

Company No: 811810-U



**BANK PERTANIAN MALAYSIA BERHAD**  
**(Company No: 811810-U)**  
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**  
**FOR 6-MONTH PERIOD ENDED 30 JUNE 2013**  
**(In Ringgit Malaysia)**

Company No: 811810-U

**BANK PERTANIAN MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS**

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**BANK PERTANIAN MALAYSIA BERHAD**  
(Incorporated in Malaysia)

We, **TAN SRI FAIZAH MOHD TAHIR** and **DATO' WAN MOHD FADZMI WAN OTHMAN** being two of the Directors of **BANK PERTANIAN MALAYSIA BERHAD**, do hereby confirm to the best of our knowledge, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respect, in accordance with MFRS 134.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 July 2013.



**TAN SRI FAIZAH MOHD TAHIR**



**DATO' WAN MOHD FADZMI WAN  
OTHMAN**

**Kuala Lumpur, Malaysia**

Company No: 811810-U

**BANK PERTANIAN MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013**

	Note	Unaudited 6-Month period ended 30 June 2013 RM'000	Unaudited 6-Month period ended 30 June 2012 RM'000
Interest income	2	62,601	103,794
Interest expense	3	(21,404)	(52,127)
Net interest income		<u>41,197</u>	<u>51,667</u>
Income from Islamic banking business	25(a)	249,550	229,195
		<u>290,747</u>	<u>280,862</u>
Non-interest income:			
Fee and other operating income	4(a)	3,180	7,272
Investment income	4(b)	57,644	49,436
Net income		<u>351,571</u>	<u>337,570</u>
Overhead expenses	5	(176,129)	(162,013)
Operating profit		<u>175,442</u>	<u>175,557</u>
Government grants		5,169	7,910
Net operating profit		<u>180,611</u>	<u>183,467</u>
Allowance for impairment on loans	6	(749)	(84,401)
Allowance for impairment on investment securities		(3,541)	(2,532)
<b>Profit before tax and zakat</b>		<u>176,321</u>	<u>96,534</u>
Tax expense	7	(39,560)	(1,376)
<b>Net profit for the period</b>		<u>136,761</u>	<u>95,158</u>
<b>Other comprehensive income</b>			
Unrealised gains on fair value changes on AFS investment securities		19,510	15,908
Transfer to profit and loss on disposal of AFS investment securities		(57,075)	(40,716)
Income tax relating to components of other comprehensive income		9,883	6,202
Other comprehensive losses for the period, net of tax		<u>(27,682)</u>	<u>(18,606)</u>
Total comprehensive income for the period		<u>109,079</u>	<u>76,552</u>

The accompanying notes form an integral part of the financial statements.

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**BANK PERTANIAN MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013**

		<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
<b>ASSETS</b>			
Cash and short term funds	<b>8</b>	1,713,685	1,827,012
Deposits with financial institutions	<b>9</b>	252,704	-
Investment securities	<b>10</b>	2,898,687	3,459,062
Loans, financing and advances	<b>11</b>	5,766,062	5,827,907
Other assets		90,540	95,920
Prepaid lease payments		5,589	5,627
Property, plant and equipment		186,671	185,229
Intangible assets		22,050	20,898
		<u>10,935,988</u>	<u>11,421,655</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from customers	<b>12</b>	6,448,613	7,036,217
Other liabilities			
Other payables and accruals	<b>13</b>	170,197	165,120
Deferred tax liabilities		20,153	32,321
Provision for taxation		41,815	-
Loan Scheme Fund	<b>14</b>	1,625,854	1,639,626
Government Grants			
Operating	<b>15</b>	38,566	41,872
Launching	<b>16</b>	19,735	21,598
Funds	<b>17</b>	16,083	16,508
<b>Total Liabilities</b>		<u>8,381,016</u>	<u>8,953,262</u>
<b>Equity</b>			
Share capital	<b>18</b>	1,000,000	1,000,000
Reserves	<b>19</b>	1,554,972	1,468,393
<b>Total Equity</b>		<u>2,554,972</u>	<u>2,468,393</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>10,935,988</u>	<u>11,421,655</u>

The accompanying notes form an integral part of the financial statements.

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**BANK PERTANIAN MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013**

	Non-distributable reserves			Distributable reserves	Total RM'000
	Share capital RM'000	Statutory reserves RM'000	Investment revaluation reserve RM'000	Retained earnings RM'000	
<b>As of 1 January 2013</b>	1,000,000	487,109	321,719	659,565	2,468,393
Net profit for the period	-	-	-	136,761	136,761
Other comprehensive income for the period	-	-	(27,682)	-	(27,682)
Total comprehensive income for the period	-	-	(27,682)	136,761	109,079
Dividends paid	-	-	-	(22,500)	(22,500)
<b>As of 30 June 2013</b>	<b>1,000,000</b>	<b>487,109</b>	<b>294,037</b>	<b>773,826</b>	<b>2,554,972</b>

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**BANK PERTANIAN MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013 (cont'd)**

	Non-distributable reserves		Distributable reserves		
	Share capital	Statutory reserves	Investment revaluation reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As of 1 January 2012</b>	1,000,000	487,109	487,943	250,931	2,225,983
Net profit for the period	-	-	-	95,158	95,158
Other comprehensive income for the period	-	-	(18,606)	-	(18,606)
Total comprehensive income for the period	-	-	(18,606)	95,158	76,552
Dividends paid	-	-	-	(22,500)	(22,500)
<b>As of 30 June 2012</b>	<b>1,000,000</b>	<b>487,109</b>	<b>469,337</b>	<b>323,589</b>	<b>2,280,035</b>

The accompanying notes form an integral part of the financial statements.

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**BANK PERTANIAN MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013**

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax and zakat	176,321	96,534
<b>Adjustments for:</b>		
Allowance for impairment on loans	49,498	84,401
Bad debts and financing written off	-	33,490
Depreciation of property, plant and equipment	13,619	13,451
Amortisation of computer software	5,601	6,371
Interest expense/profit charged on loans/financing from Government and OECF	(754)	2,723
Write off of property, plant and equipment	1,189	249
Amortisation of prepaid lease payments	37	37
Gain on disposal of investment securities	(64,184)	(45,664)
Dividends from investment securities	(6,843)	(7,475)
Amortisation of:		
Operating Grant	(3,306)	(6,476)
Launching Grant	(1,746)	(894)
<b>Operating profit before working capital changes</b>	<b>169,432</b>	<b>176,747</b>
Change in loans, financing and advances	12,144	48,325
Change in other assets	5,380	(29,845)
Change in deposits with financial institutions	(252,704)	17,151
Change in deposits from customers	(587,604)	253,733
Change in other payables	5,740	5,868
Change in deferred tax liabilities	(9,883)	(6,202)
<b>Cash (used in)/generated from operations</b>	<b>(657,495)</b>	<b>465,777</b>
Tax paid	(31)	(75)
Zakat paid	(661)	(378)
<b>Net cash (used in)/generated from operating activities</b>	<b>(658,187)</b>	<b>465,324</b>



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**BANK PERTANIAN MALAYSIA BERHAD**

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**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013 (cont'd)**

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in investment securities	(731,712)	(1,600,810)
Purchase of property, plant and equipment	(16,250)	(10,801)
Purchase of computer software	(6,753)	(4,597)
Proceeds from disposal of investment securities	1,328,588	650,828
Dividends received from investment securities	6,843	7,475
	<hr/>	<hr/>
<b>Net cash generated from/(used in) investing activities</b>	<b>580,716</b>	<b>(957,905)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid on government loans and OECF	(835)	(757)
Proceeds from:		
Fund For Food ("3F")	34,536	-
Micro Enterprise Funds	9,395	7,258
Special Fund For Terengganu Fishery ("DKSP")	(222)	(366)
Repayments of Loan Scheme Funds	(55,473)	(34,084)
Foreign exchange differences	(640)	(2,737)
Launching grant utilised	(117)	(375)
Government grants utilised	-	(165)
Dividends paid	(22,500)	-
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(35,856)</b>	<b>(31,226)</b>

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**BANK PERTANIAN MALAYSIA BERHAD**

(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013 (cont'd)**

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(113,327)	(523,807)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,827,012</u>	<u>3,413,040</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>1,713,685</u></u>	<u><u>2,889,233</u></u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash and short term funds	<u>1,713,685</u>	<u>2,889,233</u>
	<u><u>1,713,685</u></u>	<u><u>2,889,233</u></u>

The accompanying notes form an integral part of the financial statements.

**NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

**1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")**

**1.1 Basis of preparation**

The unaudited condensed interim financial statements for the Bank have been prepared under the historical cost convention except for available-for-sale financial investment which is stated at fair values.

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the audited financial statements for the period ended 31 December 2012. These explanatory notes attached to the audited condensed 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 Bank since the year ended 31 December 2012.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012 except for the adoption of certain Malaysian Financial Reporting Standards ("MFRSs"), amendments to MFRSs, Interpretations of the Issues Committee ("IC Interpretations") and Technical Release ("TR") which are effective from financial period beginning on or after 1 January 2013.

The adoption of the MFRSs, amendments to MFRSs and IC Interpretations did not have any material impact on the financial statements of the Bank.

**1.2 Significant accounting policies and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity are as follows:

**(i) Fair value estimation of securities available-for-sale**

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities.

**NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (cont'd)**

**1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)**

**1.2 Significant accounting policies and judgments (cont'd)**

**(ii) Income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**(iii) Deferred tax**

Deferred tax is provided for, using the "liability" method, on temporary differences as of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arising from goodwill or from the initial recognition of an asset or a liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets, if any, is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity.

**NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (cont'd)**

**1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)**

**1.2 Significant accounting policies and judgments (cont'd)**

**(iii) Deferred tax (cont'd)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

**(iv) Impairment losses on loans, advances and financing**

The Bank reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank make judgments about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine the collective allowance for loans, advances and financing.

**NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (cont'd)**

**1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)**

**1.2 Significant accounting policies and judgments (cont'd)**

**(v) Impairment of security portfolio**

The Bank reviews the securities portfolio and assess at each reporting date whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence of impairment, the assets are subject to impairment review.

The impairment review comprises the following judgement made by management:

- (a) Determination whether its investment is impaired following certain indicators or triggers such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (b) Determination of "significant" or "prolonged" requires judgement and management evaluates various factors, such as historical fair value movement and the significant reduction in fair value.

**1.3 Auditors' report on preceding annual financial statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2012 was not qualified.

**1.4 Seasonal or cyclical factors**

The operations of the Bank for the 6 month period ended 30 June 2013 were not materially affected by any seasonal or cyclical factors.

**1.5 Unusual items due to their nature, size or incidence**

During the 6 month period ended 30 June 2013 there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank.

**NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (cont'd)**

**1. Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") (cont'd)**

**1.6 Changes in estimates**

There were no material changes in estimates during the 6 month period ended 30 June 2013.

**1.7 Changes in debt and equity securities**

There were no cancellations, share buy-backs, resale of shares bought back and equity securities by the Bank.

**1.8 Dividends paid**

The Directors proposed a final dividend of 3% less tax amounting to RM22.5 million in respect of the previous financial year. The final dividend was approved at the Annual General Meeting of the Bank on 21 June 2013 and the cash dividend payment was made on 28 June 2013.

**1.9 Interim dividend**

The Directors proposed an interim dividend of 1.2% less 25% taxation amounting to RM9.0 million in respect of the 6 month period ended 30 June 2013. This dividend is subject to approval of Bank Negara Malaysia ("BNM"). Accordingly, the proposed dividend has not been reflected in the financial statements for the current period.

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## 2. INTEREST INCOME

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
Loans and advances	38,327	56,908
Investment securities:		
HTM	289	2,195
AFS	8,231	24,323
Deposits with financial institutions	<u>15,754</u>	<u>20,368</u>
	<b><u>62,601</u></b>	<b><u>103,794</u></b>
Of which:		
Interest income earned on impaired loans and advances	<b><u>5,644</u></b>	<b><u>9,481</u></b>

## 3. INTEREST EXPENSE

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
Savings deposits and Agro Perdana	12,235	32,762
Fixed/Special deposits	9,169	17,819
Loans from Government and OECF	<u>-</u>	<u>1,546</u>
	<b><u>21,404</u></b>	<b><u>52,127</u></b>



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#### 4. NON-INTEREST INCOME

##### (a) Fee and Other Operating Income

	Unaudited 6-Month period ended 30 June 2013 RM'000	Unaudited 6-Month period ended 30 June 2012 RM'000
<b>Fee Income</b>		
Service charges and fees	1,590	2,535
Loan processing fees	245	3,177
	<u>1,835</u>	<u>5,712</u>
<b>Other income</b>		
Reimbursement of gapping cost	383	-
Income from Project Ladang Sungai Tasan	99	362
Income from staff loans and financing	536	581
Rental	28	72
Non operational income	299	545
	<u>1,345</u>	<u>1,560</u>
	<u>3,180</u>	<u>7,272</u>

##### (b) Investment Income

	Unaudited 6-Month period ended 30 June 2013 RM'000	Unaudited 6-Month period ended 30 June 2012 RM'000
Net gain on disposal of AFS investment securities	50,855	48,148
Dividend income	6,789	1,288
	<u>57,644</u>	<u>49,436</u>

**5. OVERHEAD EXPENSES**

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>Personnel cost</b>		
Salary, allowances and bonus	88,849	80,504
EPF contributions	9,129	8,489
SOCSSO contributions	906	787
Staff welfare	2,434	1,800
Staff training	1,801	1,649
Recruitment fees	56	297
Staff gratuity	5,684	5,400
Others	4,421	3,912
<b>Maintenance cost</b>		
Depreciation of property, plant and equipment	13,619	13,451
Amortisation of computer software	5,601	6,371
Insurance on property, plant and equipment	2,143	2,881
Rental of premises	4,102	3,827
Printing, stationery and office supplies	3,404	3,447
Water and electricity	3,110	3,447
Amortisation of prepaid lease payments	38	38
Computer maintenance	7,384	3,300
Building maintenance	1,710	1,296
Office maintenance	1,647	1,455
Computer supply	613	657
Others	1,460	1,681
<b>Marketing expenses</b>		
Advertising and promotions	524	(72)
Others	220	142
<b>General administrative expenses</b>		
Communication expenses	5,832	6,423
Launching grants	117	375
Government grants	-	165
Legal fees	6,865	6,331
Security charges	3,634	3,019
Others	826	941
	<b><u>176,129</u></b>	<b><u>162,013</u></b>

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## 6. ALLOWANCE FOR IMPAIRMENT ON LOANS

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
Loans, financing and advances :		
Allowance for the period	35,765	50,782
Amount written back upon recoveries and reversal of allowance	(23,286)	(38,809)
Individual impairment loss - net	12,479	11,973
Collective impairment loss - net	37,019	105,918
Bad debts and financing :		
Written off	-	3
Recovered	(48,749)	(33,493)
	<b>749</b>	<b>84,401</b>

## 7. TAX EXPENSE

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
Deferred tax (asset)/liabilities recognised for the period	(2,285)	1,301
Income tax charge for the period	41,845	75
	<b>39,560</b>	<b>1,376</b>

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**8. CASH AND SHORT TERM FUNDS**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash in hand	69,391	76,757
Cash at banks	95,921	79,730
Short term deposits maturing within three months:		
Licensed banks	1,002,615	936,050
Other financial institutions	545,758	734,475
	<u><b>1,713,685</b></u>	<u><b>1,827,012</b></u>

**9. DEPOSITS WITH FINANCIAL INSTITUTIONS**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	12,073	-
Other financial institutions	240,631	-
	<u><b>252,704</b></u>	<u><b>-</b></u>
<b>Maturity structure of deposits and financial institutions is as follows:</b>		
Three months to six months	<u><b>252,704</b></u>	<u><b>-</b></u>

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**10. INVESTMENT SECURITIES**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Debt Securities</u></b>		
<b>AFS - at fair value</b>		
Corporate Bonds	1,792,792	1,763,986
Malaysian Government Securities	673,772	1,212,144
	<u>2,466,564</u>	<u>2,976,130</u>
<b>HTM - at amortised cost</b>		
Corporate Bonds	32,666	42,368
Commercial Papers	-	9,955
Malaysian Government Securities	161,522	161,756
	<u>194,188</u>	<u>214,079</u>
	<u>2,660,752</u>	<u>3,190,209</u>
<b><u>Equity Securities</u></b>		
<b>AFS - at fair value</b>		
Quoted Shares in Malaysia	243,250	271,532
	<u>243,250</u>	<u>271,532</u>
Total before allowances	<u>2,904,002</u>	<u>3,461,741</u>
<b>Allowance for impairment losses</b>		
Quoted Shares in Malaysia	(274)	(1,320)
Corporate Bonds	(5,041)	(1,359)
	<u>(5,315)</u>	<u>(2,679)</u>
<b>Net</b>	<u><u>2,898,687</u></u>	<u><u>3,459,062</u></u>

Company No: 811810-U

**10. INVESTMENT SECURITIES (cont'd)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Maturity structure for HTM investments is as follows:</b>		
Maturity within six months	-	19,955
Between six months to one year	25,072	-
Between one year to three years	-	25,119
Between three years to five years	169,116	169,005
	<u>194,188</u>	<u>214,079</u>

Market values of HTM investments are as follows:

<b>Market Value</b>		
Corporate Bonds	32,949	42,627
Commercial Papers	-	9,943
Malaysian Government Securities	160,983	162,014
	<u>193,932</u>	<u>214,584</u>

**11. LOANS, FINANCING AND ADVANCES**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>		
Islamic financing and advances (Note 19(f))	5,465,447	5,364,882
Wawasan Tani Loans	217,823	269,100
Project and Equipment Loans	269,407	318,432
Capital Entrepreneur Tani ("MUST")	83,058	103,714
Agribusiness Loans	113,113	122,096
Fund For Food ("3F")	27,569	32,381
Insani Education Loans	47,130	55,302
Paddy Credit Scheme	1,990	17,110
MAP and MPPB Loans	3,494	4,716
Fund for Small and Medium Size		
Industries ("TIKS")	968	1,203
Contract Tani Loans	1,976	2,953
Agriculture Special Credit Scheme ("SPKP")	-	3
Special Advances on Fixed Deposit	124	521
Tobacco Scheme	540	609
Asean-Japan Development Fund ("AJDF")	71	154
Banking Facilities	2	19
Other Loans	1,914	2,031
	<b>6,234,626</b>	<b>6,295,226</b>
Loans, financing and advances to employees	68,383	70,990
	<b>6,303,009</b>	<b>6,366,216</b>
<b>Less:</b>		
Individual impairment loss	(221,426)	(207,777)
Collective impairment loss	(315,521)	(330,532)
<b>Net</b>	<b>5,766,062</b>	<b>5,827,907</b>

**11. LOANS, FINANCING AND ADVANCES (cont'd)**

	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
<b>(i) Maturity structure of loans, financing and advances is as follows:</b>		
Maturity within six months	722,786	819,291
Between six months to one year	60,514	89,898
Between one year to three years	536,246	542,565
Between three years to five years	856,685	777,486
More than five years	4,126,778	4,136,976
	<b><u>6,303,009</u></b>	<b><u>6,366,216</u></b>
<b>(ii) Gross loans, financing and advances analysed by sectors and regions are as follows:</b>		
	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
<b>Sector:</b>		
Support	2,812,531	2,818,188
Crops	2,269,664	2,286,218
Livestock	661,898	687,978
Fishery	413,489	402,747
Forestry	14,904	38,120
Other Agricultural based processing	130,523	132,965
	<b><u>6,303,009</u></b>	<b><u>6,366,216</u></b>
<b>Region:</b>		
Johor	526,228	539,256
Kedah/Perlis	549,086	536,643
Kelantan	355,511	364,667
Kuala Lumpur	616,486	663,661
Negeri Sembilan/Melaka	471,185	456,204
Pahang	459,764	459,978
Perak	753,750	762,078
Pulau Pinang	289,772	328,973
Sabah	590,975	578,299
Sarawak	645,382	685,403
Selangor	732,766	681,730
	312,104	309,324
	<b><u>6,303,009</u></b>	<b><u>6,366,216</u></b>



**11. LOANS, FINANCING AND ADVANCES (cont'd)**

(iii) Gross loans, financing and advances analysed by classifications are as follows:

Neither past due nor impaired	5,128,948	5,084,323
Past due but not impaired	513,614	562,041
Impaired	660,447	719,852
	<b>6,303,009</b>	<b>6,366,216</b>

Past due but not impaired loans are loans where the customers have failed to make a principal or interest payment when contractually due and include loans which are due more than one day after the contractual due date.

(iv) Movements in impaired gross loans, financing and advances are as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of the period/year	719,852	834,707
Additions during the period/year	156,917	485,802
Reclassified as non impaired during the period/year	(41,951)	(121,588)
Recoveries during the period/year	(122,109)	(222,564)
Amount written off	(52,262)	(256,505)
	<b>660,447</b>	<b>719,852</b>
	<b>660,447</b>	<b>719,852</b>
Gross impaired loans as a percentage of gross loans, financing and advances	<b>10.48%</b>	<b>11.31%</b>
	<b>10.48%</b>	<b>11.31%</b>

**11. LOANS, FINANCING AND ADVANCES (cont'd)**

(v) Impaired gross loans, financing and advances analysed by sectors and regions are as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Sector:</b>		
Support	224,710	255,507
Crops	220,918	222,852
Livestock	108,156	112,381
Fishery	82,649	78,958
Forestry	9,776	33,220
Other Agricultural based processing	14,238	16,934
	<b>660,447</b>	<b>719,852</b>
<b>Region:</b>		
Kuala Lumpur	173,890	197,477
Selangor	103,028	106,868
Pahang	68,685	69,655
Perak	66,477	75,808
Negeri Sembilan/Melaka	46,991	46,127
Johor	45,354	51,984
Kelantan	38,096	38,897
Kedah/Perlis	31,723	33,949
Sarawak	28,613	31,150
Sabah	25,856	25,555
Pulau Pinang	18,332	26,475
Terengganu	13,402	15,907
	<b>660,447</b>	<b>719,852</b>

**11. LOANS, FINANCING AND ADVANCES (cont'd)**

(vi) Movements in the impairment allowances on loans, financing and advances are as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment allowance</b>		
At the beginning of the period/year	207,777	268,380
Allowance for the period/year	35,765	105,480
Amount written back upon recoveries and reversal of allowance	(23,286)	(85,051)
Net allowance for the period/year	12,479	20,429
Amount written off	1,170	(81,032)
At the end of period/year	<b>221,426</b>	<b>207,777</b>
<b>Collective impairment allowance</b>		
At the beginning of the period/year	330,532	369,169
Allowance for the period/year	40,715	178,376
Amount written back	(3,696)	(41,070)
Net allowance for the period/year	37,019	137,306
Amount written off	(52,227)	(176,255)
Allowance adjusted for:		
Fund for Ministry of Youth and Sports ("DKBS")	236	532
Entrepreneur Scheme for Graduates ("SUTKS")	(33)	(225)
Special Fund for Terengganu Fishery ("DKSP")	(6)	5
At the end of period/year	<b>315,521</b>	<b>330,532</b>
Collective impairment allowance as a percentage of gross loans, financing and advances less individual impairment allowance	5.19%	5.37%

The total amount of collective impairment allowance includes collective allowances for non impaired loans of RM139,019,820 (2012: RM136,578,158).

**12. DEPOSITS FROM CUSTOMERS**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>		
Fixed/Money market deposits	3,282,295	3,779,419
Savings deposits	1,587,871	1,640,654
Agro Perdana	1,578,447	1,616,144
	<u><b>6,448,613</b></u>	<u><b>7,036,217</b></u>
<b>Maturity structure of fixed/money market deposits from customers is as follows:</b>		
Within six months	1,689,950	2,843,736
Between six months to one year	1,515,969	857,159
Between one year to three years	28,109	29,688
Between three years to five years	48,267	48,836
	<u><b>3,282,295</b></u>	<u><b>3,779,419</b></u>

The deposits are sourced from the following types of customers :

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Government	2,434,527	2,665,134
Individuals	2,635,581	2,760,759
Domestic Business Enterprises	357,968	601,653
Domestic Other Entities	991,691	965,618
Domestic Non-Banking Institutions	28,846	43,053
	<u><b>6,448,613</b></u>	<u><b>7,036,217</b></u>

### 13. OTHER PAYABLE AND ACCRUALS

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Accrued expenses	41,096	52,315
Sundry creditors	73,793	62,749
Donation/Charity	590	155
Zakat payable	3,414	4,075
Retirement benefits scheme	49,125	43,641
Paddy Credit Gratuity Scheme	2,179	2,185
	<b>170,197</b>	<b>165,120</b>

### 14. LOAN SCHEME FUND

Summary of loan scheme fund is as follows :

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2013</b>	<b>2012</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Loan from OECF	(a)	9,753	20,638
Fund for Food ("3F")	(b)	991,435	970,463
MPPB Funds	(c)	57,652	70,486
Oil Palm Replanting Scheme ("TASKS")	(d)	14,000	14,000
Paddy Credit Scheme	(e)	86,464	105,715
Food Production Credit Scheme ("SKPM")	(f)	100,868	100,744
Fishery Boat Financing Scheme ("SPBP")	(g)	140,000	140,000
Entrepreneur Scheme for Graduates ("SUTKS - Financing")	(h)	8,020	8,010
Loan for Small and Medium Size Industries ("PKS")	(i)	100,854	100,730
Non-Food Production Credit Scheme ("SKPBM")	(j)	25,103	25,073
Micro Enterprise Fund	(k)	91,705	83,767
		<b>1,625,854</b>	<b>1,639,626</b>

**14. LOAN SCHEME FUND (cont'd)**

**(a) Loan from OECF**

	<b>Principal</b>	<b>Interest/ Profit</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As of 1 January 2012	46,499	-	46,499
Interest charged	-	1,322	1,322
Repayment	(21,784)	(1,346)	(23,130)
Foreign exchange differences	(4,652)	599	(4,053)
	<u>20,063</u>	<u>575</u>	<u>20,638</u>
As of 31 December 2012	<b>20,063</b>	<b>575</b>	<b>20,638</b>
Profit charged	-	395	395
Repayment	(9,505)	(332)	(9,837)
Foreign exchange differences	(1,563)	120	(1,443)
	<u>(1,563)</u>	<u>120</u>	<u>(1,443)</u>
As of 30 June 2013	<b>8,995</b>	<b>758</b>	<b>9,753</b>
	<u><u>8,995</u></u>	<u><u>758</u></u>	<u><u>9,753</u></u>

<b>June</b>	<b>December</b>
<b>2013</b>	<b>2012</b>
<b>RM'000</b>	<b>RM'000</b>

**Maturity structure of loan from  
OECF is as follows:**

Within one year	<u>9,753</u>	<u>20,638</u>
	<u><b>9,753</b></u>	<u><b>20,638</b></u>

This loan was obtained from the Overseas Economic Cooperation Fund (“OECF”) in 1988, at an interest/profit rate of 3.5% per annum for 25 years. The repayment period commenced in 1995 and will be settled in 2013.

**14. LOAN SCHEME FUND (cont'd)****(b) Fund For Food ("3F")**

	<b>Principal</b>	<b>Interest/ Profit</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As of 1 January 2012	1,072,050	4,491	1,076,541
Additions	652	-	652
Interest charged	-	2,322	2,322
Repayment	<u>(106,826)</u>	<u>(2,226)</u>	<u>(109,052)</u>
As of 31 December 2012	<b>965,876</b>	<b>4,587</b>	<b>970,463</b>
Additions	34,536	-	34,536
Profit charged	-	(2,671)	(2,671)
Repayment	<u>(10,885)</u>	<u>(8)</u>	<u>(10,893)</u>
As of 30 June 2013	<b><u>989,527</u></b>	<b><u>1,908</u></b>	<b><u>991,435</u></b>

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM300 million every year for a tenure of 15 years (3 years grace period i.e. commencement of profit rate payment in 2011) at a profit rate of 0.25% per annum. The purpose of this fund is to enhance the food productions industry and to reduce dependency on imports.

**(c) Bumiputera Commercial and Industrial Community Scheme ("MPPB")**

	<b>Principal</b>	<b>Interest/ Profit</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As of 1 January 2012	70,000	311	70,311
Interest charged	<u>-</u>	<u>175</u>	<u>175</u>
As of 31 December 2012	<b>70,000</b>	<b>486</b>	<b>70,486</b>
Profit charged	-	85	85
Repayment	<u>(12,585)</u>	<u>(334)</u>	<u>(12,919)</u>
As of 30 June 2013	<b><u>57,415</u></b>	<b><u>237</u></b>	<b><u>57,652</u></b>

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM100 million for the tenure of 15 years (3 years grace period i.e. commencement of interest/profit rate payment in 2011) at an interest/profit rate of 0.25% per annum. The objective of this scheme is to provide financing facilities to Bumiputera entrepreneurs, farmers, fishermen and other related institutions.

**14. LOAN SCHEME FUND (cont'd)**

**(d) Oil Palm Replanting Scheme ("TASKS")**

	<b>Principal RM'000</b>	<b>Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	15,000	-	15,000
Repayment	(1,000)	-	(1,000)
As of 31 December 2012	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Repayment	<u>-</u>	<u>-</u>	<u>-</u>
As of 30 June 2013	<u><u>14,000</u></u>	<u><u>-</u></u>	<u><u>14,000</u></u>

This fund is channeled through the Ministry of Plantation Industries and Commodities to finance the replanting programmes of the oil palm plantation industry.

**(e) Paddy Credit Scheme**

	<b>Principal RM'000</b>	<b>Interest/ Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	105,000	453	105,453
Interest charged	<u>-</u>	<u>262</u>	<u>262</u>
As of 31 December 2012	<b>105,000</b>	<b>715</b>	<b>105,715</b>
Profit charged	<u>-</u>	<u>128</u>	<u>128</u>
Repayment	<u>(18,877)</u>	<u>(502)</u>	<u>(19,379)</u>
As of 30 June 2013	<u><u>86,123</u></u>	<u><u>341</u></u>	<u><u>86,464</u></u>

The Ministry of Agriculture provided RM105.0 million to the Bank to encourage the country's paddy industry. The loan tenure is 10 years (3 years grace period i.e. commencement of interest/profit rate payment in 2011) at an interest/profit rate of 1.5% per annum.



**14. LOAN SCHEME FUND (cont'd)**

**(f) Food Production Credit Scheme ("SKPM")**

	<b>Principal RM'000</b>	<b>Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	100,000	494	100,494
Profit charged	<u>-</u>	<u>250</u>	<u>250</u>
As of 31 December 2012	<b>100,000</b>	<b>744</b>	<b>100,744</b>
Profit charged	<u>-</u>	<u>124</u>	<u>124</u>
As of 30 June 2013	<b><u>100,000</u></b>	<b><u>868</u></b>	<b><u>100,868</u></b>

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM100.0 million for a tenure of 15 years (3 years grace period i.e. commencement of profit rate payment in 2010) at a profit rate of 0.25% per annum.

**(g) Fishery Boat Financing Scheme ("SPBP")**

	<b>Principal RM'000</b>
As of 31 December 2012 and 30 June 2013	<u>140,000</u>

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM140.0 million for a tenure of 15 years (10 years grace period i.e. commencement of profit rate payment in 2017) at profit rate of 0.25% per annum. The purpose of the fund is to modernise the facilities within the fishery industry, promote deep sea and high sea fishing industry.

**14. LOAN SCHEME FUND (cont'd)**

**(h) Entrepreneur Scheme for Graduates ("SUTKS-Financing")**

	<b>Principal RM'000</b>	<b>Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	10,000	-	10,000
Profit charged	-	25	25
Repayment	<u>(1,990)</u>	<u>(25)</u>	<u>(2,015)</u>
As of 31 December 2012	<b>8,010</b>	-	<b>8,010</b>
Profit charged	<u>-</u>	<u>10</u>	<u>10</u>
As of 30 June 2013	<b><u>8,010</u></b>	<b><u>10</u></b>	<b><u>8,020</u></b>

The Government allocated RM10.0 million for a tenure of 10 years (5 years grace period i.e. commencement of profit rate payment in 2012) at a profit rate of 0.25% per annum. The purpose of this scheme is to encourage the involvement of graduates in the agriculture sector.

**(i) Loan for Small and Medium Size Industries ("PKS")**

	<b>Principal RM'000</b>	<b>Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	100,000	480	100,480
Profit charged	<u>-</u>	<u>250</u>	<u>250</u>
As of 31 December 2012	<b>100,000</b>	<b>730</b>	<b>100,730</b>
Profit charged	<u>-</u>	<u>124</u>	<u>124</u>
As of 30 June 2013	<b><u>100,000</u></b>	<b><u>854</u></b>	<b><u>100,854</u></b>

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM100.0 million. The purpose of this fund is to encourage investment in the agricultural industry. The tenure of this loan is 15 years (3 years grace period i.e. commencement of profit rate payment in 2011) at a profit rate of 0.25% per annum.

**14. LOAN SCHEME FUND (cont'd)****(j) Non-Food Production Credit Scheme ("SKPBM")**

	<b>Principal RM'000</b>	<b>Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	27,534	12	27,546
Profit charged	69	68	137
Repayment	<u>(2,541)</u>	<u>(69)</u>	<u>(2,610)</u>
As of 31 December 2012	<b>25,062</b>	<b>11</b>	<b>25,073</b>
Profit charged	<u>-</u>	<u>30</u>	<u>30</u>
As of 30 June 2013	<b><u>25,062</u></b>	<b><u>41</u></b>	<b><u>25,103</u></b>

Under the 9th Malaysian Plan ("RMK9"), the Government agreed to channel RM30.0 million for a tenure of 15 years (3 years grace period i.e. commencement of profit rate payment in 2011) at profit rate of 0.25% per annum. The purpose of this fund is to enhance the primary and tertiary agricultural activities.

**(k) Micro Enterprise Fund**

	<b>Principal RM'000</b>	<b>Interest/ Profit RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	80,823	-	80,823
Additions	14,493	-	14,493
Profit charged	23	1,224	1,247
Repayment	<u>(11,569)</u>	<u>(1,227)</u>	<u>(12,796)</u>
As of 31 December 2012	<b>83,770</b>	<b>(3)</b>	<b>83,767</b>
Additions	9,395	-	9,395
Profit charged	-	652	652
Repayment	<u>(2,108)</u>	<u>(1)</u>	<u>(2,109)</u>
As of 30 June 2013	<b><u>91,057</u></b>	<b><u>648</u></b>	<b><u>91,705</u></b>

The fund amounting to RM200.0 million was launched by Bank Negara Malaysia ("BNM") to increase the access to micro financing to selected eligible micro entrepreneurs. The interest rate of this fund is 1.5% per annum for a tenure of 5 years.

**15. GOVERNMENT GRANTS - OPERATING**

	<b>Capital Expenditure RM'000</b>	<b>Development Expenditure RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	54,583	294	54,877
Amortised during the year	(12,788)	-	(12,788)
Utilised during the year	<u>-</u>	<u>(217)</u>	<u>(217)</u>
As of 31 December 2012	<b>41,795</b>	<b>77</b>	<b>41,872</b>
Amortised during the period	<u>(3,306)</u>	<u>-</u>	<u>(3,306)</u>
As of 30 June 2013	<b><u>38,489</u></b>	<b><u>77</u></b>	<b><u>38,566</u></b>

Since 2006, the Bank received operating grant amounting to RM82.0 million from the Ministry of Finance. The purpose of the grant is for capital expenditure to finance the acquisition of property, plant and equipment and development expenditure to finance the training courses given to entrepreneurs.

**16. GOVERNMENT GRANTS - LAUNCHING**

	<b>Capital Expenditure RM'000</b>	<b>Development Expenditure RM'000</b>	<b>Total RM'000</b>
As of 1 January 2012	9,594	16,422	26,016
Reclassification	8,023	(8,023)	-
Utilised during the year:			
Development expenditure	-	(1,102)	(1,102)
Amortised during the year	<u>(3,316)</u>	<u>-</u>	<u>(3,316)</u>
As of 31 December 2012	<b>14,301</b>	<b>7,297</b>	<b>21,598</b>
Reclassification	(710)	710	-
Utilised during the period:			
Development expenditure	-	(117)	(117)
Amortised during the period	<u>(1,746)</u>	<u>-</u>	<u>(1,746)</u>
As of 30 June 2013	<b><u>11,845</u></b>	<b><u>7,890</u></b>	<b><u>19,735</u></b>

In 2007, the Ministry of Finance approved an allocation of RM100.0 million to the Bank for the purpose of the Bank's corporatisation. The grant is to be used for branding, product development and office expansion.

## 17. GOVERNMENT GRANTS - FUNDS

Summary of government grants - funds as follows :

	Note	Unaudited As at 30 June 2013 RM'000	Audited As at 31 December 2012 RM'000
Development Programme for Hardcore Poor ("PPRT")	(a)	2,560	2,560
Entrepreneur Scheme for Graduates ("SUTKS")	(b)	818	785
Special Fund For Terengganu Fishery ("DKSP")	(c)	1,169	1,391
Fund for Ministry of Youth and Sports ("DKBS")	(d)	11,536	11,772
		<u>16,083</u>	<u>16,508</u>

### (a) Development Programme for Hardcore Poor ("PPRT")

	RM'000
As of 31 December 2012 and 30 June 2013	<u>2,560</u>

This programme represents profit-free financing from the Government to hardcore poor.

### (b) Entrepreneur Scheme for Graduates ("SUTKS")

	Unaudited As at 30 June 2013 RM'000	Audited As at 31 December 2012 RM'000
At beginning of the period	785	560
Collective impairment allowance	<u>33</u>	<u>225</u>
At the end of period	<u>818</u>	<u>785</u>

The objective of this programme is to reduce the unemployment rate among graduates by creating career opportunities in the agricultural sector. Financing is offered under *Al – Bai' Bithaman Ajil* which imposes a profit rate of 3% per annum.

**17. GOVERNMENT GRANTS - FUNDS (cont'd)**

**(c) Special Fund for Terengganu Fishery ("DKSP")**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the period	1,391	2,057
Amortisation	(228)	(661)
Collective impairment allowance	6	(5)
	<u>1,169</u>	<u>1,391</u>
At the end of period	<u><b>1,169</b></u>	<u><b>1,391</b></u>

The objective of this fund is to raise the social-economic status of fishermen, fish breeders and aquaculture entrepreneurs. The financing is offered under *Al – Bai' Bithaman Ajil* up to 100% of the total project cost and is at a profit free-rate. The financing terms would depend on the project with repayment terms not exceeding 10 years.

**(d) Fund for Ministry of Youth and Sports ("DKBS")**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the period	11,772	12,304
Collective impairment allowance	(236)	(532)
	<u>11,536</u>	<u>11,772</u>
At the end of period	<u><b>11,536</b></u>	<u><b>11,772</b></u>

This fund is managed on behalf of the Ministry of Youth and Sports. The purpose of this fund is to encourage youth to be involved in agricultural industry under *Skim Belia Tani*.

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## 18. SHARE CAPITAL

	<b>Unaudited</b> As at <b>30 June</b> <b>2013</b> <b>RM'000</b>	<b>Audited</b> As at <b>31 December</b> <b>2012</b> <b>RM'000</b>
<b>Authorised:</b>		
Ordinary shares of RM1 each	<u>2,000,000</u>	<u>2,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each	<u>1,000,000</u>	<u>1,000,000</u>

## 19. RESERVES

	<b>Unaudited</b> As at <b>30 June</b> <b>2013</b> <b>RM'000</b>	<b>Audited</b> As at <b>31 December</b> <b>2012</b> <b>RM'000</b>
<b>Non-distributable reserve:</b>		
Statutory reserves	487,109	487,109
Investment revaluation reserve	294,037	321,719
<b>Distributable reserve:</b>		
Retained earnings	<u>773,826</u>	<u>659,565</u>
	<u><b>1,554,972</b></u>	<u><b>1,468,393</b></u>

### (a) Statutory reserves

Transfer of profit to reserve fund is only applicable when RWCR of the Bank is below the threshold of 16% as approved by BNM via letter to the Bank dated 22 February 2008.

### (b) Investment revaluation reserve

The investment revaluation reserve is in respect of unrealised fair value gains and losses on financial investments AFS.

**20. COMMITMENTS AND CONTINGENCIES**

	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
<b>Guarantee:</b>		
Guarantee letters issued on behalf of customers of the Bank	<u>21,454</u>	<u>15,535</u>
<b>Capital Commitment</b>		
Approved and contracted for:		
Capital expenditure	6,464	5,205
Commitment on loans, financing and advances	<u>17,790</u>	<u>396,520</u>
	<u>24,254</u>	<u>401,725</u>
Approved but not contracted for:		
Capital expenditure	1,868	811
Commitment on loans, financing and advances	<u>18,657</u>	<u>76,952</u>
	<u>20,525</u>	<u>77,763</u>
	<b><u>44,779</u></b>	<b><u>479,488</u></b>
<b>Contingent Liabilities</b>		
Certain legal actions taken against the Bank with compensation claims	385,635	363,932
	<b><u>451,868</u></b>	<b><u>858,955</u></b>

Included in compensation claims are legal actions against the Bank. The Bank is in the process of appealing the decisions to the higher court. The information required by MFRS 137 Provisions, Contingent Liabilities and Contingent Assets are not disclosed on the grounds that it would prejudice the outcome of the legal actions.



## 21. RELATED PARTY DISCLOSURES

### a) Parents Entity

The Bank is a Government Linked Corporation, with all shares held by the Ministry of Finance Incorporated on behalf of the government of Malaysia. All entities controlled by the Government of Malaysia meet the definition of related parties of the Bank.

### b) Key Management personnel compensation

Remuneration paid to directors and members of the senior management of the Bank includes the following :

- i) Short term employee benefits include salaries and allowances.
- ii) Post employment benefits include Employee Provident Fund ("EPF") contributions.

<b>Key Management Personnel</b>	<b>Short Term RM'000</b>	<b>Post Employment Benefit RM'000</b>
Executive Director	300	51
Non-Executive Directors	535	-
Senior Management	<u>1,589</u>	<u>186</u>
	<b><u>2,424</u></b>	<b><u>237</u></b>

### (c) Transaction with Key Management personnel

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial period.

	<b>Balance as at 30 June 2013 RM'000</b>	<b>Balance as at 31 December 2012 RM'000</b>
Deposit	<u>9</u>	<u>9</u>
	<b><u>9</u></b>	<b><u>9</u></b>

No loans have been granted to the directors of the Bank.

**21. RELATED PARTY DISCLOSURES (cont'd)**

**d) Transactions with related parties**

	Notes	Unaudited 6-Month period ended 30 June 2013 RM'000	Unaudited 6-Month period ended 30 June 2012 RM'000
<b>Income</b>			
Gapping	(i)	11,905	-
Management fees	(ii)	10,170	8,462
Commission	(iii)	770	672
Interest/ profit earned from deposits/ placements earned from government linked entities		29,820	54,350
Investment income from government securities, corporate bonds, equities and commercial papers issued by government linked entities		74,760	71,070
<b>Expense</b>			
Interest expense on deposits placed by government linked entities		4,939	4,789
Interest expense on loan scheme fund paid and payable to the Ministry of Finance and BNM		1,487	459
Employee Provident Fund ("EPF")		9,125	8,489
Social Security Organisation ("SOCSO")		906	787

Description for income with related parties are as follows:

- (i) Income from Ministry of Finance Incorporated for the interest differential between market rate and subsidised rate on loans disbursed by the Bank at subsidised rate.
- (ii) Fees earned for managing of government funds for loan disbursement paid by Ministry of Agriculture and Ministry of Finance.
- (iii) Commission earned as bills collection agent from Government of Malaysia controlled entities.

**22. RELATED PARTY DISCLOSURES (cont'd)**

**e) Outstanding balances arising from transactions with related parties**

	<b>Amount owed to/by related parties</b>	
	<b>Balance as at 30 June 2013 RM'000</b>	<b>Balance as at 31 December 2012 RM'000</b>
Government Grants	38,566	41,872
Launching Grants	19,735	21,598
Government Grant - Funds	16,083	16,508
Loan Scheme Fund	1,625,854	1,639,626
Foreign exchange receivable from Ministry of Finance	6,454	15,780
Loan to related parties	14,427	14,951
Deposit/placement with related parties	1,647,644	3,278,966
Deposit from related entities	<u>2,434,527</u>	<u>2,665,134</u>

**f) Terms and conditions**

Transactions with related parties were made on terms equivalent to those that prevail in an arm's length transactions.

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## 23. FINANCIAL INSTRUMENTS

### Exposure to interest rate risk

The table below summarises the Bank's exposure to interest rate risk.

	<1 year RM '000	>1-2 years RM '000	>2-3 years RM '000	>3-5 years RM '000	>5 years RM '000	Non-interest /profit sensitive RM '000	Total RM '000	Effective Interest Rate
<b>Interest Rate Risk - June 2013</b>								
<b>Financial Assets</b>								
Cash and short term funds	1,713,685	-	-	-	-	252,704	1,966,389	3.09%
Loans, financing and advances	3,675,447	2,468	7,815	183,014	846,080	1,051,238	5,766,062	7.20%
Investment securities	-	-	110,141	426,468	2,129,959	232,119	2,898,687	3.78%
Property, plant and equipment	-	-	-	-	-	214,310	214,310	-
Other Assets	-	-	-	-	-	90,540	90,540	-
<b>Total Assets</b>	<b>5,389,132</b>	<b>2,468</b>	<b>117,956</b>	<b>609,482</b>	<b>2,976,039</b>	<b>1,840,911</b>	<b>10,935,988</b>	<b>4.69%</b>
<b>Financial Liabilities</b>								
Deposits from customers	3,204,604	7,073	9,013	15,868	17	3,212,038	6,448,613	3.14%
Loan from OECF	-	-	-	-	-	9,753	9,753	3.50%
Financing Scheme Funds	-	-	-	-	-	1,616,104	1,616,104	0.32%
Government Grant	-	-	-	-	-	74,384	74,384	-
Other Liabilities	-	-	-	-	-	232,162	232,162	-
<b>Total Liabilities</b>	<b>3,204,604</b>	<b>7,073</b>	<b>9,013</b>	<b>15,868</b>	<b>17</b>	<b>5,144,441</b>	<b>8,381,016</b>	<b>2.32%</b>
Shareholder Fund	-	-	-	-	-	2,554,972	2,554,972	-
<b>Total Liabilities and Equity</b>	<b>3,204,604</b>	<b>7,073</b>	<b>9,013</b>	<b>15,868</b>	<b>17</b>	<b>7,699,413</b>	<b>10,935,988</b>	<b>2.32%</b>

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## 23. FINANCIAL INSTRUMENTS (cont'd)

### Exposure to interest rate risk

The table below summarises the Bank's exposure to interest rate risk.

	<1 year RM '000	>1-2 years RM '000	>2-3 years RM '000	>3-5 years RM '000	>5 years RM '000	Non-interest /profit sensitive RM '000	Total RM '000	Effective Interest Rate
<b>Interest Rate Risk - 2012</b>								
<b>Financial Assets</b>								
Cash and short term funds	1,670,525	-	-	-	-	156,487	1,827,012	3.08%
Loans, financing and advances	3,530,315	2,015	7,954	200,802	504,027	1,582,794	5,827,907	7.11%
Investment securities	9,955	-	100,136	537,219	2,530,979	280,773	3,459,062	3.79%
Property, plant and equipment	-	-	-	-	-	211,754	211,754	-
Other Assets	-	-	-	-	-	95,920	95,920	-
<b>Total Assets</b>	<b>5,210,795</b>	<b>2,015</b>	<b>108,090</b>	<b>738,021</b>	<b>3,035,006</b>	<b>2,327,728</b>	<b>11,421,655</b>	<b>4.66%</b>
<b>Financial Liabilities</b>								
Deposits from customers	3,644,935	11,191	16,221	65,800	17	3,298,053	7,036,217	2.19%
Loan from OECF	-	-	-	-	-	20,638	20,638	3.50%
Financing Scheme Funds	-	-	-	-	-	1,618,988	1,618,988	0.37%
Government Grant	-	-	-	-	-	79,978	79,978	-
Other Liabilities	-	-	-	-	-	197,441	197,441	-
<b>Total Liabilities</b>	<b>3,644,935</b>	<b>11,191</b>	<b>16,221</b>	<b>65,800</b>	<b>17</b>	<b>5,215,098</b>	<b>8,953,262</b>	<b>2.02%</b>
Shareholder Fund	-	-	-	-	-	2,468,393	2,468,393	-
<b>Total Liabilities and Equity</b>	<b>3,644,935</b>	<b>11,191</b>	<b>16,221</b>	<b>65,800</b>	<b>17</b>	<b>7,683,491</b>	<b>11,421,655</b>	<b>2.02%</b>

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### 23. FINANCIAL INSTRUMENTS (cont'd)

Liabilities of the Bank as at 30 June 2013 based on contractual undiscounted obligations and commitments

<b>Particular</b>	<b>&lt;1 month RM'000</b>	<b>1-3 months RM'000</b>	<b>3 - 6 months RM'000</b>	<b>6 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt;5 years RM'000</b>	<b>Total RM'000</b>
<b>Deposit From Customers</b>							
Saving Giro	3,163,318	-	-	-	-	-	3,163,318
Fixed Deposits	292,566	846,278	551,106	1,515,969	76,376	-	3,282,295
<b>Loan Scheme Fund</b>							
Government	-	-	-	-	-	1,483,725	1,483,725
BNM	-	-	-	-	-	52,209	52,209
Others	-	-	6,189	-	3,564	-	9,753
<b>Other Liabilities</b>							
Other Payables	47,490	32,791	24,876	7,010	-	-	112,167
Paddy Credit Gratuity Scheme	214	429	538	323	675	-	2,179
<b>Total Financial Liabilities</b>	<b>3,503,588</b>	<b>879,498</b>	<b>582,709</b>	<b>1,523,302</b>	<b>80,615</b>	<b>1,535,934</b>	<b>8,105,646</b>
<b>Off Balance Sheet Items</b>							
Undisbursed loans	81,742	36,330	36,330	36,330	36,330	-	227,062
Purchase Order	3,209	1,280	-	-	-	-	4,489
<b>Total Off Balance Sheet Items</b>	<b>84,951</b>	<b>37,610</b>	<b>36,330</b>	<b>36,330</b>	<b>36,330</b>	<b>-</b>	<b>231,551</b>
<b>Total Financial Liabilities and Off Balance Sheet Items</b>	<b>3,588,539</b>	<b>917,108</b>	<b>619,039</b>	<b>1,559,632</b>	<b>116,945</b>	<b>1,535,934</b>	<b>8,337,197</b>

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### 23. FINANCIAL INSTRUMENTS (cont'd)

Liabilities of the Bank as at 31 December 2012 based on contractual undiscounted obligations and commitments

<b>Particular</b>	<b>&lt;1 month RM'000</b>	<b>1-3 months RM'000</b>	<b>3 - 6 months RM'000</b>	<b>6 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>&gt;5 years RM'000</b>	<b>Total RM'000</b>
<b>Deposit From Customers</b>							
Saving Giro	3,256,798	-	-	-	-	-	3,256,798
Fixed Deposits	1,464,969	721,355	657,412	857,159	78,524	-	3,779,419
<b>Loan Scheme Fund</b>							
Government	-	-	-	-	-	1,520,494	1,520,494
BNM	-	-	-	-	-	112,297	112,297
Others	-	-	6,295	6,189	8,154	-	20,638
<b>Other Liabilities</b>							
Other Payables	236,497	19,730	14,866	4,141	-	-	275,234
Paddy Credit Gratuity Scheme	216	432	540	324	673	-	2,185
<b>Total Financial Liabilities</b>	<b>4,958,480</b>	<b>741,517</b>	<b>679,113</b>	<b>867,813</b>	<b>87,351</b>	<b>1,632,791</b>	<b>8,967,065</b>
<b>Off Balance Sheet Items</b>							
Undisbursed loans	32,667	8,857	8,857	8,857	8,857	8,857	76,952
Purchase Order	2,904	1,280	-	-	-	-	4,184
<b>Total Off Balance Sheet Items</b>	<b>35,571</b>	<b>10,137</b>	<b>8,857</b>	<b>8,857</b>	<b>8,857</b>	<b>8,857</b>	<b>81,136</b>
<b>Total Financial Liabilities and Off Balance Sheet Items</b>	<b>4,994,051</b>	<b>751,654</b>	<b>687,970</b>	<b>876,670</b>	<b>96,208</b>	<b>1,641,648</b>	<b>9,048,201</b>

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## 24. CAPITAL ADEQUACY

The capital adequacy ratio of the Bank as at the end of the reporting period is as follows:

	<b>Unaudited As at 30 June 2013 %</b>	<b>Audited As at 31 December 2012 %</b>
Before deducting proposed dividend:		
Core capital ratio	29.72	28.30
Risk-weighted capital ratio	<u>32.52</u>	<u>31.15</u>
After deducting proposed dividend:		
Core capital ratio	29.60	28.30
Risk-weighted capital ratio	<u>32.40</u>	<u>31.15</u>

The capital adequacy ratio of the Bank as of 30 June 2013 has incorporated the market risk pursuant to BNM Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
Components of Tier I and Tier II Capital		
<b><u>Tier I capital</u></b>		
Share capital	1,000,000	1,000,000
Statutory reserves	487,109	487,109
Retained earnings	<u>773,826</u>	<u>659,565</u>
<b><u>Total Tier I Capital</u></b>	<b><u>2,260,935</u></b>	<b><u>2,146,674</u></b>
<b>Tier II capital</b>		
Collective impairment allowance	139,020	136,579
Government Grants	38,566	41,872
Launching Grants	19,735	21,598
Government Grant - Funds	16,083	16,508
<b>Total Tier II capital</b>	<u>213,404</u>	<u>216,557</u>
<b>Total Capital Base</b>	<b><u>2,474,339</u></b>	<b><u>2,363,231</u></b>



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## 24. CAPITAL ADEQUACY (cont'd)

The breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	<b>Notional RM'000</b>	<b>Risk- weighted RM'000</b>
0%	1,792,773	-
10%	-	-
20%	2,135,141	427,028
50%	52,806	26,404
100%	6,955,268	6,955,268
Off balance sheet risk-weighted assets	-	199,474
<b>Total risk-weighted assets as of 30 June 2013</b>	<b><u>10,935,988</u></b>	<b><u>7,608,174</u></b>
0%	2,410,682	-
10%	-	-
20%	1,970,173	394,035
50%	54,449	27,224
100%	6,986,351	6,986,351
Off balance sheet risk-weighted assets	-	178,604
<b>Total risk-weighted assets as of 31 December 2012</b>	<b><u>11,421,655</u></b>	<b><u>7,586,214</u></b>

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## 25. ISLAMIC BANKING

The state of affairs and the results of Islamic Banking Operations under the Islamic Banking Division included in the financial statements, are summarised as follows:

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013

	Note	Unaudited 6-Month period ended 30 June 2013 RM'000	Unaudited 6-Month period ended 30 June 2012 RM'000
Income from Islamic Banking	<b>a</b>	249,550	229,195
Financing impairment charges	<b>b</b>	<u>(24,092)</u>	<u>(106,737)</u>
Net income		225,458	122,458
Overhead expenses		<u>(131,587)</u>	<u>(101,283)</u>
<b>Profit before zakat</b>		<b>93,871</b>	<b>21,175</b>
Zakat		<u>-</u>	<u>-</u>
<b>Profit after zakat</b>		<b><u>93,871</u></b>	<b><u>21,175</u></b>
<b>Other comprehensive income</b>			
Unrealised gains on fair value changes on AFS investment securities		(3,659)	8,278
Transfer to profit and loss on disposal of AFS investment securities		<u>(12,277)</u>	<u>(2,470)</u>
Other comprehensive (loss)/income for the period		<b><u>(15,936)</u></b>	<b><u>5,808</u></b>
<b>Total comprehensive income for the period</b>		<b><u><u>77,935</u></u></b>	<b><u><u>26,983</u></u></b>

**25. ISLAMIC BANKING (cont'd)****CONDENSED STATEMENT OF FINANCIAL POSITION  
AS OF 30 JUNE 2013**

		<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
<b>ASSETS</b>	<b>Note</b>		
Cash and short term funds	<b>c</b>	711,129	1,095,975
Deposits with financial institutions	<b>d</b>	52,404	-
Investment securities	<b>e</b>	2,435,733	2,562,041
Financing and advances	<b>f</b>	5,131,557	5,037,463
Prepaid lease payments		5,590	6,322
Property, plant and equipment		166,636	164,501
Intangible assets		22,050	20,898
Other assets		61,365	51,355
		<u>8,586,464</u>	<u>8,938,555</u>
<b>TOTAL ASSETS</b>		<b>8,586,464</b>	<b>8,938,555</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from customers	<b>g</b>	5,215,027	5,643,765
Profit payable and others		155,799	122,958
Government borrowings and financing scheme funds	<b>h</b>	1,616,101	1,618,988
Government Grant		58,303	63,470
Government Grant - Funds	<b>i</b>	16,083	16,508
		<u>7,061,313</u>	<u>7,465,689</u>
<b>Total Liabilities</b>		<b>7,061,313</b>	<b>7,465,689</b>
<b>Equity</b>			
Islamic Banking Fund	<b>j</b>	1,525,151	1,472,866
		<u>1,525,151</u>	<u>1,472,866</u>
<b>Total Equity</b>		<b>1,525,151</b>	<b>1,472,866</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,586,464</b>	<b>8,938,555</b>

**25. ISLAMIC BANKING (cont'd)**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013**

	<b>Unaudited 6-Month period 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before zakat	93,871	21,175
<b>Adjustments for:</b>		
Financing impairment charges	22,691	28,777
Profit expense on Government borrowings and financing scheme funds	(1,486)	1,633
Depreciation of property, plant and equipment	19,258	600
Write off of property, plant and equipment	1,189	-
Amortisation of:		
Government Grant	(3,306)	-
Launching Grant	(1,746)	-
<b>Operating profit before working capital changes</b>	<b>130,471</b>	<b>52,185</b>
Change in financing and advances	(117,210)	(26,471)
Change in other assets	(10,010)	(31,604)
Change in deposits with financial institutions	(52,404)	17,151
Change in deposits from customers	(428,738)	314,332
Change in profit payables and others	33,503	11,607
Reimbursement to conventional system	(25,650)	1,433,623
<b>Cash (used in)/generated from operations</b>	<b>(470,038)</b>	<b>1,770,823</b>
Zakat paid	(661)	(378)
<b>Net (used in)/generated from cash from operating activities</b>	<b>(470,699)</b>	<b>1,770,445</b>

**25. ISLAMIC BANKING (cont'd)**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2013 (cont'd)**

	<b>Unaudited 6-Month period 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in investment securities	110,372	(1,117,339)
Purchase of property, plant and equipment	(23,002)	(8,951)
<b>Net cash used in investment activities</b>	<b>87,370</b>	<b>(1,126,290)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Profit paid on Government borrowings and financing scheme funds	(835)	(75)
Proceeds from:		
Fund For Food ("3F")	34,536	-
Special Fund For Terengganu Fishery ("DKSP")	-	(366)
Micro Enterprise Funds	9,395	-
Repayments of Government borrowings and financing scheme funds	(44,496)	(313)
Launching grant utilised	(117)	-
<b>Net cash used in financing activities</b>	<b>(1,517)</b>	<b>(754)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(384,846)</b>	<b>643,401</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>1,095,975</b>	<b>1,564,541</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>711,129</b>	<b>2,207,942</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash and short term funds	711,129	2,207,942
	<b>711,129</b>	<b>2,207,942</b>

**25. ISLAMIC BANKING (cont'd)**

<b>(a) Income from Islamic Banking</b>	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
<b>Income from Islamic Banking business</b>		
Financing	165,889	134,757
<b>Income from financial institutions</b>		
Profits from deposits with financial institutions	14,068	35,940
Profits from investment securities:		
HTM	3,274	2,018
AFS	41,908	23,107
Gain on disposal of investment securities:		
AFS	13,382	-
<b>Fee Income</b>		
Financing processing fees	7,792	7,726
Banking service fees	7,477	3,856
Ar-Rahnu fee	30,805	69,631
	<u>284,595</u>	<u>277,035</u>
<b>Less : Profit attributable to customers</b>		
Al-Mudharabah deposits	24,818	37,774
Fixed Return Investment Account- i	10,108	-
Al-Mudharabah savings	1,686	1,849
Agro Perdana-i	3,686	3,030
Agro-i deposits	6,284	6,375
Al-Wadiah savings	270	278
Agro Muda-i	1,920	1,812
Agro Tetangga-i	111	112
Agro Prima	7	-
Basic Saving Account	1	1
	<u>48,891</u>	<u>51,231</u>
Fund For Food ("3F")	(2,671)	1,322
Food Production Credit Scheme ("SKPM")	124	124
Loan for Small and Medium Size Industries ("PKS")	124	124
Fund For Small and Medium-Sized Industries ("TIKS")	-	16
Non-Food Production Credit Scheme ("SKPBM")	31	34
Micro Enterprise Fund	652	13
Entrepreneur Scheme for Graduates ("SUTKS")	10	-
MPPB	85	-
Paddy Credit Scheme	128	-
OECF	395	-
	<u>47,769</u>	<u>52,864</u>

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**25. ISLAMIC BANKING (cont'd)**

**(a) Income from Islamic Banking (cont'd)**

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
Special Fund for Terengganu Fishery ("DKSP")	228	366
Staff financing	546	534
Reimbursement of Special Relief Grant for Flood ("SRGF")	81	127
Gapping	11,522	-
Other income	347	3,997
	<hr/>	<hr/>
<b>Income from Islamic Banking</b>	<b>249,550</b>	<b>229,195</b>
	<hr/> <hr/>	<hr/> <hr/>

**(b) Financing impairment charges**

	<b>Unaudited 6-Month period ended 30 June 2013 RM'000</b>	<b>Unaudited 6-Month period ended 30 June 2012 RM'000</b>
Financing and advances :		
Allowance for the period	22,691	28,777
Amount written back upon recoveries and reversal of allowance	(14,992)	(25,014)
Individual impairment loss - net	7,699	3,763
Collective impairment loss	27,030	108,262
Bad debts and financing :		
Written off	-	82
Recovered	(10,637)	(5,370)
	<hr/>	<hr/>
	<b>24,092</b>	<b>106,737</b>
	<hr/> <hr/>	<hr/> <hr/>

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**25. ISLAMIC BANKING (cont'd)**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	129,556	120,450
Short term deposits maturing within three months:		
Licensed finance companies	239,815	568,050
Other financial institutions	341,758	407,475
	<u>711,129</u>	<u>1,095,975</u>

**(d) Deposits with financial institutions**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed bank	12,073	-
Other financial institutions	40,331	-
	<u>52,404</u>	<u>-</u>



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**25. ISLAMIC BANKING (cont'd)**

**(e) Investment securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Debt Securities</u></b>		
<b>AFS - at fair value</b>		
Corporate Bonds	1,582,810	1,341,087
Malaysian Government Securities	673,772	1,021,934
	<u>2,256,582</u>	<u>2,363,021</u>
<b>HTM - at amortised cost</b>		
Corporate Bonds	17,629	27,311
Commercial Papers	-	9,955
Malaysian Government Securities	161,522	161,754
	<u>179,151</u>	<u>199,020</u>
<b>Net</b>	<u><u>2,435,733</u></u>	<u><u>2,562,041</u></u>
<b>Maturity structure for investments</b>		
<b>HTM is as follows:</b>		
Maturity within six months	-	19,955
Between six months to one year	10,035	-
Between one year to three years	-	10,062
Between three years to five years	169,116	169,003
	<u>179,151</u>	<u>199,020</u>

**25. ISLAMIC BANKING (cont'd)****(f) Financing and advances**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai-Al-Inah	4,837,347	4,708,421
BBA Project and Vehicle	1,746,383	1,536,586
Fund For Food ("3F")	939,096	906,598
Ar-Rahnu	400,549	556,528
Fishery Boat Financing Scheme ("SPBP")	74,619	81,363
MUST-i	204,128	173,838
Oil Palm Replanting Scheme ("TASK")	25,990	31,363
MAP and MPPB Financing	93,617	98,971
Loan for Small and Medium Size Industries ("PKS")	61,401	66,294
Non-Food Production Credit Scheme ("SKPBM")	84,583	92,664
Food Production Credit Scheme ("SKPM")	11,394	13,038
Belia Tani Scheme	10,125	11,018
Entrepreneur Scheme for Graduates ("SUTKS - Financing")	4,248	5,549
Special Fund For Terengganu Fishery ("DKSP")	1,173	1,352
Fund For Small and Medium Size Industries ("TIKS")	2,265	2,357
Modal Pusingan-i	86,046	41,907
Paddy Credit Scheme	40,096	3,806
	<b>8,623,060</b>	<b>8,331,653</b>
<b>Less: Unearned profit</b>	<b>(3,157,613)</b>	<b>(2,966,771)</b>
	<b>5,465,447</b>	<b>5,364,882</b>
<b>Less:</b>		
Individual impairment loss	(156,104)	(138,896)
Collective impairment loss	(214,503)	(226,612)
	<b>5,094,840</b>	<b>4,999,374</b>
Staff financing and advances	36,717	38,089
Net	<b>5,131,557</b>	<b>5,037,463</b>

**25. ISLAMIC BANKING (cont'd)**

**(f) Financing and advances**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of the period/year	491,329	558,476
Additions during the period/year	121,854	388,143
Reclassified as non impaired during the period/year	(133,890)	(268,703)
Amount written off	(30,554)	(186,587)
	<u>448,739</u>	<u>491,329</u>
At the end of period/year	<u><b>448,739</b></u>	<u><b>491,329</b></u>

Impaired gross loans, financing and advances analysed by sectors and regions are as follows:

**Sector:**

Support	110,727	140,613
Crops	150,199	150,481
Livestock	100,192	101,919
Fishery	72,558	73,504
Forestry	5,487	12,925
Other Agricultural based processing	9,576	11,887
	<u>448,739</u>	<u>491,329</u>
	<u><b>448,739</b></u>	<u><b>491,329</b></u>

**Region:**

Kuala Lumpur	115,846	136,906
Selangor	70,455	74,038
Pahang	63,209	63,776
Perak	24,703	33,338
Negeri Sembilan/Melaka	38,065	36,346
Johor	33,669	39,170
Kelantan	22,160	23,261
Kedah/Perlis	24,309	24,557
Sarawak	20,940	21,439
Sabah	17,213	16,330
Pulau Pinang	9,013	12,335
Terengganu	9,157	9,833
	<u>448,739</u>	<u>491,329</u>
	<u><b>448,739</b></u>	<u><b>491,329</b></u>

**25. ISLAMIC BANKING (cont'd)**

**(f) Financing and advances (cont'd)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Maturity structure for financing is as follows:</b>		
Maturity within six months	545,641	629,176
Between six months to one year	37,529	50,395
Between one year to three years	414,619	423,088
Between three years to five years	723,910	677,519
More than five years	3,743,748	3,584,704
	<b>5,465,447</b>	<b>5,364,882</b>

**(g) Deposits from customers**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Al-Wadiah savings	67,726	69,971
Al-Mudharabah savings	260,227	277,100
Al-Mudharabah general deposits	1,272,008	2,068,485
Fixed Return Investment Account- i	777,727	319,657
Agro Perdana-i	2,750,323	2,817,969
Deposit securities	86,328	89,814
Basic Saving Account	688	769
	<b>5,215,027</b>	<b>5,643,765</b>

**Maturity structure for Al-Mudharabah  
general deposits and  
Fixed Return Investment Account- i is as follows:**

Within six months	1,666,170	1,629,070
Between six months to one year	319,810	676,748
Between one year to three years	18,997	16,317
Between three years to five years	44,758	66,007
	<b>2,049,735</b>	<b>2,388,142</b>

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## 25. ISLAMIC BANKING (cont'd)

### (g) Deposits from customers (cont'd)

The deposits are sourced from the following types of customers :

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Government	2,382,943	2,613,510
Individuals	2,199,372	2,073,528
Domestic Business Enterprises	190,682	580,840
Domestic Other Entities	413,184	332,834
Domestic Non-Banking Institutions	28,846	43,053
	<b><u>5,215,027</u></b>	<b><u>5,643,765</u></b>

### (h) Government borrowings and financing scheme funds

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Fund For Food ("3F")	991,435	970,462
Oil Palm Replanting Scheme ("TASKS")	14,000	14,000
Food Production Credit Scheme ("SKPM")	100,868	100,744
Fishery Boat Financing Scheme ("SPBP")	140,000	140,000
Entrepreneur Scheme for Graduates ("SUTKS-Financing")	8,020	8,010
Non-Food Production Credit Scheme ("SKPBM")	25,103	25,073
Loan for Small and Medium Size Industries ("PKS")	100,854	100,730
MPPB Funds	57,652	70,486
Paddy Credit Scheme	86,464	105,715
Micro Enterprise Fund	91,705	83,768
	<b><u>1,616,101</u></b>	<b><u>1,618,988</u></b>

**25. ISLAMIC BANKING (cont'd)**

<b>(i) Government Grant - Funds</b>	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
Entrepreneur Scheme for Graduates ("SUTKS")	818	785
Special Fund for Terengganu Fishery ("DKSP")	1,169	1,391
Fund for Ministry Youth and Sports ("DKBS")	11,536	11,772
Development Programme for Hardcore Poor ("PPRT")	2,560	2,560
	<b>16,083</b>	<b>16,508</b>
<b>(j) Islamic Banking Fund</b>	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
Retained earnings	761,726	667,855
General reserve	849,742	849,742
Reimbursement to conventional system	(80,110)	(54,460)
Investment revaluation reserve	(6,207)	9,729
	<b>1,525,151</b>	<b>1,472,866</b>
<b>Retained earnings</b>		
At beginning of the period/year	667,855	589,989
Profit after zakat	93,871	77,866
At end of the period/year	761,726	667,855
<b>Reimbursement to conventional system</b>		
At beginning of the period/year	(54,460)	(1,032,171)
Net reimbursement to	(25,650)	977,711
At end of the period/year	(80,110)	(54,460)
<b>Investment revaluation reserve</b>		
At beginning of the period/year	9,729	10,192
Retained profit AFS	-	593
Other comprehensive loss for the period/year	(15,936)	(1,056)
At end of the period/year	(6,207)	9,729

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**25. ISLAMIC BANKING (cont'd)**

<b>(k) Capital adequacy</b>	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
Core capital ratio	24.36	24.06
Risk-weighted capital ratio	<u>26.11</u>	<u>25.12</u>

<b>Components of Tier I and Tier II Capital</b>	<b>Unaudited As at 30 June 2013 RM'000</b>	<b>Audited As at 31 December 2012 RM'000</b>
<b><u>Tier I Capital</u></b>		
General reserve	849,742	849,742
Reimbursement to conventional system	(80,110)	(54,460)
Retained earnings	<u>761,726</u>	<u>667,855</u>
<b><u>Total Tier I Capital</u></b>	<b><u>1,531,358</u></b>	<b><u>1,463,137</u></b>
<b>Tier II Capital</b>		
Collective impairment allowance	108,263	62,389
Government grant - funds	<u>1,987</u>	<u>2,176</u>
<b>Total Tier II Capital</b>	<b><u>110,250</u></b>	<b><u>64,565</u></b>
<b>Total Capital Base</b>	<b><u>1,641,608</u></b>	<b><u>1,527,702</u></b>

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## 25. ISLAMIC BANKING (cont'd)

### (k) Capital adequacy (cont'd)

The breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	<b>Notional RM'000</b>	<b>Risk- weighted RM'000</b>
0%	-	-
10%	1,738,891	-
20%	897,919	179,583
50%	27,017	13,509
100%	5,922,637	5,922,637
Off balance sheet risk-weighted assets	-	170,509
<b>Total risk-weighted assets as of 30 June 2013</b>	<b>8,586,464</b>	<b>6,286,238</b>
0%	2,074,056	-
10%	-	-
20%	1,149,237	229,847
50%	27,308	13,654
100%	5,687,954	5,687,954
Off balance sheet risk-weighted assets	-	149,152
<b>Total risk-weighted assets as of 31 December 2012</b>	<b>8,938,555</b>	<b>6,080,607</b>