

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at 30.6.2010 RM'000	As at 31.12.2009 RM'000
<b>ASSETS</b>			
Cash and short term funds		1,579,708	1,611,189
Deposits and placements with banks and other financial institutions		50,000	50,000
Securities held-for-trading	A7(a)	214,689	203,665
Securities held-to-maturity	A7(b)	722,476	1,024,096
Securities available-for-sale	A7(c)	3,012,451	2,731,301
Derivative financial assets	B11(a)	63,546	37,122
Loans, advances and financing	A8	1,040,109	932,657
Tax recoverable		9,878	9,789
Other assets	A9	2,951,258	2,720,139
Statutory and reserve deposits with Central Banks		55,593	47,673
Deferred tax assets		1,929	3,402
Investments in associated companies		19,335	20,369
Investment property		112,600	112,600
Property and equipment		175,862	173,262
Intangible assets		209,525	209,853
<b>TOTAL ASSETS</b>		<b>10,218,959</b>	<b>9,887,117</b>
<b>LIABILITIES</b>			
Deposits from customers	A10	4,004,089	4,355,697
Deposits and placements of banks and other financial institutions	A11	352,632	174,222
Derivative financial liabilities	B11(a)	50,026	51,861
Other liabilities	A12	3,699,971	3,445,463
Tax payable		32,876	30,198
Deferred tax liabilities		606	1,023
Borrowings	B10	155,698	216,966
Subordinated notes	B10	300,000	100,000
<b>TOTAL LIABILITIES</b>		<b>8,595,898</b>	<b>8,375,430</b>
<b>EQUITY</b>			
Share capital		961,459	678,665
Treasury shares, at cost	A5(c)	(29,783)	(29,782)
		931,676	648,883
Reserves		466,592	638,258
Issued share capital and reserves attributable to owners of the Company		1,398,268	1,287,141
Minority interests		224,793	224,546
<b>TOTAL EQUITY</b>		<b>1,623,061</b>	<b>1,511,687</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,218,959</b>	<b>9,887,117</b>
Net Assets per share attributable to owners of the Company (RM)		1.49	1.97

(The accompanying explanatory notes form an integral part of and should be read in conjunction with this quarterly report.)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

		<b>Current quarter ended 30.6.2010</b>	Comparative quarter ended 30.6.2009	<b>Current year to date ended 30.6.2010</b>	Preceding year to date ended 30.6.2009
	Note	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		<b>209,439</b>	222,951	<b>454,902</b>	354,620
Interest income	A13	<b>58,660</b>	52,406	<b>123,379</b>	102,249
Interest expense	A14	<b>(30,409)</b>	(30,703)	<b>(58,553)</b>	(59,037)
Net interest income		<b>28,251</b>	21,703	<b>64,826</b>	43,212
Other operating income	A15	<b>144,598</b>	166,938	<b>318,826</b>	243,718
Net income from Islamic banking operations	A26	<b>1,347</b>	646	<b>3,236</b>	2,284
Other operating expenses	A16	<b>(139,293)</b>	(135,314)	<b>(276,024)</b>	(220,763)
Write back of allowance/(allowance) for impaired loans, advances and financing	A17	<b>1,552</b>	5,321	<b>(1,696)</b>	4,280
(Allowance)/write back of allowance for impaired trade and other receivables	A18	<b>(1,723)</b>	587	<b>(1,480)</b>	1,765
(Allowance)/write back of allowance for for impairment losses	A19	<b>(11,213)</b>	5,836	<b>(26,613)</b>	5,710
Share of results after tax of associated companies		<b>384</b>	(4,391)	<b>1,014</b>	(8,928)
<b>Profit before tax</b>		<b>23,903</b>	61,326	<b>82,089</b>	71,278
Income tax expense	B6	<b>(5,278)</b>	(19,582)	<b>(23,416)</b>	(23,398)
<b>Profit after tax for the period</b>		<b>18,625</b>	41,744	<b>58,673</b>	47,880
Profit attributable to:					
Owners of the Company		<b>11,135</b>	36,981	<b>43,379</b>	40,940
Minority interests		<b>7,490</b>	4,763	<b>15,294</b>	6,940
		<b>18,625</b>	41,744	<b>58,673</b>	47,880
<b>Earnings per share attributable to owners of the Company (sen):</b>					
Basic	B14	<b>1.19</b>	# 4.56	<b>4.80</b>	# 5.05
Diluted	B14	<b>1.19</b>	# 4.56	<b>4.79</b>	# 5.05

# The weighted average number of ordinary shares in issue of the comparative quarter/preceding year to date has adjusted for the effect of bonus issue on the basis of one (1) new Share ("Bonus Share") for every four (4) existing Shares held, which was completed on 25 January 2010.

(The accompanying explanatory notes form an integral part of and should be read in conjunction with this quarterly report.)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Current quarter ended 30.6.2010 RM'000</b>	Comparative quarter ended 30.6.2009 RM'000	<b>Current year to date ended 30.6.2010 RM'000</b>	Preceding year to date ended 30.6.2009 RM'000
<b>Profit after tax for the period</b>	<b>18,625</b>	41,744	<b>58,673</b>	47,880
<b>Other comprehensive (loss)/income</b>				
Foreign currency translation (loss)/gain	(2,751)	7,963	(28,043)	12,084
Reversal of available-for-sale deficit upon impairment	<b>3,389</b>	-	<b>3,389</b>	-
Unrealised net gain on revaluation of securities available-for-sale	<b>2,257</b>	(1,337)	<b>3,757</b>	4,347
Share of other comprehensive income of associated companies	-	(749)	-	1,086
Income tax relating to components of other comprehensive income	<b>(1,401)</b>	320	<b>(1,787)</b>	(1,087)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>1,495</b>	6,197	<b>(22,683)</b>	16,430
<b>Total comprehensive income for the period, net of tax</b>	<b>20,120</b>	47,941	<b>35,990</b>	64,310
Total comprehensive income attributable to:				
Owners of the Company	<b>13,481</b>	36,731	<b>28,775</b>	50,158
Minority interests	<b>6,639</b>	11,210	<b>7,215</b>	14,152
	<b>20,120</b>	47,941	<b>35,990</b>	64,310

(The accompanying explanatory notes form an integral part of and should be read in conjunction with this quarterly report.)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

RM'000	Attributable to owners of the Company											Minority interests	Total equity
	Share capital	Treasury shares	Share premium	Capital redemption reserve	Equity com-pensation reserve	Foreign exchange reserve	Statutory reserve	Available -for-sale reserve	Other reserve	Retained profits	Total		
<b>As at 1.1.2010</b>													
As previously reported	678,665	(29,782)	502	-	1,094	6,616	206,078	(9,024)	-	432,992	1,287,141	224,546	1,511,687
Adoption of FRS 139	-	-	-	-	-	-	-	1,858	-	(3,325)	(1,467)	-	(1,467)
As restated	678,665	(29,782)	502	-	1,094	6,616	206,078	(7,166)	-	429,667	1,285,674	224,546	1,510,220
Total comprehensive income	-	-	-	-	-	(19,964)	-	5,360	-	43,379	28,775	7,215	35,990
Dividends	-	-	-	-	-	-	-	-	-	(35,135)	(35,135)	-	(35,135)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	(8,714)	(8,714)
Share issued pursuant to:													
- exercise of ESOS	1,798	-	30	-	-	-	-	-	-	-	1,828	-	1,828
- conversion of Warrant B 2000/2010	116,324	-	803	-	-	-	-	-	-	-	117,127	-	117,127
Bonus issue	164,672	-	(1,335)	-	-	-	-	-	-	(163,337)	-	-	-
Share buybacks by the Company	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Transfer to statutory reserve	-	-	-	-	-	-	18,233	-	-	(18,233)	-	-	-
Reserve realised upon exercise of ESOS	-	-	-	-	(234)	-	-	-	-	234	-	-	-
Acquisition of shares from minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,254)	(1,254)
Subscription of additional shares in subsidiary company by minority shareholders	-	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Total transactions	282,794	(1)	(502)	-	(234)	-	18,233	-	-	(216,471)	83,819	(6,968)	76,851
<b>As at 30.6.2010</b>	<b>961,459</b>	<b>(29,783)</b>	<b>-</b>	<b>-</b>	<b>860</b>	<b>(13,348)</b>	<b>224,311</b>	<b>(1,806)</b>	<b>-</b>	<b>256,575</b>	<b>1,398,268</b>	<b>224,793</b>	<b>1,623,061</b>
As at 1.1.2009	673,069	(29,779)	-	58,919	1,964	(760)	164,129	(15,113)	34,686	493,286	1,380,401	298,983	1,679,384
Total comprehensive income	-	-	-	-	-	6,140	-	2,348	78	41,592	50,158	14,152	64,310
Dividends	-	-	-	-	-	-	-	-	-	(12,167)	(12,167)	-	(12,167)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	(8,847)	(8,847)
Share issued pursuant to exercise of ESOS	5	-	2	-	-	-	-	-	-	-	7	-	7
Share buybacks by the Company	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Transfer to statutory reserve	-	-	-	-	-	-	19,715	-	-	(19,715)	-	-	-
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(50)	-	-	-	-	50	-	-	-
Total transactions	5	(1)	2	-	(50)	-	19,715	-	-	(31,832)	(12,161)	(8,849)	(21,010)
As at 30.6.2009	673,074	(29,780)	2	58,919	1,914	5,380	183,844	(12,765)	34,764	503,046	1,418,398	304,286	1,722,684

(The accompanying explanatory notes form an integral part of and should be read in conjunction with this quarterly report.)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Current year to date ended <b>30.6.2010</b> <b>RM'000</b>	Preceding year to date ended 30.6.2009 RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before tax	82,089	71,278
Adjustments for :-		
Interest expense	2,669	4,114
Interest income	(74)	(362)
Other non-cash and non-operating items	13,558	3,304
Share of results after tax of associated companies	(1,014)	8,928
Operating profit before working capital changes	<u>97,228</u>	87,262
<i>(Increase)/Decrease in operating assets:</i>		
Deposits and placements with banks and other financial institutions	-	(40,461)
Loans, advances and financing	(109,149)	63,829
Statutory and reserve deposits with Central Banks	(7,920)	47,097
Securities held-for-trading	(11,768)	(30,627)
Securities held-to-maturity	306,890	(596,120)
Securities available-for-sale	(292,844)	(958,158)
Other operating assets	(375,908)	(1,750,301)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from customers	(351,608)	1,972,740
Deposits and placements of banks and other financial institutions	178,410	(267,396)
Obligations on securities sold under repurchase agreements	-	(249)
Other operating liabilities	<u>254,551</u>	1,497,174
Cash (used in)/generated from operations	<u>(312,118)</u>	24,790
Income tax paid net of refund	(21,020)	(11,409)
Net cash (used in)/generated from operating activities	<u>(333,138)</u>	13,381
<b>Cash Flows From Investing Activities</b>		
Acquisition of additional shares in an associated company	-	(1,470)
Acquisition of additional shares from minority shareholders	(1,254)	-
Dividend received	2,980	1,068
Interest received	74	373
Payment for trademarks	(10)	-
Proceeds from disposal of shares in associated company	-	3,332
Proceeds from disposal of equipment	527	383
Purchase of property and equipment	(10,072)	(3,858)
Purchase of software licences	(1,702)	(249)
Purchase of subordinated note by a subsidiary company	-	(15,820)
Net cash used in investing activities	<u>(9,457)</u>	(16,241)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)**

	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
<b>Cash Flows From Financing Activities</b>		
Dividends paid to shareholders	(35,135)	(12,167)
Dividends paid to minority shareholders	(8,714)	(8,847)
(Repayment)/drawdown of short term borrowing	(41,485)	85,141
Interest paid	(2,669)	(1,380)
Payments of finance lease instalments	-	(321)
Payments of share buybacks by the Company	(1)	(1)
Payments of share buybacks by a subsidiary company	-	(2)
Proceeds from issuance of shares:		
- exercise of ESOS	1,828	7
- conversion of Warrant B 2000/2010	117,127	-
Proceeds from issuance of shares for subordinated loan notes	200,000	-
Proceeds from subscription of shares by minority shareholders	3,000	-
Repayment of term loans	(19,845)	(4,731)
Net cash generated from financing activities	<b>214,106</b>	<b>57,699</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(128,489)</b>	<b>54,839</b>
Effects of exchange rate changes	(26,408)	11,455
<b>Cash and cash equivalents at beginning of period</b>	<b>826,578</b>	<b>1,010,730</b>
<b>Cash and cash equivalents at end of period</b>	<b>671,681</b>	<b>1,077,024</b>
<b>Cash and cash equivalents at end of period comprised:</b>		
Cash, bank balances and deposits - General accounts	286,952	278,119
Bank overdrafts	(62)	-
Money at call and deposits placements with maturity within one month	384,791	798,905
	<b>671,681</b>	<b>1,077,024</b>

(The accompanying explanatory notes form an integral part of and should be read in conjunction with this quarterly report.)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010****PART A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134"): Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM")****A1. Basis of preparation**

The quarterly report has been prepared in accordance with the requirements of FRS 134 issued by the MASB and the revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"). The report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009 and the accompanying explanatory notes. These explanatory notes 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 since the year ended 31 December 2009.

The significant accounting policies and methods of computation adopted by the Group in this quarterly report are consistent with those of the annual financial statements for the year ended 31 December 2009 except for the adoption of the following FRSs, amendments to FRSs, Issues Committee ("IC") Interpretations, Technical Releases ("TR") and Statement of Principles ("SOP") effective for annual periods beginning on and after:

**1 July 2009**

FRS 8 Operating Segments

**1 January 2010**

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 101 Presentation of Financial Statements

FRS 123 Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards

Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 7 Financial Instruments: Disclosures

Amendments to FRS 8 Operating Segments

Amendments to FRS 107 Statements of Cash Flows

Amendments to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to FRS 110 Events After the Reporting Period

Amendments to FRS 116 Property, Plant and Equipment

Amendments to FRS 117 Leases

Amendments to FRS 118 Revenue

Amendments to FRS 119 Employee Benefits

Amendments to FRS 120

Accounting for Government Grants and Disclosure of Government Assistance

Amendments to FRS 123 Borrowing Costs

Amendments to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 128 Investments in Associates

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010****A1. Basis of preparation (Cont'd)****1 January 2010 (Cont'd)**

Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 132	Financial Instruments: Presentation - paragraphs 95A, 97AA and 97AB
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 140	Investment Property
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	Customer 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
SOP i-1	Financial Reporting from an Islamic Perspective

FRS 4, Amendments to FRS 120, 123 and FRS 129 and IC Interpretations 13 and 14 are not applicable to the Group. Adoption of amendments to FRSs, IC Interpretations, TR and SOP did not have any significant effect on the financial performance or position of the Group. The adoption of FRSs and amendments to FRS is discussed below:

- (a) FRS 8 Operating Segments – FRS 8 requires retrospective disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group concluded that the operating segments determined in accordance with FRS 8 are the same as the business segments previously adopted per FRS 114 Segment Reporting. Adoption of FRS 8 did not have any effect on the financial position or performance of the Group.
- (b) FRS 7 Financial Instruments: Disclosures – FRS 7 requires a retrospective disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed during the period and at the reporting date, and how the entity manages those risks. The principles in this FRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in FRS 132 Financial Instruments: Presentation and FRS 139 Financial Instruments: Recognition and Measurement.

FRS 7 requires disclosures on the significance of financial instruments for financial position (i.e. Categories of financial assets and financial liabilities, Financial assets or financial liabilities at fair value through profit or loss, Reclassification, Derecognition, Collateral, Allowance account for credit losses, Compound financial instruments with multiple embedded derivatives and Defaults and breaches); performance (i.e. Items of income, expense, gains or losses); and other disclosures (i.e. Accounting policies, Hedge accounting and Fair value).



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A1. Basis of preparation (Cont'd)**

FRS 7 also requires disclosures on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk. The adoption of FRS 7 did not impact the financial position or results of the Group.

- (c) FRS 101 : Presentation of Financial Statements – FRS 101 requires the Group to present all owner changes in equity and all non-owner changes be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. FRS 101 also requires that the income tax effect of each component of comprehensive income be disclosed. FRS 101 requires retrospective restatement of comparative statement of financial position as at the beginning of the earliest comparative period.

The Group has adopted to present the comprehensive income in two separate statements of income and comprehensive income where the individual components of comprehensive income and the related tax effects have been disclosed therein. The Group has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement, or retrospectively reclassified items in the financial statements. The adoption of FRS 101 did not impact the financial position or results of the Group as the changes introduced are presentational in nature.

- (d) FRS 139 : Financial Instruments : Recognition and Measurement – FRS 139 establishes the principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of FRS 139 has resulted in changes in accounting policies. Retrospective application of FRS 139 is not permitted and financial effects for the current year are shown in financial statements and prior year effects are reflected as restatement of opening reserves as disclosed in statement of changes in equity for the current year to date.

With effect from 1 January 2008, the Group adopted BNM/GP8 that comprised certain principles for recognising and measuring financial instruments, which are similar to those prescribed under FRS 139. These accounting policies are set out in Note 3 to annual financial statements for the year ended 31 December 2009.

BNM also issued the guidelines on Classification and Impairment Provisions for Loans/Financing which are effective for financial years beginning on and after 1 January 2010. These guidelines set out the minimum requirements on classification of impaired loans/financing and impairment on loans/financing with the adoption of FRS 139. The guidelines superseded the existing guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3) which was issued on 7 August 2008.

As a transitional provisions under the Amendments to FRS 139, the Financial Services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. During the transitional period, the wholly-owned banking subsidiary, OSK Investment Bank Berhad ("OSKIB") is required to comply with the requirements on collective assessment of impairment of loans and financing under the guidelines on Classification and Impairment Provisions for Loans/Financing. OSKIB is required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A1. Basis of preparation (Cont'd)**

FRS 139 requires that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. The securities held-to-maturity of the Group had been measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 January 2005 and interest income from loans and receivables were continued to be recognised based on contractual interest rates. With adoption of FRS 139, interest income is recognised using effective interest rates. This change in accounting policy has been accounted for prospectively.

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. Subsequently, interest on the non-performing loan is recognised as income on a cash basis. FRS 139 requires interest income from an impaired loan be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

FRS 139 requires embedded derivatives 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. There were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

- (e) Amendments to FRS 117 – Prior to 1 January 2010, FRS 117 interprets that for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 effective for period beginning on or after 1 January 2010 clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets; and also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Adoption of the amendments to FRS 117 has resulted in the unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and comparatives have been restated as shown below:

	<b>As previously reported RM'000</b>	<b>Effect of amendments to FRS 117 RM'000</b>	<b>As Restated RM'000</b>
<b>As at 31.12.2009</b>			
Prepaid land lease payments	11,903	(11,903)	-
Property and equipment	161,359	11,903	173,262
	<hr/>	<hr/>	<hr/>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010****A1. Basis of preparation (Cont'd)**

The Group had not adopted the following FRSs, Amendments to FRSs, IC Interpretations, TR and SOP effective for annual periods beginning on and after:

**1 March 2010**

Amendments to FRS 132 Financial Instruments: Presentation - paragraphs 11, 16 and 97E

**1 July 2010**

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
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
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
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

**1 January 2011**

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
TR 3	Guidance on Disclosures of Transition to IFRSs
TR i-4	Shariah Compliant Sale Contracts

FRS 1 and IC Interpretations 12 and 15 are not applicable to the Group. The other FRSs, amendments to FRSs, IC Interpretations above are expected to have no significant impact on the financial statements upon their initial application.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A1. Basis of preparation (Cont'd)**

**Reclassification of securities**

During the previous financial years, OSK Investment Bank Berhad ("OSKIB"), a wholly-owned subsidiary company, has reclassified certain securities held-for-trading ("HFT") to available-for-sale category pursuant to the BNM Circular, "Reclassification of Securities under Specific Circumstances". The provisions for reclassification were introduced after taking into account the exceptional circumstances in the global financial markets and the changes to the international accounting standards in response to this development. The provisions in the Circular override the existing requirements of BNM/GP8 in relation to the reclassification of securities into or out of the held-for-trading category and were permissible from 1 July 2008 until 31 December 2009. OSKIB has also reclassified certain securities available-for-sales ("AFS") to held-to-maturity ("HTM") during the previous financial year as shown below:

**(a) Amounts reclassified**

	<b>RM'000</b>
(i) Securities AFS to securities HTM on 29 December 2008	<u>256,924</u>
(ii) Securities HFT to securities AFS on 16 February 2009	<u>61,160</u>

**(b) Carrying amounts and fair values**

The carrying amount and fair value of securities reclassified (excluding reclassified investments that were disposed before the end of the quarter) are as follows:

	<b>As at 30.6.2010 RM'000</b>	<b>As at 31.12.2009 RM'000</b>
(i) Securities AFS reclassified to securities HTM		
- Carrying value	<b>162,815</b>	238,227
- Fair value	<b>156,334</b>	217,230
	<hr/>	<hr/>
(ii) Securities HFT reclassified to securities AFS		
- Carrying value	<b>42,468</b>	42,216
- Fair value	<b>42,468</b>	42,216
	<hr/>	<hr/>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A1. Basis of preparation (Cont'd)**

**(c) Fair value loss recognised**

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Comparative quarter ended 30.6.2009 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
<b>Income statement</b>	-	-	-	-
<b>Statement of changes in equity</b>				
Available-for-sale reserve	<b>(28)</b>	<b>(506)</b>	<b>(917)</b>	<b>(1,322)</b>

**(d) Effective interest rate and estimated amounts of cash flows as at dates of reclassification**

	<b>Effective interest rate %</b>	<b>Estimated cash inflows before discounting to present value RM'000</b>
(i) Securities AFS to securities HTM on 29 December 2008	5.14 to 9.96	392,011
(ii) Securities HFT to securities AFS on 16 February 2009	5.09 to 5.73	75,238

**A2. Seasonal or cyclical factors**

There were no significant seasonal or cyclical factors that will materially affect the business operations of the Group for the period under review.

**A3. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting the financial statements for the current year to date.

**A4. Material changes in estimates**

There were no other significant changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect in the current year to date.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A5. Changes in debt and equity securities**

**(a) Executive Share Option Scheme (“ESOS”) of the Company**

During the current year to date, the Company has issued 1,797,625 new ordinary shares of RM1 each for cash at the respective exercise prices pursuant to the ESOS and the total cash proceeds arising from the exercise of options amounted to RM1,827,715. The movement in the ESOS during the current year to date is as follows:

Date of offer	Exercise price* (RM)	No. of options over ordinary shares of RM1 each				As at 30.6.2010
		As at				
		1.1.2010	Bonus issue*	Exercised	Forfeited	
27.6.2003	1.00	963,900	201,875	(386,550)	-	779,225
16.3.2004	1.00	3,185,240	670,935	(711,000)	-	3,145,175
29.4.2005	1.00	713,800	225,725	(41,375)	-	898,150
3.5.2006	1.00	2,732,800	614,274	(658,700)	-	2,688,374
		<u>7,595,740</u>	<u>1,712,809</u>	<u>(1,797,625)</u>	<u>-</u>	<u>7,510,924</u>

On 4 January 2007, the duration of ESOS which was due to expire on 17 February 2008 had been extended for another 5 years to 17 February 2013.

- \* The ESOS committee on 6 October 2009 and 26 January 2010 approved the adjustments of ESOS exercise prices pursuant to Clause 18.3(c)(1) of the ESOS By-Laws based on the shares distribution in listed subsidiary companies and bonus issue exercise implemented. Additional 1,712,809 new options were issued consequential to the bonus issue as disclosed in Note A5(d).

**(b) Warrant B 2000/2010 of the Company**

On 25 January 2010, the subscription price of Warrant B 2000/2010 was revised downward from RM1.25 to RM1.00 and an additional 24,150,922 Warrant B 2000/2010 were issued pursuant to the bonus issue as disclosed in Note A5(d).

During the current year to date, the Company issued a total of 116,324,264 new ordinary shares of RM1 each for total cash proceed of RM117,127,847 out of which 3,214,332 warrants were converted for cash at RM1.25 each and 113,109,932 warrants were converted for cash at RM1.00 each.

On 1 March 2010, the balance of 7,644,678 Warrant B 2000/2010 not exercised on expiry date were removed from the Official List of Bursa Securities.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010****A5. Changes in debt and equity securities (Cont'd)****(c) Share buybacks / Treasury shares of the Company**

During the current year to date, the Company has purchased 1,000 ordinary shares for a total cash consideration of RM1,362 from the open market at an average cost of RM1.36 per share. The shares repurchased previously are being held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965. Summary of share buybacks is as follows:

	Number of shares	Highest price RM	Lowest price RM	Average cost (included transaction costs) RM	Total amount paid RM
As at 1.1.10	24,149,412	2.82	0.90	1.23	29,781,821
May	1,000	1.32	1.32	1.36	1,362
As at 30.6.2010	24,150,412	2.82	0.90	1.23	29,783,183

**(d) Bonus issue by the Company**

On 25 January 2010, the Company issued additional 164,672,464 new ordinary shares of RM1.00 each as Bonus Shares that were listed on 26 January 2010. The new ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

Consequentially, pursuant to Condition 2 of the Second Schedule and Clause 2(b)(ii) of the Memorandum to the Deed Poll dated 6 January 2000 as amended by the supplemental deed poll dated 30 November 2004 ("Deed Poll") constituting the Warrant B 2000/2010, that the subscription price of the Warrant B 2000/2010 was revised downwards from RM1.25 to RM1.00 and an additional 24,150,922 Warrant B 2000/2010 were issued pursuant to the adjustment of the subscription price.

Other than the above, there were no issuances, repurchases and repayments of debt and equity securities for the current year to date.

**A6. Dividends paid**

A final dividend of 5.0 sen per share less 25% income tax amounted to RM35,134,789 in respect of the preceding financial year ended 31 December 2009 was paid on 18 May 2010.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at <b>30.6.2010</b> RM'000	As at 31.12.2009 RM'000
<b>A7. Securities portfolio</b>		
<b>(a) Securities held-for-trading</b>		
<b>At fair value</b>		
Money market instruments:		
Cagamas bonds	10,029	-
Malaysian Government Securities	35,900	-
	<u>45,929</u>	-
Quoted securities:		
Shares, exchange traded funds and warrants		
- in Malaysia	47,613	72,620
- outside Malaysia	25,795	38,241
Trusts units in Malaysia	992	2,847
	<u>74,400</u>	113,708
Unquoted securities:		
Private and Islamic debt securities	94,360	89,957
	<u>214,689</u>	203,665
<b>(b) Securities held-to-maturity</b>		
<b>At amortised cost</b>		
Money market instruments:		
Bankers' acceptance and Islamic accepted bills	-	12,410
Cagamas bonds	5,048	5,059
Malaysian Government Investment Issues	155,592	155,831
Negotiable instruments of deposit	219,837	440,000
	<u>380,477</u>	613,300
Unquoted securities:		
Private and Islamic debt securities	347,243	410,796
Impairment losses	(5,244)	-
	<u>341,999</u>	410,796
	<u>722,476</u>	1,024,096



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at <b>30.6.2010</b> RM'000	As at 31.12.2009 RM'000
<b>A7. Securities portfolio (Cont'd)</b>		
<b>(c) Securities available-for-sale</b>		
<b>At fair value</b>		
Money market instruments:		
Bankers' acceptance and Islamic accepted bills	<b>699,219</b>	533,278
Cagamas bonds	<b>12,083</b>	12,117
Malaysian Government Investment Issues	<b>184,451</b>	137,311
Malaysian Government Securities	<b>434,723</b>	574,599
Negotiable instruments of deposit	<b>290,125</b>	130,699
	<b>1,620,601</b>	1,388,004
Quoted securities:		
Shares and warrants		
- in Malaysia	<b>293</b>	963
- outside Malaysia	-	91
	<b>293</b>	1,054
Unquoted securities:		
Shares		
- in Malaysia	<b>2,855</b>	2,855
- outside Malaysia	<b>7,827</b>	8,222
Private and Islamic debt securities	<b>1,425,361</b>	1,355,252
Impairment losses	<b>(44,486)</b>	(24,086)
	<b>1,380,875</b>	1,331,166
	<b>1,391,557</b>	1,342,243
	<b>3,012,451</b>	2,731,301

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at <b>30.6.2010</b> RM'000	As at 31.12.2009 RM'000
<b>A8. Loans, advances and financing</b>		
Term loans	<b>416,012</b>	312,671
Staff loans	<b>1,823</b>	1,499
Share margin financing	<b>615,516</b>	639,869
Revolving credits	<b>30,208</b>	-
	<b>1,063,559</b>	954,039
Unearned interest and income	<b>(18)</b>	(22)
	<b>1,063,541</b>	954,017
Interest-in-suspense*	<b>(3,345)</b>	(2,080)
	<b>1,060,196</b>	951,937
Allowance for impaired loans, advances & financing		
- Individual assessment	<b>(7,974)</b>	-
- Collective assessment	<b>(12,113)</b>	-
- Specific	-	(8,652)
- General	-	(10,628)
Total net loans, advances and financing	<b>1,040,109</b>	932,657
* In accordance with the Rules of Bursa Malaysia Securities Berhad		
<b>(a) Analysis of gross loans, advances and financing</b>		
<b>(i) By type of customer</b>		
Domestic business enterprises		
- Small and medium enterprises	<b>384,961</b>	287,791
Foreign entities	<b>118,174</b>	107,187
Other domestic entities	<b>48,608</b>	28,733
Individuals	<b>511,798</b>	530,306
	<b>1,063,541</b>	954,017
<b>(ii) By interest/profit rate sensitivity</b>		
Fixed rate	<b>973,097</b>	881,909
Variable rate		
- cost plus	<b>47,826</b>	47,917
- others	<b>42,618</b>	24,191
	<b>1,063,541</b>	954,017
<b>(iii) By economic purpose</b>		
Working capital	<b>171,005</b>	28,943
Purchase of securities	<b>743,334</b>	802,864
Others	<b>149,202</b>	122,210
	<b>1,063,541</b>	954,017

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at <b>30.6.2010</b> RM'000	As at 31.12.2009 RM'000
<b>A8. Loans, advances and financing (Cont'd)</b>		
<b>(a) Analysis of gross loans, advances and financing (Cont'd)</b>		
<b>(iv) By geographical distribution</b>		
Malaysia	768,287	685,920
Singapore	148,424	147,465
Hong Kong	47,826	47,917
Indonesia	23,749	17,678
Cambodia	75,255	55,037
	<b>1,063,541</b>	<b>954,017</b>
<b>(v) By maturity structure</b>		
Up to 3 months	569,885	594,026
3-12 months	377,993	326,414
1-5 years	89,012	27,223
Over 5 years	26,651	6,354
	<b>1,063,541</b>	<b>954,017</b>
<b>(b) Impaired loans/financing</b>		
Purchase of securities	<b>25,624</b>	22,993
<b>Movement in impaired loans</b>		
At beginning of period/year	22,993	34,590
Classified as impaired	3,337	9,135
Reclassified as non-impaired	(262)	(21,727)
Amount recovered	(312)	3,051
Amount written off	-	(3,304)
Exchange differences	(132)	1,248
At end of period/year	<b>25,624</b>	22,993
Individual assessment allowance	(7,974)	-
Specific allowance	-	(8,652)
Net impaired loans, advances and financing	<b>17,650</b>	14,341
Ratio of net impaired loans and financing to net loans and financing	<b>1.70%</b>	1.54%

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at <b>30.6.2010</b> RM'000	As at 31.12.2009 RM'000
<b>A8. Loans, advances and financing (Cont'd)</b>		
<b>(c) Movement in the allowance for impaired loans, advances and financing</b>		
<b>Individual assessment allowance</b>		
At beginning of period/year		
As previously reported	-	-
Adoption of FRS 139	<b>(8,652)</b>	-
As restated	<b>(8,652)</b>	-
Allowance made	<b>(2,232)</b>	-
Allowance written back	<b>2,885</b>	-
Exchange difference	<b>25</b>	-
At end of period/year	<b>(7,974)</b>	-
<b>Collective assessment allowance</b>		
At beginning of period/year		
As previously reported	-	-
Adoption of FRS 139	<b>(10,628)</b>	-
As restated	<b>(10,628)</b>	-
Allowance made	<b>(4,650)</b>	-
Allowance written back	<b>3,134</b>	-
Exchange difference	<b>31</b>	-
At end of period/year	<b>(12,113)</b>	-
As % of gross loan, advances and financing less individual assessment allowance	<b>1.15%</b>	0.00%
<b>Specific allowance</b>		
At beginning of period/year		
As previously reported	<b>(8,652)</b>	(16,455)
Adoption of FRS 139	<b>8,652</b>	-
As restated	-	(16,455)
Allowance made	-	(3,686)
Allowance written back	-	9,411
Amount written off	-	2,421
Exchange difference	-	(343)
At end of period/year	-	(8,652)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at <b>30.6.2010</b> RM'000	As at 31.12.2009 RM'000
<b>A8. Loans, advances and financing (Cont'd)</b>		
<b>(c) Movement in the allowance for impaired loans, advances and financing (Cont'd)</b>		
<b>General allowance</b>		
At beginning of period/year		
As previously reported	(10,628)	(5,338)
Adoption of FRS 139	<b>10,628</b>	-
As restated	-	(5,338)
Allowance made	-	(7,539)
Allowance written off	-	2,234
Exchange difference	-	15
At end of period/year	-	(10,628)
As % of gross loan, advances and financing less specific allowance	<b>0.00%</b>	1.13%
<b>(d) Impaired loans, advances and financing by geographical distribution:-</b>		
<b>Individual assessment allowance</b>		
Malaysia	(6,350)	-
Hong Kong	(64)	-
Cambodia	(1,560)	-
	<b>(7,974)</b>	-
<b>Collective assessment allowance</b>		
Malaysia	(11,361)	-
Cambodia	(752)	-
	<b>(12,113)</b>	-
<b>Specific allowance</b>		
Malaysia	-	(7,133)
Hong Kong	-	(99)
Cambodia	-	(1,420)
	-	(8,652)
<b>Collective assessment allowance</b>		
Malaysia	-	(10,078)
Cambodia	-	(549)
	-	(10,627)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	As at 30.6.2010 RM'000	As at 31.12.2009 RM'000
<b>A9. Other assets</b>		
Interest/income receivable	33,851	37,807
Security deposits and statutory funds	6,292	4,188
Trade receivables	2,866,757	2,665,716
Less: Interest-in-suspense *	(4,217)	(3,883)
Individual assessment allowance	(15,154)	-
Specific allowance	-	(13,500)
Other receivables, deposits and prepayments	63,461	29,583
Transferable golf memberships	268	228
	<b>2,951,258</b>	<b>2,720,139</b>
* In accordance with the Rules of Bursa Malaysia Securities Berhad		
<b>A10. Deposits from customers</b>		
<b>(a) By type of deposit</b>		
Commodity Murabahah Deposits	57,844	-
Demand deposits	39,100	6,459
Fixed deposits	2,347,454	2,786,827
Mudharabah general deposits	831,991	775,823
Negotiable instruments of deposits	222,322	189,773
Saving deposits	21,505	6,833
Short term deposits	483,805	589,919
Others	68	63
	<b>4,004,089</b>	<b>4,355,697</b>
<b>(b) By type of customer</b>		
Business enterprises	1,199,344	1,341,004
Domestic non-bank financial institutions	1,804,746	2,275,142
Individuals	157,981	99,906
Local government and statutory bodies	841,316	629,534
Others	702	10,111
	<b>4,004,089</b>	<b>4,355,697</b>
<b>(c) By maturity structure</b>		
Up to 3 months	3,125,109	3,665,524
3-12 months	841,412	616,993
1-5 years	36,239	73,180
Over 5 years	1,329	-
	<b>4,004,089</b>	<b>4,355,697</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<b>As at 30.6.2010 RM'000</b>	<b>As at 31.12.2009 RM'000</b>
<b>A11. Deposits and placements of banks and other financial institutions</b>		
Licensed banks	<b>125,134</b>	39,363
Licensed investment banks	<b>90,000</b>	60,000
Other financial institutions	<b>137,498</b>	74,859
	<b>352,632</b>	174,222
<b>A12. Other liabilities</b>		
Interest/income payable	<b>29,504</b>	29,158
Trade payables	<b>3,535,300</b>	3,270,053
Other payables, deposits and accruals	<b>134,231</b>	141,918
Amount due to an associated company	-	3,575
Profit equalisation reserve of Islamic banking operations	<b>936</b>	759
	<b>3,699,971</b>	3,445,463

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Comparative quarter ended 30.6.2009 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
<b>A13. Interest income</b>				
Loans, advances and financing	<b>21,848</b>	16,941	<b>41,444</b>	36,574
Deposits and placements with financial institutions	<b>5,361</b>	8,457	<b>11,143</b>	16,892
Securities held-for-trading	<b>1,394</b>	34	<b>2,911</b>	340
Securities held-to-maturity	<b>4,624</b>	10,358	<b>11,287</b>	15,681
Securities available-for-sale	<b>20,945</b>	11,589	<b>42,340</b>	22,102
Stock-broking and futures broking clients	<b>1,211</b>	428	<b>1,996</b>	662
Others	<b>40</b>	79	<b>85</b>	111
	<b>55,423</b>	47,886	<b>111,206</b>	92,362
Accretion of discount less amortisation of premium	<b>3,237</b>	4,520	<b>12,173</b>	9,887
	<b>58,660</b>	52,406	<b>123,379</b>	102,249

**A14. Interest expense**

Deposits from customers	<b>(23,793)</b>	(26,957)	<b>(47,887)</b>	(51,169)
Deposits and placements of financial institutions	<b>(348)</b>	18	<b>(751)</b>	(17)
Obligations on securities sold under repurchase agreements	<b>-</b>	-	<b>-</b>	(1)
Subordinated notes	<b>(4,549)</b>	(1,673)	<b>(6,398)</b>	(3,522)
Borrowings	<b>(1,520)</b>	(2,001)	<b>(3,308)</b>	(4,236)
Others	<b>(199)</b>	(90)	<b>(209)</b>	(92)
	<b>(30,409)</b>	(30,703)	<b>(58,553)</b>	(59,037)



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Comparative quarter ended 30.6.2009 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
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**A15. Other operating income**
**(a) Fees and commission**

Advisory, agency, arrangement, placement and referral fees	<b>10,032</b>	6,989	<b>21,170</b>	13,455
Commission	<b>3,582</b>	1,123	<b>6,381</b>	5,861
Fees earned from management of unit trust funds	<b>13,738</b>	10,756	<b>27,424</b>	19,986
Gross brokerage fees	<b>95,148</b>	128,913	<b>198,684</b>	172,527
Loan processing, facility and commitment fees and carrying charges	<b>6,091</b>	5,236	<b>10,494</b>	8,599
Service charges on sale of trust units	<b>5,228</b>	7,510	<b>12,704</b>	9,320
Trustee and will-writing fees	<b>1,467</b>	1,370	<b>2,743</b>	2,680
Others	<b>383</b>	324	<b>930</b>	792
	<b>135,669</b>	162,221	<b>280,530</b>	233,220

**(b) Net gain/(loss) arising from sale  
of securities and derivatives**

Securities held-for-trading	<b>(9,366)</b>	(970)	<b>(9,561)</b>	(1,491)
Securities available-for-sale	<b>1,593</b>	813	<b>3,256</b>	1,234
Derivative financial instruments	<b>11,468</b>	(4,203)	<b>12,108</b>	2,904
Shares in an associated company	<b>-</b>	(2,676)	<b>-</b>	(2,676)
	<b>3,695</b>	(7,036)	<b>5,803</b>	(29)

**(c) Gross dividend income**

Securities held-for-trading	<b>528</b>	801	<b>961</b>	842
Securities available-for-sale	<b>49</b>	88	<b>49</b>	88
	<b>577</b>	889	<b>1,010</b>	930

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Comparative quarter ended 30.6.2009 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
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**A15. Other operating income (Cont'd)**
**(d) Unrealised (loss)/gain on revaluation  
of trading securities and derivatives**

Securities held-for-trading	(527)	8,830	995	5,615
Derivative financial instruments	(19,005)	(5,477)	13,893	(9,128)
	<b>(19,532)</b>	<b>3,353</b>	<b>14,888</b>	<b>(3,513)</b>

**(e) Unrealised (loss)/gain on derivatives**

Unexpired structured warrants	(4,347)	5,098	(1,810)	1,849
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**(f) Unrealised gain/(loss) from  
foreign exchange translations**

	<b>12,620</b>	<b>(7,857)</b>	<b>(4,823)</b>	<b>(4,061)</b>
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**(g) Other income**

Net gain/(loss) on disposal of equipment	151	(71)	370	57
Realised gain on foreign exchange	12,662	5,824	16,208	8,165
Net gain on interest rate swaps	215	108	300	140
Rental income	1,847	1,491	3,638	2,944
Sales of oil palm produce	31	32	82	56
Negative goodwill on share buybacks by a subsidiary company	-	1	-	1
Gain on constructive retirement of subsidiary's subordinated notes	-	1,074	-	1,074
Others	1,010	1,811	2,630	2,885
	<b>15,916</b>	<b>10,270</b>	<b>23,228</b>	<b>15,322</b>
	<b>144,598</b>	<b>166,938</b>	<b>318,826</b>	<b>243,718</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Comparative quarter ended 30.6.2009 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
<b>A16. Other operating expenses</b>				
<b>(a) Personnel expenses</b>				
Salaries, allowances, bonuses and gratuity	(51,372)	(41,266)	(102,394)	(73,501)
Pension costs - defined contribution plan	(3,269)	(2,862)	(6,434)	(6,853)
Others	(2,260)	(1,382)	(4,834)	(2,838)
	<b>(56,901)</b>	<b>(45,510)</b>	<b>(113,662)</b>	<b>(83,192)</b>
<b>(b) Promotional, marketing and trading expenses</b>				
Advertisement and promotion	(2,642)	(1,953)	(5,470)	(3,848)
Commission	(37,062)	(52,518)	(75,029)	(67,556)
Fees and charges	(13,424)	(11,343)	(25,662)	(21,353)
Deposit insurance	(154)	(573)	443	(573)
Others	(3,241)	(806)	(3,241)	(1,113)
	<b>(56,523)</b>	<b>(67,193)</b>	<b>(108,959)</b>	<b>(94,443)</b>
<b>(c) Establishment related expenses</b>				
Depreciation and amortisation	(4,021)	(3,852)	(7,838)	(7,534)
Insurance	(829)	(713)	(1,234)	(1,863)
Rental of equipment	(1,265)	(1,152)	(2,462)	(2,300)
Rental of premises	(4,578)	(4,109)	(9,229)	(8,160)
Repair and maintenance	(2,984)	(1,551)	(5,156)	(2,670)
Utility expenses	(1,573)	(1,360)	(2,905)	(2,541)
Others	(891)	(1,192)	(1,806)	(2,340)
	<b>(16,141)</b>	<b>(13,929)</b>	<b>(30,630)</b>	<b>(27,408)</b>
<b>(d) General administrative expenses</b>				
Communication expenses	(3,092)	(1,565)	(5,750)	(2,836)
Legal and professional fees	(1,446)	(1,287)	(2,313)	(2,131)
Printing and stationery	(1,779)	(1,935)	(3,345)	(3,105)
Administrative	(2,859)	(3,716)	(10,558)	(7,131)
Others	(552)	(179)	(807)	(517)
	<b>(9,728)</b>	<b>(8,682)</b>	<b>(22,773)</b>	<b>(15,720)</b>
	<b>(139,293)</b>	<b>(135,314)</b>	<b>(276,024)</b>	<b>(220,763)</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Comparative quarter ended 30.6.2009 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>	<b>Preceding year to date ended 30.6.2009 RM'000</b>
<b>A17. Write back of allowance/ (allowance) for impaired loans, advances and financing</b>				
Specific allowance - Made	-	(2,339)	-	(3,713)
Specific allowance - Written back	-	5,093	-	5,133
General allowance (net) - Written back	-	173	-	267
Individual assesement allowance				
- Made	(18)	-	(2,232)	-
- Written back	2,767	-	2,885	-
Collective assessment allowance (net)				
- Made	(699)	-	(1,516)	-
Bad debts				
Recovered	-	2,851	-	3,051
Written off	(498)	(457)	(833)	(458)
	<b>1,552</b>	<b>5,321</b>	<b>(1,696)</b>	<b>4,280</b>
<b>A18. (Allowance)/write back of allowance for impaired trade and other receivables</b>				
Specific allowance - Made	-	(609)	-	(1,439)
Specific allowance - Written back	-	1,291	-	3,285
General allowance (net) - Made	-	(90)	-	(94)
Individual assesement allowance				
- Made	(3,285)	-	(4,561)	-
- Written back	1,323	-	2,835	-
Bad debts				
Recovered	239	2	246	20
Written off	-	(7)	-	(7)
	<b>(1,723)</b>	<b>587</b>	<b>(1,480)</b>	<b>1,765</b>
<b>A19. (Allowance)/write back of allowance for impairment losses</b>				
Goodwill on consolidation	-	(3)	-	(130)
Investment in an associated company	-	4,839	-	4,839
Securities held-for-trading	-	1,000	-	1,001
Securities held-to-maturity	(6,000)	-	(6,000)	-
Securities available-for-sale	(5,000)	-	(20,400)	-
Trading rights	(213)	-	(213)	-
	<b>(11,213)</b>	<b>5,836</b>	<b>(26,613)</b>	<b>5,710</b>

**A20. Segmental information**

Please refer to Appendix I.

**A21. Material events subsequent to the end of the quarter**

- (a) Business Merger of nominee companies pursuant to Section 176(3) and Section 178 of the Companies Act, 1965

On 16 July 2010, pursuant to the proposed scheme of arrangement made under S176(3) of the Companies Act, 1965, the High Court of Malaya had sanctioned the petitions made by :

- (i) OSK Nominees (Tempatan) Sdn Berhad (“OSKNT”), TCL Nominees (Tempatan) Sdn Bhd (“TCLNT”) and KE-ZAN Nominees (Tempatan) Sdn Bhd (“KZNT”); and
- (ii) OSK Nominees (Asing) Sdn Berhad (“OSKNA”), TCL Nominees (Asing) Sdn Bhd (“TCLNA”) and Ke-Zan Nominees (Asing) Sdn Bhd (“KZNA”)

The Court also granted Orders for the merger of the businesses and transfer of all assets and liabilities of TCLNT and KZNT to OSKNT and that of TCLNA and KZNA to OSKNA under S178 of the Companies Act, 1965.

OSKNT, TCLNT, KZNT, OSKNA, TCLNA and KZNA are all wholly-owned subsidiaries of OSK Investment Bank Berhad, which is in turn wholly-owned by OSKH. The principal activities of OSKNT, TCLNT and KZNT are to act as attorneys, nominees, agents and trustees, and to receive money, securities and property on deposit or for safe custody or management and related activities (“nominee services”) for local beneficial shareholders whereas the principal activities of OSKNA, TCLNA and KZNA are to provide the nominee services to foreign beneficial shareholders.

The objective of the business merger is to gain business and operational synergies and to achieve economies of scale. Upon completion of the business merger, the business operations of TCLNT, KZNT, TCLNA and KZNA shall cease and become dormant.

- (b) Approval-in-principle to OSK Indochina Securities Limited (“OSKISL”) to Act as a Securities Underwriter in Cambodia

On 2 August 2010, the Securities and Exchange Commission of Cambodia (“SECC”) granted the approval-in-principle to OSKISL, a wholly-owned indirect subsidiary of the Company, to act as a Securities Underwriter in Cambodia. As a Securities Underwriter, OSKISL is permitted to advise on public offerings, to carry on underwriting, securities dealing, securities brokerage and investment advisory activities in Cambodia.

OSKISL is a wholly-owned subsidiary of OSK Indochina Bank Limited, which is in turn, wholly-owned by OSK Investment Bank Berhad (“OSKIB”). OSKIB is wholly-owned by the Company.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A22. Changes in the composition of the Group**

- (a) Proposed Transfer of 20% equity interest each in OSK Trustees Berhad (“OSKT”) by TCL Nominees (Tempatan) Sdn. Bhd. and KE-ZAN Nominees (Tempatan) Sdn. Bhd. to OSK Nominees (Asing) Sdn. Berhad. (“OSKNA”) and OSK Futures And Options Sdn. Bhd. (“OSKFO”) respectively

On 20 January 2010, the Group completed the Transfer and the shareholding in OSKT is held equally by the following companies within the OSK Group:-

- (i) the Company;
- (ii) OSK Investment Bank Berhad ("OSKIB"), a wholly-owned subsidiary bank of the Company;
- (iii) OSK Nominees (Tempatan) Sdn. Berhad;
- (iv) OSK Nominees (Asing) Sdn. Berhad; and
- (v) OSK Futures And Options Sdn. Bhd.

- (b) Subscription of shares by OSKIB in OSK Indochina Bank Limited ("OSKIBL")

On 11 February 2010, OSKIB increased its investment in a wholly-owned Cambodian banking subsidiary, OSKIBL, by the subscription of additional USD12.25 million (equivalent to RM42.115 million) of registered capital of OSKIBL for business expansion. The issued and paid-up share capital of OSKIBL has been increased to RM127.377 million from RM85.262 million.

- (c) Incorporation of OSK Indochina Securities Limited ("OSKISL")

On 17 February 2010, OSK Indochina Bank Limited ("OSKIBL"), a wholly-owned subsidiary company of OSKIB, has incorporated a wholly-owned subsidiary company, OSKISL, to undertake stockbroking, corporate finance, underwriting, placement and other related activities in Cambodia. OSKISL was incorporated with an issued and paid-up share capital of USD10,000,000 divided into 10,000,000 ordinary shares of USD1.00 each.

- (d) Subscription of SGD\$500,000 ordinary shares in OSK International Asset Management Pte Ltd ("OSKIAML") by OSK International Investments Pte Ltd ("OSKIIL")

On 22 March 2010, the issued and paid-up share capital of OSKIAML increased from SGD\$1,500,000 to SGD\$2,000,000. OSKIIL, a wholly-owned subsidiary of OSKIB, subscribed for SGD\$500,000 new ordinary shares in OSKIAML for additional working capital purpose.

- (e) Subscription of 30,000,000 ordinary shares of RM1.00 each in OSKIB

On 7 May 2010, the Company subscribed for 30,000,000 new ordinary shares of RM1 each in OSKIB for a cash consideration of RM30 million. The issued and paid-up share capital increased from 630,000,000 to 660,000,000 of RM1.00 each.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010****A22. Changes in the composition of the Group (Cont'd.)**

- (f) Subscription of 2,500,000 shares of RM1.00 each in OSK International Asset Management Sdn. Bhd. ("OSKIAM") by OSKIB

On 7 May 2010, OSKIB subscribed for 2,500,000 new ordinary shares of RM1.00 each in OSKIAM, a wholly-owned subsidiary of OSKIB, for a cash consideration of RM2,500,000. The issued and paid-up share capital increased from 4,500,000 to 7,000,000 of RM1.00 each.

- (g) Subscription of 3,000,000 ordinary shares of RM1.00 each in OSK Realty Sdn Bhd ("OSKR")

On 20 May 2010, the Company subscribed for 3,000,000 new ordinary shares of RM1.00 each in OSKR, a wholly-owned subsidiary company of the Company, for a cash consideration of RM3 million. The issued and paid-up share capital increased from 30,000,000 to 33,000,000 of RM1.00 each.

- (h) Subscription of 18,000,000 ordinary shares of RM1.00 each in OSK Capital Sdn Bhd ("OSKC")

On 25 May 2010, the Company subscribed for 18 million new ordinary shares of RM1 each in OSKC, a wholly-owned subsidiary company of the Company, for a cash consideration of RM18 million. The issued and paid-up share capital increased from 52,000,000 to 70,000,000 of RM1.00 each.

- (i) Subscription of 1,500,000 ordinary shares of RM1.00 each in OSK Trustees Berhad ("OSKT")

On 20 May 2010, the Company together with four wholly-owned subsidiary companies, OSKIB, OSKNT, OSKNA and OSKFO respectively subscribed for 300,000 new ordinary shares of RM10 each of which RM5 were partly paid-up each in OSKT, a wholly owned subsidiary company of the Group, for its working capital purposes.

- (j) Subscription of 6,999,993 shares of RM1.00 each in OSK-UOB Islamic Fund Management Berhad ("OUIFM") by OSK-UOB Unit Trust Management Berhad ("OUTM")

On 10 June 2010, the authorised share capital of OUIFM, a 70%-owned subsidiary company of OUTM, has increased from 100,000 to 10,000,000 of RM1.00 each; and the issued and paid-up share capital also increased from 10 to 10,000,000 of RM1.00 each. OUTM, a 70%-owned subsidiary of OSKIB, subscribed for 6,999,993 ordinary shares of RM1.00 each, representing 70% of the issued and paid-up capital of OUIFM for a total consideration of RM6,999,993.

- (k) Acquisition of 3,000,000 ordinary shares of HK\$1.00 each in OSK Holdings Hong Kong Limited ("OSKHhk") by OSK Investment Bank Berhad ("OSKIB") from Mr. Kenneth Or Wai Hung

On 17 June 2010, OSKIB entered into a Share Sale and Purchase Agreement with Mr. Kenneth Or Wai Hung to acquire 3,000,000 ordinary shares of HK\$1.00 each ("OSKHk Shares"), representing 1.69% of the total issued and paid-up share capital of OSKHhk, for a total purchase consideration of HK\$3,000,000 (equivalent to approximately RM1.28 million) in cash.

Subsequent thereto, the equity interest held by OSKIB in OSKHhk has increased from 162 million OSKHhk Shares to 165 million OSKHhk Shares or representing 92.7% from 91.01% of the total issued and paid-up share capital in OSKHhk.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A23. Commitments and contingencies**

Please refer to Appendix II.

**A24. Interest/profit rate risk**

Please refer to Appendix III.

**A25. Capital Adequacy**

The capital base and risk weighted assets ("RWA"), as set out below are disclosed in accordance with Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia.

The Group and Company are not required to maintain any capital adequacy ratio requirements. The capital adequacy ratios of the investment banking subsidiary, OSK Investment Bank Berhad ("OSKIB"), and OSKIB group are as follows:

**(a) Risk weighted capital ratios and Tier I and Tier II capital**

**(i) The capital adequacy ratios and capital base of OSKIB Group and OSKIB are as follows:**

	OSKIB Group		OSKIB <sup>^</sup>	
	As at 30.6.2010	As at 31.12.2009	As at 30.6.2010	As at 31.12.2009
<b>Before deducting proposed dividends:</b>				
Core capital ratio	<b>27.17%</b>	27.85%	<b>27.19%</b>	22.58%
Risk weighted capital ratio	<b>34.52%</b>	30.56%	<b>27.19%</b>	22.58%
<b>After deducting proposed dividends:</b>				
Core capital ratio	<b>27.17%</b>	26.97%	<b>27.19%</b>	21.21%
Risk weighted capital ratio	<b>34.52%</b>	29.68%	<b>27.19%</b>	21.21%

<sup>^</sup> In accordance with Section 7.3 of Guidelines on Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia, if deduction from Total Capital (i.e investment in subsidiary companies at OSKIB level) is more than eligible Tier 2 capital, the core capital ratio will be equal to the risk-weighted capital ratio.



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A25. Capital Adequacy (Cont'd)**

**(a) Risk weighted capital ratios and Tier I and Tier II capital (Cont'd)**

**(i) The capital adequacy ratios and capital base of OSKIB Group and OSKIB are as follows: (Cont'd)**

	OSKIB Group		OSKIB	
	As at	As at	As at	As at
	30.6.2010	31.12.2009	30.6.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Issued and fully paid share capital	<b>660,000</b>	630,000	<b>660,000</b>	630,000
Retained profits - Audited	<b>139,431</b>	153,275	<b>52,569</b>	69,774
Retained profits - Adoption of FRS 139	<b>(3,205)</b>	-	<b>(3,205)</b>	-
Statutory reserve	<b>224,311</b>	206,078	<b>224,311</b>	206,078
Tier 1 minority interests	<b>225,771</b>	225,185	-	-
	<b>1,246,308</b>	1,214,538	<b>933,675</b>	905,852
Less: Goodwill	<b>(98,499)</b>	(99,959)	<b>(46,516)</b>	(46,516)
Deferred tax assets	<b>(1,923)</b>	(2,860)	-	(1,041)
<b>Tier I capital</b>	<b>1,145,886</b>	1,111,719	<b>887,159</b>	858,295
Collective assessment allowance	<b>9,707</b>	-	<b>8,955</b>	-
General allowance	-	8,179	-	7,630
Maximum allowance subordinated debt capital	<b>300,000</b>	100,000	<b>300,000</b>	100,000
<b>Tier II capital</b>	<b>309,707</b>	108,179	<b>308,955</b>	107,630
Total capital	<b>1,455,593</b>	1,219,898	<b>1,196,114</b>	965,925
Less: Investments in subsidiary companies	-	-	<b>(428,066)</b>	(381,907)
<b>Capital base</b>	<b>1,455,593</b>	1,219,898	<b>768,048</b>	584,018

The capital adequacy ratios of OSKIB Group consist of capital base and RWA derived from consolidated balances of OSKIB and its subsidiary companies. The capital adequacy ratios of OSKIB consist of capital base and RWA derived from OSKIB.

The capital adequacy ratios of OSKIB Group and OSKIB are computed in accordance with RWCAF-Basel II. OSKIB Group and OSKIB 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 8.0% (2009: 8.0%) for the risk weighted capital ratio.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A25. Capital Adequacy (Cont'd)**

**(a) Risk weighted capital ratios and Tier I and Tier II capital (Cont'd)**

**(ii) The capital adequacy ratios and capital base of the wholly owned Cambodia banking subsidiary of OSKIB, OSK Indochina Bank Limited ("OSKIBL"), are as follows:**

	<b>OSKIBL</b>	
	<b>As at</b>	<b>As at</b>
	<b>30.6.2010</b>	<b>31.12.2009</b>
<b>Before deducting proposed dividends:</b>		
Core capital ratio	#	#
Solvency ratio	<b>53.94%</b>	69.31%
<b>After deducting proposed dividends:</b>		
Core capital ratio	#	#
Solvency ratio	<b>53.94%</b>	69.31%

The Solvency Ratio of OSKIBL is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. These ratios are derived as OSKIBL's net worth divided by its risk-weighted assets and off balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15.0%.

# No equivalent ratio in Cambodia.

**(iii) The capital adequacy ratios and capital base of the wholly owned subsidiary of OSKH, OSK Investment Bank (Labuan) Limited ("OSKL"), are as follows:**

	<b>OSKL</b>	
	<b>As at</b>	<b>As at</b>
	<b>30.6.2010</b>	<b>31.12.2009</b>
<b>Before deducting proposed dividends:</b>		
Core capital ratio	<b>173.70%</b>	179.00%
Risk weighted capital ratio	<b>173.70%</b>	179.00%
<b>After deducting proposed dividends:</b>		
Core capital ratio	<b>173.70%</b>	179.00%
Risk weighted capital ratio	<b>173.70%</b>	179.00%

The capital adequacy ratios of OSKL for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Offshore Financial Services Authority (LOFSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier 1 capital ratio and risk-weighted capital ratio respectively.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk**
**As at 30.6.2010**
**OSKIB Group**

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
<b>(i) Credit risk</b>				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,091,800	1,091,800	-	-
Banks, development financial institutions and multilateral development banks	3,134,253	3,134,253	775,145	62,012
Insurance companies, securities firms and fund managers	207,927	207,927	41,585	3,327
Corporates	2,046,233	1,434,180	912,248	72,979
Other assets	268,027	268,027	268,027	21,442
<b>Total on balance sheet exposures</b>	<b>6,748,240</b>	<b>6,136,187</b>	<b>1,997,005</b>	<b>159,760</b>
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	244,345	244,345	52,589	4,207
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	161,657	161,657	135,657	10,853
Defaulted exposures	-	-	-	-
<b>Total off balance sheet exposures</b>	<b>406,002</b>	<b>406,002</b>	<b>188,246</b>	<b>15,060</b>
<b>Total on and off balance sheet exposures</b>	<b>7,154,242</b>	<b>6,542,189</b>	<b>2,185,251</b>	<b>174,820</b>
<b>(ii) Large exposures risk requirement</b>	<b>1,907</b>	<b>1,907</b>	<b>1,907</b>	<b>-</b>
<b>(iii) Market risk</b>	<b>Long Position</b>	<b>Short Position</b>		
Interest rate risk	415,289	210,000	87,566	7,005
Foreign currency risk	881,267	-	881,265	70,501
Equity risk	8,502	-	22,502	1,800
Option risk	85,617	-	35,801	2,864
<b>Total</b>	<b>1,390,675</b>	<b>210,000</b>	<b>1,027,134</b>	<b>82,170</b>
<b>(iv) Operational risk</b>			<b>1,002,612</b>	<b>80,209</b>
<b>(v) Total RWA and capital requirements</b>			<b>4,216,904</b>	<b>337,199</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)**
**As at 30.6.2010**

<b>OSKIB</b>	<b>Gross</b>	<b>Net</b>	<b>Risk-</b>	<b>Capital</b>
<b>Exposure Class</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Weights</b>	<b>Require</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Assets</b>	<b>-ments</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>(i) Credit risk</b>				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,004,889	1,004,889	-	-
Banks, development financial institutions and multilateral development banks	2,535,889	2,535,889	656,643	52,531
Insurance companies, securities firms and fund managers	207,927	207,927	41,585	3,327
Corporates	1,751,407	1,355,891	833,958	66,717
Other assets	197,140	197,140	197,140	15,771
<b>Total on balance sheet exposures</b>	<b>5,697,252</b>	<b>5,301,736</b>	<b>1,729,326</b>	<b>138,346</b>
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	244,345	244,345	52,589	4,207
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	142,494	142,494	116,494	9,320
Defaulted exposures	-	-	-	-
<b>Total off balance sheet exposures</b>	<b>386,839</b>	<b>386,839</b>	<b>169,083</b>	<b>13,527</b>
<b>Total on and off balance sheet exposures</b>	<b>6,084,091</b>	<b>5,688,575</b>	<b>1,898,409</b>	<b>151,873</b>
<b>(ii) Large exposures risk requirement</b>	<b>1,907</b>	<b>1,907</b>	<b>1,907</b>	<b>-</b>
<b>(iii) Market risk</b>	<b>Long</b>	<b>Short</b>		
	<b>Position</b>	<b>Position</b>		
Interest rate risk	415,289	210,000	87,562	7,005
Foreign currency risk	203,634	(18)	203,637	16,291
Equity risk	3,162	-	8,562	685
Option risk	85,617	-	35,800	2,864
<b>Total</b>	<b>707,702</b>	<b>209,982</b>	<b>335,561</b>	<b>26,845</b>
<b>(iv) Operational risk</b>			<b>588,673</b>	<b>47,094</b>
<b>(v) Total RWA and capital requirements</b>			<b>2,824,550</b>	<b>225,812</b>

OSKIB Group and OSKIB do not have any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(c) Credit risk exposures by risk weights**
**As at 30.6.2010**
**OSKIB Group**

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Develop- ment Financial Institutions & Multi- lateral Develop- ment Banks RM'000	Insurance Compa- nies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000		
0%	1,091,800	5,905	-	2,945	-	1,100,650	-	
20%	-	2,955,552	222,196	702,160	-	3,879,908	775,981	
35%	-	-	-	-	-	-	-	
50%	-	325,806	12,399	125,937	-	464,142	232,071	
75%	-	-	-	-	-	-	-	
100%	-	64,667	-	605,376	268,027	938,070	938,070	
150%	-	-	-	159,419	-	159,419	239,129	
<b>Total</b>	<b>1,091,800</b>	<b>3,351,930</b>	<b>234,595</b>	<b>1,595,837</b>	<b>268,027</b>	<b>6,542,189</b>	<b>2,185,251</b>	
Risk weighted assets by exposures	-	818,680	50,639	1,047,904	268,027	2,185,251		
Average risk weight	0%	24%	22%	66%	100%	33%		
Deduction from capital base	-	-	-	-	-	-		

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(c) Credit risk exposures by risk weights (Contd.)**
**As at 30.6.2010**
**OSKIB**

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Develop- ment Financial Institutions & Multi- lateral Develop- ment Banks RM'000	Insurance Compa- nies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000		
0%	1,004,889	52	-	2,945	-	1,007,886	-	
20%	-	2,363,041	222,196	702,160	-	3,287,397	657,479	
35%	-	-	-	-	-	-	-	
50%	-	325,806	12,399	125,937	-	464,142	232,071	
75%	-	-	-	-	-	-	-	
100%	-	64,667	-	507,924	197,140	769,731	769,731	
150%	-	-	-	159,419	-	159,419	239,128	
<b>Total</b>	<b>1,004,889</b>	<b>2,753,566</b>	<b>234,595</b>	<b>1,498,385</b>	<b>197,140</b>	<b>5,688,575</b>	<b>1,898,409</b>	
Risk weighted assets by exposures	-	700,178	50,639	950,452	197,140	1,898,409		
Average risk weight	0%	25%	22%	63%	100%	33%		
Deduction from capital base	-	-	-	-	-	-		

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(d) Off balance sheet exposures and counterparty credit risk**
**As at 30.6.2010**
**OSKIB Group**

<b>Description</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Assets RM'000</b>
Obligations under an on-going underwriting agreements	85,616	-	42,808	16,808
Foreign exchange related contracts One year or less	383,790	19,281	158,148	31,630
Interest/profit rate related contracts Over one year to five years	759,614	11,433	59,530	11,906
Equity related contracts One year or less	286	14,939	286	286
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	148,389	17,881	26,667	9,053
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	237,125	-	118,563	118,563
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	1,228,344	-	-	-
<b>Total</b>	<b>2,843,164</b>	<b>63,534</b>	<b>406,002</b>	<b>188,246</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(d) Off balance sheet exposures and counterparty credit risk (Contd.)**
**As at 30.6.2010**
**OSKIB**

<b>Description</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Assets RM'000</b>
Obligations under an on-going underwriting agreements	85,616	██████████	42,808	16,808
Foreign exchange related contracts One year or less	383,790	19,281	158,148	31,630
Interest/profit rate related contracts Over one year to five years	759,614	11,433	59,530	11,906
Equity related contracts One year or less	286	14,909	286	286
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	148,389	17,881	26,667	9,053
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	198,800	██████████	99,400	99,400
Other commitments, such as formal standby  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 a borrower's creditworthiness	363,440	██████████	-	-
<b>Total</b>	<b>1,939,935</b>	<b>63,504</b>	<b>386,839</b>	<b>169,083</b>



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A25. Capital Adequacy (Cont'd)**
**(e) Risk weighted assets and capital requirements for variances categories of risk under Market Risk**

	<b>OSKIB Group</b>		<b>OSKIB</b>	
	<b>As at 30.6.2010 RM'000</b>	<b>As at 31.12.2009 RM'000</b>	<b>As at 30.6.2010 RM'000</b>	<b>As at 31.12.2009 RM'000</b>
Interest rate risk				
- General interest rate risk	<b>4,251</b>	4,460	<b>4,251</b>	3,320
- Specific interest rate risk	<b>2,754</b>	2,979	<b>2,754</b>	2,979
	<b>7,005</b>	7,439	<b>7,005</b>	6,299
Equity position risk				
- General risk	<b>680</b>	1,297	<b>253</b>	439
- Specific risk	<b>1,120</b>	1,989	<b>432</b>	658
	<b>1,800</b>	3,286	<b>685</b>	1,097
Foreign exchange risk	<b>70,501</b>	55,017	<b>16,291</b>	23,267
Option risk	<b>2,864</b>	2,296	<b>2,864</b>	2,296
	<b>82,170</b>	68,038	<b>26,845</b>	32,959

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. Islamic banking operations of OSK Investment Bank Berhad**

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**

	Note	<b>OSKIB As at 30.6.2010 RM'000</b>	<b>OSKIB As at 31.12.2009 RM'000</b>
<b>ASSETS</b>			
Cash and short term funds		<b>147,303</b>	174,834
Securities held-to-maturity	A26(a)	<b>249,614</b>	283,836
Securities available-for-sale	A26(b)	<b>551,593</b>	372,835
Other assets	A26(c)	<b>3,611</b>	2,995
Equipment		<b>21</b>	20
Intangible assets		<b>144</b>	-
<b>TOTAL ASSETS</b>		<b>952,286</b>	<b>834,520</b>
<b>LIABILITIES</b>			
Deposits from customers	A26(d)	<b>889,835</b>	775,823
Other liabilities	A26(e)	<b>4,033</b>	2,965
Tax payable		<b>2,044</b>	1,361
Deferred tax liabilities		<b>73</b>	81
<b>TOTAL LIABILITIES</b>		<b>895,985</b>	<b>780,230</b>
<b>ISLAMIC BANKING FUNDS</b>			
Islamic banking funds		<b>50,000</b>	50,000
Reserves		<b>6,301</b>	4,290
<b>TOTAL ISLAMIC BANKING FUNDS</b>		<b>56,301</b>	<b>54,290</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>952,286</b>	<b>834,520</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A26. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)**
**UNAUDITED CONDENSED INCOME STATEMENTS**

	<b>OSKIB Current quarter ended 30.6.2010 RM'000</b>	<b>OSKIB Comparative quarter ended 30.6.2009 RM'000</b>	<b>OSKIB Current date ended 30.6.2010 RM'000</b>	<b>OSKIB Preceding year to date ended 30.6.2009 RM'000</b>
Income derived from investment of depositors' funds and others	<b>6,187</b>	3,607	<b>12,581</b>	8,653
Transfer to profit equalisation reserve	<b>(141)</b>	(4)	<b>(177)</b>	(264)
<b>Gross and total attributable income</b>	<b>6,046</b>	3,603	<b>12,404</b>	8,389
Income attributable to the depositors	<b>(4,693)</b>	(2,957)	<b>(9,284)</b>	(6,105)
<b>Income attributable to OSKIB</b>	<b>1,353</b>	646	<b>3,120</b>	2,284
(Loss)/Income derived from investment of Islamic banking funds	<b>(6)</b>	-	<b>116</b>	-
<b>Total net income</b>	<b>1,347</b>	646	<b>3,236</b>	2,284
Other operating expenses	<b>(345)</b>	(305)	<b>(517)</b>	(529)
<b>Profit before tax</b>	<b>1,002</b>	341	<b>2,719</b>	1,755
Income tax expense	<b>(256)</b>	(86)	<b>(683)</b>	(439)
<b>Profit after tax for the period</b>	<b>746</b>	255	<b>2,036</b>	1,316

For amalgamation with the conventional operations, net income from Islamic banking scheme comprises the following items:

Income derived from investments :				
of depositors' funds and others	<b>6,187</b>	3,607	<b>12,581</b>	8,653
of Islamic banking capital funds	<b>(6)</b>	-	<b>116</b>	-
Income attributable to the depositors	<b>(4,693)</b>	(2,957)	<b>(9,284)</b>	(6,105)
Transfer to profit equalisation reserve	<b>(141)</b>	(4)	<b>(177)</b>	(264)
Net income from Islamic banking operations reported in Group-wide income statement	<b>1,347</b>	646	<b>3,236</b>	2,284

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)**

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Current quarter ended 30.6.2010 RM'000</b>	Comparative quarter ended 30.6.2009 RM'000	<b>Current year to ended 30.6.2010 RM'000</b>	Preceding year to date ended 30.6.2009 RM'000
<b>Profit after tax for the period</b>	<b>746</b>	255	<b>2,036</b>	1,316
<b>Other comprehensive gain</b>				
Unrealised net gain on revaluation of securities available-for-sale	<b>411</b>	218	<b>16</b>	218
Income tax relating to components of other comprehensive gain	<b>(101)</b>	(54)	<b>(4)</b>	(54)
<b>Other comprehensive loss for the period, net of tax</b>	<b>310</b>	164	<b>12</b>	164
<b>Total comprehensive income for the period, net of tax</b>	<b>1,056</b>	419	<b>2,048</b>	1,480
Total comprehensive income attributable to owner of OSKIB	<b>1,056</b>	419	<b>2,048</b>	1,480

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)**

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN ISLAMIC BANKING FUND**

	<b>Islamic Banking Fund</b>	<b>Available- for-sale reserve</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>As at 1.1.2010</b>	50,000	244	4,046	54,290
As previously reported				
Adoption of FRS 139	-	(37)	-	(37)
As restated	50,000	207	4,046	54,253
Total comprehensive income	-	12	2,036	2,048
<b>As at 30.6.2010</b>	<b>50,000</b>	<b>219</b>	<b>6,082</b>	<b>56,301</b>
<b>As at 1.1.2009</b>	50,000	-	702	50,702
Total comprehensive income	-	164	1,316	1,480
<b>As at 30.6.2009</b>	<b>50,000</b>	<b>164</b>	<b>2,018</b>	<b>52,182</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)**

	<b>OSKIB</b>	<b>OSKIB</b>
	<b>As at</b>	<b>As at</b>
	<b>30.6.2010</b>	<b>31.12.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Securities held-to-maturity</b>		
<b>At amortised cost</b>		
Money market instruments:		
Islamic accepted bills	-	12,410
Cagamas bonds	<b>5,048</b>	5,059
Malaysian Government Investment Issues	<b>155,592</b>	155,831
	<b>160,640</b>	173,300
Unquoted securities:		
Islamic private debt securities	<b>88,974</b>	110,536
	<b>249,614</b>	283,836
<b>(b) Securities available-for-sale</b>		
<b>At fair value</b>		
Money market instruments:		
Islamic accepted bills	<b>132,830</b>	197,145
Malaysian Government Investment Issues	<b>25,244</b>	-
Negotiable instruments of deposits	<b>259,537</b>	99,907
	<b>417,611</b>	297,052
Unquoted securities:		
Islamic private debt securities	<b>133,982</b>	75,783
	<b>551,593</b>	372,835
<b>(c) Other assets</b>		
Income receivable	<b>3,607</b>	2,995
Prepayments	<b>4</b>	-
	<b>3,611</b>	2,995

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)**

	<b>OSKIB</b> As at <b>30.6.2010</b> <b>RM'000</b>	<b>OSKIB</b> As at 31.12.2009 <b>RM'000</b>
<b>(d) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Commodity Murabahah deposits	57,844	-
Mudharabah general deposits	831,991	775,823
	<b>889,835</b>	<b>775,823</b>
<b>(ii) By type of customer</b>		
Local government and statutory bodies	408,409	292,396
Domestic non-bank financial institutions	237,876	361,644
Business enterprises	185,706	121,783
Foreign business enterprises	57,844	-
	<b>889,835</b>	<b>775,823</b>
<b>(iii) By maturity structure</b>	<b>784,391</b>	<b>740,538</b>
Up to 3 months	105,444	35,285
3-12 months	<b>889,835</b>	<b>775,823</b>
<b>(e) Other liabilities</b>		
Income payable	2,556	1,951
Profit equalisation reserve	936	759
Other payable and accruals	541	255
	<b>4,033</b>	<b>2,965</b>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. (f) Capital adequacy of Islamic banking operations**

The capital base and risk weighted assets, as set out below are disclosed in accordance with Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia.

**Risk weighted capital ratios and tier I and tier II capital**

The capital adequacy ratios and capital base are as follows:

	<b>As at 30.6.2010</b>	As at 31.12.2009
<b>Before deducting proposed dividends:</b>		
Core capital ratio	<b>44.21%</b>	53.94%
Risk-weighted capital ratio	<b>44.21%</b>	53.94%
<b>After deducting proposed dividends:</b>		
Core capital ratio	<b>44.21%</b>	53.94%
Risk-weighted capital ratio	<b>44.21%</b>	53.94%
	<b>RM'000</b>	RM'000
Islamic banking funds	<b>50,000</b>	50,000
Retained profits - Audited	<b>6,082</b>	4,046
	<b>56,082</b>	54,046

OSKIB is the only entity in the Group that has Islamic banking operations. The capital adequacy ratios of the Islamic banking operations of OSKIB consist of capital base and risk weighted amounts derived from OSKIB.

The capital adequacy ratios of the Islamic banking operations of OSKIB is computed in accordance with RWCAF-Basel II. The Islamic banking operations of OSKIB has 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 8.0% (2009: 8.0%) for the risk weighted capital ratio.



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A26. (f) Capital adequacy of Islamic banking operations (Cont'd.)**
**(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk**
**As at 30.6.2010**

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
<b>(a) Credit risk</b>				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	380,814	380,814	-	-
Banks, development financial institutions and multilateral development banks	402,399	402,399	80,480	6,439
Insurance companies, securities firms and fund managers	-	-	-	-
Corporates	169,048	169,048	36,689	2,935
Other assets	31	31	31	2
<b>Total on balance sheet exposures</b>	<b>952,292</b>	<b>952,292</b>	<b>117,200</b>	<b>9,376</b>
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-
Defaulted exposures	-	-	-	-
<b>Total off balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off balance sheet exposures:</b>	<b>952,292</b>	<b>952,292</b>	<b>117,200</b>	<b>9,376</b>
<b>(b) Large exposures risk requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(c) Market risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(d) Operational risk</b>			<b>9,648</b>	<b>772</b>
<b>(e) Total RWA and capital requirements</b>			<b>126,848</b>	<b>10,148</b>

The Islamic banking operations of OSKIB does not has any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. (f) Capital adequacy of Islamic banking operations (Cont'd.)**

**(iii) Credit risk exposures risk weights**

As at 30.6.2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions & Multi-lateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000		
0%	380,814	-	-	-	-	-	380,814	-
20%	-	402,398	-	165,450	-	-	567,848	113,570
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
100%	-	-	-	3,599	31	-	3,630	3,630
150%	-	-	-	-	-	-	-	-
<b>Total</b>	<b>380,814</b>	<b>402,398</b>	<b>-</b>	<b>169,049</b>	<b>31</b>	<b>-</b>	<b>952,292</b>	<b>117,200</b>
Risk weighted assets by exposures	-	80,480	-	36,689	31	-	117,200	
Average risk weight	0%	20%	0%	22%	100%	-	12%	
Deduction from capital base	-	-	-	-	-	-	-	

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**A26. (f) Capital adequacy of Islamic banking operations (Cont'd.)**

**(iv) Off balance sheet exposures and counterparty credit risk**

As at balance sheet date, the Islamic banking operations of OSKIB do not have any off balance sheet exposures and their related counterparty credit risk.

**(v) Risk weighted assets and capital requirements for variances categories of risk under Market Risk**

	<b>As at 30.6.2010 RM'000</b>	<b>As at 31.12.2009 RM'000</b>
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Equity position risk		
- General risk	-	-
- Specific risk	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Foreign exchange risk	-	-
Option risk	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**PART B - Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A, of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")**

**B1. Performance review of the Company and its principal subsidiary companies for the current quarter and year to date**

Overall Performance

The Group's profit before tax ("PBT") of RM82.09 million for the six months ended 30 June 2010 ("6M10") increased by 15% or RM10.81 million as compared to the six months ended 30 June 2009 ("6M09") of RM71.28 million. The profit after tax of the Company of RM58.67 million for 6M10 represented a growth of 23% Y-o-Y from RM47.88 million in 6M09. The Group's results have factored in impairment losses on private debt securities amounting to RM26.40 million. The Group also registered a 29% increase in revenue to RM457.54 million compared to RM354.62 million in the previous corresponding period. The improvement in financial performance was mainly due to improved earnings from investment banking activities.

The Principal Subsidiaries' Performance

OSK Investment Bank Berhad ("OSKIB"), the wholly-owned subsidiary of the Company is the main contributor accounting for 47% of the Group's PBT; followed by Singapore subsidiary, DMG & Partners Securities Pte. Ltd. 34%, Malaysian unit trust fund manager, OSK-UOB Unit Trust Management Berhad 10%. The balance PBT of 9% mainly contributed by Indonesian and Cambodian subsidiaries.

Business Segments Performance

Investment Banking which consists mainly of Treasury, Corporate Advisory, Capital Market and Derivative Structured Products contributed RM39.45 million or 48% of the Group's PBT for 6M10 as compared to RM18.43 million or 26% in last year's corresponding period.

Loan, Advances and Financing reported improved earnings which contributed about RM22.83 million or 28% of the Group's PBT. Equities & Futures broking recorded RM15.96 million or 19% of the Group's PBT.

Geographical Segments Performance

Total PBT contribution from overseas businesses to the Group increased by 92% or RM12.40 million to RM25.81 million for 6M10 from RM13.41 million in 6M09, representing 31% of the Group's PBT (6M09: 19%).

The Group's Singapore operations increased its PBT contribution in 6M10 by 40% to RM27.35 million from RM19.47 million in 6M09. OSK Indochina Bank Ltd, which commenced business operations on 10 October 2008 contributed a PBT of RM234,000 and the Indonesian subsidiary contributed a PBT of RM1.88 million for the 6M10.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B2. Material change in quarterly profit before taxation for the current quarter compared with the immediate preceding quarter**

The Group recorded a PBT of RM23.90 million for 2Q10, compared to RM58.19 million registered in the immediate preceding quarter.

**B3. Current year prospects and progress on previously announced revenue or profit forecast**

**(a) Current year prospects**

*(Commentary on the rest of year)*

We remain cautiously optimistic that our economy will continue to sustain its recovery path, albeit at a more moderate pace in the later part of 2010. Domestic demand is expected to be the main impetus for growth while uncertainties in the external environment lingers. We will continue to evaluate the risks and opportunities in light of the recent hints of stability in financial markets as the global economy recovers moderately.

The Board expects the Group's results to remain satisfactory for the rest of 2010.

**(b) Progress and steps to achieve revenue or profit estimate, forecast, projection and internal targets previously announced**

There was no revenue or profit forecast announced by the Company.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B4. Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced**

There was no revenue or profit forecast announced by the Company.

**B5. Profit forecast / profit guarantee**

There was no profit forecast or profit guarantee issued by the Company.

**B6. Income tax expense**

	Current quarter ended 30.6.2010 RM'000	Current year to date ended 30.6.2010 RM'000
In respect of the current quarter / year to date		
- Malaysian income tax	2,643	16,589
- Foreign income tax	3,491	6,906
	<u>6,134</u>	<u>23,495</u>
In respect of the prior year		
- Malaysian income tax	-	11
- Foreign income tax	247	122
Deferred taxation		
- Deferred tax assets	(267)	537
- Deferred tax liabilities	(836)	(749)
Deferred taxation	<u>(1,103)</u>	<u>(212)</u>
	<u><u>5,278</u></u>	<u><u>23,416</u></u>

The effective tax rate for current year to date 2010 is higher than the statutory tax rate of 25% mainly due to the unavailability of group relief for losses incurred by subsidiary companies and the non-deductibility of certain expenses.

**B7. Sales of unquoted investments and / or properties**

There were no sales of unquoted investments during the period under review. There were no sales of properties during the period under review.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B8. Purchase or disposal of quoted securities**

Particulars of purchase and disposal of quoted securities by the Group are as follows:

- (a) Total purchase consideration, sale proceeds and profits results arising there from (except for the subsidiary companies engaged in stockbroking and investment banking which have been exempted from this disclosure):

	<b>Current quarter ended 30.6.2010 RM'000</b>	<b>Current year to date ended 30.6.2010 RM'000</b>
Total purchase consideration	<u>26,295</u>	<u>48,879</u>
Total sale proceeds	<u>23,548</u>	<u>50,486</u>
Net gain on disposals	<u>373</u>	<u>88</u>

- (b) Investments in quoted securities as at 30 June 2010 (except for the subsidiary companies engaged in stockbroking and investment banking which have been exempted from this disclosure):

	<b>RM'000</b>
Quoted shares at cost:	
In Malaysia	15,802
Outside Malaysia	<u>8,581</u>
	<u>24,383</u>
Fair value adjustments	<u>(3,291)</u>
	<u><u>21,092</u></u>
Market value of quoted shares:	
In Malaysia	12,979
Outside Malaysia	<u>8,113</u>
	<u><u>21,092</u></u>

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B9. Status of corporate proposals and utilisation of proceeds**

**(a) Status of corporate proposals announced but not completed as at 20 August 2010 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report)**

**(i) Members' Voluntary Winding Up of Beneficial Services Berhad ("BSB")**

On 23 January 2009, BSB, a wholly-owned subsidiary company of the Group, has initiated a Members' Voluntary Winding Up pursuant to Section 254(1)(b) of Companies Act, 1965 ("the Act") and that Mr. Chin Kim Chung and Mr. Roy Thean Chong of Rusell Bedford Malaysia Business Advisory Sdn. Bhd. of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed as the Joint and Several Liquidators of BSB pursuant to Section 258(1) of the Act.

BSB was incorporated on 30 March 2004 with an issued share capital of RM1.0 million comprising of 100,000 ordinary shares of RM10.00 each and partly paid up to RM5.00 each.

The winding up of BSB will not have any impact on the earnings and net assets of the Group.

On 8 June 2009, the Liquidators of BSB made a first interim return of surplus of assets of RM400,000 to the shareholders of BSB, RM4.00 per ordinary share of RM10 each.

The above exercise is expected to be completed in the third quarter of 2010.

**(ii) Members' Voluntary Winding Up of KPEN Sdn. Bhd. ("KPEN") and K.E. Malaysian Capital Partners Sdn. Bhd. ("KEMCP")**

On 25 September 2009, KPEN and KEMCP, both wholly-owned subsidiary companies of KE-ZAN Holdings Berhad, which is in turn a wholly-owned subsidiary of the Company, had commenced Members' Voluntary Winding-Up pursuant to Section 254(1)(b) of the Companies Act, 1965 ("the Act") and that Mr. Chin Kim Chung and Mr. Yap Yue Loong of Russell Bedford Malaysia Business Advisory Sdn Bhd of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed to act as the Joint and Several Liquidators pursuant to Section 258(1) of the Act.

KPEN and KEMCP had ceased business operations in year 2001 and had since remained dormant. The winding up of KPEN and KEMCP are not expected to have any material impact on the earnings and net assets of the Group.



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B9. Status of corporate proposals and utilisation of proceeds (Cont'd)**

**(a) Status of corporate proposals announced but not completed as at 20 August 2010 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report) (Cont'd.)**

(ii) Members' Voluntary Winding Up of KPEN Sdn. Bhd. ("KPEN") and K.E. Malaysian Capital Partners Sdn. Bhd. ("KEMCP") (Cont'd)

KPEN was incorporated on 14 September 1982 with an issued share capital of RM100.75 million comprising of 100.75 million ordinary shares of RM1.00 each and the principal activities were stockbroking and related activities but it had been dormant since it surrendered its stockbroking licence on 28 May 2001. KEMCP was incorporated on 29 July 1999 with an issued share capital of RM1,200,000 divided into 500,000 ordinary shares of RM1.00 each and 700,000 5% convertible cumulative preference shares of RM1.00 each and the principal activities were provision of investment advisory services but it is presently dormant.

The winding up of KPEN and KEMCP will not have any impact on the earnings and net assets of the Group.

The above exercise is expected to be completed in the third quarter of year 2010.

(iii) Members' Voluntary Winding Up of OSK Wealth Planners Sdn. Bhd. ("OSKWP")

On 29 January 2010, OSKWP commenced Members' Voluntary Winding Up pursuant to Section 254(1)(b) of Companies Act, 1965 ("the Act") and that Mr. Chin Kim Chung and Mr. Roy Thean Chong of Russell Bedford Malaysia Business Advisory Sdn. Bhd. of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed as the Joint and Several Liquidators pursuant to Section 258(1) of the Act. OSKWP is a wholly-owned subsidiary company of OSK-UOB Unit Trust Management Berhad which in turn is a 70%-owned subsidiary of OSK Investment Bank Berhad, which in turn is a wholly-owned subsidiary company of the Company.

The winding-up of OSKWP was initiated as the company ceased its operations in financial planning upon the expiry of its Capital Markets Services Licence on 26 August 2009. OSKWP was incorporated on 22 April 2004 with an issued share capital of RM2.15 million comprising of 2.15 million ordinary shares of RM1.00 each.

The winding up of OSKWP will not have any impact on the earnings and net assets of the Group.

The above exercise is expected to be completed in the fourth quarter of year 2010.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B9. Status of corporate proposals and utilisation of proceeds (Cont'd)**

**(b) The status of utilisation of proceeds raised by the Company**

There were no proceeds raised from any corporate proposal by the Company.

**B10. Borrowings**

The Group's borrowings and debt securities (denominated in RM unless otherwise stated) at the end of the current year to date are as follows:-

	RM'000
Short term borrowings *	155,698
Subordinated notes - unsecured	300,000
	<u>455,698</u>
* Short term borrowings consist of:	
<i>Unsecured:</i> Revolving credits	93,200
Revolving credits denominated in HKD	29,579
Bank loans denominated in SGD	23,267
Overdraft denominated in HKD	62
<i>Secured:</i> Syndicated term loan	9,590
	<u>155,698</u>

**B11. Derivative financial instruments**

**(a) Disclosure of derivatives**

**(i) Nature of outstanding derivatives as at end of period**

**Derivative financial assets:**

Equity related contracts comprises:

a) Options

Options are contractual agreements or embedded components in other financial instruments under which seller/issuer grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying assets at a predetermined price.

The seller may receive a premium from the purchaser in consideration of risk. Options may be either exchanged-traded, negotiated between the purchaser and the seller in the over-the-counter market or embedded components in other financial instruments.

b) Futures

Futures are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

**B11. Derivative financial instruments (Cont'd)**

**(a) Derivative financial instruments (Cont'd)**

c) Interest rate swaps

Interest Rate Swap (IRS) is a contract between two parties to exchange interest rate payment (cash flow) at a future date for a specific period. It allows flexibility to convert a fixed rate asset/liability to a floating rate asset/liability and vice versa.

d) Foreign currency spot, forward and swap contracts

Foreign currency spot contract is the buying and selling of currencies with delivery normally within 2 business days from the date of transaction.

Foreign currency forward contract is an agreement to buy or sell currencies at a future date (normally more than 2 business days) at a pre-determined price at a premium (i.e. higher than spot rate) or at a discount (lower than spot rate), depending on the interest rate differential between the two currencies. It is generally used to offset or hedge against future foreign exchange rate exposure on receivables or payables in other currencies.

Foreign currency swap is made up of an interest rate swap where payment flows are expressed in different currencies and computed based on the interest rate denominated in those currencies. There is normally an exchange of principal at the beginning of the swap contract and also upon the swap maturity, normally at the same exchange rate which is usually the spot rate at the inception of the transaction.

**Derivative financial liabilities:**

a) Structured warrants

Structured warrants are proprietary instruments issued by the Group that give holders the right, but not imposing an obligation, to buy or sell the underlying assets at a future date for a predetermined price in accordance with the term sheet. Call warrant gives the holder the right, but not the obligation, to buy the underlying share for a fixed price known as the exercise (strike) price at the future date. A put warrants gives the holder the right, but not the obligation, to sell the underlying share to the warrant issuer for the exercise price. Structured warrants can be cash-settled or equity-settled, depending on the terms of the instruments issued.

b) Structured investments

Structured investments are normally short to medium term structured products that are derived from and/or based on a single security or pool of securities and consisting of a contract to purchase equities at a specific time. The structures product redemption is linked to the performance of the underlying share(s). At maturity, the investor will receive either cash settlement equivalent to the face amount or pre-determined units of underlying share(s), depending on the performance of the underlying share(s) on the valuation date(s).

c) Foreign exchange swap contracts

Refer to (a)(i) d)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**B11. Derivative financial instruments (Cont'd)**
**(a) Disclosure of derivatives**
**(ii) Contract/Notional value and fair value as at balance sheet date and maturity analysis**

	As at 30.6.2010		As at 31.12.2009	
	Contract/ Notional value RM'000	Fair value RM'000	Contract/ Notional value RM'000	Fair value RM'000
<b>Derivative financial assets:</b>				
Equity related contracts				
Less than 1 year	42,048	17,931	38,857	17,601
More than 3 years	-	14,901	-	16,358
	<b>42,048</b>	<b>32,832</b>	<b>38,857</b>	<b>33,959</b>
Interest rate swaps				
Less than 1 year	373,996	7,240	188,304	399
1 year to 3 years	339,798	4,639	245,787	(2,667)
More than 3 years	50,000	(446)	80,000	2,516
	<b>763,794</b>	<b>11,433</b>	<b>514,091</b>	<b>248</b>
Foreign currency spot, forward and swap contracts				
Less than 1 year	685,391	19,281	522,795	2,915
	<b>685,391</b>	<b>19,281</b>	<b>522,795</b>	<b>2,915</b>
	<b>1,491,233</b>	<b>63,546</b>	<b>1,075,743</b>	<b>37,122</b>
<b>Derivative financial liabilities:</b>				
Structured warrants				
Less than 1 year	53,260	38,093	47,558	46,390
1 year to 3 years	2,870	1,091	1,959	1,190
	<b>56,130</b>	<b>39,184</b>	<b>49,517</b>	<b>47,580</b>
Structured investments				
Less than 1 year	7,406	7,450	2,046	2,124
	<b>7,406</b>	<b>7,450</b>	<b>2,046</b>	<b>2,124</b>
Foreign exchange swap contracts				
Less than 1 year	248,099	3,392	203,915	2,157
	<b>248,099</b>	<b>3,392</b>	<b>203,915</b>	<b>2,157</b>
	<b>311,635</b>	<b>50,026</b>	<b>255,478</b>	<b>51,861</b>

**B11. Derivative financial instruments (Cont'd)**

**(a) Disclosure of derivatives (Cont'd)**

**(iii) The rationale for entering into new derivatives and the expected benefit accruing to the Group**

There were no new derivatives during the current year to date.

**(iv) Changes in derivatives since last financial year**

Credit risk

Credit risk is the risk that counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge his obligation. As at 30 June 2010, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM63,546,000 (31.12.2009 : RM37,122,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which comprised currency risk, interest rate risk and other price risk. The contractual/notional amounts provide a measure of participation in these types of transactions outstanding as at balance sheet date and shall not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure and reviews treasury trading strategy, positions and activities with regard to changes in the financial market.

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

- a) the cash requirements of the derivatives, if any;
- b) the policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

Further information about the policies in respect of derivative financial instruments of the Group are disclosed in the audited annual financial statements for the financial year ended 31 December 2009.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**(b) Disclosure of gains/losses arising from fair value changes of financial liabilities**

**(i) The type of financial liabilities from which gains/losses arose:**

During current year to date, the Group recognised a loss of RM1.997 million arising from fair value changes of derivative liabilities.

Types of financial liabilities	Current quarter ended 30.6.2010	Current year to date ended 30.6.2010
	RM'000	RM'000
Structured warrants	874	2,030
Structured investments	23	26
Foreign exchange swap contracts	(3,355)	(59)
	<u>(2,458)</u>	<u>1,997</u>

**(ii) Explanation on the reasons for the gains/losses:**

The fair value changes are attributable to changes in price changes of derivative structured warrants and products as well as foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in audited financial statements for the year ended 31 December 2009.

Market risk

The value of derivative financial instruments will fluctuate as a results of movement in the level of market rates or prices.

Interest rate risk

The value or yield of derivatives financial instruments will fluctuate due to changes in market interest rate.

Currency risk

The value of derivatives financial instruments will fluctuate due to changes in foreign exchange rates.

**B11. Derivative financial instruments (Cont'd)****(b) Disclosure of gains/losses arising from fair value changes of financial liabilities (Cont'd)****(iii) Bases in arriving at the fair value:**Structured warrants

The fair value of structured warrants is based on daily closing prices of structured warrants quoted on Bursa Malaysia Securities Berhad.

Structured investments

Structured investments have been valued based on the strike price of the structured investments or the closing price of underlying assets whichever the lower.

Foreign currency swap contracts

Bid and offer rate will be use as the base for the valuation for foreign currency swap contracts. The bid rate will be use to value the financial assets and the offer rate for financial liabilities.

**(c) The retained profits of the Group as at end of reporting period****Analysed by:**

	<b>As at 30.6.2010</b>
	<b>RM'000</b>
Realised retained profits	<b>310,963</b>
Unrealised retained profits *	<b>(54,388)</b>
	<b><u>256,575</u></b>

\* Unrealised retained profits comprise unrealised foreign exchange gains or losses and unrealised market price changes for held-for-trading investments and derivative financial assets/liabilities at the balance sheet date.

Comparative figures are not required in the first year of implementation of FRS 139 pursuant to Section 10 of Bursa Securities's directive.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

**B12. Material litigation**

As at 20 August 2010 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), save as disclosed below, the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

**Kamal, Lokman & Mustakim Holdings Sdn. Bhd. (“Chargor”) and Ahmad Azari bin Mohd. Daud (“Azari”) (collectively referred to as the Plaintiffs”) vs. OSK Capital Sdn. Bhd. (“OSKC”) and OSK Nominees (Tempatan) Sdn. Bhd. (“OSKNT”) and Another (collectively referred to as the “Defendants”) (Seremban High Court Suit No. 22-216-2003)**

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The Plaintiffs commenced an action against the Defendants on 14 November 2003 seeking inter-alia, a declaration that a charge registered in favour of OSKC is void, damages in the sum of RM20,000,000, general damages, interest and costs and claiming against OSKC/OSKNT for negligence, breach of duty, fiduciary duty and unjust enrichment in relation to a facility of RM13,000,000 granted to Azari by OSKC. OSKC and OSKNT had filed their defence on 17 February 2004.

OSKC and OSKNT have also filed an application to strike out the Plaintiffs’ Writ of Summons and Statement of Claim on the basis that the filing of the action by the Plaintiffs was frivolous and vexatious. The Court has on 13 March 2008 struck out with costs the Plaintiffs’ Writ of Summons and Statement of Claim. The Chargor has since filed a Notice of Appeal against the said decision. On 5 May 2009, the High court has dismissed the Plaintiffs’ appeal. On 4 June 2009, the Plaintiffs have filed an appeal to the Court of Appeal against the High Court’s decision. A hearing date is still pending.

**B13. Dividends**

- (a) The Board of Directors recommends an interim dividend of 2.5 sen per share less 25% income tax in respect of the current year to date (2009: Interim 2.5 sen per share less 25% income tax). The entitlement date to the interim dividend shall be determined by the Board of Directors at a later date.
- (b) Total dividend for the current year declared to date is 2.5 sen per share less 25% income tax.



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**B14. Earnings Per Share (“EPS”) attributable to owners of the Company**

	<b>Current quarter ended 30.6.2010</b>	Comparative quarter ended 30.6.2009	<b>Current year to date ended 30.6.2010</b>	Preceding year to date ended 30.6.2009
<b><u>Basic</u></b>				
Profit attributable to owners of the Company (RM'000)	<b>11,135</b>	36,981	<b>43,379</b>	40,940
Weighted average number of ordinary shares in issue ('000 shares)	<b>937,010</b>	# 811,152	<b>903,033</b>	# 811,152
<b>Basic EPS (sen)</b>	<b>1.19</b>	4.56	<b>4.80</b>	5.05
<b><u>Diluted</u></b>				
Profit attributable to owners of the Company (RM'000)	<b>11,135</b>	36,981	<b>43,379</b>	40,940
Weighted average number of ordinary shares in issue ('000 shares)	<b>937,010</b>	# 811,152	<b>903,033</b>	# 811,152
Effect of dilution on assumed conversion of Warrants B 2000/2010 and exercise of options granted under ESOS ('000 shares)	<b>2,147</b>	77	<b>1,976</b>	25
Adjusted weighted average number of ordinary shares in issue and issuable ('000 shares)	<b>939,157</b>	# 811,229	<b>905,009</b>	# 811,177
<b>Diluted EPS (sen)</b>	<b>1.19</b>	4.56	<b>4.79</b>	5.05

# The weighted average number of ordinary shares in issue of the comparative quarter/preceding year to date has adjusted for the effect of bonus issue on the basis of one (1) new Share ("Bonus Share") for every four (4) existing Shares held, which was completed on 25 January 2010.

**B15. Auditors' report of preceding annual financial statements**

The auditors' report of the Group's preceding year financial statements was not qualified.

**By Order of the Board**

**Ong Leong Huat**  
**Director**

Kuala Lumpur  
25 August 2010

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010****A20. Segmental information**

The segment information has been prepared in accordance with the disclosure requirements of FRS 8 Operating Segments. For management purposes, the Group is organised into the following major business segments based products and services, which are regularly provided to and reviewed by the chief operating decision maker :

- |                        |   |
|------------------------|---|
| 1. Investment Banking  | - Equities and Debt Capital Market, Derivatives and Structured Products, Corporate Advisory, Treasury, Islamic Banking and Offshore Investment Banking. |
| 2. Loan & Financing    | - Corporate Loans, Shares Margin Financing, Capital Financing and Commercial Banking Services.  |
| 3. Equities & Futures  | - Stockbroking & Futures Broking, Nominee Services and related services.  |
| 4. Wealth Management   | - Unit Trust Fund Management, Islamic Funds Services and Asset Management.  |
| 5. Venture Capital     | - Provision of Venture Capital Services and Investee Entities, also known as Private Equity Business.   |
| 6. Property Investment | - Management and Letting of Properties.   |
| 7. Holding Entities    | - Investment Holding Companies.   |
| 8. Others              | - Not significant to be separately disclosed.   |

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties have been eliminated to arrive at the Group's results.



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A20. Segmental information (Cont'd)**
**Geographical Segments**

The Group operates in five geographical locations: Malaysia (Domestic), Singapore, China and Hong Kong, Indonesia and Cambodia. Revenue is based on geographical locations of business operations. Non-current assets are presented based on the geographical location of assets, which consist of Investments in associated companies, Prepaid land lease payments, Investment property, Property, plant and equipment, Intangible assets.

The comparative segment information for the year ended 31 December 2009 have been re-presented to conform with current year segments information.

Domestic	Foreign Countries				Total for Foreign Countries	Total
Malaysia	Singapore	China and Hong Kong	Indonesia	Cambodia		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

**CURRENT YEAR TO DATE ENDED 30 JUNE 2010**

Revenue	<b>311,559</b>	<b>88,245</b>	<b>26,509</b>	<b>22,765</b>	<b>5,824</b>	<b>143,343</b>	<b>454,902</b>
Profit/(loss) before tax	<b>56,275</b>	<b>27,351</b>	<b>(3,646)</b>	<b>1,875</b>	<b>234</b>	<b>25,814</b>	<b>82,089</b>
Non-current assets as at 30.6.2010	<b>492,988</b>	<b>2,857</b>	<b>6,328</b>	<b>5,974</b>	<b>9,176</b>	<b>24,335</b>	<b>517,323</b>

**PRECEDING YEAR TO DATE ENDED 30 JUNE 2009**

Revenue	257,929	72,019	18,518	4,351	1,803	96,691	354,620
Profit/(loss) before tax	57,864	19,471	(2,351)	(3,416)	(290)	13,414	71,278
Non-current assets as at 31.12.2009	494,976	2,355	6,349	4,212	8,192	21,108	516,084

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**A23. Commitments and contingencies**

The risk-weighted exposures of the Group as at balance dates are as follows:

	30.6.2010			31.12.2009		
	Principal amount RM'000	Credit equivalent* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent* RM'000	Risk weighted amount RM'000
Obligations under underwriting agreements	85,616	42,808	16,808	255,000	127,500	25,500
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,228,344	-	-	1,315,744	2,072	2,072
- maturity exceeding one year	237,125	118,563	118,563	-	-	-
Foreign exchange related contracts:						
- less than one year	383,790	158,148	31,630	370,640	195,898	39,180
Interest rate related contracts:						
- one year to less than five years	759,614	59,530	11,906	508,167	16,002	3,200
	<b>2,694,489</b>	<b>379,049</b>	<b>178,907</b>	<b>2,449,551</b>	<b>341,472</b>	<b>69,952</b>

\* The credit equivalent amount and risk weighted amount are arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's Guidelines.

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
**(Page 1 of 4)**
**A24. Interest/profit rate risk**

As at 30.6.2010	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short term funds	944,353	73,943	3,447	-	-	557,965	-	1,579,708	2.54
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.69
Reverse repurchase agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	214,689	214,689	-
Securities held-to-maturity	129,911	94,931	60,117	310,940	126,577	-	-	722,476	4.24
Securities available-for-sale	839,951	321,630	269,657	1,380,088	190,151	10,974	-	3,012,451	4.19
Derivative financial assets	-	-	-	-	-	63,546	-	63,546	-
Loans, advances and financing									
Performing	479,546	52,362	370,410	72,628	24,001	23,628	-	1,022,575	8.76
Non-performing	-	-	-	-	-	17,534	-	17,534	-
Statutory and reserve deposits with Central Banks	15,552	-	-	-	-	40,041	-	55,593	0.18
Other assets	28,610	-	100	-	-	2,922,548	-	2,951,258	1.62
Other non-interest sensitive assets	-	-	-	-	-	529,129	-	529,129	-
<b>Total Assets</b>	<b>2,437,923</b>	<b>592,866</b>	<b>703,731</b>	<b>1,763,656</b>	<b>340,729</b>	<b>4,165,365</b>	<b>214,689</b>	<b>10,218,959</b>	

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

(Page 2 of 4)

**A24. Interest/profit rate risk (Cont'd)**

As at 30.6.2010	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>LIABILITIES</b>									
Deposits from customers	2,301,335	786,236	841,412	36,239	1,329	37,538	-	4,004,089	2.70
Deposits and placements of banks and other financial institutions	213,760	47,550	91,111	-	-	211	-	352,632	2.41
Derivative financial liabilities	-	-	-	-	-	50,026	-	50,026	-
Borrowings	93,200	26,429	36,069	-	-	-	-	155,698	4.44
Subordinated notes	-	-	-	-	300,000	-	-	300,000	7.50
Other non-interest sensitive liabilities	-	-	-	-	-	3,733,453	-	3,733,453	-
<b>Total Liabilities</b>	<b>2,608,295</b>	<b>860,215</b>	<b>968,592</b>	<b>36,239</b>	<b>301,329</b>	<b>3,821,228</b>	<b>-</b>	<b>8,595,898</b>	
Shareholders' funds	-	-	-	-	-	1,398,268	-	1,398,268	
Minority interests	-	-	-	-	-	224,793	-	224,793	
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,623,061</b>	<b>-</b>	<b>1,623,061</b>	
<b>Total Liabilities and Equity</b>	<b>2,608,295</b>	<b>860,215</b>	<b>968,592</b>	<b>36,239</b>	<b>301,329</b>	<b>5,444,289</b>	<b>-</b>	<b>10,218,959</b>	
On-balance sheet interest sensitivity gap	(170,372)	(267,349)	(264,861)	1,727,417	39,400	(1,278,924)	214,689	-	
Off-balance sheet interest sensitivity gap	21,532	-	345,198	379,748	-	-	-	746,478	
<b>Total Interest Sensitivity Gap</b>	<b>(148,840)</b>	<b>(267,349)</b>	<b>80,337</b>	<b>2,107,165</b>	<b>39,400</b>	<b>(1,278,924)</b>	<b>214,689</b>	<b>746,478</b>	
Cumulative interest rate sensitivity gap	(148,840)	(416,189)	(335,852)	1,771,313	1,810,713	531,789	746,478	746,478	



**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

(Page 3 of 4)

**A24. Interest/profit rate risk (Cont'd)**

As at 31.12.2009	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short term funds	1,233,294	102,825	9,336	-	-	265,734	-	1,611,189	1.75
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.20
Securities held-for-trading	-	-	-	-	-	-	203,665	203,665	-
Securities held-to-maturity	312,411	155,000	35,172	344,718	176,795	-	-	1,024,096	4.04
Securities available-for-sale	588,387	297,547	404,559	1,306,761	121,915	12,132	-	2,731,301	4.31
Derivative financial assets	-	-	-	-	-	37,122	-	37,122	-
Loans, advances and financing									
Performing	546,047	27,547	312,070	24,479	6,275	-	-	916,418	8.68
Non-performing	-	-	-	-	-	16,239	-	16,239	-
Statutory and reserve deposits with Central Banks	-	-	-	-	9,570	38,103	-	47,673	0.44
Other assets	30,822	-	100	-	-	2,689,217	-	2,720,139	0.99
Other non-interest sensitive assets	-	-	-	-	-	529,275	-	529,275	-
<b>Total Assets</b>	<b>2,710,961</b>	<b>632,919</b>	<b>761,237</b>	<b>1,675,958</b>	<b>314,555</b>	<b>3,587,822</b>	<b>203,665</b>	<b>9,887,117</b>	

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

(Page 4 of 4)

**A24. Interest/profit rate risk (Cont'd)**

As at 31.12.2009	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>LIABILITIES</b>									
Deposits from customers	2,725,022	933,980	616,993	73,179	-	6,523	-	4,355,697	2.36
Deposits and placements of banks and other financial institutions	62,850	22,482	67,009	20,000	-	1,881	-	174,222	3.00
Derivative financial liabilities	-	-	-	-	-	51,861	-	51,861	-
Borrowings	187,532	12,500	12,500	4,434	-	-	-	216,966	3.39
Subordinated notes	-	-	-	-	100,000	-	-	100,000	7.50
Other non-interest sensitive liabilities	-	-	-	-	-	3,476,684	-	3,476,684	-
<b>Total Liabilities</b>	<b>2,975,404</b>	<b>968,962</b>	<b>696,502</b>	<b>97,613</b>	<b>100,000</b>	<b>3,536,949</b>	<b>-</b>	<b>8,375,430</b>	
Shareholders' funds	-	-	-	-	-	1,287,141	-	1,287,141	
Minority interests	-	-	-	-	-	224,546	-	224,546	
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,511,687</b>	<b>-</b>	<b>1,511,687</b>	
<b>Total Liabilities and Equity</b>	<b>2,975,404</b>	<b>968,962</b>	<b>696,502</b>	<b>97,613</b>	<b>100,000</b>	<b>5,048,636</b>	<b>-</b>	<b>9,887,117</b>	
On-balance sheet interest sensitivity gap	(264,443)	(336,043)	64,735	1,578,345	214,555	(1,460,814)	203,665	-	
Off-balance sheet interest sensitivity gap	-	-	188,304	325,787	-	-	-	514,091	
<b>Total Interest Sensitivity Gap</b>	<b>(264,443)</b>	<b>(336,043)</b>	<b>253,039</b>	<b>1,904,132</b>	<b>214,555</b>	<b>(1,460,814)</b>	<b>203,665</b>	<b>514,091</b>	
Cumulative interest rate sensitivity gap	(264,443)	(600,486)	(347,447)	1,556,685	1,771,240	310,426	514,091	514,091	