

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

<u>Assets</u>		30-Sep-10 RM'000	31-Dec-09 RM'000
Cash and short term funds	1	5,202,971	4,680,918
Deposits and placements with banks and other financial institutions	2	1,640,213	992,275
Financial assets held for trading	3	2,548,322	3,284,294
Financial investments available-for-sale	4	444,707	542,079
Financial investments held-to-maturity	5	1,360,842	1,011,378
Islamic derivative financial instruments	12(i)	135,838	257,688
Financing, advances and other loans	6	22,554,246	16,093,818
Other assets	7	122,537	108,031
Deferred taxation		5,122	44,625
Tax recoverable		7,165	-
Amount due from holding company		515,288	-
Amount due from related companies		2,695	-
Statutory deposits with Bank Negara Malaysia		148,296	172,806
Property, plant and equipment		2,659	2,625
Intangible assets		1,938	3,676
Goodwill		136,000	136,000
Total Assets		34,828,839	27,330,213
<u>Liabilities</u>			
Deposits from customers	8	21,253,004	17,496,497
Deposits and placements of banks and other financial institutions	9	11,364,290	8,222,432
Other liabilities	10	289,447	229,387
Islamic derivative financial instruments	12(i)	368,839	158,036
Provision for tax and zakat		6,197	18,794
Subordinated Sukuk	11	300,000	300,000
Amount due to holding company		-	27,731
Amount due to related companies		3,235	6,278
Total liabilities		33,585,012	26,459,155
Equity			
Capital and reserves attributable to equity holder of the Bank			
Ordinary share capital		750,000	550,000
Reserves		423,827	251,058
		1,173,827	801,058
Perpetual preference shares		70,000	70,000
Total equity		1,243,827	871,058
Total equity and liabilities		34,828,839	27,330,213
Commitments and contingencies	12(ii)	17,104,337	13,359,420
Net assets per share (RM)		1.57	1.46

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

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30-Sep-10 RM'000	QUARTER ENDED 30-Sep-09 RM'000	9 MONTHS ENDED 30-Sep-10 RM'000	9 MONTHS ENDED 30-Sep-09 RM'000
Income derived from investment of depositors' funds and others	14	407,415	217,935	1,019,131	602,440
Income derived from investment of shareholders' funds	15	14,260	29,552	65,947	79,215
Allowances for impairment for losses on financing	16	<u>(18,584)</u>	<u>(46,741)</u>	<u>(126,083)</u>	<u>(137,056)</u>
Total distributable income		403,091	200,746	958,995	544,599
Income attributable to depositors	17	<u>(228,108)</u>	<u>(90,355)</u>	<u>(514,825)</u>	<u>(268,457)</u>
Total net income		174,983	110,391	444,170	276,142
Personnel expenses	18	(28,410)	(24,272)	(83,761)	(69,305)
Other overheads and expenditures	19	(26,401)	(28,944)	(81,148)	(85,132)
Profit for the financial period		<u>120,172</u>	<u>57,175</u>	<u>279,261</u>	<u>121,705</u>
Taxation and zakat	20	(30,498)	(14,362)	(71,586)	(30,108)
Net profit for the period		<u><u>89,674</u></u>	<u><u>42,813</u></u>	<u><u>207,675</u></u>	<u><u>91,597</u></u>
Basic and diluted earnings per share (sen)		11.96	7.78	27.69	16.65

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30-Sep-10 RM'000	QUARTER ENDED 30-Sep-09 RM'000	9 MONTHS ENDED 30-Sep-10 RM'000	9 MONTHS ENDED 30-Sep-09 RM'000
Net profit for the period	89,674	42,813	207,675	91,597
Other comprehensive income:				
Revaluation reserve financial investments available-for-sale				
- Net gain from change in fair value	2,905	5,563	4,995	2,347
- Realised gain transferred to statement of comprehensive income	-	268	530	789
- Transfer to deferred tax assets	(727)	(1,458)	(1,381)	(784)
Total comprehensive income for the period	<u><u>91,852</u></u>	<u><u>47,186</u></u>	<u><u>211,819</u></u>	<u><u>93,949</u></u>

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

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

	Non-distributable						Distributable		Total equity RM'000
	Share capital RM'000	Perpetual preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- AFS RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve* RM'000	Retained profits RM'000	
30 September 2010									
At 1 January 2010	550,000	70,000	135,635	194	(2,457)	458	-	117,228	871,058
Effect of adopting FRS 139 on 1 January 2010	-	-	-	-	-	-	-	(39,050)	(39,050)
Adjusted at 1 January 2010	550,000	70,000	135,635	194	(2,457)	458	-	78,178	832,008
Net profit for the financial period	-	-	-	-	-	-	-	207,675	207,675
Other comprehensive income (net of tax)	-	-	-	4,144	-	-	-	-	4,144
- Financial investments available-for-sale	-	-	-	4,144	-	-	-	-	4,144
Transfer to statutory reserve	-	-	59,000	-	-	-	-	(59,000)	-
Transfer to regulatory reserve	-	-	-	-	-	3,208	-	(3,208)	-
Issue of share capital during the period	200,000	-	-	-	-	-	-	-	200,000
At 30 September 2010	750,000	70,000	194,635	4,338	(2,457)	458	3,208	223,645	1,243,827
30 September 2009									
At 1 January 2009	550,000	70,000	73,764	(1,719)	(2,457)	458	-	55,357	745,403
Net profit for the financial period	-	-	-	-	-	-	-	91,597	91,597
Other comprehensive income (net of tax)	-	-	-	2,352	-	-	-	-	2,352
- Financial investments available-for-sale	-	-	-	2,352	-	-	-	-	2,352
Transfer to statutory reserve	-	-	24,392	-	-	-	-	(24,392)	-
At 30 September 2009	550,000	70,000	98,156	633	(2,457)	458	-	122,562	839,352

* Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of FRS 139 beginning 1 January 2010

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



Company Number :671380-H

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

	30-Sep-10	30-Sep-09
	RM'000	RM'000
Cash flows from/(used in) operating activities		
Profit before taxation	279,261	121,705
Adjustments for non-cash items	95,843	85,729
Operating profit before changes in working capital	375,104	207,434
Net changes in operating assets	(6,932,937)	(6,180,289)
Net changes in operating liabilities	7,158,424	3,878,927
Tax paid	(32,544)	(15,494)
Net cash generated from/(used in) operating activities	568,047	(2,109,422)
Net cash flows used in investing activities	(245,994)	(6,355)
Net cash flows from financing activities	200,000	300,000
Net increase/(decrease) in cash and cash equivalents	522,053	(1,815,777)
Cash and cash equivalents at beginning of the financial period	4,680,918	6,249,125
Cash and cash equivalents at end of the financial period	5,202,971	4,433,348

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

EXPLANATORY NOTES

A. BASIS OF PREPARATION

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

The unaudited condensed interim financial statements have been prepared in accordance with FRS134: Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB"). The unaudited condensed interim financial statements should be read in conjunction with audited annual financial statements of the Bank for the year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the year ended 31 December 2009.

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

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

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

- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 1 "Limited Exemption from Comparative FRS 7 "Disclosures for First-time Adopters"
- Amendment to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective 1 July 2010)
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 132 "Financial Investments: Presentation" (effective 1 March 2010)
- Amendments to FRS 138 "Intangible Assets" (effective 1 July 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"

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

B. CHANGES IN ESTIMATES

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

C. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

On 25 August 2010, the Bank issued 200 million additional new ordinary shares of RM1 par value each totalling RM 200 million.

D. PROPOSED DIVIDEND

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

E. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

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

F. PERFORMANCE REVIEW

For the third quarter ended 30 September 2010, the Bank registered a profit after tax of RM89.7 million, an increase of 110% from a profit after tax of RM42.8 million in the previous year corresponding period. This is mainly attributable to a significant growth in business activities during the current period under review as evidenced by the increase in financing by 87% to RM22.6 billion from RM12.1 billion as at 30 September 2009.

G. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The bank remain on course for another good year in line to meet our key targets after 9 months and have had a good fourth quarter so far.

	30-Sep-10 RM'000	31-Dec-09 RM'000
<u>Notes to the accounts</u>		
1 Cash and short-term funds		
Cash and balances with banks and other financial institutions	103,073	55,817
Money at call and deposit placements maturing within one month	5,099,898	4,625,101
	<u>5,202,971</u>	<u>4,680,918</u>
2 Deposits and placements with banks and other financial institutions		
Licensed Islamic banks	961,313	425,375
Licensed Investment banks	28,900	29,900
Other financial institutions	650,000	537,000
	<u>1,640,213</u>	<u>992,275</u>
3 Financial assets held for trading		
Money market instruments		
Unquoted		
Government investment issues	245,927	498,587
Islamic negotiable instruments of deposits	971,357	1,328,917
Islamic accepted bills	-	54,634
Bank Negara negotiable notes	1,144,160	1,186,923
	<u>2,361,444</u>	<u>3,069,061</u>
Unquoted securities		
Islamic private debt securities	186,878	215,233
	<u>2,548,322</u>	<u>3,284,294</u>
4 Financial investments available-for-sale		
Money market instruments		
Unquoted		
Government investment issues	66,175	129,778
Islamic commercial papers	-	19,538
Islamic Cagamas bonds	35,215	34,392
Khazanah bonds	-	34,975
	<u>101,390</u>	<u>218,683</u>
Unquoted securities		
Islamic private debt securities	342,742	322,821
Placement with IBFIM	575	575
	<u>444,707</u>	<u>542,079</u>
5 Financial investments held-to-maturity		
Unquoted securities		
Islamic commercial papers	-	6,775
Government investment issues	100,056	-
Islamic private debt securities	1,267,983	1,010,812
Amortisation of premium less accretion of discount	(7,197)	(6,209)
	<u>1,360,842</u>	<u>1,011,378</u>

	30-Sep-10 RM'000	31-Dec-09 RM'000
6 Financing, advances and other loans		
(i) By type of financing:		
Cash line	266,227	241,179
Term financing		
- House financing	15,656,327	9,950,056
- Syndicated financing	458,832	388,512
- Hire purchase receivables	6,269,470	4,436,748
- Other term financing	16,457,141	12,344,730
Bills receivable	1,545	1,625
Islamic trust receipts	58,218	29,827
Claims on customer under Islamic accepted bills	175,173	173,893
Credit card receivables	80,143	48,973
Revolving credits	1,263,341	845,716
Others	15	72
	<u>40,686,432</u>	<u>28,461,331</u>
Less : Unearned income	(17,980,965)	(12,093,008)
Gross financing, advances and other loans	22,705,467	16,368,323
Fair value changes arising from fair value hedges	182,236	26,519
Less : Allowance for impairment losses		
- Specific allowance	-	(143,020)
- Individual impairment allowance	(107,588)	-
- General allowance	-	(158,004)
- Portfolio impairment allowance	(225,869)	-
Total net financing, advances and other loans	<u>22,554,246</u>	<u>16,093,818</u>

a) Included in other term financing for September 2010 is RM4.5 billion (Dec 2009 : RM1.5 billion) financing provided in normal commercial terms which is exempted from portfolio impairment allowance/general allowance by Bank Negara Malaysia

b) Also included in other term financing is RM8.1 billion (Dec 2009 : RM4.2 billion) financing provided under the Restricted Profit Sharing Investment Accounts (RPSIA).

c) The Bank has undertaken fair value hedges on financing using profit rate swaps.

Gross financing hedged	4,500,000	1,350,000
Fair value changes arising from fair value hedges	182,236	26,519
	<u>4,682,236</u>	<u>1,376,519</u>

The fair value losses of profit rate swaps as at 30 September 2010 were RM228.1 million (31 December 2009 : fair value loss of RM41.6 million)

(ii) By geographical distribution:

Malaysia	22,705,467	16,368,323
	<u>22,705,467</u>	<u>16,368,323</u>

(iii) By contract :

Bai-Bithaman Ajil (<i>deferred payment sale</i>)	9,882,472	7,195,630
Ijarah Muntahiyah Bittamlik/AITAB (<i>lease ended with ownership</i>)	5,895,571	4,210,366
Murabahah (<i>cost-plus</i>)	484,318	2,486,613
Bai Al-inah (<i>sale and buy back</i>)	6,301,574	2,426,538
Others	141,532	49,176
	<u>22,705,467</u>	<u>16,368,323</u>

(iv) By type of customer :

Domestic non-bank financial institutions		
- Others	69,007	51,355
Domestic business enterprises		
- Small medium enterprises	999,198	617,749
- Others	3,924,834	5,366,716
Government and statutory bodies	4,614,661	1,527,492
Individuals	12,762,845	8,764,262
Other domestic entities	281,190	17,802
Foreign entities	53,732	22,947
	<u>22,705,467</u>	<u>16,368,323</u>

	30-Sep-10 RM'000	31-Dec-09 RM'000
(v) By profit rate sensitivity :		
Fixed rate		
- House financing	455,624	308,792
- Hire purchase receivables	5,082,162	3,577,319
- Others	7,530,605	4,014,889
Variable rate		
- House financing	4,759,423	3,047,836
- Other financing	4,877,653	5,419,487
	<u>22,705,467</u>	<u>16,368,323</u>
(vi) By economic purpose :		
Personal use	1,679,684	1,417,727
Credit card	80,143	48,973
Purchase of consumer durables	-	21
Construction	624,393	258,358
Residential property	5,196,403	3,394,765
Non-residential property	1,536,180	1,005,163
Purchase of fixed assets other than land and building	392,552	317,848
Merger and acquisition	1,456	-
Purchase of securities	119,261	2,515,992
Purchase of transport vehicles	5,090,560	3,577,816
Working capital	7,784,084	3,557,758
Other purpose	200,751	273,902
	<u>22,705,467</u>	<u>16,368,323</u>
(vii) By residual contractual maturity :		
Within one year	2,422,636	1,799,248
One year to less than three years	1,020,406	2,515,413
Three years to less than five years	1,704,310	1,151,786
Five years and more	17,558,115	10,901,876
	<u>22,705,467</u>	<u>16,368,323</u>
(viii) Impaired financing/non-performing financing by economic purpose :		
Personal use	18,040	15,846
Credit card	1,963	1,211
Construction	632	-
Residential property	83,328	56,379
Non-residential property	15,940	8,345
Purchased of fixed assets other than land & building	1,797	1,620
Purchase of securities	19,372	18,670
Purchase of transport vehicles	72,926	42,779
Working capital	107,962	47,781
Other purpose	3,025	48,034
	<u>324,985</u>	<u>240,665</u>
(ix) Impaired financing/non-performing financing by geographical distribution:		
Malaysia	324,985	240,665
	<u>324,985</u>	<u>240,665</u>

	30-Sep-10 RM'000	31-Dec-09 RM'000
(x) Movement in impaired financing/non-performing financing, advances and other loans :		
Balance as at 1 January		
- as previously reported	240,665	201,468
- classified as impaired due to adoption of FRS 139*	37,594	-
- as adjusted 1 January	<u>278,259</u>	<u>201,468</u>
Impaired/non performing during the period/year	242,958	259,833
Reclassified as not impaired/performing during the period/year	(100,630)	(90,353)
Recoveries	(39,443)	(34,424)
Amount written off	(56,159)	(95,859)
Balance as at 30 September/31 December	<u><u>324,985</u></u>	<u><u>240,665</u></u>
 Ratio of gross impaired/non-performing financing to total financing advances, and other loans	 1.43%	 1.47%

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

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

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

Individual impairment allowance

Balance as at 1 January	-	-
Adoption of FRS 139	105,851	-
Adjusted 1 January	105,851	-
Allowance made during the period/year	7,598	-
Unwinding income	(1,798)	-
Amount written off	(4,063)	-
Balance as at 30 September/31 December	<u><u>107,588</u></u>	<u><u>-</u></u>

General allowance

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

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

Balance as at 1 January	-	-
Adoption of FRS 139	260,926	-
Adjusted 1 January	260,926	-
Net allowance made during the period/year	133,329	-
Amount transferred to CIMB Bank Berhad	(119,980)	-
Unwinding income	(1,618)	-
Amount written off	(46,788)	-
Balance as at 30 September/31 December	<u><u>225,869</u></u>	<u><u>-</u></u>

Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other loans (excluding RPSIA financing and financing exempted from portfolio impairment by BNM) less individual impairment allowance	2.30%	-
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	30-Sep-10 RM'000	31-Dec-09 RM'000
7 Other assets		
Income receivable	18,970	16,611
Deposits and prepayments	1,036	315
Sundry debtors	102,531	91,105
	<u>122,537</u>	<u>108,031</u>
8 Deposits from customers		
(i) By type of deposit		
<u>Mudharabah</u>		
Demand deposits	1,371,785	2,155,363
Savings deposits	256,231	204,066
General investment deposits	1,272,729	1,570,542
Special general investment deposits	8,954,856	7,425,800
Specific investment deposits	1,894,662	1,658,582
	<u>13,750,263</u>	<u>13,014,353</u>
<u>Non-Mudharabah</u>		
Demand deposits	1,373,882	984,356
Savings deposits	632,113	510,379
Fixed return investment deposit	4,020,887	2,439,828
Negotiable instruments of deposit	1,267,994	523,090
Commodity Murabahah	185,250	17,125
Others	22,615	7,366
	<u>7,502,741</u>	<u>4,482,144</u>
	<u>21,253,004</u>	<u>17,496,497</u>
(ii) Maturity structure of investment deposits and negotiable instruments of deposit		
One year or less (short term)	15,635,001	11,933,478
More than one year (medium/long term)	1,776,127	1,684,364
	<u>17,411,128</u>	<u>13,617,842</u>
(iii) By type of customer		
Government and statutory bodies	5,180,296	4,071,897
Business enterprises	12,279,326	10,365,604
Individuals	3,032,439	2,517,423
Others	760,943	541,573
	<u>21,253,004</u>	<u>17,496,497</u>
9 Deposits and placements of banks and other financial institutions		
<u>Mudharabah</u>		
Licensed banks	9,498,973	5,140,878
Licensed investment banks	581,870	1,110,350
Other financial institutions	25,970	-
	<u>10,106,813</u>	<u>6,251,228</u>
<u>Non-Mudharabah</u>		
Licensed banks	1,205,356	1,957,124
Other financial institutions	52,121	14,080
	<u>1,257,477</u>	<u>1,971,204</u>
	<u>11,364,290</u>	<u>8,222,432</u>

	30-Sep-10 RM'000	31-Dec-09 RM'000
10 Other liabilities		
Income payable	107,686	49,317
Accruals and other payables	181,761	180,070
	289,447	229,387

11 Subordinated sukuk

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

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

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

12 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

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

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

	30-Sep-10			31-Dec-09		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards						
- Less than 1 year	48,319	52	(590)	542,757	1,982	(479)
Currency swaps						
- Less than 1 year	1,561,540	14,794	(44,235)	1,169,856	6,067	(10,442)
Cross currency profit rate swaps						
- More than 3 years	86,864	1,377	(1,377)	89,703	201	(201)
	<u>1,696,723</u>	<u>16,223</u>	<u>(46,202)</u>	<u>1,802,316</u>	<u>8,250</u>	<u>(11,122)</u>
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	4,997,161	102,220	(77,127)	3,405,868	144,670	(587)
- Less than 1 year	278,300	2,267	-	-	-	-
- 1 year to 3 years	2,626,481	81,366	(480)	1,989,586	74,305	(271)
- More than 3 years	2,092,380	18,587	(76,647)	1,416,282	70,365	(316)
<u>Equity related derivatives</u>						
Equity options	2,266,577	17,395	(17,419)	2,984,288	104,768	(104,768)
- Less than 1 year	1,320,343	4,053	(4,053)	1,814,310	7,663	(7,663)
- 1 year to 3 years	511,944	11,889	(11,960)	951,374	83,963	(83,963)
- More than 3 years	434,290	1,453	(1,406)	218,604	13,142	(13,142)
<u>Held for hedging purpose</u>						
Islamic profit rate swaps	4,500,000	-	(228,091)	1,350,000	-	(41,559)
- More than 3 years	4,500,000	-	(228,091)	1,350,000	-	(41,559)
Total derivative assets/(liabilities)	<u>13,460,461</u>	<u>135,838</u>	<u>(368,839)</u>	<u>9,542,472</u>	<u>257,688</u>	<u>(158,036)</u>

Market Risk

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

Credit Risk

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

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

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

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

(ii) **Commitments and contingencies**

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

The commitments and contingencies constitute the following :

	30-Sep-10			31-Dec-09		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount *	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit-related						
Direct credit substitutes	38,867	38,867	21,956	26,949	26,949	26,949
Certain transaction-related contingent items	379,991	189,996	122,087	334,694	167,347	162,021
Short-term self-liquidating trade-related contingencies	31,878	5,928	2,410	33,982	6,796	6,796
Irrevocable commitments to extend credit :						
- maturity not exceeding one year	1,545,494	79,080	77,815	2,010,593	-	-
- maturity exceeding one year	1,319,735	288,088	51,512	1,386,942	1	1
Forward assets purchases	95,000	-	-	-	-	-
Miscellaneous commitments and contingencies	232,911	-	-	23,788	13,618	3,448
Total credit-related commitments and contingencies	3,643,876	601,959	275,780	3,816,948	214,711	199,215
Treasury-related						
Foreign exchange related contracts :						
- less than one year	1,609,859	12,483	3,679	1,712,613	19,655	3,958
- one year to less than five years	86,864	4,152	4,942	89,703	11,817	4,113
Profit rate related contracts :						
- less than one year	278,300	307	47	-	-	-
- one year to less than five years	4,227,231	36,827	7,251	3,405,868	46,648	10,342
- over five years	4,991,630	162,664	24,738	1,350,000	121,500	24,300
Equity related contracts :						
- less than one year	1,320,343	11,866	1,804	1,633,706	15,052	3,010
- one year to less than five years	581,345	29,493	4,485	1,131,977	90,458	18,092
- above 5 years	364,889	12,666	1,926	218,605	11,030	2,206
Total treasury-related commitments and contingencies	13,460,461	270,458	48,872	9,542,472	316,160	66,021
	17,104,337	872,417	324,652	13,359,420	530,871	265,236

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

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

13 CAPITAL ADEQUACY

With effect from 1 July 2010, the capital adequacy ratios of the Bank are computed in accordance with Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based (AIRB) is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational risk is based on Basic Indicator Approach. 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 Bank are as follows:

	30-Sep-10	31-Dec-09
Core capital ratio	11.33%	6.82%
Risk-weighted capital ratio	<u>15.35%</u>	<u>11.34%</u>

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

	30-Sep-10 RM'000	31-Dec-09 RM'000
<u>Tier I capital</u>		
Paid-up share capital	750,000	550,000
Perpetual preference share	70,000	70,000
Statutory reserves	194,635	135,635
Retained profits and other reserves	<u>135,179</u>	<u>115,229</u>
	1,149,814	870,864
Less : Goodwill	(136,000)	(136,000)
Less : Deferred taxation	<u>(6,620)</u>	<u>(44,625)</u>
Total Tier-1 Capital	1,007,194	690,239
<u>Tier II capital</u>		
Subordinated sukuk	300,000	300,000
General allowance for bad & doubtful debts	-	158,004
Regulatory reserve	3,208	-
Portfolio impairment allowance [^]	30,761	-
Surplus of total eligible provision over expected loss	<u>23,319</u>	<u>-</u>
Total Tier II capital	357,288	458,004
Total capital base	<u>1,364,482</u>	<u>1,148,243</u>

(c) The breakdown of risk-weighted assets ("RWA") by each major risk category as at 30 September 2010 is as follows :

	RM'000
Credit risk	7,556,754
Market risk	399,947
Operational risk	<u>934,089</u>
	<u>8,890,791</u>

The breakdown of risk-weighted assets ("RWA") by each major risk category as at 31 December 2009 is as follows :

	Principal RM'000	Risk-weighted RM'000
0%	6,100,082	-
20%	2,070,774	414,155
50%	3,068,223	1,534,112
100%	<u>7,628,648</u>	<u>7,628,648</u>
	18,867,727	<u>9,576,915</u>
Risk weighted assets for credit risk		9,576,915
Risk weighted assets for market risk		<u>548,828</u>
		<u>10,125,743</u>

[^] The capital base of the Bank as at 30 September 2010 has excluded portfolio impairment allowance on impaired loans for standardise approach assets restricted from Tier II capital of RM18,701,237.

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	9 MONTHS	9 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	RM'000	RM'000	RM'000	RM'000

**14 Income derived from investment of depositors
funds and others**

Income derived from investment of :

- General investment deposits	152,174	89,414	435,843	243,219
- Specific investment deposits	149,379	44,562	288,254	131,731
- Other deposits	105,862	83,959	295,034	227,490
	<u>407,415</u>	<u>217,935</u>	<u>1,019,131</u>	<u>602,440</u>

**14a Income derived from investment of general
investment deposits**

Financing, advances and other loans

- Income other than recoveries	107,741	72,586	335,113	177,676
- Unwinding income [^]	791	-	2,082	-
Financial assets held for trading	2,304	1,300	8,063	2,274
Financial investments available-for-sale	2,642	3,000	8,676	9,208
Financial investments held-to-maturity	1,357	1,366	4,637	4,204
Money at call and deposit with financial institutions	22,886	7,609	49,486	32,606
	<u>137,721</u>	<u>85,861</u>	<u>408,057</u>	<u>225,968</u>
Accretion of discount less amortisation of premium	5,283	2,814	13,637	16,265
Total finance income and hibah	<u>143,004</u>	<u>88,675</u>	<u>421,694</u>	<u>242,233</u>

Other operating income

- Net gain/(loss) arising from financial assets held for trading				
- realised	93	567	(323)	913
- unrealised	(90)	601	(947)	218
- Net (loss)/gain from sale of financial investments available-for-sale	(7)	131	287	385
- Net loss from sale of financial investments held-to-maturity	-	-	-	(98)
- Net gain/(loss) from foreign exchange transactions	8,793	(829)	13,053	(1,594)
	<u>8,789</u>	<u>470</u>	<u>12,070</u>	<u>(176)</u>
Fee and commission income	381	269	2,079	1,162
	<u>152,174</u>	<u>89,414</u>	<u>435,843</u>	<u>243,219</u>

**14b Income derived from investment of specific
investment deposits**

Financing, advances and other loans

- Income other than recoveries	125,628	25,271	228,666	73,509
Financial investments held-to-maturity	12,042	10,798	30,803	31,674
Money at call and deposit with financial institutions	11,709	8,493	28,785	26,548
	<u>149,379</u>	<u>44,562</u>	<u>288,254</u>	<u>131,731</u>

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	9 MONTHS	9 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	RM'000	RM'000	RM'000	RM'000

14c Income derived from investment of other deposits

Financing, advances and other loans				
- Income other than recoveries	76,180	68,157	229,088	166,378
- Unwinding income [^]	516	-	1,307	-
Financial assets held for trading	1,697	1,220	5,669	2,142
Financial investments available-for-sale	1,893	2,816	5,980	8,612
Financial investments held-to-maturity	973	1,282	3,184	3,931
Money at call and deposit with financial institutions	15,305	7,146	32,566	30,396
	96,564	80,621	277,794	211,459
Accretion of discount less amortisation of premium	3,670	2,642	9,318	15,154
Total finance income and hibah	100,234	83,263	287,112	226,613
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised	54	534	(214)	860
- unrealised	(94)	563	(696)	181
- Net (loss)/gain from sale of financial investments available-for-sale	8	123	218	358
- Net loss from sale of financial investments held-to-maturity	-	-	-	(90)
- Net gain/(loss) from foreign exchange transactions	5,396	(778)	7,284	(1,520)
	5,364	442	6,592	(211)
Fee and commission income	264	254	1,330	1,088
	105,862	83,959	295,034	227,490

15 Income derived from investment of shareholders' funds

Financing, advances and other loans				
- Income other than recoveries	7,484	8,036	25,500	20,969
- Unwinding income [^]	56	-	142	-
Financial assets held for trading	159	144	636	262
Financial investments available-for-sale	183	332	667	1,097
Financial investments held-to-maturity	94	151	355	501
Money at call and deposit with financial institutions	1,602	842	3,579	3,938
	9,578	9,505	30,879	26,767
Accretion of discount less amortisation of premium	368	311	1,036	1,977
Total finance income and hibah	9,946	9,816	31,915	28,744
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised	6	63	(24)	105
- unrealised	(6)	67	(79)	24
- Net (loss)/gain from sale of financial investments available-for-sale	(1)	14	25	46
- Net loss from sale of financial investments held-to-maturity	-	-	-	(12)
- Net gain/(loss) from foreign exchange transactions	622	(91)	757	(181)
- Net loss arising from hedging activities	(1,457)	(6,282)	(1,930)	(6,282)
- Net gain/(loss) arising from derivative financial instrument				
- realised	114,842	22,983	139,060	62,576
- unrealised	(127,847)	(17,175)	(152,434)	(53,659)
	(13,841)	(421)	(14,625)	2,617
Fee and commission income	15,992	19,580	41,457	44,899
Other income				
- Sundry income	2,163	577	7,200	2,955
	14,260	29,552	65,947	79,215

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

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	9 MONTHS ENDED	9 MONTHS ENDED
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	RM'000	RM'000	RM'000	RM'000
16 Allowance for impairment losses on financing, advances and other loans				
Allowance for impaired financing/bad and doubtful financing :				
Individual impairment allowance				
- Made during the period	(2,892)	28,221	7,598	-
- Written back	-	(6,115)	-	-
Specific allowance				
- Made during the period	-	27,928	-	92,801
- Written back	-	-	-	(17,157)
Portfolio impairment allowance				
- Made during the period	26,575	-	133,329	-
General allowance				
- Made during the period	-	-	-	70,137
Bad debts on financing :				
- recovered	(5,100)	(3,327)	(14,848)	(8,760)
- written off	1	34	4	35
	<u>18,584</u>	<u>46,741</u>	<u>126,083</u>	<u>137,056</u>
17 Income attributable to depositors				
Deposits from customers				
- Mudharabah	86,203	45,896	210,560	134,612
- Non-Mudharabah	32,635	13,338	72,935	45,269
Deposits and placements of banks and other financial institutions				
- Mudharabah	95,679	21,690	186,764	67,083
- Non-Mudharabah	9,244	9,431	31,571	21,493
Subordinated Sukuk	4,347	-	12,995	-
	<u>228,108</u>	<u>90,355</u>	<u>514,825</u>	<u>268,457</u>
18 Personnel expenses				
Salaries, allowances and bonuses	5,090	4,177	17,491	13,069
Management cost charged	20,315	16,960	56,270	46,885
Other staff related costs	3,005	3,135	10,000	9,351
	<u>28,410</u>	<u>24,272</u>	<u>83,761</u>	<u>69,305</u>
19 Other overheads				
Establishment				
Rental	500	340	804	1,248
Depreciation of fixed assets	278	264	823	774
EDP expenses	451	450	1,795	1,554
Management cost charged	8,119	7,880	26,576	21,260
Others	584	994	1,657	1,695
Marketing				
Advertisement and publicity	1,539	3,326	6,045	9,816
Management cost charged	5,332	1,340	7,390	4,300
Others	952	6,026	2,135	17,097

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	9 MONTHS	9 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
	RM'000	RM'000	RM'000	RM'000
19 Other overheads (continued)				
General expenses				
Auditor's remuneration-statutory audit	23	23	129	68
Amortisation of intangible assets	662	1,005	2,310	2,977
Professional fees	697	451	1,561	1,233
Management cost charged	5,175	3,693	18,397	12,723
Others	2,089	3,152	11,526	10,387
	<u>26,401</u>	<u>28,944</u>	<u>81,148</u>	<u>85,132</u>
20 Taxation and zakat				
Major components of tax and zakat expense:				
Current tax and zakat expense	28,957	19,408	71,392	45,919
Deferred taxation	900	(5,046)	(447)	(15,811)
Under accrual in prior year	641	-	641	-
	<u>30,498</u>	<u>14,362</u>	<u>71,586</u>	<u>30,108</u>
			-	
Reconciliation				
Profit before taxation and zakat	120,172	57,175	279,261	121,705
Tax calculated at a rate of 25% (2009: 25%)	30,043	14,294	69,815	30,426
Tax effects:				
- income not subject to tax	-	(266)	-	(375)
- expenses not deductible for tax purposes	(1,718)	324	498	335
(Over)/under accrual in prior year	2,173	10	1,273	(278)
Tax expense	<u>30,498</u>	<u>14,362</u>	<u>71,586</u>	<u>30,108</u>

21 PROFIT RATE RISK

	Non-trading book							Trading book RM'000	Total RM'000	Effective profit rate	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non-profit sensitive RM'000			RM %	USD %
As at 30 September 2010											
Assets											
Cash and short-term funds	5,099,898	-	-	-	-	-	103,073	-	5,202,971	2.66	0.48
Deposit and placement with banks and other financial institutions	1,060,000	580,213	-	-	-	-	-	-	1,640,213	2.29	0.95
Financial assets held for trading	-	-	-	-	-	-	-	2,548,322	2,548,322	3.02	-
Financial investments available-for-sale	-	-	5,089	19,895	167,101	252,047	575	-	444,707	4.68	-
Financial investments held-to-maturity	-	8,708	8,708	568,272	479,854	295,300	-	-	1,360,842	4.70	-
Islamic derivative financial instruments	-	-	-	-	-	-	-	135,838	135,838	-	-
Financing, advances and other financing :											
- not impaired	12,899,860	1,062,509	166,969	25,743	1,806,334	6,601,303	-	-	22,562,718	5.70	-
- impaired ^	-	-	-	-	-	-	(8,472)	-	(8,472)	-	-
Other assets	-	-	-	-	-	-	122,537	-	122,537	-	-
Deferred taxation	-	-	-	-	-	-	5,122	-	5,122	-	-
Tax recoverable	-	-	-	-	-	-	7,165	-	7,165	-	-
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	148,296	-	148,296	-	-
Property, plant and equipment	-	-	-	-	-	-	2,659	-	2,659	-	-
Intangible assets	-	-	-	-	-	-	1,938	-	1,938	-	-
Goodwill	-	-	-	-	-	-	136,000	-	136,000	-	-
Amount due from holding company	-	-	-	-	-	-	515,288	-	515,288	-	-
Amount due from related company	-	-	-	-	-	-	2,695	-	2,695	-	-
Total assets	19,059,758	1,651,430	180,766	613,910	2,453,289	7,148,650	1,036,876	2,684,160	34,828,839	-	-
Liabilities and Shareholders' Equity											
Deposits from customers	12,379,290	6,201,900	536,375	359,313	1,489,329	286,797	-	-	21,253,004	2.21	0.38
Deposits and placements of banks and other financial institutions	2,156,654	3,974,206	154,375	-	5,079,055	-	-	-	11,364,290	3.55	0.46
Islamic derivative financial instruments	-	-	-	-	-	-	368,839	-	368,839	-	-
Subordinated sukuk	-	-	-	-	-	300,000	-	-	300,000	5.85	-
Other liabilities	-	-	-	-	-	-	289,447	-	289,447	-	-
Provision for tax and zakat	-	-	-	-	-	-	6,197	-	6,197	-	-
Amount due to holding company	-	-	-	-	-	-	-	-	-	-	-
Amount due to related company	-	-	-	-	-	-	3,235	-	3,235	-	-
Total liabilities	14,535,944	10,176,106	690,750	359,313	6,568,384	586,797	667,718	-	33,585,012		
Shareholders' funds									1,243,827		
Total liabilities and shareholders' funds	14,535,944	10,176,106	690,750	359,313	6,568,384	586,797	667,718	-	34,828,839		
Total profit rate gap	4,523,814	(8,524,676)	(509,984)	254,597	(4,115,095)	6,561,853	369,158	2,684,160	-		

^ Includes individual impairment allowance and portfolio impairment allowance of RM333,457,000.

21 PROFIT RATE RISK

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

Note:

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

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

A. CHANGE IN ACCOUNTING POLICIES

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

- i) FRS 139 Financial Instruments : Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) FRS 7 Financial Instruments : Disclosures
- iv) Amendments to FRS 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 included principles which address the conditions of recognition, derecognition and measurement of financial instruments and hedge accounting. With the full adoption of FRS 139 on 1 January, 2010, the additional requirements implemented by the Bank are as follows:

Impairment of financial assets

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

Financing Impairment

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

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

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

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

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

CHANGE IN ACCOUNTING POLICIES (continued)

Profit Income Recognition

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

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

Recognition of Embedded Derivatives

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

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

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

B COMPARATIVE FIGURES

(i) FRS 101 Presentation of Financial Statements

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

(ii) FRS 7 Financial Instruments: Disclosures

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

CHANGE IN ACCOUNTING POLICIES (CONTINUED)

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

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