities	(b)	20,466	20,010
Other assets		94	66
Total assets		<u>265,560</u> =====	<u>76,076</u> =====
Liabilities and shareholders' funds			
Deposits from customer	(c)	224,086	35,196
Other liabilities	(d)	4,931	5,192
Tax payable		263	613
Total liabilities		<u>229,280</u> -----	<u>41,001</u> -----
Capital funds		25,000	25,000
Retained profits		11,280	10,075
Islamic banking funds		<u>36,280</u> -----	<u>35,075</u> -----
Total liabilities and Islamic banking funds		<u>265,560</u> =====	<u>76,076</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 2020 - Unaudited**

	Bank			
	Half year ended 30 June 2020 RM'000	30 June 2019 RM'000	Three months ended 30 June 2020 RM'000	30 June 2019 RM'000
Income derived from investment of Islamic banking funds	1,141	1,321	534	700
Total net income	<u>1,141</u>	<u>1,321</u>	<u>534</u>	<u>700</u>
Other operating expenses	(11)	(10)	(8)	(5)
Operating profit	<u>1,130</u>	<u>1,311</u>	<u>526</u>	<u>695</u>
Allowance made for impairment	(34)	-	(33)	-
Profit before tax	<u>1,096</u>	<u>1,311</u>	<u>493</u>	<u>695</u>
Taxation	(263)	(315)	(118)	(167)
Profit for the period	<u>833</u>	<u>996</u>	<u>375</u>	<u>528</u>
Other comprehensive income:				
<i>Movement in fair value reserve (debt securities) :</i>				
Net change in fair value	456	-	348	-
Net amount transferred to profit or loss	34	-	33	-
Tax expense on other comprehensive income	(118)	-	(92)	-
Other comprehensive income for the period	<u>372</u>	<u>-</u>	<u>289</u>	<u>-</u>
Total comprehensive income for the period	<u>1,205</u>	<u>996</u>	<u>664</u>	<u>528</u>
	=====	=====	=====	=====

27. The operations of Islamic Banking (continued)

Statement Of Changes In Islamic Banking Funds
For The Financial Period Ended 30 June 2020

Bank	Capital funds RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2020	25,000	19	10,056	35,075
Net profit for the period	-	-	833	833
Other comprehensive income for the period	-	372	-	372
Total comprehensive income for the period	-	372	833	1,205
At 30 June 2020	25,000	391	10,889	36,280

	Capital funds RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2019	25,000	-	10,643	35,643
Net profit for the period	-	-	996	996
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	996	996
At 30 June 2019	25,000	-	11,639	36,639

27. The operations of Islamic Banking (continued)

Statement Of Cash Flows
For The Financial Period Ended 30 June 2020

	Bank	
	30 June 2020	30 June 2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	1,096	1,311
Operating profit before working capital changes	1,096	1,311
Changes in working capital:		
Net changes in operating assets	(112)	(46)
Net changes in operating liabilities	188,629	(18,060)
Income taxes paid	(613)	(798)
Net cash generated from / (used in) operations	189,000	(17,593)
Net increase / (decrease) in cash and cash equivalents	189,000	(17,593)
Cash and cash equivalents at beginning of period	56,000	94,593
Cash and cash equivalents at end of period	245,000	77,000
Analysis of cash and cash equivalents:		
Cash and short term funds	245,000	77,000

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 Dr 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 2020 RM'000	31 December 2019 RM'000
Cash and balances with banks and other financial institutions	245,000 =====	56,000 =====

(b) Financial securities

	Bank	
	30 June 2020 RM'000	31 December 2019 RM'000
Debt securities at FVOCI Malaysian Investment Issue	20,466 =====	20,010 =====

27. The operations of Islamic Banking (continued)

(c) Deposits from customer

	30 June 2020 RM'000	Bank 31 December 2019 RM'000
Non-Mudharabah Demand deposits	224,086 =====	35,196 =====

(d) Other liabilities

	30 June 2020 RM'000	Bank 31 December 2019 RM'000
Bills payable	65	12
Others	4,866	5,180
	<u>4,931</u> =====	<u>5,192</u> =====

27. The operations of Islamic Banking (continued)

(e) 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 2020 RM'000	31 December 2019 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Other disclosed reserves	176	9
Retained profits	10,056	10,056
Total common equity tier 1/ Total tier 1 capital	35,232	35,065
Total Tier 2 capital	-	-
Capital base	35,232	35,065
Common equity tier 1 / Tier 1 capital ratio	631.610%	618.362%
Total capital ratio	631.610%	618.362%

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

Risk Type		Risk Weighted Assets	
		30 June 2020 RM'000	31 December 2019 RM'000
1	Credit risk	-	-
2	Market risk	-	-
3	Operational risk	5,578	5,671
Total		5,578	5,671