

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

Unaudited Condensed Interim Financial Statements
- 30 June 2010

Domiciled in Malaysia
Registered office
Level 18, Menara IMC
No. 8 Jalan Sultan Ismail
50250 Kuala Lumpur

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 - UNAUDITED

	Note	Group		Bank	
		30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Assets					
Cash and short term funds		3,598,638	4,393,420	3,598,638	4,393,420
Securities purchased under resale agreements		4,787,112	3,077,020	4,787,112	3,077,020
Securities held-for-trading	12	647,281	1,426,661	647,281	1,426,661
Securities available-for-sale	13	10,068	5,605	10,068	5,605
Securities held-to-maturity	14	-	1,591	-	1,591
Loans, advances and financing	15	787,912	788,803	787,912	788,803
Other assets	16	1,698,553	1,504,478	1,698,553	1,504,478
Statutory deposit with Bank Negara Malaysia		225	225	225	225
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		3,602	3,662	3,602	3,662
Deferred tax assets		46,873	15,284	46,873	15,284
Tax Recoverable		-	3,144	-	3,144
Total assets		<u>11,580,264</u>	<u>11,219,893</u>	<u>11,580,284</u>	<u>11,219,913</u>
Liabilities and shareholders' funds					
Deposits from customers	17	4,836,131	5,620,179	4,836,151	5,620,199
Deposits and placements of banks and other financial institutions	18	2,074,881	1,572,162	2,074,881	1,572,162
Obligations on securities sold under repurchase agreements		1,474,553	1,056,596	1,474,553	1,056,596
Other liabilities	19	1,899,209	1,781,416	1,899,209	1,781,416
Taxation		33,823	-	33,823	-
Total liabilities		<u>10,318,597</u>	<u>10,030,353</u>	<u>10,318,617</u>	<u>10,030,373</u>
Share capital		173,599	173,599	173,599	173,599
Reserves		1,088,068	1,015,941	1,088,068	1,015,941
Shareholders' funds		<u>1,261,667</u>	<u>1,189,540</u>	<u>1,261,667</u>	<u>1,189,540</u>
Total liabilities and shareholders' funds		<u>11,580,264</u>	<u>11,219,893</u>	<u>11,580,284</u>	<u>11,219,913</u>
Commitments and contingencies	27	104,721,702	103,971,913	104,721,702	103,971,913

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2009.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010 - UNAUDITED

	Note	Group and Bank			
		Half Year ended 30 June 2010 RM'000	30 June 2009 RM'000	2 nd Quarter ended 30 June 2010 RM'000	30 June 2009 RM'000
Interest income	20	100,506	98,078	56,466	40,575
Interest expense	21	(43,430)	(33,234)	(23,411)	(16,054)
Net interest income		<u>57,076</u>	<u>64,844</u>	<u>33,055</u>	<u>24,521</u>
Net income from Islamic Banking Operations	29	537	94	297	94
Non-interest income	22	77,165	109,129	77,110	(51,385)
Operating income		<u>134,778</u>	<u>174,067</u>	<u>110,462</u>	<u>(26,770)</u>
Other operating expenses	23	(52,973)	(51,549)	(23,309)	(23,603)
Operating profit		<u>81,805</u>	<u>122,518</u>	<u>87,153</u>	<u>(50,373)</u>
Allowance for impairment on loans, advances and financing	24	850	(25)	367	(11)
Profit before taxation	28*	<u>82,655</u>	<u>122,493</u>	<u>87,520</u>	<u>(50,384)</u>
Taxation		(22,036)	(31,875)	(22,541)	11,773
Net profit for the period		<u>60,619</u>	<u>90,618</u>	<u>64,979</u>	<u>(38,611)</u>
Other comprehensive income, net of tax					
Fair value of available-for-sale financial assets		2,153	-	1,007	-
Other comprehensive income for the period, net of tax		<u>2,153</u>	<u>-</u>	<u>1,007</u>	<u>-</u>
Total comprehensive income for the period		<u>62,772</u>	<u>90,618</u>	<u>65,986</u>	<u>(38,611)</u>
Earnings per share (sen)		<u>34.9 sen</u>	<u>52.2 sen</u>	<u>37.4 sen</u>	<u>(22.2) sen</u>

* See effects of adoption of specific accounting treatment on profits for financial period ended 30 June 2010 in note 28(b)(ii)

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2009.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

	<--Non-distributable-->			Distributable Retained profits	Total reserves	Total
	Share capital RM'000	Share premium RM'000	Other reserves RM'000			
Group and Bank						
At 1 January 2010						
- as previously stated	173,599	357,763	177,575	480,603	1,015,941	1,189,540
- effect of adopting FRS 139	-	-	-	(721)	(721)	(721)
- effect of adopting GP8 Guidelines on Specific Accounting Treatment	-	-	-	10,076	10,076	10,076
At 1 January 2010, as restated	173,599	357,763	177,575	489,958	1,025,296	1,198,895
Net profit for the period	-	-	-	60,619	60,619	60,619
Other comprehensive income	-	-	2,153	-	2,153	2,153
Total comprehensive income for the period	-	-	2,153	60,619	62,772	62,772
At 30 June 2010	173,599	357,763	179,728	550,577	1,088,068	1,261,667
At 1 January 2009	173,599	357,763	175,508	370,611	903,882	1,077,481
Net profit for the period	-	-	-	90,618	90,618	90,618
Other comprehensive income	-	-	1,352	-	1,352	1,352
Total comprehensive income for the period	-	-	1,352	90,618	91,970	91,970
At 30 June 2009	173,599	357,763	176,860	461,229	995,852	1,169,451

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2009.

DEUTSCHE BANK (MALAYSIA) BERHAD
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AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

	Group and Bank	
	30 June	30 June
	2010	2009
	RM'000	RM'000
Profit before taxation	82,655	122,493
Adjustments for non-operating and non-cash items	1,004	1,573
	<hr/>	<hr/>
Operating profit before working capital changes	83,659	124,066
Changes in working capital:		
Net changes in operating assets	(1,111,185)	2,287,490
Net changes in operating liabilities	254,421	(837,204)
Income tax paid	(20,732)	(14,110)
	<hr/>	<hr/>
Net cash generated from operations	(793,837)	1,560,242
	<hr/>	<hr/>
Net cash used in investing activities	(945)	(111)
	<hr/>	<hr/>
	(945)	(111)
	<hr/>	<hr/>
Net change in cash and cash equivalents	(794,782)	1,560,131
Cash and cash equivalents at beginning of the period	4,393,420	305,889
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	3,598,638	1,866,020
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and short-term funds	3,598,638	1,866,020
	<hr/>	<hr/>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2009.

DEUTSCHE BANK (MALAYSIA) BERHAD
(Company No. 312552-W)
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2010

1. Basis of preparation

The unaudited interim financial statements for the second quarter and the financial half year ended 30 June 2010 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: securities held-for-trading, securities available-for-sale and derivative financial instruments.

The unaudited interim financial statements have been prepared in accordance with FRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia's Guidelines on Financial Reporting for Banking Institutions. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2009.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business. Islamic banking business refers generally to the acceptance of deposits under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("FRS"):

- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements*
 - *Obligations Arising on Liquidation*
- Amendments to FRS 132, *Financial Instruments: Presentation*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation*
 - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
 - *Reclassification of Financial Assets*
 - *Collective Assessment of Impairment for Banking Institutions*
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- Improvements to FRSs (2009)

The adoption of FRS 7, FRS 101 and Amendments to FRS 132 did not impact the financial results of the Group and of the Bank, as the changes introduced are presentational in nature. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 are disclosed in Note 28.

1. Basis of preparation (continued)

The Amendments to FRS 139 above included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects is also disclosed in Note 28.

2. Audit report

The audit report on the audited annual financial statements for the financial year ended 31 December 2009 was not subject to any qualification.

3. Seasonality or Cyclicity of Operations

The business operations of the Group and the Bank are not subject to material seasonal or cyclical fluctuations.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the second quarter and the financial half year ended 30 June 2010.

5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank in the second quarter and the financial half year ended 30 June 2010.

6. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the financial period ended 30 June 2010.

7. Dividend Paid

No dividend was paid in the second quarter and the financial half year ended 30 June 2010.

8. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

9. Changes in the composition of the Group

There were no changes in the composition of the Group in the second quarter and the financial half year ended 30 June 2010.

10. Review of Performance

The Bank's profit before taxation for the financial period ended 30 June 2010 was RM82.7 million, a decrease of 32.5% or RM39.8 million compared to the corresponding period last year. Operating income decreased by RM39.3 million from RM174.1 million to RM134.8 million mainly from lower net trading gain recorded whilst operating expenses increased marginally by RM1.4 million attributed to higher personnel cost recorded during the financial period.

Total assets registered an increase of RM 0.36 billion or 3.2% from RM11.22 billion to RM11.58 billion at 30 June 2010. The Bank's core capital ratio and risk weighted capital ratio remained strong at 12.86% and 13.12% respectively.

11. Prospects

The Bank's strategy during the year continued to focus on two main areas, Global Markets and Global Banking, with emphasis on trading and sales in foreign exchange, fixed income, interest rate derivatives, credit derivatives, structured transactions, money markets, repo, capital market instruments, cash management, securities services and trade finance.

We have seen greater competition from both the local and foreign houses in the banking industry in terms of price and service levels in 2010. Lending was guided by continued prudential practices, whilst fee-based and trading activities were expanded to cushion the impact of narrowing interest margins.

Our ongoing business process reengineering and business segments reorganisation has further improved our operational efficiency.

12. Securities held-for-trading

	Group and Bank	
	30 June 2010	31 December 2009
At fair value	RM'000	RM'000
Malaysian Treasury Bills	42,168	-
Malaysian Government Securities	279,413	360,016
Malaysian Investment Issue	4,078	4,125
Bank Negara Malaysia Bills	214,621	611,947
Cagamas bonds	6,509	6,357
Khazanah bonds	-	28,974
Private debt securities	100,492	115,242
Negotiable instruments of deposit	-	300,000
	647,281	1,426,661
	647,281	1,426,661

13. Securities available-for-sale

	Group and Bank	
	30 June 2010	31 December 2009
At fair value	RM'000	RM'000
Quoted securities	8,477	5,605
Unquoted securities, at cost	1,591	-
	10,068	5,605
	10,068	5,605

14. Securities held-to-maturity

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Unquoted securities:		
Shares, at cost	-	1,591
	=====	=====

15. Loans, advances and financing

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
At amortised cost		
Overdrafts	96,000	49,088
Term loans - housing loans	33,545	34,754
- other term loans	127,830	134,431
Bills receivable	42,687	66,091
Claims on customers under acceptance credits	515,055	525,864
Staff loans	3,966	4,502
	-----	-----
Unearned interest	819,083 (1,548)	814,730 (1,929)
	-----	-----
Gross loans, advances and financing	817,535	812,801
Allowance for impaired loans and financing		
- Collective assessment	(23,946)	-
- Individual assessment	(5,677)	-
- General allowance	-	(23,946)
- Specific allowance	-	(52)
	-----	-----
Net loans, advances and financing	787,912	788,803
	=====	=====

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Maturing within one year	783,844	777,410
One year to three years	632	732
Three years to five years	977	1,074
Over five years	32,082	33,585
	-----	-----
	817,535	812,801
	=====	=====

15. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Domestic business enterprises - others	746,109	707,442
Individuals	37,535	39,268
Foreign entities	33,891	66,091
	<u>817,535</u>	<u>812,801</u>
	=====	=====

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Fixed rate		
- Other fixed rate loan / financing	3,966	4,502
Variable rate		
- Base lending rate plus	107,025	66,943
- Cost-plus	705,689	738,874
- Other variable rates	855	2,482
	<u>817,535</u>	<u>812,801</u>
	=====	=====

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Malaysia	783,644	746,710
Thailand	1,333	43,064
India	26,523	14,554
Other countries	6,035	8,473
	<u>817,535</u>	<u>812,801</u>
	=====	=====

15. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Mining and quarrying	897	-
Manufacturing	370,261	356,647
Electricity, gas and water	4,087	-
Construction	116,957	94,436
Purchase of landed property:		
- Residential	36,886	38,523
Wholesale & retail trade and restaurants & hotels	139,013	146,935
Finance, insurance and business services	101,101	101,447
Purchase of transport vehicles	107	175
Others	48,226	74,638
	817,535	812,801
	817,535	812,801

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Balance at 1 January		
- as previously stated	8,799	8,511
- effect of adopting FRS 139	5,754	-
Classified as impaired during the period/year	1,877	4,934
Reclassified as non-impaired during the period/year	(1,649)	(2,470)
Amount recovered	(1,573)	(2,108)
Amounts written off	-	(68)
	13,208	8,799
	13,208	8,799
Gross impaired loans as a percentage of gross loans, advances and financing	1.62%	1.08%
	1.62%	1.08%

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 139	23,946	-
	23,946	-
At 1 January, as restated	23,946	-
Allowance made during the period/year	-	-
Amount written off	-	-
	23,946	-
	23,946	-

15. Loans, advances and financing (continued)

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 139	6,527	-
	6,527	-
At 1 January, as restated	6,527	-
Allowance made during the period/year	723	-
Amount written off	-	-
Amount recovered	(1,573)	-
	5,677	-

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
General allowance:		
At 1 January		
- as previously stated	23,946	23,946
- effect of adopting FRS 139	(23,946)	-
	-	-
At 1 January, as restated	-	-
	-	-
As a % of adjusted gross loans and advances less specific allowance	-	2.95%
	-	2.95%

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Specific provision:		
At 1 January		
- as previously stated	52	95
- effect of adopting FRS 139	(52)	-
	-	95
At 1 January, as restated	-	95
Allowance made during the period/year	-	44
Amount recovered	-	(19)
Amount written off	-	(68)
	-	52
Closing balance	-	52
	-	52

15. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Manufacturing	7,171	2,516
Purchase of landed property - residential	6,006	6,252
Others	31	31
	13,208	8,799
	13,208	8,799

16. Other assets

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Interest / Income receivable	13,587	13,509
Margin placed with exchange	4,619	3,334
Derivatives	1,511,288	1,205,219
Other debtors, deposits and prepayments	169,059	282,416
	1,698,553	1,504,478
	1,698,553	1,504,478

17. Deposits from customers

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Demand deposits	1,169,064	1,042,180	1,169,084	1,042,200
Savings deposits	8,242	10,627	8,242	10,627
Fixed deposits	919,721	729,392	919,721	729,392
Other deposits	2,649,504	3,736,880	2,649,504	3,736,880
Negotiable instrument of deposits	89,600	101,100	89,600	101,100
	4,836,131	5,620,179	4,836,151	5,620,199
	4,836,131	5,620,179	4,836,151	5,620,199

17. Deposits from customers (continued)

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Due within six months	2,303,817	2,897,336	2,303,817	2,897,336
More than six months to one year	65,439	332,936	65,439	332,936
More than one year to three years	149,569	187,100	149,569	187,100
More than three years to five years	1,140,000	1,100,000	1,140,000	1,100,000
More than five years	-	50,000	-	50,000
	<u>3,658,825</u>	<u>4,567,372</u>	<u>3,658,825</u>	<u>4,567,372</u>
	=====	=====	=====	=====

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Business enterprises	2,639,750	3,022,896	2,639,770	3,022,916
Individuals	52,031	54,104	52,031	54,104
Foreign customers	95,664	92,882	95,664	92,882
Others	2,048,686	2,450,297	2,048,686	2,450,297
	<u>4,836,131</u>	<u>5,620,179</u>	<u>4,836,151</u>	<u>5,620,199</u>
	=====	=====	=====	=====

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Other financial institutions	2,074,881	1,572,162
	<u>2,074,881</u>	<u>1,572,162</u>
	=====	=====

19. Other liabilities

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Interest Payable	3,027	12,056
Bills Payable	88,235	115,747
Derivatives	1,479,961	986,213
Employee benefits	17,183	31,883
Other liabilities	310,803	635,517
	1,899,209	1,781,416
	1,899,209	1,781,416

20. Interest income

	Group and Bank			
	Half Year ended		2nd Quarter ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Loans, advances and financing	13,211	19,485	6,648	8,062
Money at call and deposit placements with financial institutions	68,242	66,910	37,532	27,663
Securities held for trading	19,052	11,682	12,285	4,850
Others	1	1	1	-
	100,506	98,078	56,466	40,575
	100,506	98,078	56,466	40,575
Of which:				
Interest income earned on impaired loans, advances and financing	723	-	313	-
	723	-	313	-
	723	-	313	-

21. Interest expense

	Group and Bank			
	Half year ended		2nd quarter ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Deposits and placements of banks and other financial institutions	20,213	1,603	12,252	580
Deposits from customers	23,207	31,579	11,149	15,446
Others	10	52	10	28
	43,430	33,234	23,411	16,054
	43,430	33,234	23,411	16,054

22. Non-Interest Income

	Group and Bank			
	Half Year ended		2nd Quarter ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	5,886	2,588	4,504	1,612
Service charges and fees	2,083	3,488	(70)	1,797
Guarantee fees	728	1,205	387	569
Arranger fees	300	-	300	-
	<u>8,997</u>	<u>7,281</u>	<u>5,121</u>	<u>3,978</u>
	-----	-----	-----	-----
Gains/(losses) arising from sale of securities:-				
Securities held -for- trading	9,607	(14,233)	4,343	(5,915)
Net gain arising from dealing in foreign exchange	44,034	183,500	16,130	129,913
Net gains arising from trading in derivatives	185,910	72,231	136,025	30,306
Net unrealised (losses) on revaluation of trading portfolio (including derivatives)	(157,621)	(99,532)	(84,962)	(147,154)
Unrealised (losses) from foreign exchange	(16,478)	(44,194)	(423)	(64,806)
Gross dividends from securities held-to-maturity	18	17	18	6
Other operating income, net	2,698	4,059	858	2,287
	<u>68,168</u>	<u>101,848</u>	<u>71,989</u>	<u>(55,363)</u>
	-----	-----	-----	-----
	<u>77,165</u>	<u>109,129</u>	<u>77,110</u>	<u>(51,385)</u>
	=====	=====	=====	=====

23. Other operating expenses

	Group and Bank			
	Half Year ended		2nd Quarter ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
-Salaries, allowance and bonuses	24,909	22,888	10,872	9,030
-Others	5,641	6,173	2,468	3,299
Establishment costs				
-Rental	1,354	1,206	676	619
-Depreciation	1,004	1,573	505	782
-Others	1,708	1,653	658	653
Marketing expenses	831	671	471	357
Administration and general expenses				
-Inter-company expenses	12,647	14,038	4,811	7,149
-Communication	644	659	340	337
-Others	4,235	2,688	2,508	1,377
	<u>52,973</u>	<u>51,549</u>	<u>23,309</u>	<u>23,603</u>
	-----	-----	-----	-----
	<u>52,973</u>	<u>51,549</u>	<u>23,309</u>	<u>23,603</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 149 (June 2009 - 150).

24. Allowance for impairment on loans, advances and financing

	Group and Bank			
	Half Year ended		2nd Quarter ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired on loans, advances and financing:				
Individual assessment allowance	(723)	-	(313)	-
Specific allowance	-	(38)	-	(19)
Impaired loans and financing recovered	1,573	13	680	8
	<u>850</u>	<u>(25)</u>	<u>367</u>	<u>(11)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

25. Credit transactions and exposures with connected parties

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Outstanding credit exposures with connected parties	499,158	528,024
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	<u>5,925,485</u>	<u>5,395,442</u>
	<u>=====</u>	<u>=====</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	8.42%	9.79%
- as a proportion of capital base	41.43%	44.17%
- which is non performing	0%	0%

26. Contingencies

Litigation in process against the Bank arising from an action by two companies, seeking specific damages amounting to RM1 million and general damages for which the amount is not quantifiable at this stage.

The information usually required by FRS137, Provision, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The Bank is defending the action. Accordingly, no provision has been made in respect of this litigation.

27. Capital adequacy

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	173,599	173,599
Share premium	357,763	357,763
Statutory reserve	174,722	174,722
Retained profits	489,958	480,603
Less: Deferred tax assets	(15,284)	(15,284)
	<hr/>	<hr/>
Total Tier 1 capital	1,180,758	1,171,403
Tier 2 capital		
General allowance for bad and doubtful debts	23,946	23,946
	<hr/>	<hr/>
Total Capital	1,204,704	1,195,349
Less: Investments in subsidiary companies	(20)	(20)
	<hr/>	<hr/>
Capital base	1,204,684	1,195,329
	=====	=====
Core capital ratio	12.86%	14.97%
Risk-weighted capital ratio	13.12%	15.27%
	=====	=====

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. Disclosures are in line with the requirements of the Basel II Pillar 3 Concept Paper issued by Bank Negara Malaysia on 3 December 2008. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

27. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 30 June 2010 are as follows:

RISK TYPE		Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
1	Credit Risk	RM'000	RM'000	RM'000	RM'000
	<u>On-Balance Sheet Exposures</u>				
	Sovereigns/Central Banks	4,865,682	71,517	0	0
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	276,885	276,885	105,747	8,460
	Insurance Companies, Securities Firms and Fund Managers	0	0	0	0
	Corporates	806,242	806,242	750,154	60,012
	Regulatory Retail	1	1	0	0
	Residential Mortgages	30,716	30,716	11,201	896
	Higher Risk Assets	0	0	0	0
	Other Assets	67,625	67,625	63,769	5,102
	Equity Exposure	7,063	7,063	5,966	477
	Defaulted Exposures	8,069	8,069	8,069	646
	Total On-Balance Sheet Exposures	6,062,283	1,268,118	944,906	75,593
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	4,729,702	4,656,079	2,088,051	167,044
	Credit Derivatives	76,878	1,288	661	53
	Total for Off-Balance Sheet Exposures	4,806,580	4,657,367	2,088,712	167,097
	Total On and Off- Balance Sheet Exposures	10,868,863	5,925,485	3,033,618	242,690

27. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 30 June 2010 are as follows (continued):

RISK TYPE		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000		RM'000	RM'000	RM'000
2	Large Exposures Risk Requirements	-		-	-	-
3	Market Risk	Long Position	Short Position			
	Interest Rate Risk	138,257,214	131,719,378		3,839,443	307,155
	Foreign Currency Risk	764,969	271,576		764,969	61,198
	Options	741,973	0		1,064,525	85,162
		139,764,156	131,990,954		5,668,937	453,515
4	Operational Risk				482,419	38,594
5	Total RWA and Capital Requirements				9,184,974	734,799

27. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for 2009 are as follows:

RISK TYPE		Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
1	Credit Risk	RM'000	RM'000	RM'000	RM'000
	<u>On-Balance Sheet Exposures</u>				
	Sovereigns/Central Banks	3,201,075	119,164	-	-
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	679,453	679,453	284,806	22,784
	Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
	Corporates	706,695	706,695	655,237	52,419
	Regulatory Retail	3	3	2	-
	Residential Mortgages	32,271	32,271	11,839	947
	Higher Risk Assets	20	20	30	2
	Other Assets	34,104	34,104	28,872	2,310
	Equity Exposure	7,236	7,236	6,137	491
	Defaulted Exposures	8,753	8,753	10,033	803
	Total On-Balance Sheet Exposures	4,669,610	1,587,699	996,956	79,756
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	4,243,102	3,806,362	1,658,991	132,719
	Credit Derivatives	81,409	1,381	690	55
	Total for Off-Balance Sheet Exposures	4,324,511	3,807,743	1,659,681	132,774
	Total On and Off- Balance Sheet Exposures	8,994,121	5,395,442	2,656,637	212,530

27. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for 2009 are as follows (continued):

RISK TYPE		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000		RM'000	RM'000	RM'000
2	Large Exposures Risk Requirements	-		-	-	-
3	Market Risk	Long Position	Short Position			
	Interest Rate Risk	131,854,598	125,020,930		3,118,617	249,489
	Foreign Currency Risk	71,480	727,844		727,844	58,228
	Options	81,978	-		850,350	68,028
		132,008,056	125,748,774		4,696,811	375,745
4	Operational Risk				472,185	37,775
5	Total RWA and Capital Requirements				7,825,633	626,050

27. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 30 June 2010 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	71,517	-	-	-	-	-	-	-	3,856	20	75,393	0	
20%	-	-	2,155,981	-	54,710	-	-	-	-	1,348	2,212,039	442,408	
35%	-	-	-	-	-	-	28,847	-	-	-	28,847	10,096	
50%	-	-	1,954,540	-	100,115	-	1,189	-	-	-	2,055,844	1,027,923	
75%	-	-	-	-	-	1	681	-	-	-	682	511	
100%	-	42,021	8,054	5,161	1,421,476	-	6,503	-	63,769	5,696	1,552,680	1,552,680	
150%	-	-	-	-	0	-	0	0	-	-	0	0	
Total Exposures	71,517	42,021	4,118,575	5,161	1,576,301	1	37,220	0	67,625	7,064	5,925,485	3,033,618	
Risk-Weighted Assets by Exposures	0	42,021	1,416,521	5,161	1,482,476	0	17,705	0	63,769	5,966	3,033,618		
Average Risk Weight	-	100.0%	34.4%	100.0%	94.0%	75.0%	47.6%	0.0%	94.3%	84.5%	51.2%		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	

27. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for 2009 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures		
0%	RM'000 119,164	RM'000 -	RM'000 -	RM'000 -	RM'000 -	RM'000 -	RM'000 -	RM'000 -	RM'000 2,565	RM'000 20	RM'000 121,749	RM'000 -
20%	-	-	1,929,766	-	103,915	-	-	-	3,334	1,348	2,038,363	407,673
35%	-	-	-	-	-	29,597	-	-	-	-	29,597	10,359
50%	-	-	1,841,442	-	93,005	2,101	-	-	-	-	1,936,548	968,274
75%	-	-	-	-	-	3	573	-	-	-	576	432
100%	-	44,753	674	5,315	1,175,021	6,194	-	28,205	5,868	1,266,030	1,266,030	
150%	-	-	-	-	2,517	42	20	-	-	-	2,579	3,869
Total Exposures	119,164	44,753	3,771,882	5,315	1,374,458	3	38,507	20	34,104	7,236	5,395,442	2,656,637
Risk-Weighted Assets by Exposures	-	44,753	1,307,348	5,315	1,246,083	2	18,096	30	28,872	6,138	2,656,637	
Average Risk Weight	-	100.0%	34.7%	100.0%	90.7%	66.7%	47.0%	150.0%	84.7%	84.8%	49.2%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-

27. Capital adequacy (continued)

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

30 June 2010 Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	130		130	130
Transaction Related Contingent Items	605,605		302,802	247,858
Short Term Self Liquidating Trade Related Contingencies	97,678		19,536	18,105
Foreign exchange related contracts				
One year or less	6,632,036	201,264	366,513	258,739
Over one year to five years	11,583,301	167,641	492,733	208,526
Over five years	2,780,814	36,518	407,453	289,950
Interest/Profit rate related contracts				
One year or less	26,749,419	79,125	126,956	27,077
Over one year to five years	39,433,083	459,448	1,411,532	420,343
Over five years	14,397,984	480,551	1,518,577	533,501
Equity related contracts				
One year or less	449,788	1,295	42,260	25,422
Over one year to five years	853,727	3,880	116,800	58,400
Over five years	0	0	0	0
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	76,878	1,288	1,288	661
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year			-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year			-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,061,259		-	-
Total	104,721,702	1,431,010	4,806,580	2,088,712

27. Capital adequacy (continued)

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

31 December 2009 Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	217		217	217
Transaction Related Contingent Items	526,813		263,406	180,855
Short Term Self Liquidating Trade Related Contingencies	72,227		14,446	12,852
Foreign exchange related contracts				
One year or less	12,083,891	138,507	273,671	117,327
Over one year to five years	4,545,787	187,714	438,530	206,703
Over five years	2,436,469	43,325	400,134	286,303
Interest/Profit rate related contracts				
One year or less	28,162,897	78,845	120,766	22,958
Over one year to five years	41,295,752	546,133	1,532,782	388,506
Over five years	12,077,808	185,779	1,065,809	332,138
Equity related contracts				
One year or less	465,476	6,217	44,624	23,278
Over one year to five years	1,180,137	7,713	160,374	83,822
Over five years	51,546	639	8,371	4,032
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	81,409	2,657	1,381	690
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	991,484	-	-	-
Total	103,971,913	1,197,529	4,324,511	1,659,681

28. Change in accounting policies

(a) Change in accounting policies

The adoption of the new FRSs, amendments to FRSs and IC Interpretations during the financial period have resulted in the following changes in accounting policies:

- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
FRS 139, *Financial Instruments: Recognition and Measurement*

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8 – Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the full adoption of FRS 139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

(i) Impairment of Loans and Advances

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly loans and advances. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group and the Bank are already largely in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired loans and advances (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Group and the Bank assesses at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

The Group and the Bank first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

28. Change in accounting policies (continued)

(a) Change in accounting policies (continued)

(i) Impairment of Loans and Advances (continued)

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Bank as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting the income statement as at the beginning of the current financial period being adjusted to opening retained profits. As a result of the adoption of the loans impairment basis under FRS 139 and the transitional arrangements under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, the Group and the Bank wrote back general allowance of RM23,946,000 and specific allowance of RM52,000 against opening retained profits as at 1 January 2010. In addition, the Group and the Bank have also recognised opening collective assessment allowance of RM23,946,000 and opening individual assessment allowance of RM6,527,000 against opening retained profits as at 1 January 2010. Any further collective assessment allowance and individual assessment allowance charged subsequent to the initial adoption of FRS 139 is recognised as allowance for impairment on loans, advances and financing in the income statement.

(ii) Interest Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. Whilst the Group and the Bank's financial investments held-to-maturity are already measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 January 2005, interest income on its loans and receivables continued to be recognised based on contractual interest rates. Upon the full adoption of FRS 139 on 1 January 2010, interest income is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss. This change in accounting policy has resulted in the writeback of interest-in-suspense amounting to RM5,754,000 by the Group and the Bank to opening retained profits.

28. Change in accounting policies (continued)

(a) Change in accounting policies (continued)

(iii) Specific Accounting Treatment

In view of the international developments which are contemplating changes in the measurement of financial liabilities, Bank Negara Malaysia had in their Guidelines on Financial Reporting for Banking Institutions, prescribed a specific accounting treatment in this area where the measurement of financial liabilities, subsequent to initial recognition, is based on amortised cost using the effective interest method.

Fair value option where previously applied in the measurement of financial liabilities in accordance with FRS139, are now reversed and re-measured based on amortised cost using the effective interest method.

(b) Adjustments due to Change in Accounting Policies

- (i) The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group and the Bank are as follows:

	Group and Bank RM'000
Effects on retained profits:	
At 1 January 2010, as previously stated	480,603
Effects of adoption of FRS 139	(721)
Effects of adoption of GP8 Guidelines on Specific Accounting Treatment	10,076
At 1 January 2010, as restated	<u>489,958</u> =====

- (ii) Effects of adoption of GP8 Guidelines on Specific Accounting Treatment has resulted in adjustments to the Group and the Bank's profits for the financial period ended 30 June 2010 as follows:

	Group and Bank RM'000
Effects on profits for the financial period:	
Profit before taxation	103,292
Effects of adoption of GP8 Guidelines on Specific Accounting Treatment	(20,637)
Profit before taxation, as restated	<u>82,655</u> =====

29. The Operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 – UNAUDITED

	Note	Bank	
		30 June 2010 RM'000	31 December 2009 RM'000
Assets			
Cash and short term funds	(a)	50,958	31,231
Other assets		3	4
Total assets		<u>50,961</u>	<u>31,235</u>
Liabilities and shareholders' funds			
Deposits from customer	(b)	9,893	5,889
Deposits and placements of banks and other financial institutions	(c)	14,950	-
Other liabilities	(d)	243	8
Taxation		219	85
Total liabilities		<u>25,305</u>	<u>5,982</u>
Capital funds		25,000	25,000
Retained profits		656	253
Islamic banking funds		<u>25,656</u>	<u>25,253</u>
Total liabilities and Islamic banking funds		<u>50,961</u>	<u>31,235</u>
Off-balance sheet exposures		-	-

29. The operations of Islamic Banking (continued)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010 - UNAUDITED**

	Half Year ended		Bank 2 nd Quarter ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of Islamic banking funds	537	94	297	94
Profit before taxation	<u>537</u>	<u>94</u>	<u>297</u>	<u>94</u>
Taxation	(134)	(24)	(74)	(24)
Profit after taxation	<u><u>403</u></u>	<u><u>70</u></u>	<u><u>223</u></u>	<u><u>70</u></u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2010	25,000	253	25,253
Profit after taxation	-	403	403
At 30 June 2010	<u>25,000</u>	<u>656</u>	<u>25,656</u>
At 1 January 2009	25,000	-	25,000
Profit after taxation	-	70	70
At 30 June 2009	<u>25,000</u>	<u>70</u>	<u>25,070</u>

The Islamic Business received RM 25,000,000 capital funding from the conventional business on 20 April 2009

29. The operations of Islamic Banking (continued)

**STATEMENT OF CASH FLOW
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

	30 June 2010 RM'000	30 June 2009 RM'000
Cash flows from operating activities		
Profit before taxation	537	94
Operating profit before working capital changes	537	94
Changes in working capital:		
Decrease/ (Increase) in operating assets	1	(2)
Decrease in operating liabilities	19,189	-
Net cash generated from operations	19,727	92
Net cash used in investing activity	-	25,000
	-	25,000
Net change in cash and cash equivalents	19,727	25,092
Cash and cash equivalents at beginning of period	31,231	-
Cash and cash equivalents at end of period	50,958	25,092
Analysis of cash and cash equivalents		
Cash and short term funds	50,958	25,092

29. The operations of Islamic Banking (continued)

BNM had given its approval on 22 August 2007 for the Bank to conduct Islamic banking business under Section 124 of the Banking and Financial Institutions Act 1989.

Shariah Committee

The Shariah Committee was established under BNM’s “Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions” (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

The committee comprises: Dr Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Dr Nik Muhamad Hafiz Nik Hassan,

Basis of measurement

The financial statements of the Islamic banking business have been prepared on the basis consistent with that of the Group and of the Bank as disclosed in Note 1 to the financial statements of the Group and of the Bank and have been prepared under the accrual basis of accounting.

(a) Cash and short term funds

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Cash and balances with banks and other financial institutions	2,048	2,298
Money at call and deposit placements maturing within one month	48,910	28,933
	50,958	31,231
	50,958	31,231

(b) Deposits from customer

	Group and Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Non-Mudharabah		
Demand deposits	9,893	5,889
	9,893	5,889
	9,893	5,889

29. The operations of Islamic Banking (continued)

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

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Licensed bank	14,950	-
	14,950	-
	14,950	-

(d) Other liabilities

	Group and Bank	
	30 June	31 December
	2010	2009
	RM'000	RM'000
Bills payable	121	8
Other liabilities	122	-
	243	8
	243	8

29. The operations of Islamic Banking (continued)

(e) Capital adequacy

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Components of Tier I and Tier II Capital:

	Bank	
	30 June 2010 RM'000	31 December 2009 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	253	253
Total Tier 1 capital	25,253	25,253
Total Tier 2 capital	-	-
Capital base	25,253	25,253
Core capital ratio	1699.39 %	3995.73%
Risk-weighted capital ratio	1699.39%	3995.73%

29. The operations of Islamic Banking (continued)

(e) Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 30 June 2010 are as follows:

RISK TYPE		Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
1	Credit Risk Islamic Window	RM'000	RM'000	RM'000	RM'000
	<u>On-Balance Sheet Exposures</u>				
	Sovereigns/Central Banks	50,761	50,761	-	-
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	197	197	99	8
	Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
	Corporates	-	-	-	-
	Regulatory Retail	-	-	-	-
	Residential Mortgages	-	-	-	-
	Higher Risk Assets	-	-	-	-
	Other Assets	-	-	-	-
	Equity Exposure	-	-	-	-
	Defaulted Exposures	-	-	-	-
	Total On-Balance Sheet Exposures	50,958	50,958	99	8
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	-	-	-	-
	Credit Derivatives	-	-	-	-
	Total for Off-Balance Sheet Exposures	-	-	-	-
	Total On and Off- Balance Sheet Exposures	50,958	50,958	99	8

RISK TYPE		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
		RM'000		RM'000	RM'000	RM'000
	Large Exposures Risk Requirements	-		-	-	-
	Market Risk	Long Position	Short Position			
	Profit Rate Risk	-	-		-	-
	Foreign Currency Risk	-	-		-	-
	Options	-	-		-	-
	Operational Risk				1,387	110
	Total RWA and Capital Requirements				1,387	110

29. The operations of Islamic Banking (continued)**(e) Capital adequacy (continued)**

The breakdown of credit risk exposures by risk weights as at 30 June 2010 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	50,761	-	-	-	-	-	-	-	-	-	50,761	-
20%	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	197	-	-	-	-	-	-	-	197	99
75%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	50,761	-	197	-	-	-	-	-	-	-	50,958	99
Risk-Weighted Assets by Exposures	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight	-	-	-	-	-	-	-	-	-	-	-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-