

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2010

<u>Assets</u>		30-Jun-10 RM'000	31-Dec-09 RM'000
Cash and short term funds	1	9,094,272	4,680,918
Deposits and placements with banks and other financial institutions	2	1,118,641	992,275
Financial assets held for trading	3	2,225,257	3,284,294
Financial investments available-for-sale	4	431,587	542,079
Financial investments held-to-maturity	5	1,079,803	1,011,378
Islamic derivative financial instruments	12(i)	135,696	257,688
Financing, advances and other loans	6	22,837,149	16,093,818
Other assets	7	119,834	108,031
Deferred taxation		6,622	44,625
Tax recoverable		36,221	-
Amount due from related companies		561	-
Statutory deposits with Bank Negara Malaysia		124,426	172,806
Property, plant and equipment		2,714	2,625
Intangible assets		2,325	3,676
Goodwill		136,000	136,000
Total Assets		37,351,108	27,330,213
Liabilities			
Deposits from customers	8	20,338,144	17,496,497
Deposits and placements of banks and other financial institutions	9	14,653,538	8,222,432
Other liabilities	10	134,691	229,387
Islamic derivative financial instruments	12(i)	241,423	158,036
Provision for tax and zakat		6,421	18,794
Subordinated Sukuk	11	300,000	300,000
Amount due to holding company		711,331	27,731
Amount due to related companies		13,585	6,278
Total liabilities		36,399,133	26,459,155
Equity			
Capital and reserves attributable to equity holder of the Bank			
Ordinary share capital		550,000	550,000
Reserves		331,975	251,058
		881,975	801,058
Perpetual preference shares		70,000	70,000
Total equity		951,975	871,058
Total equity and liabilities		37,351,108	27,330,213
Commitments and contingencies	12(ii)	16,554,452	13,359,420
Net assets per share (RM)		1.60	1.46

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2010

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30-Jun-10 RM'000	QUARTER ENDED 30-Jun-09 RM'000	6 MONTHS ENDED 30-Jun-10 RM'000	6 MONTHS ENDED 30-Jun-09 RM'000
Income derived from investment of depositors' funds and others	14	342,855	186,595	611,716	384,505
Income derived from investment of shareholders' funds	15	29,936	27,368	51,687	49,663
Allowances for impairment for losses on financing	16	(74,758)	(56,565)	(107,499)	(90,315)
Total distributable income		<u>298,033</u>	157,398	<u>555,904</u>	343,853
Income attributable to depositors	17	<u>(165,168)</u>	(78,920)	<u>(286,717)</u>	(178,102)
Total net income		<u>132,865</u>	78,478	<u>269,187</u>	165,751
Personnel expenses	18	(29,321)	(23,619)	(55,351)	(45,033)
Other overheads and expenditures	19	(25,107)	(30,263)	(54,747)	(56,189)
Profit for the financial period		<u>78,437</u>	24,596	<u>159,089</u>	64,529
Taxation and zakat	20	(20,622)	(6,149)	(41,088)	(15,746)
Net profit for the period		<u><u>57,815</u></u>	<u>18,447</u>	<u><u>118,001</u></u>	<u>48,783</u>
Basic and diluted earnings per share (sen)		10.51	3.35	21.45	8.87

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE QUARTER ENDED 30 JUNE 2010

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30-Jun-10 RM'000	QUARTER ENDED 30-Jun-09 RM'000	6 MONTHS ENDED 30-Jun-10 RM'000	6 MONTHS ENDED 30-Jun-09 RM'000
Net profit for the period		<u><u>57,815</u></u>	<u>18,447</u>	<u><u>118,001</u></u>	<u>48,783</u>
Other comprehensive income:					
Revaluation reserve financial investments available-for-sale					
- Net (loss)/gain from change in fair value		2,498	(3,801)	2,090	(3,216)
- Realised gain transferred to statement of comprehensive income		116	116	530	521
- Transfer (to)/from deferred tax assets		(653)	492	(654)	674
Total comprehensive income for the period		<u><u>59,776</u></u>	<u>15,254</u>	<u><u>119,967</u></u>	<u>46,762</u>

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2010

	Non-distributable					Distributable		Total equity RM'000
	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- AFS RM'000	Merger reserve RM'000	Capital reserve RM'000	Retained profits RM'000	
30 June 2010								
At 1 January 2010	550,000	70,000	135,635	194	(2,457)	458	117,228	871,058
Effect of adopting FRS 139 on 1 January 2010	-	-	-	-	-	-	(39,050)	(39,050)
Adjusted at 1 January 2010	550,000	70,000	135,635	194	(2,457)	458	78,178	832,008
Net profit for the financial period	-	-	-	-	-	-	118,001	118,001
Other comprehensive income (net of tax)	-	-	-	1,966	-	-	-	1,966
- Financial investments available-for-sale	-	-	-	1,966	-	-	-	1,966
Transfer to statutory reserve	-	-	59,001	-	-	-	(59,001)	-
At 30 June 2010	550,000	70,000	194,636	2,160	(2,457)	458	137,178	951,975
30 June 2009								
At 1 January 2009	550,000	70,000	73,764	(1,719)	(2,457)	458	55,357	745,403
Net profit for the financial period	-	-	-	-	-	-	48,783	48,783
Other comprehensive income (net of tax)	-	-	-	(2,021)	-	-	-	(2,021)
- Financial investments available-for-sale	-	-	-	(2,021)	-	-	-	(2,021)
Transfer to statutory reserve	-	-	24,392	-	-	-	(24,392)	-
At 30 June 2009	550,000	70,000	98,156	(3,740)	(2,457)	458	79,748	792,165



Company Number :671380-H

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2010

	30-Jun-10	30-Jun-09
	RM'000	RM'000
Cash flows from/(used in) operating activities		
Profit before taxation	159,089	64,529
Adjustments for non-cash items	(138,869)	52,344
Operating profit before changes in working capital	20,220	116,873
Net (increase) in operating assets	(5,582,156)	(2,234,526)
Net increase in operating liabilities	9,969,667	1,006,231
Tax paid	(32,544)	(13,875)
Net cash generated from/(used in) operating activities	4,375,187	(1,125,297)
Net cash flows from/(used in) investing activities	38,167	(42,577)
Net increase/(decrease) in cash and cash equivalents	4,413,354	(1,167,874)
Cash and cash equivalents at beginning of the financial period	4,680,918	6,249,125
Cash and cash equivalents at end of the financial period	9,094,272	5,081,251

EXPLANATORY NOTES

A. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the quarter ended 30 June 2010 have been prepared under the historical cost convention, except for securities held for trading, available-for-sale securities and Islamic derivative financial instruments that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with FRS134: Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB"). The unaudited condensed interim financial statements should be read in conjunction with audited annual financial statements of the Bank for the 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 Bank since the year ended 31 December 2009.

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 financial year ended 31 December 2009, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2010:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- FRS 7 "Financial Instruments: Disclosures"
- FRS 8 "Operating Segments"
- Amendment to FRS 8 "Operating Segments"
- FRS 101 "Presentation of Financial Statements"
- Amendment to FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendment to FRS 117 "Leases"
- Amendment to FRS 119 "Employee Benefits"
- Amendment to FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendment to FRS 134 "Interim Financial Reporting"
- Amendment to FRS 138 "Intangible Assets" (effective 1 January 2010)
- FRS 139 "Financial Instruments: Recognition and Measurement"
- IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customers Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- TR i-3 "Presentation of Financial Statements of Islamic Financial Institutions"

The following revised FRSS, new IC Interpretations and Amendments to FRSS have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010, and have yet to be adopted by the Bank :

- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 1 "Limited Exemption from Comparative FRS 7 "Disclosures for First-time Adopters"
- Amendment to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective 1 July 2010)
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 138 "Intangible Assets" (effective 1 July 2010)
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining Whether an Arrangement contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 15 "Agreements for the Construction of Real Estate"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"

A. BASIS OF PREPARATION (CONTINUED)

The preparation of unaudited interim financial statements in conformity with the Financial Reporting Standards and Bank Negara Malaysia Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

B. CHANGES IN ESTIMATES

There were no material changes to financial estimates made in respect of the current financial period that had previously been announced or disclosed.

C. PROPOSED DIVIDEND

There were no dividends paid or proposed for the period ended 30 June 2010.

D. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

There were no significant events that had occurred between 30 June 2010 and the date of this announcement.

E. PERFORMANCE REVIEW

For the second quarter ended 30 June 2010, the Bank registered a profit after tax of RM57.8 million, an increase of 213% from a profit after tax of RM18.4 million in the previous year corresponding period. This is mainly attributable to a significant growth in business activities during the current period under review as evidenced by the increase in financing by 144% to RM22.8 billion from RM9.3 billion as at 30 June 2009.

F. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Bank's outlook for 2H10 is positive as pipeline of corporate activity is good while our consumer assets and liability base is growing well. However, the Bank remains conservative on its capital position as the Bank is migrating to Basel II.

	30-Jun-10 RM'000	31-Dec-09 RM'000
<u>Notes to the accounts</u>		
1 Cash and short-term funds		
Cash and balances with banks and other financial institutions	295,767	55,817
Money at call and deposit placements maturing within one month	8,798,505	4,625,101
	<u>9,094,272</u>	<u>4,680,918</u>
2 Deposits and placements with banks and other financial institutions		
Licensed Islamic banks	414,741	425,375
Licensed Investment banks	153,900	29,900
Other financial institutions	550,000	537,000
	<u>1,118,641</u>	<u>992,275</u>
3 Financial assets held for trading		
Money market instruments		
Unquoted		
Government investment issues	70,564	498,587
Islamic negotiable instruments of deposits	1,009,652	1,328,917
Islamic accepted bills	7,522	54,634
Bank Negara negotiable notes	886,375	1,186,923
Islamic commercial papers	24,832	-
	<u>1,998,945</u>	<u>3,069,061</u>
Unquoted securities		
Islamic private debt securities	226,312	215,233
	<u>2,225,257</u>	<u>3,284,294</u>
4 Financial investments available-for-sale		
Money market instruments		
Unquoted		
Government investment issues	65,365	129,778
Islamic commercial papers	-	19,538
Islamic Cagamas bonds	34,884	34,392
Khazanah bonds	-	34,975
	<u>100,249</u>	<u>218,683</u>
Unquoted securities		
Islamic private debt securities	330,763	322,821
Placement with IBFIM	575	575
	<u>431,587</u>	<u>542,079</u>
5 Financial investments held-to-maturity		
Unquoted securities		
Islamic commercial papers	-	6,775
Government investment issues	100,056	-
Islamic private debt securities	986,621	1,010,812
Amortisation of premium less accretion of discount	(6,874)	(6,209)
	<u>1,079,803</u>	<u>1,011,378</u>

	30-Jun-10 RM'000	31-Dec-09 RM'000
6 Financing, advances and other loans		
(i) By type of financing:		
Cash line	262,693	241,179
Term financing		
- House financing	14,257,369	9,950,056
- Syndicated financing	429,294	388,512
- Hire purchase receivables	5,860,198	4,436,748
- Other term financing	17,260,065	12,344,730
Bills receivable	2,282	1,625
Islamic trust receipts	33,287	29,827
Claims on customer under Islamic accepted bills	178,437	173,893
Credit card receivables	70,003	48,973
Revolving credits	1,015,065	845,716
Others	-	72
	<u>39,368,693</u>	<u>28,461,331</u>
Less : Unearned income	(16,313,247)	(12,093,008)
Gross financing, advances and other loans	<u>23,055,446</u>	<u>16,368,323</u>
Fair value changes arising from fair value hedges	111,878	26,519
Less : Allowance for impairment losses		
- Specific allowance	-	(143,020)
- Individual impairment allowance	(114,856)	-
- General allowance	-	(158,004)
- Portfolio impairment allowance	(215,319)	-
Total net financing, advances and other loans	<u><u>22,837,149</u></u>	<u><u>16,093,818</u></u>
a) Included in other term financing for June 10 is RM4.5 billion (Dec 2009 : RM1.5 billion) financing provided in normal commercial terms which is exempted from portfolio impairment allowance/general allowance by Bank Negara Malaysia		
b) Also included in other term financing is RM9.3 billion (Dec 2009 : RM4.2 billion) financing provided under the Restricted Profit Sharing Investment Accounts (RPSIA).		
c) The Bank has undertaken fair value hedges on financing using profit rate swaps.		
Gross financing hedged	3,200,000	1,350,000
Fair value changes arising from fair value hedges	111,878	26,519
	<u>3,311,878</u>	<u>1,376,519</u>
The fair values of profit rate swaps as at 30 June 2010 were RM129.6 million (31 December 2009 : RM41.6 million).		
(ii) By geographical distribution:		
Malaysia	<u>23,055,446</u>	<u>16,368,323</u>
	<u><u>23,055,446</u></u>	<u><u>16,368,323</u></u>
(iii) By contract :		
Bai-Bithaman Ajil (<i>deferred payment sale</i>)	9,320,827	7,195,630
Ijarah Muntahiyah Bittamlik/AITAB (<i>lease ended with ownership</i>)	5,453,822	4,210,366
Murabahah (<i>cost-plus</i>)	2,232,131	2,486,613
Bai Al-inah (<i>sale and buy back</i>)	5,915,441	2,426,538
Others	133,225	49,176
	<u>23,055,446</u>	<u>16,368,323</u>
(iv) By type of customer :		
Domestic non-bank financial institutions		
- Others	62,221	51,355
Domestic business enterprises		
- Small medium enterprises	1,005,906	617,749
- Others	5,549,751	5,366,716
Government and statutory bodies	4,539,867	1,527,492
Individuals	11,748,439	8,764,262
Other domestic entities	102,723	17,802
Foreign entities	46,539	22,947
	<u>23,055,446</u>	<u>16,368,323</u>

	30-Jun-10 RM'000	31-Dec-09 RM'000
(v) By profit rate sensitivity :		
Fixed rate		
- House financing	300,259	308,792
- Hire purchase receivables	4,747,255	3,577,319
- Others	3,265,129	4,014,889
Variable rate		
- House financing	4,486,926	3,047,836
- Other financing	10,255,877	5,419,487
	<u>23,055,446</u>	<u>16,368,323</u>
(vi) By economic purpose :		
Personal use	1,563,347	1,417,727
Credit card	70,004	48,973
Purchase of consumer durables	251	21
Construction	496,375	258,358
Residential property	4,769,649	3,394,765
Non-residential property	1,434,085	1,005,163
Purchase of fixed assets other than land and building	376,155	317,848
Merger and acquisition	1,454	-
Purchase of securities	1,974,909	2,515,992
Purchase of transport vehicles	4,751,208	3,577,816
Working capital	7,431,756	3,557,758
Other purpose	186,253	273,902
	<u>23,055,446</u>	<u>16,368,323</u>
(vii) By residual contractual maturity :		
Within one year	2,089,824	1,799,248
One year to less than three years	2,828,497	2,515,413
Three years to less than five years	1,696,963	1,151,786
Five years and more	16,440,162	10,901,876
	<u>23,055,446</u>	<u>16,368,323</u>
(viii) Impaired financing/non-performing financing by economic purpose :		
Personal use	17,874	15,846
Credit card	1,902	1,211
Construction	631	-
Residential property	80,663	56,379
Non-residential property	22,717	8,345
Purchased of fixed assets other than land & building	1,778	1,620
Purchase of securities	19,372	18,670
Purchase of transport vehicles	55,930	42,779
Working capital	69,857	47,781
Other purpose	47,511	48,034
	<u>318,235</u>	<u>240,665</u>
(ix) Impaired financing/non-performing financing by geographical distribution:		
Malaysia	318,235	240,665
	<u>318,235</u>	<u>240,665</u>

	30-Jun-10 RM'000	31-Dec-09 RM'000
(x) Movement in impaired financing/non-performing financing, advances and other loans :		
Balance as at 1 January		
- as previously reported	240,665	201,468
- classified as impaired due to adoption of FRS 139*	37,594	-
- as adjusted 1 January	<u>278,259</u>	<u>201,468</u>
Impaired/non performing during the period/year	156,352	259,833
Recalssified as not impaired/performing during the period/year	(49,172)	(90,353)
Recoveries	(28,849)	(34,424)
Amount written off	(38,355)	(95,859)
Balance as at 30 June/31 December	<u><u>318,235</u></u>	<u><u>240,665</u></u>
 Ratio of gross impaired/non-performing financing to total financing advances, and other loans	 1.38%	 1.47%

*Represents restatement of income-in-suspense previously classified as performing under GP3 but considered impaired under FRS 139

(xi) Movements in allowance for impaired financing/bad and doubtful financing :

Specific allowance

Balance as at 1 January	143,020	99,374
Adoption of FRS 139	(143,020)	-
Adjusted 1 January	-	99,374
Allowance made during the period/year	-	165,047
Amount written back in respect of recoveries	-	(25,785)
Amount written off	-	(95,616)
Balance as at 30 June/31 December	<u><u>-</u></u>	<u><u>143,020</u></u>

Individual impairment allowance

Balance as at 1 January	-	-
Adoption of FRS 139	105,851	-
Adjusted 1 January	105,851	-
Allowance made during the period/year	10,490	-
Unwinding income	(1,485)	-
Balance as at 30 June/31 December	<u><u>114,856</u></u>	<u><u>-</u></u>

General allowance

Balance as at 1 January	158,004	75,613
Adoption of FRS 139	(158,004)	-
Adjusted 1 January	-	75,613
Net allowance made/(written back) during the period/year	-	82,391
Balance as at 30 June/31 December	<u><u>-</u></u>	<u><u>158,004</u></u>

General allowance as % of gross financing, advances and other loans (excluding RPSIA financing and financing exempted from general allowance by BNM) less specific allowance	-	1.51%
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Portfolio impairment allowance

Balance as at 1 January	-	-
Adoption of FRS 139	260,926	-
Adjusted 1 January	260,926	-
Net allowance made during the period/year	106,754	-
Amount transferred to CIMB Bank Berhad	(119,980)	-
Unwinding income	(684)	-
Amount written off	(31,697)	-
Balance as at 30 June/31 December	<u><u>215,319</u></u>	<u><u>-</u></u>

Portfolio impairment allowance as % of gross financing, advances and other loans (excluding RPSIA financing and financing exempted from portfolio impairment by BNM) less individual impairment/allowance	2.35%	-
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	30-Jun-10 RM'000	31-Dec-09 RM'000
7 Other assets		
Income receivable	19,166	16,611
Deposits and prepayments	834	315
Sundry debtors	99,834	91,105
	<u>119,834</u>	<u>108,031</u>
8 Deposits from customers		
(i) By type of deposit		
<u>Mudharabah</u>		
Demand deposits	1,362,723	2,155,363
Savings deposits	229,295	204,066
General investment deposits	1,380,476	1,570,542
Special general investment deposits	9,936,626	7,425,800
Specific investment deposits	1,669,210	1,658,582
	<u>14,578,330</u>	<u>13,014,353</u>
<u>Non-Mudharabah</u>		
Demand deposits	1,390,630	984,356
Savings deposits	575,768	510,379
Fixed return investment deposit	2,969,046	2,439,828
Negotiable instruments of deposit	786,802	523,090
Commodity Murabahah	16,225	17,125
Others	21,343	7,366
	<u>5,759,814</u>	<u>4,482,144</u>
	<u>20,338,144</u>	<u>17,496,497</u>
(ii) Maturity structure of investment deposits and negotiable instruments of deposit		
One year or less (short term)	15,053,163	11,933,478
More than one year (medium/long term)	1,688,997	1,684,364
	<u>16,742,160</u>	<u>13,617,842</u>
(iii) By type of customer		
Government and statutory bodies	4,715,957	4,071,897
Business enterprises	12,275,368	10,365,604
Individuals	2,767,169	2,517,423
Others	579,650	541,573
	<u>20,338,144</u>	<u>17,496,497</u>
9 Deposits and placements of banks and other financial institutions		
<u>Mudharabah</u>		
Licensed banks	10,226,798	5,140,878
Licensed investment banks	823,200	1,110,350
	<u>11,049,998</u>	<u>6,251,228</u>
<u>Non-Mudharabah</u>		
Licensed banks	3,570,792	1,957,124
Other financial institutions	32,748	14,080
	<u>3,603,540</u>	<u>1,971,204</u>
	<u>14,653,538</u>	<u>8,222,432</u>

	30-Jun-10 RM'000	31-Dec-09 RM'000
10 Other liabilities		
Income payable	59,618	49,317
Accruals and other payables	75,073	180,070
	<u>134,691</u>	<u>229,387</u>

11 Subordinated sukuk

The RM300 million subordinated Sukuk ('the Sukuk') is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

The Sukuk under the first issuance were issued at par on 25 September 2009 and are due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bear a profit rate of 5.85% per annum payable semi-annually in arrears.

The RM300 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

12 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through income statement and hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts of risk.

In the financial statements, trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in " Derivative Financial Instruments" Assets and Liabilities respectively.

	30-Jun-10			31-Dec-09		
	Principal amount	Fair values Assets	Fair values Liabilities	Principal amount	Fair values Assets	Fair values Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards						
- Less than 1 year	221,943	2,230	(1,060)	542,757	1,982	(479)
Currency swaps						
- Less than 1 year	1,970,454	6,955	(20,055)	1,169,856	6,067	(10,442)
Cross currency profit rate swaps						
- 1 year to 3 years	86,118	908	(908)	-	-	-
- More than 3 years	-	-	-	89,703	201	(201)
	<u>2,278,515</u>	<u>10,093</u>	<u>(22,023)</u>	<u>1,802,316</u>	<u>8,250</u>	<u>(11,122)</u>
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	4,560,792	116,396	(80,599)	3,405,868	144,670	(587)
- Less than 1 year	279,300	3,478	-	-	-	-
- 1 year to 3 years	2,569,337	86,823	(871)	1,989,586	73,305	(271)
- More than 3 years	1,712,155	26,095	(79,728)	1,416,282	70,365	(316)
<u>Equity related derivatives</u>						
Equity options	2,495,134	9,207	(9,207)	2,984,288	104,768	(104,768)
- Less than 1 year	1,444,292	-	-	-	-	-
- 1 year to 3 years	671,895	-	-	-	-	-
- More than 3 years	378,947	9,207	(9,207)	2,984,288	104,768	(104,768)
<u>Held for hedging purpose</u>						
Islamic profit rate swaps	3,200,000	-	(129,594)	1,350,000	-	(41,559)
- More than 3 years	3,200,000	-	(129,594)	1,350,000	-	(41,559)
Total derivative assets/(liabilities)	<u>12,534,441</u>	<u>135,696</u>	<u>(241,423)</u>	<u>9,542,472</u>	<u>257,688</u>	<u>(158,036)</u>

Market Risk

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure via stress testing of the Group's Value-at-Risk (VaR) model, in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2010, the amount of credit risk in the Bank, measured in terms of the cost to replace the profitable contracts, was RM136 million (31 December 2009: RM258 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

There have been no changes since the end of the previous financial year in respect of the following:

- the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2009 and the Risk Management section of the 2009 Annual Report.

(ii) **Commitments and contingencies**

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following :

	30-Jun-10			31-Dec-09		
	Principal amount	Credit equivalent amount *	Risk weighted amount	Principal amount	Credit equivalent amount *	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit-related						
Direct credit substitutes	32,713	32,713	32,713	26,949	26,949	26,949
Certain transaction-related contingent items	381,646	190,823	185,497	334,694	167,347	162,021
Short-term self-liquidating trade-related contingencies	12,089	2,418	2,418	33,982	6,796	6,796
Irrevocable commitments to extend credit :						
- maturity not exceeding one year	1,719,735	-	-	2,010,593	-	-
- maturity exceeding one year	1,541,012	1	1	1,386,942	1	1
Forward assets purchases	90,000	47	9	-	-	-
Miscellaneous commitments and contingencies	242,816	20,397	20,397	23,788	13,618	3,448
Total credit-related commitments and contingencies	<u>4,020,011</u>	<u>246,399</u>	<u>241,035</u>	<u>3,816,948</u>	<u>214,711</u>	<u>199,215</u>
Treasury-related						
Foreign exchange related contracts :						
- less than one year	2,192,397	28,307	6,204	1,712,613	19,655	3,958
- one year to less than five years	86,118	12,103	4,372	-	-	-
- above 5 years	-	-	-	89,703	11,817	4,113
Profit rate related contracts :						
- less than one year	279,300	-	-	-	-	-
- one year to less than five years	3,814,672	64,674	14,089	3,405,868	46,648	10,342
- over five years	3,666,820	311,946	62,389	1,350,000	121,500	24,300
Equity related contracts :						
- less than one year	1,444,292	18,802	3,760	1,633,706	15,052	3,010
- one year to less than five years	671,895	51,110	10,222	1,131,977	90,458	18,092
- above 5 years	378,947	28,854	5,771	218,605	11,030	2,206
Total treasury-related commitments and contingencies	<u>12,534,441</u>	<u>515,796</u>	<u>106,807</u>	<u>9,542,472</u>	<u>316,160</u>	<u>66,021</u>
	<u>16,554,452</u>	<u>762,195</u>	<u>347,842</u>	<u>13,359,420</u>	<u>530,871</u>	<u>265,236</u>

*The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines

13 CAPITAL ADEQUACY

(a) The capital adequacy ratios of the Bank are as follows:

	30-Jun-10 RM'000	31-Dec-09 RM'000
Tier I capital	807,194	690,239
Eligible Tier II capital	515,319	458,004
Capital base	1,322,513	1,148,243
Core capital ratio	10.00%	6.82%
Risk-weighted capital ratio	16.38%	11.34%

(b) Components of Tier I and Tier II capitals are as follows :

<u>Tier I capital</u>		
Paid-up share capital	550,000	550,000
Perpetual preference share	70,000	70,000
Statutory reserves	194,636	135,635
Retained profits and other reserves	135,179	115,229
	949,815	870,864
Less : Goodwill	(136,000)	(136,000)
Less : Deferred taxation	(6,621)	(44,625)
Total Tier-I Capital	807,194	690,239
<u>Tier II capital</u>		
Subordinated sukuk	300,000	300,000
General allowance for bad & doubtful debts	-	158,004
Portfolio impairment allowance	215,319	-
Total Tier II capital	515,319	458,004
Total capital base	1,322,513	1,148,243

(c) Breakdown of risk-weighted assets in the various categories of risk-weights

	30 June 2010		31 December 2009	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
0%	12,828,223	-	6,100,082	-
20%	3,067,496	613,499	2,070,774	414,155
50%	4,357,998	2,178,999	3,068,223	1,534,112
100%	4,905,390	4,905,390	7,628,648	7,628,648
	25,159,107	7,697,888	18,867,727	9,576,915
Risk weighted assets for credit risk		7,697,888		9,576,915
Risk weighted assets for market risk		377,276		548,828
		8,075,164		10,125,743

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	6 MONTHS	6 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	RM'000	RM'000	RM'000	RM'000

14 Income derived from investment of depositors funds and others

Income derived from investment of :

- General investment deposits	161,956	74,594	283,669	153,805
- Specific investment deposits	82,496	41,301	138,875	87,169
- Other deposits	98,403	70,700	189,172	143,531
	<u>342,855</u>	<u>186,595</u>	<u>611,716</u>	<u>384,505</u>

14a Income derived from investment of general investment deposits

Financing, advances and other loans

- Income other than recoveries	120,545	56,285	227,372	105,090
- Unwinding income [^]	1,244	-	1,291	-
Financial assets held for trading	2,333	915	5,759	974
Financial investments available-for-sale	2,988	3,081	6,034	6,208
Financial investments held-to-maturity	1,705	1,384	3,280	2,838
Money at call and deposit with financial institutions	18,652	9,411	26,600	24,997
	<u>147,467</u>	<u>71,076</u>	<u>270,336</u>	<u>140,107</u>
Accretion of discount less amortisation of premium	4,212	5,086	8,354	13,451
Total finance income and hibah	<u>151,679</u>	<u>76,162</u>	<u>278,690</u>	<u>153,558</u>

Other operating income

- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(308)	302	(416)	346
- unrealised (loss)	(267)	(1,080)	(857)	(383)
- Net gain from sale of financial investments available-for-sale	69	56	294	254
- Net loss from sale of financial investments held-to-maturity	-	-	-	(98)
- Net (loss)gain from foreign exchange transactions	9,337	(1,349)	4,260	(765)
	<u>8,831</u>	<u>(2,071)</u>	<u>3,281</u>	<u>(646)</u>
Fee and commission income	1,446	503	1,698	893
	<u>161,956</u>	<u>74,594</u>	<u>283,669</u>	<u>153,805</u>

14b Income derived from investment of specific investment deposits

Financing, advances and other loans

- Income other than recoveries	64,106	22,785	103,038	48,238
Financial investments held-to-maturity	9,391	10,174	18,761	20,876
Money at call and deposit with financial institutions	8,999	8,342	17,076	18,055
	<u>82,496</u>	<u>41,301</u>	<u>138,875</u>	<u>87,169</u>

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	6 MONTHS	6 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	RM'000	RM'000	RM'000	RM'000

14c Income derived from investment of other deposits

Financing, advances and other loans				
- Income other than recoveries	73,240	53,347	152,908	98,221
- Unwinding income [^]	755	-	791	-
Financial assets held for trading	1,417	868	3,972	922
Financial investments available-for-sale	1,815	2,920	4,087	5,796
Financial investments held-to-maturity	1,037	1,312	2,211	2,649
Money at call and deposit with financial institutions	11,334	8,920	17,261	23,250
	89,598	67,367	181,230	130,838
Accretion of discount less amortisation of premium	2,559	4,821	5,648	12,512
Total finance income and hibah	92,157	72,188	186,878	143,350
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(187)	286	(268)	326
- unrealised (loss)	(162)	(1,023)	(602)	(382)
- Net gain from sale of financial investments available-for-sale	42	53	210	235
- Net loss from sale of financial investments held-to-maturity	-	-	-	(90)
- Net (loss)gain from foreign exchange transactions	5,675	(1,279)	1,888	(742)
	5,368	(1,963)	1,228	(653)
Fee and commission income	878	475	1,066	834
	98,403	70,700	189,172	143,531

15 Income derived from investment of shareholders' funds

Financing, advances and other loans				
- Income other than recoveries	7,929	6,799	18,016	12,933
- Unwinding income [^]	81	-	86	-
Financial assets held for trading	153	111	477	118
Financial investments available-for-sale	196	372	484	765
Financial investments held-to-maturity	112	167	261	350
Money at call and deposit with financial institutions	1,226	1,137	1,977	3,096
	9,697	8,586	21,301	17,262
Accretion of discount less amortisation of premium	277	615	668	1,666
Total finance income and hibah	9,974	9,201	21,969	18,928
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(20)	37	(30)	42
- unrealised (loss)	(17)	(131)	(73)	(43)
- Net gain from sale of financial investments available-for-sale	5	7	26	32
- Net loss from sale of financial investments held-to-maturity	-	-	-	(12)
- Net (loss)/gain from foreign exchange transactions	614	(163)	135	(90)
- Net loss arising from hedging activities	-	-	(473)	-
- Net gain/(loss) arising from derivative financial instrument	-	-	-	-
- realised gain/(loss)	5,087	(62,253)	24,218	39,593
- unrealised gain/(loss)	(3,430)	63,563	(24,587)	(36,484)
	2,239	1,060	(784)	3,038
Fee and commission income	14,628	15,275	25,465	25,319
Other income				
- Sundry income	3,095	1,832	5,037	2,378
	29,936	27,368	51,687	49,663

[^] Unwinding income is income earned on impaired financing, advances and other loans

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	6 MONTHS ENDED	6 MONTHS ENDED
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	RM'000	RM'000	RM'000	RM'000
16 Allowance for impairment losses on financing, advances and other loans				
Allowance for impaired financing/bad and doubtful financing :				
Individual impairment allowance				
- Made during the period	10,490	-	10,490	-
- Written back	220	-	-	-
Specific allowance				
- Made during the period	-	40,707	-	64,580
- Written back	-	(5,836)	-	(11,042)
Portfolio impairment allowance				
- Made during the period	69,339	-	106,754	-
General allowance				
- Made during the period	-	24,644	-	42,209
Bad debts on financing :				
- recovered	(5,290)	(2,951)	(9,748)	(5,433)
- written off	(1)	1	3	1
	<u>74,758</u>	<u>56,565</u>	<u>107,499</u>	<u>90,315</u>
17 Income attributable to depositors				
Deposits from customers				
- Mudharabah	70,718	39,249	124,357	88,716
- Non-Mudharabah	22,353	12,379	40,300	31,931
Deposits and placements of banks and other financial institutions				
- Mudharabah	53,483	17,633	91,085	45,393
- Non-Mudharabah	14,320	9,659	22,327	12,062
Subordinated Sukuk	4,294	-	8,648	-
	<u>165,168</u>	<u>78,920</u>	<u>286,717</u>	<u>178,102</u>
18 Personnel expenses				
Salaries, allowances and bonuses	6,470	4,765	12,401	8,892
Management cost charged	18,391	15,776	35,955	29,925
Other staff related costs	4,460	3,078	6,995	6,216
	<u>29,321</u>	<u>23,619</u>	<u>55,351</u>	<u>45,033</u>
19 Other overheads				
Establishment				
Rental	110	449	304	908
Depreciation of fixed assets	280	258	545	510
EDP expenses	341	60	1,344	1,104
Management cost charged	9,382	7,606	18,457	13,380
Others	993	132	1,073	701
Marketing				
Advertisement and publicity	1,100	5,477	4,506	6,490
Management cost charged	3,096	1,095	2,058	2,960
Others	1,026	5,281	1,183	11,071
General expenses				
Auditor's remuneration-statutory audit	83	22	106	45
Amortisation of intangible assets	704	993	1,648	1,972
Professional fees	388	753	864	782
Management cost charged	3,932	4,587	13,222	9,030
Others	3,672	3,550	9,437	7,236
	<u>25,107</u>	<u>30,263</u>	<u>54,747</u>	<u>56,189</u>

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	6 MONTHS	6 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
	RM'000	RM'000	RM'000	RM'000
20 Taxation and zakat				
Major components of tax and zakat expense:				
Current tax and zakat expense	21,343	16,528	42,435	26,511
Deferred taxation	(721)	(10,379)	(1,347)	(10,765)
	<u>20,622</u>	<u>6,149</u>	<u>41,088</u>	<u>15,746</u>
Reconciliation				
Profit before taxation and zakat	78,437	24,596	159,089	64,529
Tax calculated at a rate of 25% (2008: 26%)	19,609	6,149	39,772	16,132
Tax effects:				
- income not subject to tax	54	(109)	-	(109)
- expenses not deductible for tax purposes	1,859	(40)	2,216	11
(Over)/under accrual in prior year	(900)	149	(900)	(288)
Tax expense	<u>20,622</u>	<u>6,149</u>	<u>41,088</u>	<u>15,746</u>
21 Credit transactions and exposures with connected parties				
			30-Jun-10	31-Dec-09
			RM'000	RM'000
Outstanding credit exposures with connected parties			653,986	413,419
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures			2.20%	1.90%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default			0.00%	0.00%

22 PROFIT RATE RISK
AS AT 30 JUNE 2010

	Non-trading book							Trading book RM'000	Total RM'000	Effective profit rate	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non-profit sensitive RM'000			RM %	USD %
As at 30 June 2010											
Assets											
Cash and short-term funds	8,798,505	-	-	-	-	-	295,767	-	9,094,272	2.55	0.59
Deposit and placement with banks and other financial institutions	-	473,641	645,000	-	-	-	-	-	1,118,641	1.87	0.57
Financial assets held for trading	-	-	-	-	-	-	-	2,225,257	2,225,257	2.82	-
Financial investments available-for-sale	20,012	-	-	14,811	144,537	251,652	575	-	431,587	4.62	-
Financial investments held-to-maturity	-	15,483	15,483	30,966	922,142	95,729	-	-	1,079,803	5.23	-
Islamic derivative financial instruments	-	-	-	-	-	-	-	135,696	135,696	-	-
Financing, advances and other financing :											
- not impaired	536,546	728,119	259,038	462,312	4,443,454	15,757,100	-	-	22,186,569	4.95	-
- impaired ^	-	-	-	-	-	-	650,580	-	650,580	-	-
Other assets	-	-	-	-	-	-	119,834	-	119,834	-	-
Deferred taxation	-	-	-	-	-	-	6,622	-	6,622	-	-
Tax recoverable	-	-	-	-	-	-	36,221	-	36,221	-	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	124,426	-	124,426	-	-
Property, plant and equipment	-	-	-	-	-	-	2,714	-	2,714	-	-
Intangible assets	-	-	-	-	-	-	2,325	-	2,325	-	-
Goodwill	-	-	-	-	-	-	136,000	-	136,000	-	-
Amount due from related company	-	-	-	-	-	-	561	-	561	-	-
Total assets	9,355,063	1,217,243	919,521	508,089	5,510,133	16,104,481	1,375,625	2,360,953	37,351,108		
Liabilities and Shareholders' Equity											
Deposits from customers	12,820,402	4,748,746	794,455	285,544	1,571,644	117,353	-	-	20,338,144	2.07	0.41
Deposits and placements of banks and other financial institutions	5,417,890	4,034,288	340,000	-	4,861,360	-	-	-	14,653,538	3.25	0.58
Islamic derivative financial instruments	-	-	-	-	-	-	241,423	-	241,423	-	-
Subordinated sukuk	-	-	-	-	-	300,000	-	-	300,000	5.85	-
Other liabilities	-	-	-	-	-	-	134,691	-	134,691	-	-
Provision for tax and zakat	-	-	-	-	-	-	6,421	-	6,421	-	-
Amount due to holding company	-	-	-	-	-	-	711,331	-	711,331	-	-
Amount due to related company	-	-	-	-	-	-	13,585	-	13,585	-	-
Total liabilities	18,238,292	8,783,034	1,134,455	285,544	6,433,004	417,353	1,107,451	-	36,399,133		
Shareholders' funds									951,975		
Total liabilities and shareholders' funds	18,238,292	8,783,034	1,134,455	285,544	6,433,004	417,353	1,107,451	-	37,351,108		
Total profit rate gap	(8,883,229)	(7,565,791)	(214,934)	222,545	(922,871)	15,687,128	268,174	2,360,953	-		

^ Includes individual impairment allowance and portfolio impairment allowance of RM330,175,000.

22 PROFIT RATE RISK

As at 31 December 2009	Non-trading book							Trading book RM'000	Total RM'000	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 5 years	over 5 years	Non-profit sensitive			RM	USD
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			%	%
Assets											
Cash and short-term funds	4,625,101	-	-	-	-	-	55,817	-	4,680,918	2.02	0.39
Deposit and placement with banks and other financial institutions	-	872,400	119,875	-	-	-	-	-	992,275	1.02	0.76
Financial assets held for trading	-	-	-	-	-	-	-	3,284,294	3,284,294	2.36	-
Financial investments available-for-sale	59,525	55,157	30,151	20,191	158,387	218,668	-	-	542,079	4.54	-
Financial investments held-to-maturity	-	15,483	15,483	30,966	847,975	101,471	-	-	1,011,378	4.99	-
Islamic derivative financial instruments	-	-	-	-	-	-	-	257,688	257,688	-	-
Financing, advances and other financing :											
- performing	912,867	3,739,213	159,433	44,599	1,530,108	9,767,957	-	-	16,154,177	5.45	-
- non-performing ^	-	-	-	-	-	-	(60,359)	-	(60,359)	-	-
Other assets	-	-	-	-	-	-	108,031	-	108,031	-	-
Deferred taxation	-	-	-	-	-	-	44,625	-	44,625	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	172,806	-	172,806	-	-
Property, plant and equipment	-	-	-	-	-	-	2,625	-	2,625	-	-
Intangible assets	-	-	-	-	-	-	3,676	-	3,676	-	-
Goodwill	-	-	-	-	-	-	136,000	-	136,000	-	-
Total assets	5,597,493	4,682,253	324,942	95,756	2,536,470	10,088,096	463,221	3,541,982	27,330,213		
Liabilities and Shareholders' Equity											
Deposits from customers	10,120,499	4,394,250	788,727	488,051	1,576,753	120,850	7,367	-	17,496,497	1.59	0.27
Deposits and placements of banks and other financial institutions	2,461,287	4,965,952	677,087	118,106	-	-	-	-	8,222,432	2.27	0.55
Subordinated Sukuk	-	-	-	-	-	300,000	-	-	300,000	5.85	-
Islamic derivative financial instruments	-	-	-	-	-	28,255	13,304	116,477	158,036	-	-
Other liabilities	-	-	-	-	-	-	229,387	-	229,387	-	-
Provision for tax and zakat	-	-	-	-	-	-	18,794	-	18,794	-	-
Amount due to related company	-	-	-	-	-	-	6,278	-	6,278	-	-
Amount due to holding company	-	-	-	-	-	-	27,731	-	27,731	-	-
Total liabilities	12,581,786	9,360,202	1,465,814	606,157	1,576,753	449,105	302,861	116,477	26,459,155		
Shareholders' funds									871,058		
Total liabilities and shareholders' funds	12,581,786	9,360,202	1,465,814	606,157	1,576,753	449,105	302,861	116,477	27,330,213		
Total profit rate gap	(6,984,293)	(4,677,949)	(1,140,872)	(510,401)	959,717	9,638,991	160,360	3,425,505	-		

Note:

^ Includes specific and general allowances of RM301,024,000.

**Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and
and Revised Guidelines on Financial Reporting
for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia**

CHANGE IN ACCOUNTING POLICIES

A.

During the current reporting period, the Bank adopted the following significant standards and amendments to standards:

- i) FRS 139 Financial Instruments : Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) FRS 7 Financial Instruments : Disclosures
- iv) Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"

The objective of FRS 139 is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. FRS 139 also deals with derecognition of financial assets and financial liabilities and hedge accounting. A significant portion of the requirements under FRS 139 had been addressed on 1 January, 2005, with the adoption of BNM's revised GP8 : Guidelines on Financial Reporting for Licensed Institutions. These included principles which address the conditions of recognition, derecognition and measurement of financial instruments and hedge accounting. With the full adoption of FRS 139 on 1 January, 2010, the additional requirements implemented by the Bank are as follows:

Impairment of financial assets

A financial asset or a group of financial assets 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 asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financing Impairment

Impairment losses are calculated on individual financings and on financings assessed collectively.

Losses for impaired financings are recognised promptly when there is objective evidence that impairment of a portfolio of financings has occurred. Evidence of impairment may include indications that the customer or a group of customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the income statement. Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The profit income is recorded as part of profit income.

Financings that have been individually assessed and for which no evidence of loss has been specifically identified on an individual basis are grouped together for portfolio impairment. These financings are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The Bank is currently reporting under the BNM's transitional arrangement as prescribed in the guidelines on 'Classification and Impairment Provision for Financing' issued on 8 January 2010. However, our financial statements are prepared in full compliance with FRS 139 principles.

CHANGE IN ACCOUNTING POLICIES (continued)

Profit Income Recognition

For all financial instruments measured at amortised cost, financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, profit income or expense is recorded using the effective profit rate ("EPR"), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EPR, but not future credit losses.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 has been accounted for prospectively.

Recognition of Embedded Derivatives

In accordance with FRS 139 and IC Interpretation 9, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured. This assessment is made when the entity first becomes a party to the contract.

Based on the assessment by the Bank upon adoption of FRS 139 on 1 January 2010, there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 has been accounted for prospectively.

B COMPARATIVE FIGURES

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Bank for the comparative financial period ended 31 March 2009 have been re-presented as a combined statement of total comprehensive income comprising components of profit or loss and other comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of other comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact to the results, performance and earnings per ordinary share of the Bank.

(ii) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period will result in additional disclosures to be made in the annual accounts of the Bank. The standard also requires disclosure of the statement of financial position and statement of total comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Bank, as the current presentation is already made by categories of financial assets and liabilities.

CHANGE IN ACCOUNTING POLICIES (CONTINUED)

C. ADOPTION OF FRS 139 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

	Audited as at 31 December 2009 RM'000	Effects of adopting FRS 139		Adjusted 1 January 2010 RM'000
		Fair value/ impairment RM'000	Total RM'000	
ASSETS				
Financing, advances and other loans	16,093,818	(54,164)	(54,164)	16,039,654
Deferred taxation	44,625	(37,928)	(37,928)	6,697
Tax recoverable	-	53,042	53,042	53,042
EQUITY				
Reserves	251,058	(39,050)	(39,050)	212,008