

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

| | Notes | The Group | | The Bank | |
|--|---------|------------------------|-----------------------|------------------------|-----------------------|
| | | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| ASSETS | | | | | |
| Cash and short term funds | | 2,606,175 | 4,206,184 | 2,535,140 | 4,135,886 |
| Reverse repurchase agreements | | 199,762 | 293,722 | 199,762 | 293,722 |
| Deposits and placements with banks and other financial institutions | | 705,033 | 1,716,140 | 703,835 | 1,714,975 |
| Financial assets held for trading | A5 | 90,797 | 86,280 | 90,797 | 86,280 |
| Financial investments available-for-sale | A6 | 8,979 | 8,825 | 6,331 | 6,331 |
| Derivative financial instruments | A17(i) | 244,510 | 281,170 | 244,510 | 281,170 |
| Loans, advances and financing | A7 | 44,414 | 44,940 | 44,414 | 44,940 |
| Other assets | A8 | 1,234,542 | 1,032,520 | 1,233,574 | 1,031,578 |
| Tax recoverable | | 153 | 368 | - | - |
| Deferred tax assets | | 16,883 | 5,083 | 16,822 | 5,019 |
| Statutory deposits with Bank Negara Malaysia | | 650 | 1,900 | 650 | 1,900 |
| Investment in subsidiaries | | - | - | 9,050 | 9,050 |
| Investment in associates | | 5,076 | 4,833 | - | - |
| Amount due from subsidiaries | | - | - | 1 | 221 |
| Amount due from related companies | | 10,977 | 6,292 | 10,977 | 6,292 |
| Amount due from immediate holding company | | - | 13 | - | 13 |
| Property, plant and equipment | | 72,176 | 54,883 | 73,315 | 55,950 |
| Prepaid land lease payments | | 15,601 | 15,881 | 15,601 | 15,881 |
| Goodwill | | 963 | 964 | - | - |
| TOTAL ASSETS | | 5,256,691 | 7,759,998 | 5,184,779 | 7,689,208 |
| LIABILITIES | | | | | |
| Deposits from customers | A9 | 1,283,779 | 2,593,686 | 1,283,779 | 2,593,686 |
| Deposits and placements of banks and other financial institutions | A10 | 1,964,314 | 3,148,546 | 1,964,314 | 3,148,546 |
| Derivative financial instruments | A17(i) | 178,123 | 174,368 | 178,123 | 174,368 |
| Other liabilities | A11 | 1,407,671 | 1,329,318 | 1,349,488 | 1,265,121 |
| Provision for taxation and zakat | | 18,939 | 36,887 | 18,939 | 36,887 |
| Amount due to ultimate holding company | | 29 | 173 | 29 | 173 |
| Amount due to holding company | | - | 10 | - | - |
| Amount due to related companies | | 13,060 | 60,236 | 13,060 | 60,236 |
| Amount due to subsidiaries | | - | - | 5,028 | 8,455 |
| TOTAL LIABILITIES | | 4,865,915 | 7,343,224 | 4,812,760 | 7,287,472 |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | | | |
| Share capital | | 100,000 | 100,000 | 100,000 | 100,000 |
| Reserves | | 290,766 | 316,764 | 272,009 | 301,726 |
| Redeemable preference shares | | 10 | 10 | 10 | 10 |
| TOTAL EQUITY | | 390,776 | 416,774 | 372,019 | 401,736 |
| TOTAL EQUITY AND LIABILITIES | | 5,256,691 | 7,759,998 | 5,184,779 | 7,689,208 |
| Commitment and contingencies | | | | | |
| Principal | A17(ii) | 4,575,011 | 5,403,521 | 4,575,011 | 5,403,521 |
| Credit equivalent | A17(ii) | 157,519 | 262,643 | 157,519 | 262,643 |
| NET ASSETS PER SHARE (RM) | | 3.91 | 4.17 | 3.72 | 4.02 |

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

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2010

| | Notes | The Group | | | | The Bank | | | |
|---|-------|-------------------|--------------|-------------------|---------------|-------------------|--------------|-------------------|---------------|
| | | 3rd quarter ended | | Nine months ended | | 3rd quarter ended | | Nine months ended | |
| | | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | A12 | 13,356 | 9,446 | 39,351 | 45,516 | 13,139 | 9,195 | 38,721 | 44,554 |
| Interest expense | A13 | (13,369) | (7,642) | (37,114) | (32,570) | (13,369) | (7,642) | (37,114) | (32,499) |
| Net interest income | | (13) | 1,804 | 2,237 | 12,946 | (230) | 1,553 | 1,607 | 12,055 |
| Income from Islamic Banking operations | A21b | 1,942 | 8,315 | 8,542 | 12,691 | 1,942 | 8,315 | 8,542 | 12,691 |
| Non interest income | A14 | 63,676 | 59,297 | 225,377 | 192,295 | 63,067 | 59,060 | 220,405 | 190,499 |
| Total income | | 65,605 | 69,416 | 236,156 | 217,932 | 64,779 | 68,928 | 230,554 | 215,245 |
| Operating expenses | A15 | (60,210) | (54,855) | (196,391) | (154,071) | (59,606) | (54,123) | (194,560) | (152,116) |
| Operating profit | | 5,395 | 14,561 | 39,765 | 63,861 | 5,173 | 14,805 | 35,994 | 63,129 |
| (Allowance for) / write back of impairment losses on loans and advances | A16 | (11) | 19 | 65 | (117) | (11) | 19 | 65 | (117) |
| (Allowance for)/write back of other receivables (net) | | 1,475 | (3,257) | 562 | (7,489) | 1,475 | (3,306) | 421 | (7,865) |
| | | 6,859 | 11,323 | 40,392 | 56,255 | 6,637 | 11,518 | 36,480 | 55,147 |
| Share of results in associates | | 280 | 225 | 643 | 576 | - | - | - | - |
| Profit before taxation | | 7,139 | 11,548 | 41,035 | 56,831 | 6,637 | 11,518 | 36,480 | 55,147 |
| Taxation | | (4,377) | (6,012) | (14,471) | 15,299 | (4,322) | (7,522) | (13,635) | 14,115 |
| Net profit for the period | | 2,762 | 5,536 | 26,564 | 72,130 | 2,315 | 3,996 | 22,845 | 69,262 |
| Profit for the period attributable to : | | | | | | | | | |
| Equity holders of the Group/the Bank | | 2,762 | 5,536 | 26,564 | 72,130 | 2,315 | 3,996 | 22,845 | 69,262 |
| Earnings per RM1.00 share: | | | | | | | | | |
| - basic (sen) | | 2.76 | 5.54 | 26.56 | 72.13 | 2.32 | 4.00 | 22.85 | 69.26 |

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2010

| Notes | The Group | | | | The Bank | | | |
|--|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| | 3rd quarter ended | | Nine months ended | | 3rd quarter ended | | Nine months ended | |
| | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial period | 2,762 | 5,536 | 26,564 | 72,130 | 2,315 | 3,996 | 22,845 | 69,262 |
| Other Comprehensive Income: | | | | | | | | |
| Arising from issuance of EESOS | - | - | - | 1,230 | - | - | - | 1,230 |
| Revaluation reserve financial investments available-for-sale | | | | | | | | |
| - Net gain from change in fair value | - | - | - | 26,615 | - | - | - | 26,615 |
| - Transfer from deferred tax assets | - | - | - | (9,435) | - | - | - | (9,435) |
| Liquidation of subsidiary | - | 293 | - | 293 | - | - | - | - |
| | - | 293 | - | 18,703 | - | - | - | 18,410 |
| Total comprehensive income for the period | 2,762 | 5,829 | 26,564 | 90,833 | 2,315 | 3,996 | 22,845 | 87,672 |
| Total comprehensive income attributable to: | | | | | | | | |
| Equity holders of the Group/the Bank | 2,762 | 5,829 | 26,564 | 90,833 | 2,315 | 3,996 | 22,845 | 87,672 |

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

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2010

| The Group 30 Sept 2010 | ← Attributable to the equity holders of the Bank → | | | | | | | | Total RM'000 |
|---|--|----------------------------|--|--------------------------------|------------------------------|--|------------------------------|--|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Exchange fluctuation reserve RM'000 | Statutory reserve RM'000 | Options reserve RM'000 | Revaluation reserves on financial investments available-for-sale RM'000 | Retained profit RM'000 | Redeemable Preference shares RM'000 | |
| At 1 January 2010 | 100,000 | - | - | 155,805 | - | - | 160,959 | 10 | 416,774 |
| Effect of adopting FRS 139 on 1 January 2010 | - | - | - | - | - | - | (262) | - | (262) |
| Adjusted 1 January 2010 | 100,000 | - | - | 155,805 | - | - | 160,697 | 10 | 416,512 |
| Profit for the period | - | - | - | - | - | - | 26,564 | - | 26,564 |
| Total comprehensive income for the period | - | - | - | - | - | - | 26,564 | - | 26,564 |
| Dividend paid in respect of the financial year ended 31 December 2009 | - | - | - | - | - | - | (52,300) | - | (52,300) |
| Balance as at 30 September 2010 | 100,000 | - | - | 155,805 | - | - | 134,961 | 10 | 390,776 |

| The Group 30 Sept 2009 | ← Attributable to the equity holders of the Bank → | | | | | | | | Total RM'000 |
|---|--|----------------------------|--|--------------------------------|------------------------------|--|------------------------------|--|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Exchange fluctuation reserve RM'000 | Statutory reserve RM'000 | Options reserve RM'000 | Revaluation reserves on financial investments available-for-sale RM'000 | Retained profit RM'000 | Redeemable Preference shares RM'000 | |
| At 1 January 2009 | 219,242 | 33,489 | (293) | 293,577 | 17,256 | (17,180) | 102,473 | 10 | 648,574 |
| Bonus Issue | 190,758 | (33,489) | - | (137,772) | - | - | (19,497) | - | - |
| Capital repayment | (310,000) | - | - | - | - | - | - | - | (310,000) |
| Profit for the period | - | - | - | - | - | - | 72,130 | - | 72,130 |
| Other comprehensive income | - | - | 293 | - | 1,230 | 17,180 | - | - | 18,703 |
| Total comprehensive income for the period | - | - | 293 | - | 1,230 | 17,180 | 72,130 | - | 90,833 |
| Dividend paid in respect of the financial year ended 31 December 2008 | - | - | - | - | - | - | (70,000) | - | (70,000) |
| Interim dividend paid in respect of the financial year ended 31 December 2009 | - | - | - | - | - | - | (53,000) | - | (53,000) |
| Balance as at 30 September 2009 | 100,000 | - | - | 155,805 | 18,486 | - | 32,106 | 10 | 306,407 |

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

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2010

| The Bank 30 Sept 2010 | ← Non-Distributable | | | | | ← Distributable → | | | | |
|---|----------------------------|----------------------------|--------------------------------|-----------------------------|---|------------------------------|------------------------------|------------------------------|--|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Statutory reserve RM'000 | Merger reserve RM'000 | Non-Distributable Revaluation reserves on financial investments available-for-sale RM'000 | Options reserve RM'000 | Capital reserve RM'000 | Retained profit RM'000 | Redeemable Preference shares RM'000 | Total RM'000 |
| At 1 January 2010 | 100,000 | - | 155,805 | (272,007) | - | - | 271,377 | 146,551 | 10 | 401,736 |
| Effect of adopting FRS 139 on 1 January 2010 | - | - | - | - | - | - | - | (262) | - | (262) |
| Adjusted 1 January 2010 | 100,000 | - | 155,805 | (272,007) | - | - | 271,377 | 146,289 | 10 | 401,474 |
| Profit for the period | - | - | - | - | - | - | - | 22,845 | - | 22,845 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | 22,845 | - | 22,845 |
| Dividend paid in respect of the financial year ended 31 December 2009 | - | - | - | - | - | - | - | (52,300) | - | (52,300) |
| Balance as at 30 September 2010 | 100,000 | - | 155,805 | (272,007) | - | - | 271,377 | 116,834 | 10 | 372,019 |

| The Bank 30 Sept 2009 | ← Non-Distributable | | | | | ← Distributable → | | | | |
|---|----------------------------|----------------------------|--------------------------------|-----------------------------|---|------------------------------|------------------------------|------------------------------|--|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Statutory reserve RM'000 | Merger reserve RM'000 | Non-Distributable Revaluation reserves on financial investments available-for-sale RM'000 | Options reserve RM'000 | Capital reserve RM'000 | Retained profit RM'000 | Redeemable Preference shares RM'000 | Total RM'000 |
| At 1 January 2009 | 219,242 | 33,489 | 293,577 | (272,007) | (17,180) | 17,215 | 271,377 | 89,498 | 10 | 635,221 |
| Bonus Issue | 190,758 | (33,489) | (137,772) | - | - | - | - | (19,497) | - | - |
| Capital repayment | (310,000) | - | - | - | - | - | - | - | - | (310,000) |
| Profit for the period | - | - | - | - | - | - | - | 69,262 | - | 69,262 |
| Other comprehensive income | - | - | - | - | 17,180 | 1,230 | - | - | - | 18,410 |
| Total comprehensive income for the period | - | - | - | - | 17,180 | 1,230 | - | 69,262 | - | 87,672 |
| Dividend paid in respect of the financial year ended 31 December 2008 | - | - | - | - | - | - | - | (70,000) | - | (70,000) |
| Interim dividend paid in respect of the financial year ended 31 December 2009 | - | - | - | - | - | - | - | (53,000) | - | (53,000) |
| Balance as at 30 September 2009 | 100,000 | - | 155,805 | (272,007) | - | 18,445 | 271,377 | 16,263 | 10 | 289,893 |

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

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2010

| | The Group | | The Bank | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| Profit before taxation | 41,035 | 56,831 | 36,480 | 55,147 |
| Adjustments for non-operating and non-cash items | (23,145) | (1,983) | (19,691) | (2,106) |
| Cash flow from operating profit before changes in operating assets and liabilities | 17,890 | 54,848 | 16,789 | 53,041 |
| Net changes in operating assets | 983,584 | (1,369,994) | 983,722 | (1,370,733) |
| Net changes in operating liabilities | (2,528,631) | 368,229 | (2,525,417) | 438,883 |
| Cash used in operating activities | (1,527,157) | (946,917) | (1,524,906) | (878,809) |
| Taxation paid | (43,556) | (17,195) | (43,556) | (17,258) |
| Net cash flow used in operating activities | (1,570,713) | (964,112) | (1,568,462) | (896,067) |
| Net cash used in investing activities | (34,381) | 560,417 | (37,369) | 560,552 |
| Net cash used in financing activities | (52,300) | (446,353) | (52,300) | (442,046) |
| | (86,681) | 114,064 | (89,669) | 118,506 |
| Net decrease in cash and cash equivalents during the financial period | (1,657,394) | (850,048) | (1,658,131) | (777,561) |
| Cash and cash equivalents at beginning of the financial period | 3,989,771 | 2,670,410 | 3,919,473 | 2,520,836 |
| Effects of exchange rate changes | (7,512) | 940 | (7,512) | 648 |
| Cash and cash equivalents at end of the period | 2,324,865 | 1,821,302 | 2,253,830 | 1,743,923 |
| Cash and cash equivalents comprise the following: | | | | |
| Cash and short term funds | 2,606,175 | 2,030,746 | 2,535,140 | 1,953,367 |
| Adjustment for monies held in trust: | | | | |
| Clients' trust and dealers' representatives' balances | (261,390) | (196,248) | (261,390) | (196,248) |
| Remisiers' balances | (19,920) | (13,196) | (19,920) | (13,196) |
| Cash and cash equivalents at end of the period | 2,324,865 | 1,821,302 | 2,253,830 | 1,743,923 |

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

EXPLANATORY NOTES

A1. Basis of Preparation

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

The unaudited condensed interim financial statements have been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements. These financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2009. The explanatory notes attached to the financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2009, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2010:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- FRS 7 "Financial Instruments: Disclosures"
- Amendments to FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- FRS 8 "Operating Segments"
- Amendment to FRS 8 "Operating Segments"
- FRS 101 "Presentation of Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- Amendment to FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendment to FRS 117 "Leases"
- Amendment to FRS 119 "Employee Benefits"
- Amendment to FRS 127 "Consolidated and Separate Financial Statements"
- Amendment to FRS 128 "Investments in Associates"
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendment to FRS 134 "Interim Financial Reporting"
- Amendment to FRS 138 "Intangible Assets" (effective 1 January 2010)
- IC Interpretation 9 "Reassessment of Embedded Derivatives"
- Amendment to IC Interpretation 9 "Reassessment of embedded Derivatives" (effective 1 January 2010)
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- TR i-3 "Presentation of Financial Statements of Islamic Financial Institutions"

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

- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 1 "Limited Exemption from Comparative FRS 7 "Disclosures for First-time Adopters"
- Amendment to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective 1 July 2010)
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 138 "Intangible Assets" (effective 1 July 2010)
- Amendments to FRS 132 "Financial Instruments: Presentation" (effective 1 March 2010)
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective 1 July 2010)
- IC Interpretation 4 "Determining Whether an Arrangement contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 15 "Agreements for the Construction of Real Estate"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- TR i-4 "Shariah Compliant Sale Contract"

EXPLANATORY NOTES (Continued)

A1. Basis of Preparation (continued)

The unaudited condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

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

A2. Changes in Estimates

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

A3. Dividends

A final gross dividend of 69.73 sen per ordinary share, less 25% income tax, amounting to RM52,300,000 was paid on 19 April 2010, in respect of the financial year ended 31 December 2009.

A4. Significant Events After Balance Sheet Date

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

A5. Financial Assets Held for Trading

| | The Group and The Bank | |
|---|------------------------|---------------|
| | 30 Sept 2010 | 31 Dec 2009 |
| | RM'000 | RM'000 |
| <u>At fair value</u> | | |
| Quoted securities | | |
| <i>In Malaysia</i> | | |
| Shares | 17,319 | 7,128 |
| Unquoted securities | | |
| <i>In Malaysia</i> | | |
| Private debt securities | 73,478 | 79,152 |
| Total financial assets held for trading | 90,797 | 86,280 |

A6. Financial Investments Available-for-Sale

| | The Group | | The Bank | |
|--|--------------|--------------|--------------|--------------|
| | 30 Sept 2010 | 31 Dec 2009 | 30 Sept 2010 | 31 Dec 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>At fair value</u> | | | | |
| Unquoted securities | | | | |
| <i>In Malaysia</i> | | | | |
| Shares | 2,200 | 2,200 | - | - |
| <i>Outside Malaysia</i> | | | | |
| Shares | 6,779 | 6,625 | 6,331 | 6,331 |
| Total financial investments available-for-sale | 8,979 | 8,825 | 6,331 | 6,331 |

EXPLANATORY NOTES (Continued)

A7. Loans, Advances and Financing

| | The Group and The Bank | |
|--|-------------------------------|--------------------|
| | 30 Sept 2010 | 31 Dec 2009 |
| | RM'000 | RM'000 |
| (i) By type | | |
| Staff loans * | 45,086 | 45,268 |
| Other loans | 819 | 792 |
| Gross loans, advances and financing | <u>45,905</u> | <u>46,060</u> |
| Allowance for impairment losses: | | |
| - Individual impairment allowance | (818) | - |
| - Portfolio impairment allowance | (673) | - |
| - Specific allowance | - | (437) |
| - General allowance | - | (683) |
| Total net financing, advances and other loans | <u>44,414</u> | <u>44,940</u> |
| All loans, advances and financing are measured at amortised cost using the effective interest method. | | |
| * Included in staff loans of the Group are loans to Directors amounting to RM242,873(2009: RM264,147). | | |
| (ii) By type of customers | | |
| Individuals | <u>45,905</u> | <u>46,060</u> |
| (iii) By interest/profit rate sensitivity | | |
| Fixed rate | | |
| - Other fixed rate loan/financing | <u>45,905</u> | <u>46,060</u> |
| (iv) By economic purposes | | |
| Personal use | 313 | 6 |
| Purchase of residential landed property | 33,085 | 36,232 |
| Purchase of securities | 1 | - |
| Purchase of transport vehicles | 12,506 | 9,822 |
| Gross loans, advances and financing | <u>45,905</u> | <u>46,060</u> |
| (v) By geographical distribution | | |
| Malaysia | <u>45,905</u> | <u>46,060</u> |
| (vi) By residual contractual maturity | | |
| Within one year | 493 | 336 |
| One year to less than three years | 2,387 | 2,187 |
| Three years to less than five years | 5,284 | 5,447 |
| Five years and more | 37,741 | 38,090 |
| | <u>45,905</u> | <u>46,060</u> |

EXPLANATORY NOTES (Continued)

A7. Loans, Advances and Financing (continued)

The Group and The Bank
30 Sept 2010 **31 Dec 2009**
RM'000 **RM'000**

(vii) Impaired loans/non-performing loans by economic purpose

| | | |
|---|-----|-----|
| Purchase of residential landed property | 641 | 574 |
| Purchase of transport vehicles | 177 | 217 |
| Gross impaired loans/non-performing loans, advances and financing | 818 | 791 |

(viii) Impaired loans/non-performing loans by geographical distribution

| | | |
|----------|-----|-----|
| Malaysia | 818 | 791 |
|----------|-----|-----|

(ix) Movement in the impaired loans/non-performing loans, advances and financing:

| | | |
|---|-------|------|
| At 1 January | 791 | 458 |
| Classified as impaired due to adoption of FRS 139* | 86 | - |
| At 1 January, as restated | 877 | 458 |
| Impaired/non-performing during the period/year | 210 | 384 |
| Amount written back in respect of recoveries/reclassification | (269) | (51) |
| At 30 September/31 December | 818 | 791 |
| Gross impaired loans as a percentage of gross loans, advances and financing | 1.8% | 1.7% |

* Represents restatement of interest-in-suspense

(x) Movements in the allowance for impaired loans/bad and doubtful debts and accounts are as follows:

Individual impairment allowance

| | | |
|--|-------|---|
| At 1 January, as previously stated | - | - |
| Effect of adopting FRS 139 | 877 | - |
| At 1 January, as restated | 877 | - |
| Allowance made during the year | 210 | - |
| Amounts written back to income statement | (269) | - |
| At 30 September/31 December | 818 | - |

Portfolio impairment allowance

| | | |
|--|-----|---|
| At 1 January, as previously stated | - | - |
| Effect of adopting FRS 139 | 679 | - |
| At 1 January, as restated | 679 | - |
| Amounts written back to income statement | (6) | - |
| At 30 September/31 December | 673 | - |

Portfolio impairment allowance as % of gross loans, advances and financing
less individual impairment allowance

| | | |
|--|------|---|
| | 1.5% | - |
|--|------|---|

Specific allowance

| | | |
|------------------------------------|-------|-----|
| At 1 January, as previously stated | 437 | 218 |
| Effect of adopting FRS 139 | (437) | - |
| At 1 January, as restated | - | 218 |
| Allowance made during the year | - | 219 |
| At 30 September/31 December | - | 437 |

EXPLANATORY NOTES (Continued)

A7. Loans, Advances and Financing (continued)

(x) Movements in the allowance for impaired loans/bad and doubtful debts and accounts are as follows: (continued)

| | The Group and The Bank | |
|---|------------------------|-----------------------|
| | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| <u>General allowance</u> | | |
| At 1 January, as previously stated | 683 | 870 |
| Effect of adopting FRS 139 | (683) | - |
| At 1 January, as restated | - | 870 |
| Amount written back to income statement | - | (187) |
| At 30 September/31 December | - | 683 |
| As % of gross loans, advances and financing less specific allowance | - | 1.50% |

| | The Group | | The Bank | |
|---|------------------------|-----------------------|------------------------|-----------------------|
| | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| A8. Other Assets | | | | |
| Interest and dividend receivable | 4,623 | 7,489 | 4,615 | 7,485 |
| Due from brokers and clients | | | | |
| net of allowance for doubtful debts | 933,853 | 712,018 | 933,811 | 712,000 |
| Other debtors, deposits and prepayments | | | | |
| net of allowance for doubtful debts | 296,066 | 313,013 | 295,148 | 312,093 |
| | 1,234,542 | 1,032,520 | 1,233,574 | 1,031,578 |

| | The Group and The Bank | |
|---|------------------------|-----------------------|
| | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| A9. Deposits from Customers | | |
| <u>By type of deposit</u> | | |
| Fixed deposits | 761,357 | 249,250 |
| Negotiable instruments of deposit | 397,430 | 1,102,280 |
| Others | 124,992 | 1,242,156 |
| | 1,283,779 | 2,593,686 |
| (i) <u>By type of customers</u> | | |
| Local government and statutory authorities | 20,000 | 144,400 |
| Business enterprises | 663,449 | 1,281,806 |
| Individuals | 545,380 | 1,157,180 |
| Others | 54,950 | 10,300 |
| | 1,283,779 | 2,593,686 |
| (ii) <u>The maturity structure of fixed deposits and negotiable instruments of deposits</u> | | |
| Due within six months | 525,807 | 552,850 |
| Six months to less than one year | 185,500 | 96,000 |
| One year to less than three years | 211,930 | 201,000 |
| Three years to less than five years | - | 252,430 |
| More than five years | 235,550 | 249,250 |
| | 1,158,787 | 1,351,530 |
| A10. Deposits and Placements of Banks and Other Financial Institutions | | |
| Licensed banks | 1,369,134 | 2,697,875 |
| Other financial institutions | 595,180 | 450,671 |
| | 1,964,314 | 3,148,546 |

| | The Group | | The Bank | |
|-------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| A11. Other Liabilities | | | | |
| Interest and dividend payable | 4,816 | 5,136 | 4,770 | 5,136 |
| Due to brokers and clients | 1,187,423 | 1,155,232 | 1,176,494 | 1,098,112 |
| Others | 215,432 | 168,950 | 168,224 | 161,873 |
| | 1,407,671 | 1,329,318 | 1,349,488 | 1,265,121 |

EXPLANATORY NOTES (Continued)

| | 3rd quarter ended | | Nine months ended | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| A12. Interest Income | | | | |
| Group | | | | |
| Loans, advances and financing | | | | |
| - Interest income other than recoveries | 409 | 407 | 1,180 | 1,246 |
| Money at call and deposit placements with financial institutions | 9,556 | 5,648 | 27,791 | 17,476 |
| Reverse repurchase agreements | 1,723 | 680 | 4,301 | 2,945 |
| Financial assets held for trading | 1,116 | 1,276 | 3,450 | 4,777 |
| Financial investments available-for-sale | - | - | - | 9,870 |
| Financial investments held-to-maturity | - | - | - | 5,386 |
| Others | 16 | 674 | 786 | 1,774 |
| | 12,820 | 8,685 | 37,508 | 43,474 |
| Amortisation of premium less accretion of discount | 536 | 761 | 1,843 | 2,042 |
| | 13,356 | 9,446 | 39,351 | 45,516 |
| Bank | | | | |
| Loans, advances and financing | | | | |
| - Interest income other than recoveries | 409 | 407 | 1,180 | 1,246 |
| Money at call and deposit placements with financial institutions | 9,338 | 5,397 | 27,161 | 16,514 |
| Reverse repurchase agreements | 1,723 | 680 | 4,301 | 2,945 |
| Financial assets held for trading | 1,116 | 1,276 | 3,450 | 4,777 |
| Financial investments available-for-sale | - | - | - | 9,870 |
| Financial investments held-to-maturity | - | - | - | 5,386 |
| Others | 17 | 674 | 786 | 1,774 |
| | 12,603 | 8,434 | 36,878 | 42,512 |
| Amortisation of premium less accretion of discount | 536 | 761 | 1,843 | 2,042 |
| | 13,139 | 9,195 | 38,721 | 44,554 |
| A13. Interest Expense | | | | |
| Group | | | | |
| Deposits and placements of banks and other financial institutions | 6,412 | 4,101 | 20,415 | 15,611 |
| Deposits from customers | 6,957 | 3,541 | 16,699 | 10,347 |
| Subordinated notes | - | - | - | 6,499 |
| Negotiable certificates of deposits | - | - | - | 42 |
| Others | - | - | - | 71 |
| | 13,369 | 7,642 | 37,114 | 32,570 |
| Bank | | | | |
| Deposits and placements of banks and other financial institutions | 6,412 | 4,101 | 20,415 | 15,611 |
| Deposits from customers | 6,957 | 3,541 | 16,699 | 10,347 |
| Subordinated notes | - | - | - | 6,499 |
| Negotiable certificates of deposits | - | - | - | 42 |
| | 13,369 | 7,642 | 37,114 | 32,499 |

EXPLANATORY NOTES (Continued)

A14. Non interest income

| | 3rd quarter ended | | Nine months ended | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| Group | | | | |
| a) Fee income: | | | | |
| Fee on loans and advances | 7,148 | 50 | 14,202 | 311 |
| Portfolio management fees | 2,208 | 2,011 | 8,832 | 7,217 |
| Corporate advisory and arrangement fees | 7,490 | 4,761 | 31,769 | 41,598 |
| Placement fee | 5,799 | 4,281 | 30,857 | 8,293 |
| Underwriting commissions | 1,318 | - | 11,067 | 4,113 |
| Other fee income | 1,744 | 1,273 | 8,601 | 6,435 |
| | 25,707 | 12,376 | 105,328 | 67,967 |
| b) Net trading income: | | | | |
| Gain arising from financial assets held for trading | 3,970 | 5,125 | 6,447 | 14,226 |
| - realised | 1,597 | 79 | 1,788 | 1,297 |
| - unrealised | 2,373 | 5,046 | 4,659 | 12,929 |
| Gain/(loss) arising from derivative financial instruments | 191 | 361 | 3,043 | 132 |
| - realised | 158 | (35) | 3,002 | (167) |
| - unrealised | 33 | 396 | 41 | 299 |
| | 4,161 | 5,486 | 9,490 | 14,358 |
| c) Net gain from sale of financial investments available-for-sale | - | - | - | 3 |
| d) Gross dividend income from: | | | | |
| Financial assets held for trading | - | 8 | 2 | 443 |
| e) Other income: | | | | |
| Foreign exchange gain/(loss): | 598 | 112 | (7,573) | 2,437 |
| Gain on disposal of property, plant and equipment | 169 | 295 | 1,037 | 414 |
| Asset management and securities services | 6,188 | 7,269 | 18,433 | 19,513 |
| Net brokerage fee | 31,627 | 33,488 | 101,578 | 85,619 |
| Other non operating income | (4,774) | 263 | (2,918) | 1,541 |
| | 33,808 | 41,427 | 110,557 | 109,524 |
| Total non interest income | 63,676 | 59,297 | 225,377 | 192,295 |

EXPLANATORY NOTES (Continued)

A14. Non interest income (continued)

| | 3rd quarter ended | | Nine months ended | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| Bank | | | | |
| a) Fee income: | | | | |
| Fee on loans and advances | 7,148 | 50 | 14,202 | 311 |
| Portfolio management fees | 2,208 | 2,011 | 8,832 | 7,217 |
| Corporate advisory and arrangement fees | 7,490 | 4,761 | 31,769 | 41,598 |
| Placement fee | 5,799 | 4,281 | 30,857 | 8,293 |
| Underwriting commissions | 1,318 | - | 11,067 | 4,113 |
| Other fee income | 1,744 | 1,273 | 8,601 | 6,435 |
| | 25,707 | 12,376 | 105,328 | 67,967 |
| b) Net trading income: | | | | |
| Gain arising from financial assets held for trading | 3,970 | 5,125 | 6,447 | 14,226 |
| - realised | 1,597 | 79 | 1,788 | 1,297 |
| - unrealised | 2,373 | 5,046 | 4,659 | 12,929 |
| Gain/(loss) arising from derivative financial instruments | 191 | 361 | 3,043 | 132 |
| - realised | 158 | (35) | 3,002 | (167) |
| - unrealised | 33 | 396 | 41 | 299 |
| | 4,161 | 5,486 | 9,490 | 14,358 |
| c) Net gain from sale of financial investments available-for-sale | - | - | - | 3 |
| d) Gross dividend income from: | | | | |
| Financial assets held for trading | - | 8 | 2 | 443 |
| Subsidiary | - | - | (2,457) | - |
| | - | 8 | (2,455) | 443 |
| e) Other income: | | | | |
| Foreign exchange gain/(loss) | 598 | 112 | (7,573) | 2,437 |
| Gain on disposal of property, plant and equipment | 169 | 295 | 1,037 | 414 |
| Asset management and securities services | 6,188 | 7,269 | 18,433 | 19,513 |
| Net brokerage fee | 31,021 | 32,852 | 99,691 | 83,424 |
| Other non operating income | (4,777) | 662 | (3,546) | 1,940 |
| | 33,199 | 41,190 | 108,042 | 107,728 |
| Total non interest income | 63,067 | 59,060 | 220,405 | 190,499 |

EXPLANATORY NOTES (Continued)

A15. Overheads

| Group | 3rd quarter ended | | Nine months ended | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | 34,190 | 26,140 | 101,282 | 75,062 |
| - EPF | 5,306 | 1,103 | 15,199 | 7,079 |
| - Others | 3,214 | 3,527 | 10,267 | 9,924 |
| Establishment costs | | | | |
| - Depreciation | 5,945 | 5,414 | 18,513 | 15,801 |
| - Amortisation of prepaid lease payment | 93 | 93 | 279 | 279 |
| - Rental | 2,142 | 3,252 | 6,582 | 7,865 |
| - Others | 2,692 | 5,163 | 8,694 | 10,850 |
| Marketing expenses | | | | |
| - Advertisement and publicity | (3,010) | 1,418 | 570 | 2,370 |
| - Others | (794) | 429 | 77 | 2,271 |
| Administration and general expenses | | | | |
| - Legal and other professional fees | 1,142 | 3,169 | 5,548 | 6,705 |
| - Others | 9,290 | 5,147 | 29,380 | 15,865 |
| | 60,210 | 54,855 | 196,391 | 154,071 |
| Bank | | | | |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | 33,925 | 25,830 | 100,503 | 74,416 |
| - EPF | 5,275 | 1,067 | 15,105 | 6,969 |
| - Others | 3,195 | 3,501 | 10,202 | 9,857 |
| Establishment costs | | | | |
| - Depreciation | 5,923 | 5,376 | 18,446 | 15,693 |
| - Amortisation of prepaid lease payment | 93 | 93 | 279 | 279 |
| - Rental | 1,937 | 3,021 | 5,941 | 7,140 |
| - Others | 2,690 | 5,152 | 8,667 | 10,819 |
| Marketing expenses | | | | |
| - Advertisement and publicity | (3,010) | 1,419 | 570 | 2,370 |
| - Others | (798) | 425 | 65 | 2,256 |
| Administration and general expenses | | | | |
| - Legal and other professional fees | 1,135 | 3,162 | 5,537 | 6,687 |
| - Others | 9,241 | 5,077 | 29,245 | 15,630 |
| | 59,606 | 54,123 | 194,560 | 152,116 |

A16. (Allowance for)/write back of impairment losses on loans and advances

| | 3rd quarter ended | | Nine months ended | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| The Group and The Bank | | | | |
| Allowance for impaired loans and financing: | | | | |
| Individual impairment allowance | (4) | - | 59 | - |
| - made during the period | (4) | - | (210) | - |
| - written back | - | - | 269 | - |
| Portfolio impairment allowance | (7) | - | 6 | - |
| - written back | (7) | - | 6 | - |
| Specific allowance | - | (7) | - | (198) |
| - made during the period | - | (7) | - | (208) |
| - written back | - | - | - | 10 |
| General allowance | - | 26 | - | 81 |
| - written back | - | 26 | - | 81 |
| | (11) | 19 | 65 | (117) |

EXPLANATORY NOTES (Continued)

A17. Derivative Financial Instruments and Commitment and Contingencies

i) Derivative Financial Instruments

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts at risk.

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

| | The Group and The Bank | | |
|--|------------------------|----------------|------------------|
| | Principal | Fair values | |
| | amount | Assets | Liabilities |
| | RM'000 | RM'000 | RM'000 |
| At 30 September 2010 | | | |
| Trading derivative | | | |
| <u>Foreign exchange derivatives</u> | | | |
| Currency spot | | | |
| - Less than 1 year | 138 | - | - |
| | 138 | - | - |
| <u>Interest rate derivatives</u> | | | |
| Interest rate swaps | | | |
| - Less than 1 year | 371,000 | 6,245 | - |
| - 1 year to 3 years | 423,860 | 27,639 | - |
| - More than 3 years | 706,650 | 48,060 | (15,594) |
| | 1,501,510 | 81,944 | (15,594) |
| <u>Equity derivatives</u> | | | |
| Equity options | | | |
| - Less than 1 year | 1,438,734 | 125,631 | (125,631) |
| - 1 year to 3 years | 309,814 | 20,007 | (20,007) |
| - More than 3 years | 368,016 | 16,891 | (16,891) |
| Index futures | | | |
| - Less than 1 year | 8,982 | 37 | - |
| | 2,125,546 | 162,566 | (162,529) |
| Total derivative assets/(liabilities) | 3,627,194 | 244,510 | (178,123) |
| At 31 December 2009 | | | |
| Trading derivative | | | |
| <u>Interest rate derivatives</u> | | | |
| Interest rate swaps | | | |
| | 2,962,310 | 110,913 | (4,107) |
| <u>Equity derivatives</u> | | | |
| Equity options | | | |
| | 2,333,448 | 170,257 | (170,257) |
| Index futures | | | |
| | 4,505 | - | (4) |
| | 2,337,953 | 170,257 | (170,261) |
| Total derivative assets/(liabilities) | 5,300,263 | 281,170 | (174,368) |

The Group's derivative financial instruments are subject to market and credit risk, as follows:

Market Risk

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

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay the Group and the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 30 September 2010, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM244,510,000 (31 December 2009: RM281,170,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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

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

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

EXPLANATORY NOTES (Continued)

A17. Derivative Financial Instruments and Commitment and Contingencies (continued)

ii) Commitment and Contingencies

In the normal course of business, the Group and the Bank enters into various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured over the Group and the Bank assets except for certain Financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

The commitments and contingencies constitute the following :

| | 30 September 2010 | | | 31 December 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 |
| <u>Credit-related</u> | | | | | | |
| Obligations under underwriting agreement | 824,125 | 48,112 | 48,112 | - | - | - |
| Irrevocable commitments to extend credit: | | | | | | |
| - Maturity not exceeding 1 year | - | - | - | 19 | - | - |
| - Maturity exceeding 1 year | 192 | - | - | 489 | - | - |
| Miscellaneous commitments and contingencies | 123,500 | - | - | 102,750 | 102,750 | 20,550 |
| Total credit-related commitments and contingencies | 947,817 | 48,112 | 48,112 | 103,258 | 102,750 | 20,550 |
| <u>Treasury-related</u> | | | | | | |
| Foreign exchange derivatives | | | | | | |
| - Less than 1 year | 138 | - | - | - | - | - |
| Interest Rate Related Contracts | | | | | | |
| - Less than one year | 371,000 | 2,668 | 312 | 1,307,700 | 5,704 | 1,141 |
| - One year to less than 5 years | 423,860 | 13,438 | 1,574 | 906,860 | 31,509 | 6,302 |
| - Five years and above | 706,650 | 35,344 | 70,957 | 747,750 | 39,002 | 19,501 |
| Equity Related Contracts | | | | | | |
| - Less than one year | 1,447,716 | 9,793 | 1,147 | 1,680,389 | 20,183 | 4,037 |
| - One year to less than 5 years | 309,814 | 16,782 | 1,965 | 441,184 | 26,027 | 5,205 |
| - Five years and above | 368,016 | 31,382 | 3,675 | 216,380 | 37,468 | 7,494 |
| Total treasury-related commitments and contingencies | 3,627,194 | 109,407 | 79,630 | 5,300,263 | 159,893 | 43,680 |
| | 4,575,011 | 157,519 | 127,742 | 5,403,521 | 262,643 | 64,230 |

Effective 1 October 2008 until 30 June 2010, the following approaches have been adopted for computation of risk weighted assets:

- adoption of bilateral netting as provided under the Standardised Approach Framework which involves the weighting of net claims rather than gross claims with the same counterparties arising out of the full range of forwards, swaps, options and similar derivative contracts.
- irrevocable commitments to extend credit (undrawn loans) have been revised to include only those undrawn loans whereby all conditions precedent have been met.

Effective 1st July 2010, the Group and the Bank has adopted Basel II-Internal Rating-Based approach for credit equivalent amount and risk weighted amount computation.

EXPLANATORY NOTES (Continued)

A18. Capital Adequacy

30 September 2010

With effect from 1 July 2010, the capital adequacy ratios of the Group and the Bank are computed in accordance with Internal Rating-Based approach (IRB approach) for Credit Risk, Basic Indicator Approach for Operational Risk. Market Risk remained unchanged under Standardised Approach.

The comparative capital adequacy ratios for 31 December 2009 have not been restated based on IRB approach, as they represent actual amounts reported for regulatory compliance purposes as of that date.

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

| | The Group and the Bank |
|---|--|
| Core capital ratio | 16.44% * |
| Risk-weighted capital ratio | 16.44% * |
| | |
| | The Group and the Bank RM'000 |
| Components of Tier I and Tier II capital : | |
| <u>Tier I capital</u> | |
| Paid-up capital | 100,000 |
| Retained profits | 114,519 |
| Other reserves | 155,175 |
| | 369,694 |
| Less: Deferred tax, net, as restated | (19,988) |
| Deduction in excess of Tier 2 Capital | (7,285) N1 |
| Total Tier I capital | 342,421 |
| | |
| <u>Tier II capital</u> | |
| Cumulative Preference Shares | 10 |
| Portfolio impairment allowance/General allowance and allowance for doubtful debts | 955 |
| Surplus of total EP over total EL under the IRB approach, subject to limit | 800 |
| Total Tier II capital | 1,765 |
| | |
| Less: | |
| Investments in subsidiary companies | (9,050) |
| Total eligible Tier II capital | - N1 |
| | |
| Total capital base | 342,421 |

(b) Breakdown of risk-weighted assets by each major risk category are as follows:

| | The Group and the Bank RM'000 |
|------------------|--|
| Credit risk | 1,138,240 |
| Market risk | 271,941 |
| Operational risk | 672,060 |
| | 2,082,241 |

N1 The excess of Tier II capital was deducted under Tier I capital.

* After deduction of dividend for financial year ended 31 December 2009 which was paid on 19 April 2010

EXPLANATORY NOTES (Continued)

A18. Capital Adequacy

31 Dec 2009

(a) The capital adequacy ratios of the Bank's banking operations are as follows:

| | The Bank |
|--|-----------------------|
| <u>Before deducting proposed dividends:</u> | |
| Core capital ratio | 19.77% |
| Risk-weighted capital ratio | 19.77% |
| <u>After deducting dividends:</u> | |
| Core capital ratio | 17.11% |
| Risk-weighted capital ratio | 17.11% |
| | |
| Components of Tier I and Tier II capital : | The Bank |
| | RM '000 |
| <u>Tier I capital</u> | |
| Paid-up capital | 100,000 |
| Retained profits | 146,551 |
| Other reserves | <u>155,175</u> |
| Tier-I Minority interest | 401,726 |
| Less: Deferred tax, net, as restated | <u>(5,019)</u> |
| Total Tier I capital | <u>396,707</u> |
| | |
| <u>Tier II capital</u> | |
| Cumulative Preference Shares | 10 |
| General allowance and allowance for doubtful debts | <u>918</u> |
| Total Eligible Tier II capital | <u>928</u> |
| | |
| Less: | |
| Investments in subsidiary companies | <u>(9,050)</u> |
| Total capital base | 388,585 |
| Less: | |
| Dividend | <u>(52,300)</u> |
| Total capital base (net of dividend) | <u>336,285</u> |

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

| | Principal RM'000 | Risk weighted RM'000 |
|--|---------------------|-------------------------|
| 0% | 427,170 | - |
| 20% | 5,949,667 | 1,189,933 |
| 50% | 66,764 | 33,382 |
| 100% | <u>417,380</u> | <u>417,380</u> |
| | 6,860,981 | 1,640,695 |
| Counterparty risk requirement | | <u>1</u> |
| Total risk weighted assets equivalent for credit risk | | 1,640,696 |
| Total risk weighted assets equivalent for market risk | | 324,340 |
| Total risk weighted assets equivalent for operational risk | | - |
| | | <u>1,965,036</u> |

The capital adequacy ratios had incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which was effective from 1 April 2005. Effective 1 October 2008 until 30 June 2010, the following approaches have been adopted for the computation of risk weighted assets:

- adoption of bilateral netting as provided under the Standardised Approach Framework which involves the weighting of net claims rather than gross claims with the same counterparties arising out of the full range of forwards, swaps, options and similar derivative contracts.
- irrevocable commitments to extend credit (undrawn loans) have been revised to include only those undrawn loans whereby all conditions precedent have been met.

EXPLANATORY NOTES (Continued)

A19. Interest/Profit Rate Risk

| Group | Non-trading book | | | | | | Trading Book | Total | Effective interest rate | | | |
|--|------------------|----------------|------------------|------------------|------------------|------------------------|----------------|------------------|-------------------------|-------|------|------|
| | Up to 1 month | >1-3 months | >3-12 months | 1-5 years | Over 5 years | Non interest sensitive | | | MYR | USD | EUR | SGD |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | % | % | % | % |
| As at 30 September 2010 | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and short term funds | 2,331,362 | - | - | - | - | 274,813 | - | 2,606,175 | 2.54 | 0.60 | - | 0.15 |
| Reverse repurchase agreements | 199,762 | - | - | - | - | - | - | 199,762 | 2.80 | - | - | - |
| Deposits and placements with banks and other financial institutions | 1,065 | 480,204 | 223,764 | - | - | - | - | 705,033 | 2.23 | 0.71 | - | - |
| Financial assets held for trading | - | - | - | - | - | 17,319 | 73,478 | 90,797 | 5.25 | 16.68 | - | - |
| Financial investments available-for-sale | - | - | - | - | - | 8,979 | - | 8,979 | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | 162,566 | 81,944 | 244,510 | - | - | - | - |
| Loans, advances and financing | 1 | 12 | 166 | 7,618 | 36,617 | - | - | 44,414 | 3.93 | - | - | - |
| Other assets * | - | - | - | - | - | 1,357,021 | - | 1,357,021 | 10.00 | - | - | - |
| Total assets | 2,532,190 | 480,216 | 223,930 | 7,618 | 36,617 | 1,820,698 | 155,422 | 5,256,691 | | | | |
| * Other assets include statutory deposits with Bank Negara Malaysia, deferred tax assets, tax recoverable, investment in associated companies, amount due from related companies, prepaid land lease payments, property, plant and equipment and goodwill. | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | |
| Deposits from customers | 650,799 | - | 185,500 | 211,930 | 235,550 | - | - | 1,283,779 | 1.83 | 0.19 | - | - |
| Deposits and placements of banks and other financial institutions | 1,374,981 | 375,183 | 214,150 | - | - | - | - | 1,964,314 | 2.85 | 0.80 | 0.30 | - |
| Derivative financial instruments | - | - | - | - | - | 162,529 | 15,594 | 178,123 | - | - | - | - |
| Other liabilities # | 60 | 78 | - | - | - | 1,439,561 | - | 1,439,699 | - | - | - | - |
| Total liabilities | 2,025,840 | 375,261 | 399,650 | 211,930 | 235,550 | 1,602,090 | 15,594 | 4,865,915 | | | | |
| Total interest sensitivity gap | 506,350 | 104,955 | (175,720) | (204,312) | (198,933) | 218,608 | 139,828 | | | | | |

Other liabilities include provision for taxation and zakat, amount due to related companies and ultimate holding company.

EXPLANATORY NOTES (Continued)

A19. Interest/Profit Rate Risk (continued)

| Group | Non-trading book | | | | | | Trading Book | Total | Effective interest rate | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------------|----------------|------------------|-------------------------|-------|-------|
| | Up to 1 month | >1-3 months | >3-12 months | 1-5 years | Over 5 years | Non interest sensitive | | | MYR % | USD % | EUR % |
| As at 31 December 2009 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | |
| Assets | | | | | | | | | | | |
| Cash and short term funds | 3,862,949 | - | - | - | - | 343,235 | - | 4,206,184 | 2.01 | 0.38 | 0.31 |
| Reverse repurchase agreements | 199,807 | 93,915 | - | - | - | - | - | 293,722 | 2.01 | - | - |
| Deposits and placements with banks and other financial institutions | 1,074 | 1,274,938 | 440,100 | - | - | 28 | - | 1,716,140 | 2.18 | 0.42 | - |
| Financial assets held for trading | - | - | - | - | - | 7,128 | 79,152 | 86,280 | 5.47 | 16.68 | - |
| Financial investments available-for-sale | - | - | - | - | - | 8,825 | - | 8,825 | - | - | - |
| Derivative financial instruments | - | - | - | - | - | 170,257 | 110,913 | 281,170 | - | - | - |
| Loans, advances and financing | 1 | 6 | 127 | 7,414 | 37,038 | 354 | - | 44,940 | 3.93 | - | - |
| Other assets * | - | - | - | - | - | 1,122,737 | - | 1,122,737 | 10.00 | - | - |
| Total assets | 4,063,831 | 1,368,859 | 440,227 | 7,414 | 37,038 | 1,652,564 | 190,065 | 7,759,998 | | | |
| * Other assets include statutory deposits with Bank Negara Malaysia, deferred tax assets, tax recoverable, investment in associated company, amount due from related companies and immediate holding company, prepaid land lease payment, property, plant and equipment and goodwill. | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | |
| Deposits from customers | 1,242,156 | - | 648,850 | 453,430 | 249,250 | - | - | 2,593,686 | 1.79 | - | - |
| Deposits and placements of banks and other financial institutions | 1,663,771 | 1,279,775 | 205,000 | - | - | - | - | 3,148,546 | 2.17 | 0.41 | - |
| Derivative financial instruments | - | - | - | - | - | 170,261 | 4,107 | 174,368 | - | - | - |
| Other liabilities # | - | - | - | - | - | 1,426,624 | - | 1,426,624 | - | - | - |
| Total liabilities | 2,905,927 | 1,279,775 | 853,850 | 453,430 | 249,250 | 1,596,885 | 4,107 | 7,343,224 | | | |
| Total interest sensitivity gap | 1,157,904 | 89,084 | (413,623) | (446,016) | (212,212) | 55,679 | 185,958 | | | | |

Other liabilities include provision for taxation and zakat, amount due to related companies, ultimate holding and holding company.

EXPLANATORY NOTES (Continued)

A19. Interest/Profit Rate Risk (continued)

| Bank | Non-trading book | | | | | | Trading Book | Total | Effective interest rate | | | |
|--|------------------|----------------|------------------|------------------|------------------|------------------------|----------------|------------------|-------------------------|-------|-------|-------|
| | Up to 1 month | >1-3 months | >3-12 months | 1-5 years | Over 5 years | Non interest sensitive | | | MYR % | USD % | EUR % | SGD % |
| As at 30 September 2010 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | | |
| Assets | | | | | | | | | | | | |
| Cash and short term funds | 2,260,607 | - | - | - | - | 274,533 | - | 2,535,140 | 2.59 | 0.60 | - | 0.15 |
| Reverse repurchase agreements | 199,762 | - | - | - | - | - | - | 199,762 | 2.80 | - | - | - |
| Deposits and placements with banks and other financial institutions | - | 480,100 | 223,735 | - | - | - | - | 703,835 | 2.23 | 0.71 | - | - |
| Financial assets held for trading | - | - | - | - | - | 17,319 | 73,478 | 90,797 | 5.25 | 16.68 | - | - |
| Financial investments available-for-sale | - | - | - | - | - | 6,331 | - | 6,331 | - | - | - | - |
| Derivative financial instruments | - | - | - | - | - | 162,566 | 81,944 | 244,510 | - | - | - | - |
| Loans, advances and financing | 1 | 12 | 166 | 7,618 | 36,617 | - | - | 44,414 | 3.93 | - | - | - |
| Other assets * | - | - | - | - | - | 1,359,990 | - | 1,359,990 | 10.00 | - | - | - |
| Total assets | 2,460,370 | 480,112 | 223,901 | 7,618 | 36,617 | 1,820,739 | 155,422 | 5,184,779 | | | | |
| * Other assets include statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, amount due from subsidiaries and related companies, prepaid land lease payments and property, plant and equipment. | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | |
| Deposits from customers | 650,799 | - | 185,500 | 211,930 | 235,550 | - | - | 1,283,779 | 1.83 | 0.19 | - | - |
| Deposits and placements of banks and other financial institutions | 1,374,981 | 375,183 | 214,150 | - | - | - | - | 1,964,314 | 2.85 | 0.80 | 0.30 | - |
| Derivative financial instruments | - | - | - | - | - | 162,529 | 15,594 | 178,123 | - | - | - | - |
| Other liabilities # | - | - | - | - | - | 1,386,544 | - | 1,386,544 | - | - | - | - |
| Total liabilities | 2,025,780 | 375,183 | 399,650 | 211,930 | 235,550 | 1,549,073 | 15,594 | 4,812,760 | | | | |
| Total interest sensitivity gap | 434,590 | 104,929 | (175,749) | (204,312) | (198,933) | 271,666 | 139,828 | | | | | |

Other liabilities include amount due to subsidiaries, related companies and ultimate holding company and provision for taxation and zakat.

EXPLANATORY NOTES (Continued)

A19. Interest/Profit Rate Risk (continued)

| Bank | 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 | | | MYR % | USD % | EUR % |
| As at 31 December 2009 | | | | | | | | | | | |
| Assets | | | | | | | | | | | |
| Cash and short term funds | 3,792,871 | - | - | - | - | 343,015 | - | 4,135,886 | 2.03 | 0.38 | 0.31 |
| Reverse repurchase agreements | 199,807 | 93,915 | - | - | - | - | - | 293,722 | 2.01 | - | - |
| Deposits and placements with banks and other financial institutions | - | 1,274,875 | 440,100 | - | - | - | - | 1,714,975 | 2.18 | 0.42 | - |
| Financial assets held for trading | - | - | - | - | - | 7,128 | 79,152 | 86,280 | 5.47 | 16.68 | - |
| Financial investments available-for-sale | - | - | - | - | - | 6,331 | - | 6,331 | - | - | - |
| Derivative financial instruments | - | - | - | - | - | 170,257 | 110,913 | 281,170 | - | - | - |
| Loans, advances and financing | 1 | 6 | 127 | 7,414 | 37,038 | 354 | - | 44,940 | 3.93 | - | - |
| Other assets * | - | - | - | - | - | 1,125,904 | - | 1,125,904 | 10.00 | - | - |
| Total assets | 3,992,679 | 1,368,796 | 440,227 | 7,414 | 37,038 | 1,652,989 | 190,065 | 7,689,208 | | | |
| * Other assets include statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, amount due from subsidiaries, related companies and immediate holding company, prepaid land lease payments and property, plant and equipment. | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | |
| Deposits from customers | 1,242,156 | - | 648,850 | 453,430 | 249,250 | - | - | 2,593,686 | 1.79 | - | - |
| Deposits and placements of banks and other financial institutions | 1,663,771 | 1,279,775 | 205,000 | - | - | - | - | 3,148,546 | 2.17 | 0.41 | - |
| Derivative financial instruments | - | - | - | - | - | 170,261 | 4,107 | 174,368 | - | - | - |
| Other liabilities # | - | - | - | - | - | 1,370,872 | - | 1,370,872 | - | - | - |
| Total liabilities | 2,905,927 | 1,279,775 | 853,850 | 453,430 | 249,250 | 1,541,133 | 4,107 | 7,287,472 | | | |
| Total interest sensitivity gap | 1,086,752 | 89,021 | (413,623) | (446,016) | (212,212) | 111,856 | 185,958 | | | | |

Other liabilities include amount due to subsidiaries, related companies and ultimate holding company and provision for taxation and zakat.

EXPLANATORY NOTES (Continued)

A20. Segment reporting

The Group is divided into five major business lines - Financial advisory, underwriting and other fees, Debt related, Equity related, Investments and securities services and Others. The business lines are the basis on which the Group reports its primary segment information.

Financial advisory, underwriting and other fees mainly comprise fees derived from structured financial solutions, origination of capital market products including debt and equity, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory, Islamic capital market products and project advisory. In addition, this segment also includes underwriting of primary equities and debt products.

Debt related mainly comprises proprietary trading and market making in the secondary market for debt, debt related derivatives and structured products. It also invests in proprietary capital.

Equity related mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market.

Investments and securities services mainly comprise annuity income derived from fund management, agency and securities services.

Others mainly comprise income derived from Islamic Banking operations undertaken by the Group.

| The Group | Financial advisory, underwriting and other fees RM '000 | Debt related RM '000 | Equity related RM '000 | Investments and securities services RM '000 | Others RM '000 | Total RM '000 |
|---|--|---------------------------------|-----------------------------------|--|---------------------------|--------------------------|
| 30 September 2010 | | | | | | |
| External net interest income | - | 2,237 | - | - | - | 2,237 |
| Non interest income: | | | | | | |
| - Fee income | 81,353 | 23,281 | - | - | 694 | 105,328 |
| - Net trading income | - | 9,490 | - | - | - | 9,490 |
| - Brokerage income | - | - | 101,578 | - | - | 101,578 |
| - Income from assets management and securities services | - | - | - | 18,433 | - | 18,433 |
| Other income | 210 | 5,877 | - | - | (6,997) | (910) |
| Total income | 81,563 | 40,885 | 101,578 | 18,433 | (6,303) | 236,156 |
| Segment result | 65,056 | (44,447) | 32,066 | 2,018 | (7,032) | 47,661 |
| Unallocated costs* | | | | | | (7,269) |
| Share of results of associates | | | | | | 643 |
| Profit before taxation | | | | | | 41,035 |
| Taxation and zakat | | | | | | (14,471) |
| Net profit for the financial period after minority interest | | | | | | 26,564 |

| The Group | Financial advisory, underwriting and other fees RM '000 | Debt related RM '000 | Equity related RM '000 | Investments and securities services RM '000 | Others RM '000 | Total RM '000 |
|---|--|---------------------------------|-----------------------------------|--|---------------------------|--------------------------|
| 30 September 2009 | | | | | | |
| External net interest income | - | 12,946 | - | - | - | 12,946 |
| Non interest income: | | | | | | |
| - Fee income | 57,045 | 10,199 | - | - | 723 | 67,967 |
| - Net trading income | - | 14,358 | - | - | - | 14,358 |
| - Loss arising from sale of financial investments available-for-sale | - | 3 | - | - | - | 3 |
| - Brokerage income | - | - | 85,619 | - | - | 85,619 |
| - Income from assets management and securities services | - | - | - | 19,513 | - | 19,513 |
| Other income | 1,295 | 11,839 | - | - | 4,392 | 17,526 |
| Total income | 58,340 | 49,345 | 85,619 | 19,513 | 5,115 | 217,932 |
| Segment result | 32,817 | (8,001) | 30,968 | (4,738) | 14,478 | 65,524 |
| Unallocated costs* | | | | | | (9,269) |
| Share of results of associates | | | | | | 576 |
| Profit before taxation | | | | | | 56,831 |
| Taxation and zakat | | | | | | 15,299 |
| Net profit for the financial period after minority interest | | | | | | 72,130 |

* The unallocated cost refer to expenditure arising from the Chief Executive Officer's office and the Corporate Client Solutions Department which are related to the Group as a whole, hence they are not directly allocated to respective segments.

EXPLANATORY NOTES (Continued)

A21. Operations of Islamic Banking

A21a. Unaudited Statement of Financial Position as at 30 September 2010

| | Notes | The Group and The Bank | |
|--|-------|------------------------|-----------------------|
| | | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| Assets | | | |
| Cash and short-term funds | | 101,968 | 331,711 |
| Deposit and placements with banks and other financial institutions | | 480,000 | 910,000 |
| Islamic derivative financial instruments | | 128,116 | 195,927 |
| Other assets | | 258,779 | 462,471 |
| Amount due from related companies | | 4,448 | 322 |
| Property, plant and equipment | | 153 | 1,547 |
| TOTAL ASSETS | | 973,464 | 1,901,978 |
| Liabilities | | | |
| Deposits from customers | A21c | 632,980 | 1,351,530 |
| Deposits and placements of banks and other financial institutions | | 33,400 | 35,450 |
| Islamic derivative financial instruments | | 61,767 | 89,121 |
| Provision for taxation and zakat | | 45,812 | 44,276 |
| Other liabilities | | 19,841 | 210,724 |
| Amount due to related companies | | 4,403 | 223 |
| TOTAL LIABILITIES | | 798,203 | 1,731,324 |
| Islamic banking capital funds | | 55,000 | 55,000 |
| Reserves | | 120,261 | 115,654 |
| Islamic banking capital funds | | 175,261 | 170,654 |
| TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS | | 973,464 | 1,901,978 |

A21b. Unaudited Statements of Comprehensive Income for Period Ended 30 September 2010

| | The Group and The Bank | | | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 3rd quarter ended | | Nine months ended | |
| | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 | 30 Sept 2010 RM'000 | 30 Sept 2009 RM'000 |
| Income derived from investment of depositors' funds | 1,381 | 433 | 3,232 | 1,206 |
| Income derived from investment of shareholders' funds | 4,143 | 13,237 | 20,700 | 29,724 |
| Provision for other receivables | (8) | (6) | (69) | (30) |
| Total attributable income | 5,516 | 13,664 | 23,863 | 30,900 |
| Income attributable to the depositors | (3,582) | (5,355) | (15,390) | (18,239) |
| Total net income | 1,934 | 8,309 | 8,473 | 12,661 |
| Personnel expenses | (77) | (57) | (285) | (328) |
| Other overheads and expenditures | (255) | (249) | (2,043) | (1,480) |
| Profit before zakat and tax expense | 1,602 | 8,003 | 6,145 | 10,853 |
| Taxation | (400) | (2,001) | (1,536) | (2,713) |
| Net profit for the financial period | 1,202 | 6,002 | 4,609 | 8,140 |

A21c. Deposits from customers

| By type of deposits | The Group and The Bank | |
|----------------------------|------------------------|-----------------------|
| | 30 Sept 2010 RM'000 | 31 Dec 2009 RM'000 |
| Non-Mudharabah Fund | | |
| Variable rate deposits | 397,430 | 1,102,280 |
| Equity Linked Sukuk | 235,550 | 249,250 |
| | 632,980 | 1,351,530 |

EXPLANATORY NOTES (Continued)

A22. Change in accounting policies and comparatives

(a) Change in accounting policies

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

- i) FRS 139 "Financial Instruments : Recognition and Measurement"
- ii) IC Interpretation 9 "Reassessment of Embedded Derivatives"
- iii) FRS 7 "Financial Instruments : Disclosures "
- iv) Amendments to FRS 7 "Financial Instruments: Disclosure"
- v) Amendment to IC Interpretation 9 "Reassessment of embedded Derivatives" (effective 1 January 2010)

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

Impairment of financial assets

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Loan Impairment

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

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

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

Loans that have not been individually assessed are grouped together for portfolio impairment assessment . These loans are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

EXPLANATORY NOTES (Continued)

A22. Change in accounting policies and comparatives (continued)

(a) Change in accounting policies (continued)

Interest Income Recognition

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

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

Recognition of Embedded Derivatives

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

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

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

(b) Adjustments due to change in accounting policies

The changes in accounting policies as described above which resulted in adjustments to loans, advances and financing and opening retained profits of the Group and the Bank are as follows:

| | As previously reported as at 31 December 2009 RM'000 | Effects of adoption of FRS 139 RM'000 | Adjusted as at 1 January 2010 RM'000 |
|-------------------------------|---|---|--|
| The Group | | | |
| <u>Balance sheet</u> | | | |
| Loans, advances and financing | 44,940 | (350) | 44,590 |
| Provision for taxation | 36,887 | (88) | 36,799 |
| Retained profit | 160,959 | (262) | 160,697 |
| The Bank | | | |
| <u>Balance sheet</u> | | | |
| Loans, advances and financing | 44,940 | (350) | 44,590 |
| Provision for taxation | 36,887 | (88) | 36,799 |
| Retained profit | 146,551 | (262) | 146,289 |

EXPLANATORY NOTES (Continued)

A22. Change in accounting policies and comparatives (continued)

(c) Comparative figures

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group and the Bank for the comparative financial period ended 30 June 2009 have been re-presented as a combined statement of total comprehensive income comprising components of profit or loss and other comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of total comprehensive income as other comprehensive income. Consequently, components of other comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact to the results, performance and earnings per ordinary share of the Group and Bank.

(ii) FRS 7 Financial Instruments: Disclosures

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

EXPLANATORY NOTES (Continued)**A22. Change in accounting policies and comparatives (Continued)****d) Adoption of FRS 139 Financial Instruments: Recognition and Measurement**

| | Audited as at 31 December 2009 RM'000 | Effects of adopting FRS 139 RM'000 | Adjusted 1 January 2010 RM'000 |
|--|--|--|---|
| ASSETS | | | |
| Cash and short-term funds | 4,206,184 | | 4,206,184 |
| Reverse repurchase agreements | 293,722 | | 293,722 |
| Deposits and placements with banks and other financial institutions | 1,716,140 | | 1,716,140 |
| Financial assets held for trading | 86,280 | | 86,280 |
| Financial investments available-for-sale | 8,825 | | 8,825 |
| Derivative financial instruments | 281,170 | | 281,170 |
| Loans, advances and financing | 44,940 | (350) | 44,590 |
| Other assets | 1,032,520 | | 1,032,520 |
| Tax recoverable | 368 | | 368 |
| Deferred tax assets | 5,083 | | 5,083 |
| Statutory deposits with Bank Negara Malaysia | 1,900 | | 1,900 |
| Investment in subsidiaries | - | | - |
| Investment in associates | 4,833 | | 4,833 |
| Amount due from subsidiaries | - | | - |
| Amount due from related companies | 6,292 | | 6,292 |
| Amount due from immediate holding company | 13 | | 13 |
| Property, plant and equipment | 54,883 | | 54,883 |
| Prepaid land lease payments | 15,881 | | 15,881 |
| Goodwill | 964 | | 964 |
| TOTAL ASSETS | 7,759,998 | (350) | 7,759,648 |
| LIABILITIES | | | |
| Deposits from customers | 2,593,686 | | 2,593,686 |
| Deposits and placements of banks and other financial institutions | 3,148,546 | | 3,148,546 |
| Derivative financial instruments | 174,368 | | 174,368 |
| Other liabilities | 1,329,318 | | 1,329,318 |
| Provision for taxation and zakat | 36,887 | (88) | 36,799 |
| Amount due to ultimate holding company | 173 | | 173 |
| Amount due to holding company | 10 | | 10 |
| Amount due to related companies | 60,236 | | 60,236 |
| Amount due to subsidiaries | - | | - |
| TOTAL LIABILITIES | 7,343,224 | (88) | 7,343,136 |
| CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK | | | |
| Share capital | 100,000 | | 100,000 |
| Reserves | 316,764 | (262) | 316,502 |
| Redeemable preference shares | 10 | | 10 |
| TOTAL EQUITY | 416,774 | (262) | 416,512 |
| TOTAL EQUITY AND LIABILITIES | 7,759,998 | (350) | 7,759,648 |

EXPLANATORY NOTES (Continued)

B1. Group Performance Review

The Group achieved a profit after tax of RM22.8 million for the period ended 30 September 2010, a 67.1% decrease compared to profit after tax of RM69.3 million achieved in the same period of 2009 mainly due to lower net interest income by 86.7%, lower net trading income by 33.9% and higher overhead expenses by 27.9%. However this was mitigated by higher brokerage income and fee income by 18.6% and 55.0% respectively. The drop in interest income was mainly due to no recognition of interest income from financial investments held-to-maturity and financial investments available-for-sale in 3Q2010.

B2. Prospects for the Current Financial Year

The Bank remain on course for another good year, as we are in line to meet our key targets after 9 months. The Bank had a good 4Q so far especially in investment banking, with major deals successfully completed in Hong Kong and Malaysia.

B3. Tax Expense

| | The Group | | | |
|--|-------------------|--------------|-------------------|-----------------|
| | 3rd quarter ended | | Nine months ended | |
| | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | | | | |
| - Malaysian income tax | 1,382 | 3,836 | 26,425 | (13,742) |
| Deferred tax | 2,995 | 2,176 | (11,971) | (1,557) |
| Under-accrual in prior years | - | - | 17 | - |
| | 4,377 | 6,012 | 14,471 | (15,299) |
| Reconciliation | | | | |
| Profit before taxation | 7,139 | 11,548 | 41,035 | 56,831 |
| Tax calculated at a tax rate of 25% | 1,785 | 2,887 | 10,259 | 14,208 |
| Income not subject to tax, expenses not deductible for tax purposes and overprovision in prior years | 2,592 | 3,125 | 4,212 | (29,507) |
| | 4,377 | 6,012 | 14,471 | (15,299) |

| | The Bank | | | |
|--|-------------------|--------------|-------------------|-----------------|
| | 3rd quarter ended | | Nine months ended | |
| | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | | | | |
| - Malaysian income tax | 1,327 | 5,346 | 25,609 | (12,487) |
| Deferred tax | 2,995 | 2,176 | (11,974) | (1,628) |
| | 4,322 | 7,522 | 13,635 | (14,115) |
| Reconciliation | | | | |
| Profit before taxation | 6,637 | 11,518 | 36,480 | 55,147 |
| Tax calculated at a tax rate of 25% | 1,659 | 2,880 | 9,120 | 13,787 |
| Income not subject to tax, expenses not deductible for tax purposes and overprovision in prior years | 2,663 | 4,642 | 4,515 | (27,902) |
| | 4,322 | 7,522 | 13,635 | (14,115) |

EXPLANATORY NOTES (Continued)**B4. Computation of Earning Per Share (EPS)****Basic EPS**

The Group's and the Bank's basic EPS is calculated by dividing the net profit for the financial period by the weighted average number of ordinary shares in issue during the financial period.

The Group

| | 3rd quarter ended | | Nine months ended | |
|---|--------------------------|--------------|--------------------------|--------------|
| | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 |
| Net profit for the financial period (RM '000) | 2,762 | 5,536 | 26,564 | 72,130 |
| Weighted average number of share | 100,000 | 100,000 | 100,000 | 100,000 |
| Basic earnings per share (sen) | 2.76 | 5.54 | 26.56 | 72.13 |

The Bank

| | 3rd quarter ended | | Nine months ended | |
|---|--------------------------|--------------|--------------------------|--------------|
| | 30 Sept 2010 | 30 Sept 2009 | 30 Sept 2010 | 30 Sept 2009 |
| Net profit for the financial period (RM '000) | 2,315 | 3,996 | 22,845 | 69,262 |
| Weighted average number of share | 100,000 | 100,000 | 100,000 | 100,000 |
| Basic earnings per share (sen) | 2.32 | 4.00 | 22.85 | 69.26 |