

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

Unaudited Condensed Interim Financial Statements
- 30 September 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 SEPTEMBER 2010 - UNAUDITED

	Note	Group		Bank	
		30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Assets					
Cash and short term funds		3,802,296	4,393,420	3,802,296	4,393,420
Securities purchased under resale agreements		5,645,697	3,077,020	5,645,697	3,077,020
Securities held-for-trading	12	1,271,586	1,426,661	1,271,586	1,426,661
Securities available-for-sale	13	9,557	5,605	9,557	5,605
Securities held-to-maturity	14	-	1,591	-	1,591
Loans, advances and financing	15	801,873	788,803	801,873	788,803
Other assets	16	2,232,566	1,504,478	2,232,566	1,504,478
Statutory deposit with Bank Negara Malaysia		225	225	225	225
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		3,740	3,662	3,740	3,662
Deferred tax assets		51,862	15,284	51,862	15,284
Tax Recoverable		-	3,144	-	3,144
Total assets		<u>13,819,402</u>	<u>11,219,893</u>	<u>13,819,422</u>	<u>11,219,913</u>
Liabilities and shareholders' funds					
Deposits from customers	17	5,195,457	5,620,179	5,195,477	5,620,199
Deposits and placements of banks and other financial institutions	18	1,202,216	1,572,162	1,202,216	1,572,162
Obligations on securities sold under repurchase agreements		3,486,501	1,056,596	3,486,501	1,056,596
Other liabilities	19	2,581,530	1,781,416	2,581,530	1,781,416
Taxation		43,680	-	43,680	-
Total liabilities		<u>12,509,384</u>	<u>10,030,353</u>	<u>12,509,404</u>	<u>10,030,373</u>
Share capital		173,599	173,599	173,599	173,599
Reserves		1,136,419	1,015,941	1,136,419	1,015,941
Shareholders' funds		<u>1,310,018</u>	<u>1,189,540</u>	<u>1,310,018</u>	<u>1,189,540</u>
Total liabilities and shareholders' funds		<u>13,819,402</u>	<u>11,219,893</u>	<u>13,819,422</u>	<u>11,219,913</u>
Commitments and contingencies	26	<u>107,478,734</u>	<u>103,971,913</u>	<u>107,478,734</u>	<u>103,971,913</u>

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010 - UNAUDITED

	Note	Group and Bank			
		Nine Months ended		Three Months ended	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Interest income	20	160,747	142,411	60,241	44,333
Interest expense	21	(68,303)	(46,908)	(24,873)	(13,674)
Net interest income		<u>92,444</u>	<u>95,503</u>	<u>35,368</u>	<u>30,659</u>
Net income from Islamic Banking Operations	29	830	210	293	116
Non-interest income	22	136,531	137,359	59,366	28,230
Operating income		<u>229,805</u>	<u>233,072</u>	<u>95,027</u>	<u>59,005</u>
Other operating expenses	23	(84,955)	(78,160)	(31,982)	(26,611)
Operating profit		<u>144,850</u>	<u>154,912</u>	<u>63,045</u>	<u>32,394</u>
Allowance for impairment on loans, advances and financing	24	796	(17)	(54)	8
Profit before taxation	27*	<u>145,646</u>	<u>154,895</u>	<u>62,991</u>	<u>32,402</u>
Taxation		(36,293)	(41,905)	(14,257)	(10,030)
Net profit for the period		<u>109,353</u>	<u>112,990</u>	<u>48,734</u>	<u>22,372</u>
Other comprehensive income, net of tax					
Fair value of available-for-sale financial assets		1,770	-	(383)	-
Other comprehensive income for the period, net of tax		<u>1,770</u>	<u>-</u>	<u>(383)</u>	<u>-</u>
Total comprehensive income for the period		<u>111,123</u>	<u>112,990</u>	<u>48,351</u>	<u>22,372</u>
Earnings per share (sen)		<u>63.0 sen</u>	<u>65.1 sen</u>	<u>28.1 sen</u>	<u>12.9 sen</u>

* See effects of adoption of specific accounting treatment on profits for financial period ended 30 September 2010 in note 27(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)
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AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	<--Non-distributable-->			Distributable		Total reserves RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total 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	-	-	-	109,353	109,353	109,353	
Other comprehensive income	-	-	1,770	-	1,770	1,770	
Total comprehensive income for the period	-	-	1,770	109,353	111,123	111,123	
At 30 September 2010	173,599	357,763	179,345	599,311	1,136,419	1,310,018	
At 1 January 2009	173,599	357,763	175,508	370,611	903,882	1,077,481	
Net profit for the period	-	-	-	112,990	112,990	112,990	
Other comprehensive income	-	-	1,403	-	1,403	1,403	
Total comprehensive income for the period	-	-	1,403	112,990	114,393	114,393	
At 30 September 2009	173,599	357,763	176,911	483,601	1,018,275	1,191,874	

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 THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	Group and Bank	
	30 September	30 September
	2010	2009
	RM'000	RM'000
Profit before taxation	145,646	154,895
Adjustments for non-operating and non-cash items	1,461	2,279
	<hr/>	<hr/>
Operating profit before working capital changes	147,107	157,174
Changes in working capital:		
Net changes in operating assets	(3,142,046)	2,309,431
Net changes in operating liabilities	2,435,351	1,024,522
Income tax paid	(29,997)	(38,901)
	<hr/>	<hr/>
Net cash generated from operations	(589,585)	3,452,226
	<hr/>	<hr/>
Net cash used in investing activities	(1,539)	(257)
	<hr/>	<hr/>
	(1,539)	(257)
	<hr/>	<hr/>
Net change in cash and cash equivalents	(591,124)	3,451,969
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	3,802,296	3,757,858
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and short-term funds	3,802,296	3,757,858
	<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 SEPTEMBER 2010

1. Basis of preparation

The unaudited interim financial statements for the third quarter ended 30 September 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 27.

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 27.

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 third quarter ended 30 September 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 third quarter ended 30 September 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 September 2010.

7. Dividend Paid

No dividend was paid in the third quarter ended 30 September 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 third quarter ended 30 September 2010.

10. Review of Performance

The Bank recorded profit before taxation of RM145.6 million for the financial period ended 30 September 2010, lower by RM9.2million or 6.0% compared to the corresponding period last year. Operating income decreased by RM3.3 million or 1.4% from RM233.1 million to RM229.8 million attributable to lower net interest income of RM3.1 million or 3.2% from RM95.5 million to RM92.4 million . Net fee income increased by RM2.6 million or 22.9% from RM11.3 million to RM13.9 million whilst net trading profits were lower by RM4.8 million or 3.9% from RM125.2 million to RM120.4 million. Operating expenses increased by RM6.8 million or 8.7% due to higher personnel cost and general administrative expenses.

Total assets as at 30 September 2010 stood at RM13.8 billion, higher by RM 2.6 billion or 23.2% against 31 December 2009 of RM11.2 billion. The Bank's core capital ratio and risk weighted capital ratio remained strong at 13.80% and 14.08% as at 30 September 2010 (31 December 2009: 14.97% and 15.27%).

11. Prospects

The Bank's strategy during the year continued to focus on two main areas, Global Markets and Global Banking, with emphasis on sales and trading 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.

Although we have seen greater competition in the banking industry in all aspects of terms, pricing and service levels, we remain well positioned not only to meet these challenges but also to seize opportunities. We continue to believe that our long-term success lies in delivery of outstanding service to our clients and will continue to consistently implement our client-focused strategy, which is characterized by risk discipline, capital efficiency and earnings diversification, and aiming to create sustainable value.

12. Securities held-for-trading

	Group and Bank	
	30 September 2010	31 December 2009
At fair value	RM'000	RM'000
Malaysian Government Securities	1,260,751	360,016
Malaysian Investment Issue	4,059	4,125
Bank Negara Malaysia Bills	-	611,947
Cagamas bonds	6,534	6,357
Khazanah bonds	-	28,974
Private debt securities	242	115,242
Negotiable instruments of deposit	-	300,000
	1,271,586	1,426,661
	=====	=====

13. Securities available-for-sale

	Group and Bank	
	30 September 2010	31 December 2009
At fair value	RM'000	RM'000
Quoted securities	7,966	5,605
Unquoted securities, at cost	1,591	-
	9,557	5,605
	=====	=====

14. Securities held-to-maturity

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

15. Loans, advances and financing

	Group and Bank	
	30 September 2010	31 December 2009
	RM'000	RM'000
At amortised cost		
Overdrafts	82,034	49,088
Term loans - housing loans	32,687	34,754
- other term loans	123,358	134,431
Bills receivable	41,020	66,091
Claims on customers under acceptance credits	550,233	525,864
Staff loans	3,794	4,502
	-----	-----
Unearned interest	833,126 (1,576)	814,730 (1,929)
	-----	-----
Gross loans, advances and financing	831,550	812,801
Allowance for impaired loans and financing		
- Collective assessment	(23,946)	-
- Individual assessment	(5,731)	-
- General allowance	-	(23,946)
- Specific allowance	-	(52)
	-----	-----
Net loans, advances and financing	801,873	788,803
	=====	=====

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

	Group and Bank	
	30 September 2010	31 December 2009
	RM'000	RM'000
Maturing within one year	798,686	777,410
One year to three years	626	732
Three years to five years	944	1,074
Over five years	31,294	33,585
	-----	-----
	831,550	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 September 2010 RM'000	31 December 2009 RM'000
Domestic business enterprises - others	759,287	707,442
Individuals	36,507	39,268
Foreign entities	35,756	66,091
	831,550	812,801
	831,550	812,801

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

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Fixed rate		
- Other fixed rate loan / financing	3,794	4,502
Variable rate		
- Base lending rate plus	73,159	66,943
- Cost-plus	754,378	738,874
- Other variable rates	219	2,482
	831,550	812,801
	831,550	812,801

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

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Malaysia	795,796	746,710
Thailand	325	43,064
India	18,169	14,554
Other countries	17,260	8,473
	831,550	812,801
	831,550	812,801

15. Loans, advances and financing (continued)

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

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Mining and quarrying	517	-
Manufacturing	461,956	356,647
Electricity, gas and water	1,613	-
Construction	53,859	94,436
Purchase of landed property:		
- Residential	35,887	38,523
Wholesale & retail trade and restaurants & hotels	167,277	146,935
Finance, insurance and business services	108,611	101,447
Purchase of transport vehicles	100	175
Others	1,730	74,638
	831,550	812,801
	831,550	812,801

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

	Group and Bank	
	30 September 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	2,132	4,934
Reclassified as non-impaired during the period/year	(2,099)	(2,470)
Amount recovered	(1,641)	(2,108)
Amounts written off	-	(68)
	12,945	8,799
	12,945	8,799
Gross impaired loans as a percentage of gross loans, advances and financing	1.56%	1.08%
	1.56%	1.08%

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

	Group and Bank	
	30 September 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 September 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	-
	<hr/>	<hr/>
At 1 January, as restated	6,527	-
Allowance made during the period/year	845	-
Amount written off	-	-
Amount recovered	(1,641)	-
	<hr/>	<hr/>
	5,731	-
	=====	=====

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

	Group and Bank	
	30 September 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)	-
	<hr/>	<hr/>
At 1 January, as restated	-	-
	=====	=====
As a % of adjusted gross loans and advances less specific allowance	-	2.95%
	=====	=====

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

15. Loans, advances and financing (continued)

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

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Manufacturing	6,795	2,516
Purchase of landed property - residential	6,109	6,252
Others	41	31
	<u>12,945</u>	<u>8,799</u>
	=====	=====

16. Other assets

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Interest / Income receivable	18,497	13,509
Margin placed with exchange	2,929	3,334
Derivatives	1,692,627	1,205,219
Other debtors, deposits and prepayments	518,513	282,416
	<u>2,232,566</u>	<u>1,504,478</u>
	=====	=====

17. Deposits from customers

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Demand deposits	1,215,473	1,042,180	1,215,493	1,042,200
Savings deposits	9,844	10,627	9,844	10,627
Fixed deposits	982,450	729,392	982,450	729,392
Other deposits	2,898,090	3,736,880	2,898,090	3,736,880
Negotiable instrument of deposits	89,600	101,100	89,600	101,100
	<u>5,195,457</u>	<u>5,620,179</u>	<u>5,195,477</u>	<u>5,620,199</u>
	=====	=====	=====	=====

17. Deposits from customers (continued)

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

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Due within six months	2,201,869	2,897,336	2,201,869	2,897,336
More than six months to one year	87,401	332,936	87,401	332,936
More than one year to three years	1,179,569	187,100	1,179,569	187,100
More than three years to five years	410,000	1,100,000	410,000	1,100,000
More than five years	91,301	50,000	91,301	50,000
	<u>3,970,140</u>	<u>4,567,372</u>	<u>3,970,140</u>	<u>4,567,372</u>
	=====	=====	=====	=====

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Business enterprises	2,678,351	3,022,896	2,678,371	3,022,916
Individuals	51,818	54,104	51,818	54,104
Foreign customers	82,021	92,882	82,021	92,882
Others	2,383,267	2,450,297	2,383,267	2,450,297
	<u>5,195,457</u>	<u>5,620,179</u>	<u>5,195,477</u>	<u>5,620,199</u>
	=====	=====	=====	=====

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Licensed banks	30,000	-
Other financial institutions	1,172,216	1,572,162
	<u>1,202,216</u>	<u>1,572,162</u>
	=====	=====

19. Other liabilities

	Group and Bank	
	30 September 2010 RM'000	31 December 2009 RM'000
Interest Payable	5,268	12,056
Bills Payable	103,806	115,747
Derivatives	1,694,149	986,213
Employee benefits	21,037	31,883
Other liabilities	757,270	635,517
	<u>2,581,530</u>	<u>1,781,416</u>
	=====	=====

20. Interest income

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Loans, advances and financing	20,306	26,925	7,095	7,440
Money at call and deposit placements with financial institutions	110,330	96,049	42,088	29,139
Securities held for trading	30,110	19,435	11,058	7,753
Others	1	2	-	1
	<u>160,747</u>	<u>142,411</u>	<u>60,241</u>	<u>44,333</u>
	=====	=====	=====	=====
Of which:				
Interest income earned on impaired loans, advances and financing	845	-	122	-
	<u>845</u>	<u>-</u>	<u>122</u>	<u>-</u>
	=====	=====	=====	=====

21. Interest expense

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Deposits and placements of banks and other financial institutions	32,512	2,235	12,299	632
Deposits from customers	35,781	44,629	12,574	13,050
Others	10	44	-	(8)
	<u>68,303</u>	<u>46,908</u>	<u>24,873</u>	<u>13,674</u>
	=====	=====	=====	=====

22. Non-Interest Income

	Group and Bank			
	Nine months ended		Three months ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	9,024	4,116	2,838	1,528
Service charges and fees	3,107	5,291	1,024	1,803
Guarantee fees	1,743	1,882	1,015	677
	<u>13,874</u>	<u>11,289</u>	<u>4,877</u>	<u>4,008</u>
	-----	-----	-----	-----
Gains/ (losses) arising from sale of securities:-				
Securities held -for- trading	12,321	(12,673)	2,714	1,560
Net gain arising from dealing in foreign exchange	83,966	224,774	39,932	41,274
Net gains arising from trading in derivatives	236,934	119,784	51,024	47,553
Net unrealised (losses) on revaluation of trading portfolio (including derivatives)	(269,520)	(145,898)	(111,899)	(46,366)
Unrealised gain/ (losses) from foreign exchange	56,697	(60,743)	73,175	(16,549)
Gross dividends from securities held-to-maturity	162	113	144	96
Gain on disposal of plant and equipment	172	-	172	-
Other operating income, net	1,925	713	(773)	(3,346)
	<u>122,657</u>	<u>126,070</u>	<u>54,489</u>	<u>24,222</u>
	-----	-----	-----	-----
	<u>136,531</u>	<u>137,359</u>	<u>59,366</u>	<u>28,230</u>
	=====	=====	=====	=====

23. Other operating expenses

	Group and Bank			
	Nine months ended		Three months ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
-Salaries, allowance and bonuses	36,910	35,173	12,001	12,285
-Others	8,449	8,482	2,808	2,309
Establishment costs				
-Rental	2,031	1,808	677	602
-Depreciation	1,461	2,279	457	706
-Others	2,580	3,241	872	1,262
Marketing expenses	1,395	1,141	564	470
Administration and general expenses				
-Inter-company expenses	25,117	20,881	12,470	7,169
-Communication	1,043	1,020	399	361
-Others	5,969	4,135	1,734	1,447
	<u>84,955</u>	<u>78,160</u>	<u>31,982</u>	<u>26,611</u>
	-----	-----	-----	-----
	<u>84,955</u>	<u>78,160</u>	<u>31,982</u>	<u>26,611</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 155 (September 2009 - 150).

24. Allowance for impairment on loans, advances and financing

	Group and Bank			
	Nine months ended		Three months ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired on loans, advances and financing:				
Individual assessment allowance	(845)	-	(122)	-
Specific allowance	-	(42)	-	(4)
Impaired loans and financing recovered	1,641	25	68	12
	<u>796</u>	<u>(17)</u>	<u>(54)</u>	<u>8</u>
	=====	=====	=====	=====

25. 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.

26. Capital adequacy

	Group and Bank	
	30 September 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	13.80%	14.97%
Risk-weighted capital ratio	14.08%	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.

26. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 30 September 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	5,743,037	88,677	-	-
	Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	595,785	595,785	265,015	21,201
	Insurance Companies, Securities Firms and Fund Managers	-	-	-	-
	Corporates	747,611	747,611	708,000	56,640
	Regulatory Retail	579	579	434	35
	Residential Mortgages	30,130	30,130	10,927	874
	Higher Risk Assets	-	-	-	-
	Other Assets	163,665	163,665	160,900	12,872
	Equity Exposure	7,064	7,064	5,966	477
	Defaulted Exposures	12,397	12,397	12,397	992
	Total On-Balance Sheet Exposures	7,300,268	1,645,908	1,163,639	93,091
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	4,865,626	4,704,999	2,072,266	165,781
	Credit Derivatives	73,236	793	397	32
	Total for Off-Balance Sheet Exposures	4,938,862	4,705,792	2,072,663	165,813
	Total On and Off- Balance Sheet Exposures	12,239,130	6,351,700	3,236,302	258,904

26. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 30 September 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	129,911,001	124,430,001		4,043,510	323,481
	Foreign Currency Risk	372,376	300,734		372,376	29,790
	Options	549,440	0		420,163	33,613
		130,832,817	124,730,735		4,836,049	386,884
4	Operational Risk				481,502	38,520
5	Total RWA and Capital Requirements				8,553,853	684,308

26. 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

26. 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			
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

26. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 30 September 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%	94,732	-	-	-	-	-	-	-	2,765	20	97,517	-	
20%	-	-	2,158,977	-	39,637	-	-	-	-	1,348	2,199,962	439,992	
35%	-	-	-	-	-	-	28,523	-	-	-	28,523	9,983	
50%	-	-	2,379,638	-	97,489	-	1,048	-	-	-	2,478,175	1,239,088	
75%	-	-	-	-	-	579	559	-	-	-	1,138	854	
100%	-	30,754	6,514	714	1,336,118	-	5,689	-	160,900	5,696	1,546,385	1,546,385	
150%	-	-	-	-	-	-	-	-	-	-	-	-	
Total Exposures	94,732	30,754	4,545,129	714	1,473,244	579	35,819	-	163,665	7,064	6,351,700	3,236,302	
Risk-Weighted Assets by Exposures	-	30,754	1,628,129	715	1,392,789	434	16,615	-	160,900	5,966	3,236,302		
Average Risk Weight	-	100.0%	35.8%	100.0%	94.5%	75.0%	46.4%	0%	98.3%	84.5%	51.0 %		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	

26. 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			
	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%	119,164	-	-	-	-	-	-	-	2,565	20	121,749	-	
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	-	-	-	-	-	-	-	-	-	-	-	-	

26. 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 September 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	283		283	283
Transaction Related Contingent Items	603,767		301,883	251,124
Short Term Self Liquidating Trade Related Contingencies	54,822		10,964	8,227
Foreign exchange related contracts				
One year or less	16,460,943	262,819	437,791	218,790
Over one year to five years	5,241,294	185,605	511,706	219,280
Over five years	3,303,093	65,076	496,432	303,309
Interest/Profit rate related contracts				
One year or less	25,320,653	64,817	106,320	20,277
Over one year to five years	39,826,269	406,123	1,318,720	404,782
Over five years	14,125,001	575,566	1,587,756	561,693
Equity related contracts				
One year or less	332,459	795	30,049	16,419
Over one year to five years	939,532	3,688	126,543	63,272
Over five years	72,483	923	9,621	4,810
Credit Derivative Contracts				
One year or less	-	0	-	-
Over one year to five years	73,236	794	794	397
Over five years	-	0	-	-
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	1,124,899		-	-
Total	107,478,734	1,566,206	4,938,862	2,072,663

26. 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

27. 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 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.

27. 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.

27. 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
	<hr/>
At 1 January 2010, as restated	489,958
	<hr/> <hr/>

- (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 September 2010 as follows:

	Group and Bank RM'000
Effects on profits for the financial period:	
Profit before taxation	171,225
Effects of adoption of GP8 Guidelines on Specific Accounting Treatment	(25,579)
	<hr/>
Profit before taxation, as restated	145,646
	<hr/> <hr/>

28. The Operations of Islamic Banking

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010 – UNAUDITED**

	Note	Bank	
		30 September 2010 RM'000	31 December 2009 RM'000
Assets			
Cash and short term funds	(a)	51,099	31,231
Other assets		156	4
Total assets		51,225	31,235
Liabilities and shareholders' funds			
Deposits from customer	(b)	10,131	5,889
Deposits and placements of banks and other financial institutions	(c)	14,943	-
Other liabilities	(d)	13	8
Taxation		292	85
Total liabilities		25,379	5,982
Capital funds		25,000	25,000
Retained profits		876	253
Islamic banking funds		25,876	25,253
Total liabilities and Islamic banking funds		51,255	31,235
Off-balance sheet exposures		-	-

28. The operations of Islamic Banking (continued)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010 - UNAUDITED**

	Bank			
	Nine months ended 30 September 2010 RM'000	30 September 2009 RM'000	Three months ended 30 September 2010 RM'000	30 September 2009 RM'000
Income derived from investment of Islamic banking funds	830	210	293	116
Profit before taxation	830	210	293	116
Taxation	(207)	(52)	(73)	(28)
Profit after taxation	623	158	220	88

**STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010**

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2010	25,000	253	25,253
Profit after taxation	-	623	623
At 30 September 2010	25,000	876	25,876
At 20 April 2009	25,000	-	25,000
Profit after taxation	-	158	158
At 30 September 2009	25,000	158	25,158

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

28. The operations of Islamic Banking (continued)

	30 September 2010 RM'000	30 September 2009 RM'000
Cash flows from operating activities		
Profit before taxation	830	210
Operating profit before working capital changes	<u>830</u>	<u>210</u>
Changes in working capital:		
Decrease/ (Increase) in operating assets	(152)	-
Decrease in operating liabilities	19,190	-
Net cash generated from operations	<u>19,868</u>	<u>210</u>
Net cash used in investing activity	-	25,000
	<u>-</u>	<u>25,000</u>
Net change in cash and cash equivalents	19,868	25,210
Cash and cash equivalents at beginning of period	31,231	-
Cash and cash equivalents at end of period	<u>51,099</u>	<u>25,210</u>
Analysis of cash and cash equivalents		
Cash and short term funds	<u>51,099</u>	<u>25,210</u>

28. 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 and Dr Muhammad Qaseem.

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 September 2010 RM’000	31 December 2009 RM’000
Cash and balances with banks and other financial institutions	2,629	2,298
Money at call and deposit placements maturing within one month	48,470	28,933
	51,099	31,231
	51,099	31,231

(b) Deposits from customer

	Group and Bank	
	30 September 2010 RM’000	31 December 2009 RM’000
Non-Mudharabah		
Demand deposits	10,131	5,889
	10,131	5,889
	10,131	5,889

28. The operations of Islamic Banking (continued)

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

	Group and Bank	
	30 September	31 December
	2010	2009
	RM'000	RM'000
Licensed bank	14,943	-
	<u>14,943</u>	<u>-</u>
	=====	=====

(d) Other liabilities

	Group and Bank	
	30 September	31 December
	2010	2009
	RM'000	RM'000
Bills payable	13	8
	<u>13</u>	<u>8</u>
	=====	=====

28. 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 September 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	1225.93 %	3995.73%
Risk-weighted capital ratio	1225.93%	3995.73%

28. 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 September 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, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	50,891	50,891	-	-
	Insurance Companies, Securities Firms and Fund Managers	208	208	104	8
	Corporates	-	-	-	-
	Regulatory Retail	-	-	-	-
	Residential Mortgages	-	-	-	-
	Higher Risk Assets	-	-	-	-
	Other Assets	156	156	156	13
	Equity Exposure	-	-	-	-
	Defaulted Exposures	-	-	-	-
	Total On-Balance Sheet Exposures	51,255	51,255	260	21
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	-	-	-	-
	Credit Derivatives	-	-	-	-
	Total for Off-Balance Sheet Exposures	-	-	-	-
	Total On and Off- Balance Sheet Exposures	51,255	51,255	260	21

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				1,799	144
	Total RWA and Capital Requirements				2,059	165

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

The breakdown of credit risk exposures by risk weights as at 30 September 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%	50,891	-	-	-	-	-	-	-	-	-	50,891	-
20%	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	208	-	-	-	-	-	-	-	208	104
75%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	156	-	156	156
150%	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	50,891	-	208	-	-	-	-	-	156	-	51,255	260
Risk-Weighted Assets by Exposures	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight	-	-	-	-	-	-	-	-	-	-	-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-