

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

**Unaudited Condensed Interim Financial Statements**  
**- 30 June 2011**

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 STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011 - UNAUDITED**

	Note	Group		Bank	
		30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<b>Assets</b>					
Cash and short term funds		5,313,808	5,405,903	5,313,808	5,405,903
Securities purchased under resale agreements		3,261,349	2,764,327	3,261,349	2,764,327
Financial assets held-for-trading	12	1,745,902	1,113,962	1,745,902	1,113,962
Financial investments available-for-sale	13	8,721	9,064	8,721	9,064
Loans, advances and financing	14	875,215	750,402	875,215	750,402
Other assets	15	2,421,142	1,783,996	2,421,142	1,783,996
Statutory deposit with Bank Negara Malaysia		6,001	225	6,001	225
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		2,803	3,509	2,803	3,509
Deferred tax assets		54,344	55,555	54,344	55,555
<b>Total assets</b>		<u>13,689,285</u>	<u>11,886,943</u>	<u>13,689,305</u>	<u>11,886,963</u>
<b>Liabilities and shareholders' funds</b>					
Deposits from customers	16	5,576,197	5,510,903	5,576,217	5,510,923
Deposits and placements of banks and other financial institutions	17	1,930,051	1,265,895	1,930,051	1,265,895
Obligations on securities sold under repurchase agreements		1,673,299	1,711,212	1,673,299	1,711,212
Other liabilities	18	3,140,944	2,024,074	3,140,944	2,024,074
Taxation		4,477	33,732	4,477	33,732
<b>Total liabilities</b>		<u>12,324,968</u>	<u>10,545,816</u>	<u>12,324,988</u>	<u>10,545,836</u>
<b>Share capital</b>		<u>173,599</u>	<u>173,599</u>	<u>173,599</u>	<u>173,599</u>
<b>Reserves</b>		<u>1,190,718</u>	<u>1,167,528</u>	<u>1,190,718</u>	<u>1,167,528</u>
<b>Shareholders' funds</b>		<u>1,364,317</u>	<u>1,341,127</u>	<u>1,364,317</u>	<u>1,341,127</u>
<b>Total liabilities and shareholders' funds</b>		<u>13,689,285</u>	<u>11,886,943</u>	<u>13,689,305</u>	<u>11,886,963</u>
<b>Commitments and contingencies</b>	26	<u>125,000,140</u>	<u>107,909,542</u>	<u>125,000,140</u>	<u>107,909,542</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 2010.*

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011 - UNAUDITED**

	Note	Group and Bank			
		Half Year Ended 30 June 2011 RM'000	30 June 2010 RM'000	2 <sup>nd</sup> Quarter ended 30 June 2011 RM'000	30 June 2010 RM'000
Interest income	19	144,359	100,506	69,636	56,466
Interest expense	20	(81,924)	(43,430)	(46,974)	(23,411)
Net interest income		<u>62,435</u>	<u>57,076</u>	<u>22,662</u>	<u>33,055</u>
Net income from Islamic Banking Operations	26	689	537	308	297
Non-interest income / (expense)	21	25,621	77,165	(35,455)	77,110
Operating income / (loss)		<u>88,745</u>	<u>134,778</u>	<u>(12,485)</u>	<u>110,462</u>
Other operating expenses	22	(56,612)	(52,973)	(24,740)	(23,309)
Operating profit / (loss)		<u>32,133</u>	<u>81,805</u>	<u>(37,225)</u>	<u>87,153</u>
Allowance for impairment on loans, advances and financing	23	248	850	50	367
<b>Profit / (loss) before taxation</b>		<u>32,381</u>	<u>82,655</u>	<u>(37,175)</u>	<u>87,520</u>
Tax (expense) / income		(8,934)	(22,036)	9,594	(22,541)
<b>Net profit / (loss) for the period</b>		<u>23,447</u>	<u>60,619</u>	<u>(27,581)</u>	<u>64,979</u>
<b>Other comprehensive (expense)/ income, net of tax</b>					
Fair value of financial investments available-for-sale		(257)	2,153	(185)	1,007
<b>Other comprehensive (expense)/ income for the period, net of tax</b>		<u>(257)</u>	<u>2,153</u>	<u>(185)</u>	<u>1,007</u>
<b>Total comprehensive income / (expense) for the period</b>		<u>23,190</u>	<u>62,772</u>	<u>(27,766)</u>	<u>65,986</u>
Earnings per share (sen)		<u>13.5 sen</u>	<u>34.9 sen</u>	<u>(15.9)sen</u>	<u>37.4 sen</u>

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**DEUTSCHE BANK (MALAYSIA) BERHAD**  
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**AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	<-----Attributable to equity holders of the Bank----->					Total RM'000
	Share capital RM'000	<--Non-distributable-->		Distributable	Total reserves	
		Share premium RM'000	Other reserves RM'000	Retained profits RM'000	RM'000	
<b>Group and Bank</b>						
<b>At 1 January 2011</b>	173,599	357,763	178,975	630,790	1,167,528	1,341,127
Net profit for the period	-	-	-	23,447	23,447	23,447
Other comprehensive expense	-	-	(257)	-	(257)	(257)
Total comprehensive (expense) / income for the period	-	-	(257)	23,447	23,190	23,190
<b>At 30 June 2011</b>	173,599	357,763	178,718	654,237	1,190,718	1,364,317
<b>At 1 January 2010</b>	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 / (expense) for the period	-	-	2,153	60,619	62,772	62,772
<b>At 30 June 2010</b>	173,599	357,763	179,728	550,577	1,088,068	1,261,667

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000
Profit before taxation	32,381	82,655
Adjustments for non-operating and non-cash items	785	1,004
	<hr/>	<hr/>
Operating profit before working capital changes	33,166	83,659
Changes in working capital:		
Net changes in operating assets	(1,896,697)	(1,111,185)
Net changes in operating liabilities	1,808,407	254,421
Income tax paid	(36,892)	(20,732)
	<hr/>	<hr/>
Net cash generated from operations	(92,016)	(793,837)
	<hr/>	<hr/>
Net cash used in investing activities	(79)	(945)
	<hr/>	<hr/>
	(79)	(945)
	<hr/>	<hr/>
Net change in cash and cash equivalents	(92,095)	(794,782)
Cash and cash equivalents at beginning of the period	5,405,903	4,393,420
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	5,313,808	3,598,638
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and short-term funds	5,313,808	3,598,638
	<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 2010.*

DEUTSCHE BANK (MALAYSIA) BERHAD  
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
AT 30 JUNE 2011

1. Basis of preparation

The unaudited interim financial statements for the financial half year ended 30 June 2011 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 2010. 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 2010.

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 2010, except for the adoption of the following Financial Reporting Standards (“FRS”), IC Interpretations and Technical Release(TR):

- FRS 1, *First-time Adoption of Financial Reporting Standards*
- FRS 3, *Business Combinations*
- FRS 127, *Consolidated and Separate Financial Statements*
- Amendments to FRS 7, *Improving Disclosures about Financial Instruments*
- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*
- IC Interpretation 12, *Service Concession Arrangements*
- Amendments to FRS 2, *Share-based Payment*
- *Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 4, *Determining Whether an Arrangement contains a Lease*
- Amendments to FRS 1, *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters*
- TR i-4, *Shariah Compliant Sale Contracts*
- Improvements to FRSs (2010)

**1. Basis of preparation (continued)**

The adoption of Amendments to FRS 7 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 adoption of the other FRSs, Amendments to FRSs, IC Interpretations and Technical Release above generally did not have any material impact on the financial results of the Group and the Bank, as they mainly deal with accounting policies affecting transactions which do not form part of the Group and the Bank's normal business operations or transactions where the Group or the Bank only has minimal exposure.

The following FRS and IC Interpretations have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group and the Bank:

**Effective for annual periods commencing on or after 1 July 2011:**

IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*  
Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirements*

**Effective for annual periods commencing on or after 1 January 2012:**

FRS 124, *Related Party Disclosures*  
IC Interpretation 15, *Agreements for the Construction of Real Estate*

**2. Audit report**

The audit report on the audited annual financial statements for the financial year ended 31 December 2010 was not subject to any qualification.

**3. Seasonality or Cyclicity of Operations**

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank for the financial half year ended 30 June 2011.

**5. Changes in Estimates**

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial half year ended 30 June 2011.

**6. Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities during the financial half year ended 30 June 2011.

**7. Dividend Paid**

No dividend was paid during the financial half year ended 30 June 2011.

**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 for the financial half year ended 30 June 2011.

**10. Review of Performance**

The Bank recorded profit before taxation for the half year ended 30 June 2011 of RM32.4 million compared to RM 82.7 million profit for the same corresponding period previous year. Operating income decreased by RM46.0 million from RM134.8 million to RM88.8 million whilst operating expenses increased by RM3.6 million attributed to higher personnel cost during the financial period.

Total assets registered an increase of RM 1.8 billion or 15.2% from RM11.9 billion to RM13.7 billion at 30 June 2011. The Bank's core capital ratio and risk weighted capital ratio remained strong at 14.59% and 14.86% respectively.

**11. Prospects**

Although the pick-up in the global and Malaysian economies gained momentum in early 2011, the Bank remain vigilant given the lower year on year GDP forecast for Malaysia of 5.2%, heightened risk outlook in potential rising interest rate environment and uncertainties in the global environment.

The Bank's strategy remains steadfastly focused on the key business areas of Global Markets and Global Banking. In addition, we intend to capitalize on the momentum gained from our accomplishments and continue to solidify our Islamic Banking franchise by leveraging on our global franchise, international product platform and network in 2011 and beyond. Our strong client focus and drive to deliver comprehensive and innovative end-to-end solutions will continue to differentiate us and secure our position as a top-tier corporate and investment bank for clients in the local market.

The Bank will continue to manage capital efficiently to support business growth. Our ongoing business process reengineering efforts are expected to further improve operational efficiency in 2011.

**12. Financial assets held-for-trading**

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
<b>At fair value</b>		
Malaysian Government Securities	616,088	476,212
Malaysian Investment Issue	151	4,041
Bank Negara Malaysia Bills	662,884	396,933
Cagamas bonds	6,537	6,534
Private debt securities	242	242
Negotiable instruments of deposit	460,000	230,000
	<u>1,745,902</u>	<u>1,113,962</u>
	=====	=====

**13. Financial investments available-for-sale**

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
<b>At fair value</b>		
Quoted securities	7,130	7,473
Unquoted securities	1,591	1,591
	<u>8,721</u>	<u>9,064</u>
	=====	=====



14. Loans, advances and financing

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
<b>At amortised cost</b>		
Overdrafts	104,984	95,519
Term loans - housing loans	29,637	31,934
- other term loans	48,993	122,426
Bills receivable	200,003	54,249
Claims on customers under acceptance credits	515,415	471,361
Staff loans	3,318	3,554
	902,350	779,043
Unearned interest	(18)	(1,276)
	902,332	777,767
Gross loans, advances and financing	902,332	777,767
Allowance for impaired loans and financing		
- Collective assessment	(23,946)	(23,946)
- Individual assessment	(3,171)	(3,419)
	875,215	750,402
Net loans, advances and financing	875,215	750,402

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Maturing within one year	862,016	738,584
One year to three years	8,067	809
Three years to five years	1,438	4,946
Over five years	30,811	33,428
	902,332	777,767
	902,332	777,767

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Domestic business enterprises - others	690,774	692,269
Individuals	32,983	35,524
Foreign entities	178,575	49,974
	<u>902,332</u>	<u>777,767</u>
	=====	=====

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Fixed rate		
- Other fixed rate loan / financing	3,318	3,554
Variable rate		
- Base lending rate plus	51,272	77,265
- Cost-plus	847,611	696,851
- Other variable rates	131	97
	<u>902,332</u>	<u>777,767</u>
	=====	=====

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Malaysia	723,757	727,793
Thailand	652	-
India	37,385	27,202
Other countries	140,538	22,772
	<u>902,332</u>	<u>777,767</u>
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Mining	1,542	355
Manufacturing	427,564	426,620
Electricity, gas and water	4,227	7,102
Construction	47,829	39,381
Purchase of landed property:		
- Residential	32,422	34,883
Wholesale & retail trade and restaurants & hotels	129,180	151,122
Finance, insurance and business services	258,009	116,208
Purchase of transport vehicles	83	93
Others	1,476	2,003
	<u>902,332</u>	<u>777,767</u>
	=====	=====

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Balance at 1 January	11,499	14,553
Classified as impaired during the period/year	1,723	2,998
Reclassified as non-impaired during the period/year	(1,512)	(2,458)
Amounts recovered	(1,111)	(2,458)
Amounts written off	-	(1,136)
At 30 June 2011	<u>10,599</u>	<u>11,499</u>
	=====	=====
Gross impaired loans as a percentage of gross loans, advances and financing	1.17%	1.48%
	=====	=====

14. Loans, advances and financing (continued)

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	23,946	23,946
At 30 June 2011	23,946 =====	23,946 =====

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	3,419	6,527
Allowance made during the period/year	356	1,066
Amounts written off	-	(1,136)
Amounts recovered	(604)	(3,038)
At 30 June 2011	3,171 =====	3,419 =====

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Manufacturing	4,690	5,140
Purchase of landed property - residential	5,867	6,318
Others	42	41
	10,599 =====	11,499 =====

15. Other assets

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Interest / Income receivable	13,851	10,997
Margin placed with exchange	3,221	3,245
Derivatives	1,302,168	1,398,112
Other debtors, deposits and prepayments	1,101,902	371,642
	<u>2,421,142</u>	<u>1,783,996</u>
	=====	=====

16. Deposits from customers

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Demand deposits	1,343,036	1,606,341	1,343,056	1,606,361
Savings deposits	12,254	10,359	12,254	10,359
Fixed deposits	882,097	708,157	882,097	708,157
Other deposits	3,275,210	3,100,446	3,275,210	3,100,446
Negotiable instruments of deposits	63,600	85,600	63,600	85,600
	<u>5,576,197</u>	<u>5,510,903</u>	<u>5,576,217</u>	<u>5,510,923</u>
	=====	=====	=====	=====

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

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Due within six months	2,267,116	2,041,152	2,267,116	2,041,152
More than six months to one year	97,447	85,859	97,447	85,859
More than one year to three years	1,200,004	1,166,376	1,200,004	1,166,376
More than three years to five years	506,340	360,000	506,340	360,000
More than five years	150,000	240,816	150,000	240,816
	<u>4,220,907</u>	<u>3,894,203</u>	<u>4,220,907</u>	<u>3,894,203</u>
	=====	=====	=====	=====

**16. Deposits from customers (continued)**

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Business enterprises	2,755,581	3,011,383	2,755,601	3,011,403
Individuals	50,349	50,364	50,349	50,364
Foreign customers	129,840	78,078	129,840	78,078
Others	2,640,427	2,371,078	2,640,427	2,371,078
	<u>5,576,197</u>	<u>5,510,903</u>	<u>5,576,217</u>	<u>5,510,923</u>
	=====	=====	=====	=====

**17. Deposits and placements of banks and other financial institutions**

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Licensed banks	183,000	-
Other financial institutions	1,747,051	1,265,895
	<u>1,930,051</u>	<u>1,265,895</u>
	=====	=====

**18. Other liabilities**

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Interest payable	6,216	3,270
Bills payable	145,691	134,357
Derivatives	1,124,036	1,411,366
Employee benefits	17,757	27,828
Other liabilities	1,847,244	447,253
	<u>3,140,944</u>	<u>2,024,074</u>
	=====	=====

## 19. Interest income

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	14,131	13,211	7,315	6,648
Money at call and deposit placements with financial institutions	12,867	8,915	7,810	4,345
Securities purchased under resale agreement	74,395	59,327	38,131	33,187
Financial assets held for trading	42,915	19,052	16,379	12,285
Others	51	1	1	1
	<u>144,359</u>	<u>100,506</u>	<u>69,636</u>	<u>56,466</u>
	=====	=====	=====	=====
Of which:				
Interest income earned on impaired loans, advances and financing	354	723	162	313
	=====	=====	=====	=====

## 20. Interest expense

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	3,933	1,160	2,294	663
Obligations on securities sold under repurchase agreement	49,012	19,053	29,449	11,589
Deposits from customers	28,979	23,207	15,231	11,149
Others	-	10	-	10
	<u>81,924</u>	<u>43,430</u>	<u>46,974</u>	<u>23,411</u>
	=====	=====	=====	=====

## 21. Non-Interest Income

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commissions	4,762	5,886	429	4,504
Service charges and fees	7,115	2,083	5,910	(70)
Guarantee fees	1,918	728	970	387
Arranger fees	-	300	-	300
	<u>13,795</u>	<u>8,997</u>	<u>7,309</u>	<u>5,121</u>
	-----	-----	-----	-----
Gains/ (losses) arising from sale of financial assets held -for- trading	(5,898)	9,607	3,759	4,343
Net (losses)/ gains arising from trading in derivatives	(163,789)	185,910	(181,965)	136,025
Net unrealised gain/(losses) on revaluation of trading portfolio (including derivatives)	45,971	(157,621)	44,950	(84,962)
Net gains arising from dealing in foreign exchange	183,389	44,034	83,680	16,130
Unrealised losses from foreign exchange	(55,001)	(16,478)	1,616	(423)
Gross dividends from securities held-to-maturity	70	18	55	18
Other operating income, net	7,084	2,698	5,141	858
	<u>11,826</u>	<u>68,168</u>	<u>(42,764)</u>	<u>71,989</u>
	-----	-----	-----	-----
	<u>25,621</u>	<u>77,165</u>	<u>(35,455)</u>	<u>77,110</u>
	=====	=====	=====	=====

## 22. Other operating expenses

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
-Salaries, allowances and bonuses	28,545	24,909	13,994	10,872
-Others	7,188	5,641	4,291	2,468
Establishment costs				
-Rental	1,354	1,354	677	676
-Depreciation	784	1,004	388	505
-Others	1,593	1,708	781	658
Marketing expenses	1,262	831	591	471
Administration and general expenses				
-Intercompany expenses	11,790	12,647	1,718	4,811
-Communication	812	644	436	340
-Others	3,284	4,235	1,864	2,508
	<u>56,612</u>	<u>52,973</u>	<u>24,740</u>	<u>23,309</u>
	=====	=====	=====	=====

The number of employees of the Group and the Bank at the end of the period was 148 (June 2010 - 149).



**23. Allowance for impairment on loans, advances and financing**

	Group and Bank			
	Half Year ended		Three months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired on loans, advances and financing:				
Individual assessment allowance	(356)	(723)	(164)	(313)
Impaired loans and financing recovered	604	1,573	214	680
	<u>248</u>	<u>850</u>	<u>50</u>	<u>367</u>
	=====	=====	=====	=====

**24. Contingent Liabilities**

As at 30 June 2011, there is a 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.

**25. Credit transactions and exposures with connected parties**

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
Outstanding credit exposures with connected parties	620,129	497,876
Of which:		
Total credit exposures which is non-performing	-	-
Total credit exposures	<u>7,673,205</u>	<u>6,141,147</u>
	=====	=====
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	8.08%	8.11%
- as a proportion of capital base	47.51%	38.14%
which is non performing	0%	0%

26. Capital adequacy

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 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	630,790	630,790
Less: Deferred tax assets	(55,555)	(55,555)
Total Tier 1 capital	<u>1,281,319</u>	<u>1,281,319</u>
Tier 2 capital		
Collective assessment allowance	23,946	23,946
Total Capital	<u>1,305,265</u>	<u>1,305,265</u>
Less: Investments in subsidiary companies	(20)	(20)
Capital base	<u>1,305,245</u> =====	<u>1,305,245</u> =====
Core capital ratio	14.59%	16.89%
Risk-weighted capital ratio	14.86%	17.20%
	=====	=====

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. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

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

RISK TYPE		Risk Weighted Assets	
		2011 RM'000	2010 RM'000
1	Credit risk	3,855,099	2,975,773
2	Market risk	4,488,362	4,073,491
3	Operational risk	439,174	537,600
<b>Total</b>		<b>8,782,635</b>	<b>7,586,864</b>

## 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 June 2011 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
<b>Direct Credit Substitutes</b>	-	-	-
<b>Transaction Related Contingent Items</b>	802,528	401,264	325,460
<b>Short Term Self Liquidating Trade Related Contingencies</b>	75,895	15,179	12,643
<b>Foreign exchange related contracts</b>			
One year or less	15,558,278	322,747	145,835
Over one year to five years	7,891,734	736,165	318,882
Over five years	5,153,550	1,093,153	491,215
<b>Interest/Profit rate related contracts</b>			
One year or less	30,863,886	74,828	17,385
Over one year to five years	48,294,930	1,389,938	425,634
Over five years	13,862,422	1,113,609	362,400
<b>Equity related contracts</b>			
One year or less	124,031	14,472	7,175
Over one year to five years	1,104,712	138,501	69,080
Over five years	28,704	4,306	2,153
<b>Credit Derivative Contracts</b>			
One year or less	-	-	-
Over one year to five years	52,725	7,107	3,531
Over five years	-	-	-
<b>OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements</b>	-	-	-
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>		-	-
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	1,186,745	237,349	237,349
<b>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</b>	-	-	-
<b>Total</b>	<b>125,000,140</b>	<b>5,548,618</b>	<b>2,418,742</b>

## 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 2010 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	130	130	130
Transaction Related Contingent Items	659,330	329,665	274,870
Short Term Self Liquidating Trade Related Contingencies	96,414	19,283	13,743
<b>Foreign exchange related contracts</b>			
One year or less	13,969,651	365,175	156,652
Over one year to five years	6,557,114	601,886	241,074
Over five years	4,523,770	962,585	497,521
<b>Interest/Profit rate related contracts</b>			
One year or less	23,946,381	83,232	18,564
Over one year to five years	42,633,653	1,282,927	376,926
Over five years	13,031,600	1,076,976	336,439
<b>Equity related contracts</b>			
One year or less	159,726	19,794	10,694
Over one year to five years	954,115	118,113	59,056
Over five years	72,401	8,902	4,451
<b>Credit Derivative Contracts</b>			
One year or less	-	-	-
Over one year to five years	49,336	6,574	3,287
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	1,255,921	-	-
<b>Total</b>	<b>107,909,542</b>	<b>4,875,242</b>	<b>1,993,407</b>

## 27. The Operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011 - UNAUDITED

	Note	Bank	
		30 June 2011 RM'000	31 December 2010 RM'000
<b>Assets</b>			
Cash and short term funds	(a)	45,027	54,065
Other assets		3	439
<b>Total assets</b>		<u>45,030</u> =====	<u>54,504</u> =====
<b>Liabilities and shareholders' funds</b>			
Deposits from customer	(b)	12,910	8,123
Deposits and placements of banks and other financial institutions	(c)	4,857	19,893
Other liabilities	(d)	94	8
Taxation		543	371
<b>Total liabilities</b>		<u>18,404</u> -----	<u>28,395</u> -----
Capital funds		25,000	25,000
Retained profits		1,626	1,109
Islamic banking funds		<u>26,626</u> -----	<u>26,109</u> -----
<b>Total liabilities and Islamic banking funds</b>		<u>45,030</u> =====	<u>54,504</u> =====
<b>Commitments and contingencies</b>		- =====	- =====

27. The operations of Islamic Banking (continued)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2011 - UNAUDITED

	Bank Half Year Ended	Bank Half Year Ended
	30 June 2011 RM'000	30 June 2010 RM'000
Income derived from investment of Islamic banking funds	689	537
<b>Profit before taxation</b>	<u>689</u>	<u>537</u>
Taxation	(172)	(134)
<b>Profit after taxation</b>	<u>517</u> =====	<u>403</u> =====

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS  
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Capital funds RM'000	Retained profits RM'000	Total RM'000
At 1 January 2011	25,000	1,109	26,109
Profit after taxation	-	517	517
<b>At 30 June 2011</b>	<u>25,000</u>	<u>1,626</u>	<u>26,626</u>
	=====		
At 1 January 2010	25,000	253	25,253
Profit after taxation	-	403	403
<b>At 30 June 2010</b>	<u>25,000</u>	<u>656</u>	<u>25,656</u>
	=====		

27. The operations of Islamic Banking (continued)

STATEMENT OF CASH FLOW  
FOR THE HALF YEAR ENDED 30 JUNE 2011

	30 June 2011 RM'000	30 June 2010 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	689	537
Operating profit before working capital changes	<u>689</u>	<u>537</u>
Changes in working capital:		
Increase in operating assets	436	1
Decrease in operating liabilities	(10,163)	19,189
Net cash generated from operations	<u>(9,038)</u>	<u>19,727</u>
Net cash used in investing activity	-	-
	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	<u>(9,038)</u>	<u>19,727</u>
Cash and cash equivalents at beginning of period	54,065	31,231
Cash and cash equivalents at end of period	<u>45,027</u> =====	<u>50,958</u> =====
Analysis of cash and cash equivalents		
Cash and short term funds	<u>45,027</u>	<u>50,958</u>

**27. The operations of Islamic Banking (continued)**

**Shariah Committee**

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

The committee comprises: Dr Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Haji Ismail Aminuddin.

**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**

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Cash and balances with banks and other financial institutions	6,027	2,065
Money at call and deposit placements maturing within one month	39,000	52,000
	45,027	54,065
	=====	=====

**(b) Deposits from customer**

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<b>Non-Mudharabah</b>		
Demand deposits	12,910	8,123
	12,910	8,123
	=====	=====



27. The operations of Islamic Banking (continued)

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Licensed bank	4,857	19,893
	<u>4,857</u>	<u>19,893</u>
	=====	=====

(d) Other liabilities

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Bills payable	10	8
Others	84	-
	<u>94</u>	<u>8</u>
	=====	=====

27. The operations of Islamic Banking (continued)

(f) 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 2011 RM'000	31 December 2010 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	1,109	1,109
Total Tier 1 capital	26,109	26,109
Total Tier 2 capital	-	-
Capital base	26,109	26,109
Core capital ratio	1216.92%	1354.20%
Risk-weighted capital ratio	1216.92%	1354.20%

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

RISK TYPE		Risk Weighted Assets	
		2011 RM'000	2010 RM'000
1	Credit risk	112	540
2	Market risk	-	-
3	Operational risk	2,034	1,388
<b>Total</b>		<b>2,146</b>	<b>1,928</b>

Company No. 312552-W