

MAYBANK (PNG) LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

Maybank (PNG) Limited

Financial statements for the period ended 31 December 2012

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Maybank (PNG) Limited

Financial statements for the period ended 31 December 2012

Company information

Maybank (PNG) Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea

Registered Office
Maybank (PNG) Limited
Corner Waigani and Islander Drive
Waigani
Papua New Guinea

Postal Address
PO Box 882
Waigani
Papua New Guinea
Tel 325 0101
Fax 325 6128

Directors
Mr Alister Maitland – Chairman
Mr. Sreesanthan Eliathamby
Mr. Victor Tan Tee Huat

Secretary
Mr. Shaiful Azhar Ahmad

Auditor
Deloitte Touche Tohmatsu
Chartered Accountants
PO Box 1275
Port Moresby
Papua New Guinea

Maybank (PNG) Limited

Financial statements for the period ended 31 December 2012

Directors' report

The directors of Maybank (PNG) Ltd ('the Bank') submit herewith the annual financial report of the company for the period ended 31 December 2012. In order to comply with the provision of the Companies Act 1997, the directors report as follows:

Office holders

The names and particulars of the directors and office holders as at the end of the financial year are:

Mr Alister Maitland	-	Non executive Director
Mr. Sreesanthan Eliathamby	-	Non executive Director

Review of operations and changes in state of affairs

The company's principal activities were banking and related services.

During the period ended 31 December 2012 there was no significant change in the principal activities or state of affairs of the Bank other than that referred to in the financial statements or notes thereto.

The Bank reported a net profit of K23,672,899 for the year ended 31 December 2012 (six months period ended 31 December 2011: K12,601,016) after charging income tax K10,122,887 (31 December 2011: K5,372,293).

Changes in accounting policies

No changes in accounting policies occurred during the period.

Entries in the interest register

No transactions are recorded in the interest register during the period.

Dividends

No dividends were declared or paid for the period ended 31 December 2012 (31 December 2011: K nil).

Directors' remuneration

Total directors remuneration of K347,210 (31 December 2011: K7,180) is disclosed at Note 29i.

Donations

During the year the Bank made donations totaling K8,000 (2011: K4,400).

Independent audit report

The financial statements have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the independent audit report on page 4- 5. Audit fees and non-audit fees are disclosed at Note 32.

Maybank (PNG) Limited

Financial statements for the period ended 31 December 2012

**Statement under Clause (p) of the Banks and Financial Institutions
(Amendment) Regulation 1999**

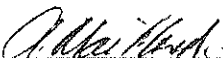
The Board and the senior management of the bank have:

- (i) identified the key risks facing the bank and;
- (ii) established systems to monitor and manage those risks including, where appropriate, by setting and requiring adherence to a series of prudent limits, and by adequate and timely reporting processes and;
- (iii) that these risk management systems are operating effectively and are adequate having regard to the risks they are designed to control.

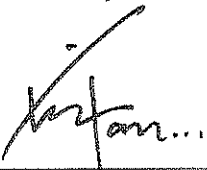
Other information:

The registered office and principal place of business is indicated on page 1 of the financial statement.

Signed in accordance with a resolution of and on behalf of the directors.



Alister Maitland
Chairman
Port Moresby 23.4 2013



Victor Tan Tee Huat
Director
Port Moresby 23.4 . 2013

Independent audit report to the members of Maybank (PNG) Limited

We have audited the accompanying financial statements of Maybank (PNG) Limited which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow statement for the year then ended on that date, and a summary of significant accounting policies and other explanatory information.

Management and Director's responsibility for the Financial Statements

Management and Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the Companies Act 1997, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Maybank (PNG) Limited as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial report of Maybank (PNG) Limited is in accordance with the Companies Act 1997 and proper accounting records have been kept by the Company. During the year ended 31 December 2012 we also provide Maybank (PNG) Limited with tax services.

Debitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU


Suzann Theron

Registered under the Accountants Act 1996

Partner, Chartered Accountants

Port Moresby, *30th* day of April 2013

Maybank (PNG) Limited

Statement of comprehensive income

For the period ended 31 December 2012

	Note	Twelve months ended 31 Dec 2012 K	Six months ended 31 Dec 2011 K
Interest income	6	18,228,581	8,218,155
Interest expense	6	(373,851)	(126,636)
Net interest income		17,854,730	8,091,519
Fee and commission income	7	2,248,209	947,981
Net trading income		20,102,939	9,039,500
Foreign exchange earnings	8	22,629,806	12,716,275
Operating income		42,732,745	21,755,775
Personnel expenses	9	(4,406,002)	(2,230,623)
Depreciation expense		(112,600)	(78,664)
Provision for doubtful debt(net of recoveries)	13	(450,036)	359,415
Other expenses		(3,968,321)	(1,832,594)
Profit before income tax		33,795,786	17,973,309
Income tax expense	10(a)	(10,122,887)	(5,372,293)
Profit for the period		23,672,899	12,601,016

The statement of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 32.

Maybank (PNG) Limited

Statement of financial position

As at 31 December 2012

	Note	31 Dec 2012 K	31 Dec 2011 K
ASSETS			
Cash and cash equivalents	11	109,639,925	125,905,910
Loans and advances to customers (net)	12(a)	98,447,602	80,729,566
Investment securities	14	260,270,679	213,819,701
Regulatory deposit	15	23,655,920	13,541,040
Property, plant & equipment	16	775,969	402,265
Due from inter branch	21	3,361,723	1,441,865
Deferred tax assets	10(c)	1,379,913	1,196,586
Other assets	17	1,156,775	3,100,234
Total assets		<u>498,688,506</u>	<u>440,137,167</u>
LIABILITIES			
Deposits from customers	18	296,284,896	241,135,721
Provisions	19	1,290,070	1,065,310
Due to inter banks	20	13,660,426	19,584,065
Provision for income tax	10(b)	18,445,686	23,090,034
Deferred tax liability	10(c)	59,276	28,592
Other liabilities	22	21,323,102	31,281,294
Total liabilities		<u>351,063,456</u>	<u>316,185,016</u>
EQUITY			
Share capital	23	5,000,000	5,000,000
Retained earnings		142,625,050	118,952,151
Total equity attributable to equity holders of the Bank		<u>147,625,050</u>	<u>123,952,151</u>
Total liabilities and equity		<u>498,688,506</u>	<u>440,137,167</u>

The statement of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 32.

Maybank (PNG) Limited

Statement of changes in equity

As at 31 December 2012

	Share Capital K	Retained Earnings K	Total K
Balance at 30 June 2011	5,000,000	106,351,135	111,351,135
Profit for six months	-	12,601,016	12,601,016
Balance at 31 December 2011	<u>5,000,000</u>	<u>118,952,151</u>	<u>123,952,151</u>
Profit for the year	-	23,672,899	23,672,899
Balance at 31 December 2012	<u>5,000,000</u>	<u>142,625,050</u>	<u>147,625,050</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 32.

Maybank (PNG) Limited

Statement of cash flows

For the period ended 31 December 2012

	Note	31 Dec 2012 K	31 Dec 2011 K
Cash flows from operating activities			
Interest received		18,228,581	8,218,155
Fees and commission income		2,248,209	947,981
Foreign exchange gain		22,629,806	12,716,275
Interest paid		(373,851)	(126,636)
Amount paid to suppliers and employees		(8,780,774)	(3,703,802)
Operating cash flow before changes in operating assets		33,951,971	18,051,973
(Increase)/decrease in loans and advances		(17,718,036)	783,026
(Increase)/decrease in regulatory deposits		(10,114,880)	(6,637,996)
(Increase)/decrease in due from inter branch		(1,919,858)	(711,056)
(Increase)/decrease in other assets		1,943,459	(688,907)
(Decrease)/increase in deposit from customers		55,149,175	70,764,378
(Decrease)/increase in other liabilities		(9,958,192)	15,377,817
(Decrease)/increase in due to inter branch		(5,923,639)	5,564,700
Increase/(decrease) in provisions		224,760	247,870
Net cash flow from operations before income tax		45,634,760	102,751,805
Income taxes paid		(14,963,463)	-
Net cash flow from operating activities		30,671,297	102,751,805
Cash flows from investing activities			
Acquisition of investment securities		(46,450,978)	(15,865,297)
Proceeds from sale of property, plant and equipment		-	-
Acquisition of property, plant and equipment		(486,304)	(132,141)
Net cash flow from investing activities		(46,937,282)	(15,997,438)
Net increase in cash and cash equivalents		(16,265,985)	86,754,367
Cash and cash equivalents at beginning of the year		125,905,910	39,151,543
Cash and cash equivalents at end of the year	11	109,639,925	125,905,910

The statement of cash flow are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 32.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

1 Reporting entity

MayBank (PNG) Limited (the "Bank") is a Bank incorporated in Papua New Guinea.

Registered office:

Portion 2034
Corner Waigani and Islander Drive
Waigani, NCD
Papua New Guinea.

The Bank primarily is involved in Banking and related services.

2 Basis of Preparation

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997.

Basis of preparation

The financial statements have been prepared primarily on the historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Papua New Guinea Kina, unless otherwise noted.

Functional Currency

The financial statements are presented in the Papua New Guinea currency, the Kina which is the Bank's functional currency.

Use of estimates and judgments

The preparation of a financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if affected.

3 Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Loans and advances

Loans are originated by providing funds directly to the borrower and are recognized when cash is advanced to borrowers.

All loans and advances receivable are subject to continuous management review. A specific provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due under the terms of loans. The amount of the provision approximates the difference between the carrying amount and the recoverable amount, which is the current best estimate of the present value of

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Loans and advances (cont'd)

expected future cash flows arising from the asset. All bad debts are written off against the specific provision for loan impairment in the period in which they are classified as irrecoverable. Subsequent recoveries are credited to the provision for loan losses in Statement of Comprehensive Income

General provisions for impairment are maintained to cover incurred losses unidentified at balance date in the overall portfolio of loans and advances. The provisions are determined having regard to the level of risk weighted assets, economic conditions, the general risk profile of the credit portfolio, past loss experience and a range of other criteria. The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the Statement of Comprehensive Income.

Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available for sale.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal sales or reclassifications attributable to non-recurring isolate events beyond the Bank's control that could not have been reasonably anticipated

Property Plant & Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Land is not depreciated.

Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

Provisions

A provision is recognized, if as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Employee Benefits

A liability is required for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognized in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Bank in respect of services provided by employees up to reporting date.

Post employment benefits – defined contribution plans

A defined contribution plan is a pension plan which the Bank pays fixed contributions into a separate fund, and there is no recourse to the Bank for employees if the fund has insufficient assets to pay employee benefits relating to service up to the balance sheet date.

The Bank pays contributions to publicly or privately administered superannuation plans on a mandatory, contractual or voluntary basis in respect of services rendered up to the balance sheet date. The contributions are at the current rate of employee's gross salary. Once the contributions have been paid, the Bank have no further payment obligations for post employment benefits from the date an employee ceases employment with the Bank.

Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Foreign currency

Transactions in foreign currencies are translated into the functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Interest (cont'd)

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis
- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Bank.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest dividends and foreign exchange differences.

Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Financial assets and liabilities

Recognition

The Bank initially recognizes loans and advances, deposits, on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Financial assets and liabilities (cont'd)

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor

retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received

(including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that the financial assets not carried at fair value through profit or loss are impaired. A financial asset or a bank of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a bank of assets such as adverse changes in the payments status of borrowers or issuers in the bank, or economic conditions that correlate with defaults in the bank. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are

then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by banking together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Financial assets and liabilities (cont'd)

In assessing collective impairment the Bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that

management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectible

Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

4 Financial risk management

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

(i) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's receivables from customers and investment securities.

Loan and advances to customers

The Bank's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Bank's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Approximately 3 percent (2011: 3%) of the Bank's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Bank establishes an allowance for impairment that represents its estimate of incurred losses in respect of loan and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Banks of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

(ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Typically the Bank ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by the Management team. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board and senior management of the Bank.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Comparatives

In 2011, the Bank changed its financial year-end from 30 June to 31 December. Accordingly, the financial statements of the Bank for the previous financial period ended 31 December 2011 covers a six-month period compared to a twelve-month period for the current financial year ended 31 December 2012, and therefore the comparative amounts are not in respect of comparable periods for the income statements, statements of comprehensive income, changes in equity, cash flows and the related notes.

5 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Bank defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Bank's debt to adjusted capital ratio at the end of the reporting period was as follows:

<i>In thousands of Kina</i>	31 Dec 2012	31 Dec 2011
Total liabilities	351,063,456	316,185,016
Less: cash and cash equivalents	(109,639,925)	(125,905,910)
Net debt	241,423,531	190,279,106
Total equity	147,625,050	123,952,151
Debt to adjusted capital ratio	1.64:1	1.54:1

There were no changes in the Bank's approach to capital management during the year.

The Bank is not subject to externally imposed capital requirements.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

6 Net interest income

	12 months ended 31 Dec 2012 K	6 months ended 31 Dec 2011 K
Interest income		
Cash and cash equivalents	24,534	2,943
Investment securities	7,146,079	3,626,987
Loans and advances	11,051,013	4,583,476
Others	6,955	4,749
Total interest income	18,228,581	8,218,155
	^	
Interest expense		
Deposits from banks	(63,517)	(4,442)
Deposits from customers	(310,334)	(122,194)
Total interest expense	(373,851)	(126,636)
	^	
Net interest income	17,854,730	8,091,519

7 Fee and commission income

Fee income lending	1,320,461	607,960
Other fee and commission	927,748	340,021
	2,248,209	947,981

8 Foreign exchange earnings

Non trading	22,629,806	12,716,275
	22,629,806	12,716,275

9 Personnel expenses

Wages and salaries	4,232,422	2,112,559
Pension funds	173,580	118,064
	4,406,002	2,230,623

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

10 Income tax	31 Dec 2012	31 Dec 2011
	K	K
(a) Income tax expense		
Tax Expense Comprise:		
Current Tax Expense	9,970,244	5,473,080
- Adjustment recognized in the current year relating to timing differences.	152,643	(100,787)
Income tax expense	10,122,887	5,372,293

The prima facie tax charge on the profit for the year is reconciled to the tax expense as follows:

Accounting profit before tax	33,795,786	17,973,309
Tax on the profit for the year at 30%	10,138,736	5,391,993
Add: Tax on non deductible items		
- Subscriptions	3,254	10,582
- Entertainment	5,370	3,402
Less Deferred tax expense relating to origination and reversal of temporary differences.	(24,473)	(33,684)
	10,122,887	5,372,293

(b) Provision for income taxes payable

Opening Balance	23,090,034	17,819,596
Income tax expense for the year	10,147,359	5,405,977
Movement in current year deferred tax	171,756	(135,539)
Income taxes paid during the year	(14,963,463)	-
Closing Balance	18,445,686	23,090,034

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

10 Income tax (cont'd)

(c) *Deferred tax balances*

Deferred tax assets (liabilities) arise from the following:

31 December 2012	Opening Balance	Opening Adjustment	Charge to Income	Closing Balance
<i>Temporary differences:</i>				
Property, plant & equipment	252,762	-	(18,043)	234,719
Provision for doubtful debt	623,163	-	135,010	758,173
Provision for audit fees	38,512	-	-	38,512
Other provisions	244,915	-	68,304	313,219
Provision for long service leave	37,234	-	(1,944)	35,290
Prepaid insurance	(28,592)	-	(30,684)	(59,276)
	1,167,994		152,643	1,320,637

Presented in the balance sheet as follows:

Deferred tax asset: K 1,379,913

Deferred tax liability: K 59,276

31 December 2011	Opening Balance	Opening Adjustment	Charge to Income	Closing Balance
<i>Temporary differences:</i>				
Property, plant & equipment	253,777	(1,015)	-	252,762
Provision for doubtful debt	631,537	-	(8,374)	623,163
Provision for audit fees	23,626	-	14,886	38,512
Other provisions	337,776	-	(92,861)	244,915
Provision for long service leave	31,870	-	5,364	37,234
Prepaid insurance	(8,790)	-	(19,802)	(28,592)
	1,269,796	(1,015)	(100,787)	1,167,994

Presented in the balance sheet as follows:

Deferred tax asset: K1,196,586

Deferred tax liability: K 28,592

11 Cash and cash equivalents

	31 Dec 2012 K	31 Dec 2011 K
Cash on hand & in transit	6,783,981	16,774,492
Exchange Settlement Account – BPNG	95,152,208	95,660,175
Nostro Accounts	7,703,736	13,471,243
	109,639,925	125,905,910

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	K	K
12 Loans and advances to customers		
(a) Net Loans and Advances		
Overdrafts	34,084,304	28,227,520
Term loans	54,318,977	45,823,049
Housing loans	12,930,074	9,349,593
Festival loans	43,783	27,151
Gross loans and advances	101,377,138	83,427,313
	1	
Less:		
Provision for doubtful debts	(2,527,244)	(2,077,208)
Suspended interest	-	-
Unearned interest	(402,292)	(620,539)
Net loans and advances	98,447,602	80,729,566
(b) Provision for doubtful debts		
General Provision		
Opening balance	2,077,208	2,105,122
Provisions for the year	450,036	(27,914)
Closing balance	2,527,244	2,077,208
Total provision for doubtful debts	2,527,244	2,077,208
13 Doubtful debt expense (net of recoveries)		
Provision movement analysis		
New and increased provisions	450,036	(27,914)
Recoveries of amounts previously written off	-	(331,500)
Net doubtful debt expense	450,036	(359,414)
14 Investment securities		
Treasury bills – BPNG		
Less than 3 months	261,500,000	215,000,000
Less: Premium and discount	(1,229,321)	(1,180,299)
	260,270,679	213,819,701

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	K	K
15 Regulatory deposits		
Regulatory deposits	<u>23,655,920</u>	<u>13,541,040</u>

Regulatory deposit represents mandatory balance, equal to 6 per cent of a Bank's time and demand deposits and other prescribed liabilities, required to be maintained in a non-interest bearing account with the Central Bank - Bank of Papua New Guinea. In addition the Bank is also required to maintain a Minimum Liquid Asset Ratio (MLAR), at 25 per cent of its time and demand deposits and other liabilities, in the form of cash and Bank balances, treasury bills and other prescribed liquid assets

16 Property, plant and equipment

	Leasehold Improvement	Furniture Fittings & Equipment	Motor Vehicle	Mechanical & Engineering Equipment	Data Processing	Electrical & Security	TOTAL
	K	K	K	K	K	K	K
Cost							
At 30 June 2011	1,049,110	320,087	433,845	94,578	800,920	178,568	2,877,108
Additions	-	27,550	-	-	86,679	17,913	132,142
Disposals	-	-	-	-	-	-	-
At 31 Dec 2011	<u>1,049,110</u>	<u>347,637</u>	<u>433,845</u>	<u>94,578</u>	<u>887,599</u>	<u>196,481</u>	<u>3,009,250</u>
Additions	-	34,429	318,313	-	133,343	219	486,304
Disposals	-	-	-	-	-	-	-
At 31 Dec 2012	<u>1,049,110</u>	<u>382,066</u>	<u>752,158</u>	<u>94,578</u>	<u>1,020,942</u>	<u>196,700</u>	<u>3,495,554</u>
Depreciation							
At 30 June 2011	1,020,622	254,094	428,173	26,352	716,169	82,910	2,528,320
Charge for the year	8,574	18,619	5,672	4,729	34,010	7,061	78,665
Disposals	-	-	-	-	-	-	-
At 31 Dec 2011	<u>1,029,196</u>	<u>272,713</u>	<u>433,845</u>	<u>31,081</u>	<u>750,179</u>	<u>89,971</u>	<u>2,606,985</u>
Charge for the year	13,298	10,977	47,995	9,063	31,653	(386)	112,600
Disposals	-	-	-	-	-	-	-
At 31 Dec 2012	<u>1,042,494</u>	<u>283,690</u>	<u>481,840</u>	<u>40,144</u>	<u>781,832</u>	<u>89,585</u>	<u>2,719,585</u>
Book Value							
At 31 Dec 2011	<u>19,914</u>	<u>74,924</u>	<u>-</u>	<u>63,497</u>	<u>137,420</u>	<u>106,510</u>	<u>402,265</u>
At 31 Dec 2012	<u>6,616</u>	<u>98,376</u>	<u>270,318</u>	<u>54,434</u>	<u>239,110</u>	<u>107,115</u>	<u>775,969</u>

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	K	K
17 Other assets		
Prepaid tax	671,071	671,071
Clearing suspense	160,589	2,208,934
Other assets	325,115	220,229
	<u>1,156,775</u>	<u>3,100,234</u>
18 Deposits from customers		
Savings		
- Bearing interest	18,237,855	14,431,722
- Not bearing interest	217,164,042	177,316,577
Fixed deposits		
- Bearing interest	60,882,999	49,387,422
Term deposit of customers	<u>296,284,896</u>	<u>241,135,721</u>
19 Provisions		
Employee provision	117,634	123,932
Other provisions	1,172,436	941,378
	<u>1,290,070</u>	<u>1,065,310</u>
20 Due to inter banks		
Inter banks payable	<u>13,660,426</u>	<u>19,584,065</u>
21 Due from inter branch		
Maybank (PNG) Ltd - Lae	<u>3,361,723</u>	<u>1,441,865</u>
22 Other liabilities		
Remittances payable	19,669,282	29,068,297
Accrued interest and unearned discounts	7,912	6,662
Other creditors	1,645,908	2,206,335
	<u>21,323,102</u>	<u>31,281,294</u>
23 Share capital		
Issued ordinary share capital		
Shares in issue at 31 December	<u>5,000,000</u>	<u>5,000,000</u>
	<u>5,000,000</u>	<u>5,000,000</u>

In accordance with the provisions of the Companies Act 1997 the share capital does not have a par value.
All issued shares are fully paid.

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

24 Capital Adequacy Ratio:

The Bank of Papua New Guinea (BPNG) has adopted a risk-based capital adequacy framework for banks and financial institutions based in PNG consistent with the recommendations of the Basel Committee on Banking Supervision. This approach requires eligible capital to be divided by total risk weighted assets (both on and off-balance sheet) with the resultant ratio used as a measure of a bank's capital adequacy.

Capital is divided into tier 1, or "core" capital and tier 2 "supplementary" capital with eligible tier 2 capital restricted to 100% of tier 1 capital. Under the BPNG guidelines banks must maintain a ratio of qualifying capital to risk weighted assets of at least 12 per cent, effective December 31, 2000.

The measurement of risk-weighted assets is based on a credit risk-based approach wherein risk weightings are applied to balance sheet assets and credit converted off balance sheet exposures. Categories of risk weights are assigned based upon the nature of the counter party and the relative liquidity of the assets concerned. Market and other risks are not incorporated, other than in respect of foreign exchange contracts.

	Dec-12 K'000	Dec-11 K'000
Qualifying capital		
Tier 1 – Core Capital	122,346	109,776
Tier 2 – Supplementary Capital	25,284	13,819
Total	147,630	123,595
Risk weighted assets		
On balance sheet	115,851	85,531
Off balance sheet	14,308	14,400
Total risk weighted assets	130,159	99,931
Capital adequacy ratio	113%	123%

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

25 Financial instruments

Accounting policies for financial instruments are disclosed in Note 3. Financial risk management are disclosed in Note 4.

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 Dec 2011	31 Dec 2011
	K	K
Cash and cash equivalents	109,639,925	125,905,910
Treasury bills	260,270,679	213,819,701
Regulatory deposits	23,655,920	13,541,040
Loans and advances to customers (net)	98,447,602	80,729,566
	<u>492,014,126</u>	<u>433,996,217</u>

(b) Maturity distribution and concentration of credit risk

i. Maturity analysis of gross loans and advances on remaining term to maturity

The maximum exposure to credit risk for loans and receivables at the reporting date, in terms of geographic region, was only concentrated to Papua New Guinea are shown below.

Agriculture	-	-
Commercial	42,324,501	35,136,109
Manufacturing	7,427,613	4,862,384
Real estate construction & mortgages	21,667,592	10,951,572
Transport	7,305,973	8,262,356
Mining & Quarrying	4,870,214	3,361,973
Forestry	9,520,715	9,983,681
Consumer credits	8,260,530	10,869,238
	<u>101,377,138</u>	<u>83,427,313</u>

ii. Concentration of credit risk by industry analysis – gross loans and advances

Overdrafts	33,295,718	28,227,520
Less than 3 months	434,431	339,022
Between 3 months to 12 months	43,783	34,660
Between 1 year to 5 years	17,711,266	6,203,825
More than 5 years	49,891,940	48,622,286
	<u>101,377,138</u>	<u>83,427,313</u>

iii. The movement in the allowance for impairment in respect of loans and advances.

Opening balance	2,077,208	2,105,122
Impairment recognized during the year	450,036	(27,914)
Closing balance	<u>2,527,244</u>	<u>2,077,208</u>

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

25 Financial instrument (cont'd)

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements (Amounts in K'000)

At 31 December 2012	Carrying	Contracted	Less than	1-2 years	2-5 years	More than 5
	Amount	Cashflows	one year			years
	K'000	K'000	K'000	K'000	K'000	K'000
Deposit from customers	296,285	296,285	296,285	-	-	-
Due to inter banks	13,660	13,660	13,660	-	-	-
Other liabilities & provisions	21,323	21,323	21,323	-	-	-
Total	331,268	331,268	331,268	-	-	-

At 31 December 2011	Carrying	Contracted	Less than	1-2 years	2-5 years	More than 5
	Amount	Cashflows	one year			years
	K'000	K'000	K'000	K'000	K'000	K'000
Deposit from customers	241,136	241,136	241,136	-	-	-
Due to inter banks	19,584	19,584	19,584	-	-	-
Other liabilities & provisions	31,281	31,281	31,281	-	-	-
Total	292,001	292,001	292,001	-	-	-

(d) Currency risk

The Bank's exposure to foreign currency risk was as follows based on notional amounts:

At 31 December 2012:	US\$	PHP	SGD	Others
Cash and cash equivalents	5,551,465	920,854	594,776	647,452
Interbank payables	(13,408,776)	-	-	-
Gross balance sheet exposure	(7,857,311)	920,854	594,776	647,452
Less: Forward foreign exchange contracts	-	-	-	-
Net exposure	(7,857,311)	920,854	594,776	647,452

At 31 December 2011:	US\$	PHP	SGD	Others
Cash & cash equivalents	12,835,219	187,884	154,116	518,825
Interbank payables	(19,180,049)	-	-	(238,102)
Gross balance sheet exposure	(6,344,830)	187,884	154,116	280,723
Less: Forward foreign exchange contracts	-	-	-	-
Net exposure	(6,344,830)	187,884	154,116	280,723

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

(d) Currency risk – (continued)

The significant exchange rates applied during the year were as follows:

Currency	Average rate		Spot rate	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
US\$	0.4795	0.4675	0.4570	0.4900
PHP	19.45	20.20	18.70	19.45
SGD	0.5809	0.6001	0.6034	0.5776

26. Maturity analysis

At 31 December 2012:	Less than one	Between one	After	Total
	year	and five years	five years	
Cash & Cash equivalents	109,639,925	-	-	109,639,925
Loans & advances to customers	33,773,932	17,711,266	49,891,940	101,377,138
Investment Securities	261,500,000	-	-	261,500,000
Other assets	1,156,775	-	-	1,156,775
Total assets	406,070,632	17,711,266	49,891,940	473,673,838
Deposit from customers	296,284,896	-	-	296,284,896
Other liabilities	21,323,102	-	-	21,323,102
Total liabilities	317,607,998	-	-	317,607,998

At 31 December 2011:	Less than one	Between one	After	Total
	year	and five years	five years	
Cash & Cash equivalents	125,905,910	-	-	125,905,910
Loans & advances to customers	28,601,202	6,203,825	48,622,286	83,427,313
Investment securities	215,000,000	-	-	215,000,000
Other assets	3,100,234	-	-	3,100,234
Total assets	372,607,346	6,203,825	48,622,286	427,433,457
Deposit from customers	241,135,721	-	-	241,135,721
Other liabilities	31,281,294	-	-	31,281,294
Total liabilities	272,417,015	-	-	272,417,015

27 Commitments

There are no capital commitments during the year.

28 Contingencies

The Bank had contingent liabilities of K28,522,415 in respect of Performance Bond not otherwise provided for in the financial statements as at 2012: (2011 : K28,544,272)

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

29 Related parties

During the course of the financial year under review, the Bank conducted various transactions with its parent and ultimate company, Malayan Banking Berhad and other related entities on normal commercial terms and conditions. Following is a brief description of the nature of transactions entered into by the Bank with its parent and other related parties:

- (a) the Bank operates various operating accounts with its parent company and fellow subsidiaries in addition to call deposits. These accounts are operated in accordance with normal interbank terms and conditions and interest is charged or received on an arm's length basis.
- (b) personnel are seconded from the parent company, the personnel costs are borne by the Bank.
- (c) the parent company provides technical and specialised support in areas as finance, human resources, training and technology and systems and the costs associated with that are allocated and charged to the Bank.
- (d) the Bank conducts normal banking transactions with and from various fellow affiliates and subsidiaries. These transactions are conducted as part of the normal banking and are on an arms length basis.

Disclosed below are the nostro and vostro account balance as at 31 December with the parent and fellow subsidiaries of Maybank (PNG) Ltd.

	31 Dec 2012	31 Dec 2011
Nostro Accounts		
Maybank Malaysia	30,782	30,782
Maybank London	36,364	1,820
Maybank Singapore	594,776	154,116
Maybank Hongkong	3,490	180
Maybank Philippines	5,773,042	2,987,743
Maybank New York	13,408,776	19,180,049
	<u>19,847,230</u>	<u>22,354,689</u>
Vostro Accounts		
Maybank Malaysia	593,770	332,267
Maybank Singapore	16,399	16,399
	<u>610,169</u>	<u>348,666</u>

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

Related parties (cont'd)

29 i. Directors' remuneration and other benefits

No director was a shareholder of the company at 31 December 2012 and none had any material interest in any contract or arrangement with the company or any related entity during the year.

Directors' remuneration, including the value of benefits, received during the year, is as follows:

		31 Dec 2012	31 Dec 2011
		K	K
Mr Alister Maitland	Non – executive Director	182,883	3,989
Mr Sreesanthan Eliathamby	Non – executive Director	71,701	3,191
Mr. Lee Tien Poh	Non – executive Director	92,626	-
		347,210	7,180

ii. Compensation of key management personnel

The number of employees (not including directors) whose remuneration, including benefits, was within the specified bands are as follows:

	31 Dec 2012	31 Dec 2011
	K	K
K350,001 – K400,000	1	1
K400,001 – K450,000	1	1
K450,001 – K500,000	2	2
K500,001 – K550,000	-	-
K550,001 – K600,000	-	-
K600,001 – K650,000	1	1

iii. Specified executives' remuneration in aggregate

Year	Primary			Post – employment			Total
	Salary & fees K	Bonus K	Non monetary K	Super annuation K	Prescribed benefits K	Other K	
31 Dec 2012	1,004,849	-	976,837	-	-	-	1,981,686
31 Dec 2011	765,339	-	458,863	-	-	-	1,224,202

Maybank (PNG) Limited

Notes to and forming part of the financial statements

For the period ended 31 December 2012

30 Events after balance sheet date

There has not been any matter or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the reporting period, that has significantly affected, or may significantly affect the operations of the Bank, the results of those operations, or the state of affairs of the Bank in future reporting periods.

31 Number of employees

The number of employees at the end of the year was 50 (31 Dec 2011:45).

32 Remuneration of auditors

	31 Dec 2012	31 Dec 2011
	<u>K</u>	<u>K</u>
Audit of the financial report	115,000	116,000
Other non audit services	24,000	-

The auditor of Maybank (PNG) Ltd is Deloitte Touche Tohmatsu.