

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

|   | Note | The Group                     |                               | The Bank                      |                               |
|---|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   |      | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
| <b>ASSETS</b>   |      |                               |                               |                               |                               |
| Cash and short term funds   |      | 658,233                       | 660,553                       | 655,127                       | 658,043                       |
| Securities purchased under resale agreements                        |      | 159,731                       | -                             | 159,731                       | -                             |
| Deposits and placements with banks and other financial institutions |      | 235,000                       | 45,000                        | 235,000                       | 45,000                        |
| Financial assets held at fair value through profit or loss          | 12   | 747,139                       | 431,411                       | 747,139                       | 431,411                       |
| Financial investments available-for-sale                            | 13   | 32,621                        | 245                           | 32,621                        | 245                           |
| Financial investments held-to-maturity                              | 14   | 35,629                        | 10,000                        | 35,629                        | 10,000                        |
| Loans and advances  | 15   | 100,140                       | 117,926                       | 100,140                       | 117,926                       |
| Clients' and brokers' balances                                      | 16   | 155,281                       | 80,590                        | 155,281                       | 80,590                        |
| Other receivables   | 17   | 75,407                        | 13,300                        | 80,296                        | 15,332                        |
| Statutory deposits with Bank Negara Malaysia                        |      | 10,600                        | 4,000                         | 10,600                        | 4,000                         |
| Tax recoverable   |      | 11                            | 131                           | 11                            | 131                           |
| Investment in subsidiary companies                                  |      | -                             | -                             | 588                           | 588                           |
| Deferred tax assets   |      | 46,973                        | 52,597                        | 46,973                        | 52,597                        |
| Prepaid lease payments  |      | 1,131                         | 1,131                         | 1,131                         | 1,131                         |
| Property and equipment  |      | 6,497                         | 5,296                         | 6,497                         | 5,296                         |
| Goodwill  |      | 28,986                        | 28,986                        | 30,236                        | 30,236                        |
| Intangible assets   |      | 1,121                         | 1,229                         | 1,121                         | 1,229                         |
| <b>TOTAL ASSETS</b>   |      | <b>2,294,500</b>              | <b>1,452,395</b>              | <b>2,298,121</b>              | <b>1,453,755</b>              |
| <b>LIABILITIES</b>  |      |                               |                               |                               |                               |
| Deposits from customers   | 18   | 271,479                       | 31,218                        | 271,479                       | 31,218                        |
| Deposits and placements of banks and other financial institutions   | 19   | 1,350,765                     | 600,990                       | 1,350,765                     | 600,990                       |
| Clients' and brokers' balances                                      |      | 325,202                       | 223,440                       | 325,202                       | 222,317                       |
| Payable and other liabilities                                       | 21   | 42,442                        | 309,122                       | 44,965                        | 310,376                       |
| <b>TOTAL LIABILITIES</b>  |      | <b>1,989,888</b>              | <b>1,164,770</b>              | <b>1,992,411</b>              | <b>1,164,901</b>              |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

|   | Note | The Group                     |                               | The Bank                      |                               |
|---|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   |      | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
| <b>EQUITY</b>   |      |                               |                               |                               |                               |
| Share capital   |      | 265,535                       | 265,535                       | 265,535                       | 265,535                       |
| Redeemable preference shares  |      | 1,631                         | 1,631                         | 1,631                         | 1,631                         |
| Reserves  |      | 37,446                        | 20,459                        | 38,544                        | 21,688                        |
| <b>TOTAL EQUITY</b>   |      | <b>304,612</b>                | <b>287,625</b>                | <b>305,710</b>                | <b>288,854</b>                |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |      |                               |                               |                               |                               |
|   |      | <b>2,294,500</b>              | <b>1,452,395</b>              | <b>2,298,121</b>              | <b>1,453,755</b>              |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |      |                               |                               |                               |                               |
|   | 27   | <b>7,149,883</b>              | <b>3,492,940</b>              | <b>7,149,883</b>              | <b>3,492,940</b>              |
| <b>CAPITAL ADEQUACY</b>   |      |                               |                               |                               |                               |
| <b><u>Before and after deducting proposed dividends</u></b>                         |      |                               |                               |                               |                               |
|   | 28   |                               |                               |                               |                               |
| Core Capital Ratio  |      | <b>28.3%</b>                  | 33.0%                         | <b>28.2%</b>                  | 33.1%                         |
| Risk-Weighted Capital Ratio   |      | <b>28.7%</b>                  | 33.6%                         | <b>28.6%</b>                  | 33.5%                         |
| <b>Net assets per share attributable to ordinary equity holder of the Bank (RM)</b> |      |                               |                               |                               |                               |
|   |      | <b>1.15</b>                   | 1.08                          | <b>1.15</b>                   | 1.09                          |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|   | Current<br>quarter ended<br>31/12/2010 | Last year's<br>quarter ended<br>31/12/2009 | Current<br>year ended<br>31/12/2010 | Last<br>year's ended<br>31/12/2009 |
|---|--|--|-------------------------------------|------------------------------------|
| Note  | RM'000                                 | RM'000                                     | RM'000                              | RM'000                             |
| <b><u>The Group</u></b>   |  |  |                                     |                                    |
| Operating revenue   | <b>41,409</b>                          | 17,322                                     | <b>66,893</b>                       | 34,270                             |
| Interest income   | 22 <b>14,361</b>                       | 3,378                                      | <b>24,027</b>                       | 6,469                              |
| Interest expense  | 23 <b>(10,887)</b>                     | (935)                                      | <b>(17,297)</b>                     | (1,713)                            |
| Net interest income   | <b>3,474</b>                           | 2,443                                      | <b>6,730</b>                        | 4,756                              |
| Other operating income  | 24 <b>27,048</b>                       | 13,944                                     | <b>42,866</b>                       | 27,801                             |
| Net income  | <b>30,522</b>                          | 16,387                                     | <b>49,596</b>                       | 32,557                             |
| Other operating expenses  | 25 <b>(13,175)</b>                     | (12,067)                                   | <b>(24,753)</b>                     | (20,588)                           |
| Operating profit  | <b>17,347</b>                          | 4,320                                      | <b>24,843</b>                       | 11,969                             |
| Write-back of/(allowance for)<br>impairment on loans and advances | 26 <b>743</b>                          | (312)                                      | <b>1,234</b>                        | (252)                              |
| Profit before taxation  | <b>18,090</b>                          | 4,008                                      | <b>26,077</b>                       | 11,717                             |
| Taxation  | <b>(4,512)</b>                         | (1,034)                                    | <b>(6,490)</b>                      | (2,936)                            |
| Net profit for the period   | <b>13,578</b>                          | 2,974                                      | <b>19,587</b>                       | 8,781                              |
| Earnings per RM1.00 share:  |  |  |                                     |                                    |
| - basic and diluted (sen)   | <b>5.1</b>                             | 2.4  | <b>7.4</b>                          | 7.1                                |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
**(Company Number 43526-P)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|  | <b>Current<br/>quarter ended<br/>31/12/2010<br/>RM'000</b> | <b>Last year's<br/>quarter ended<br/>31/12/2009<br/>RM'000</b> | <b>Current<br/>year ended<br/>31/12/2010<br/>RM'000</b> | <b>Last<br/>year's ended<br/>31/12/2009<br/>RM'000</b> |
|--|--|--|---|--|
| <b>Note</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>   | <b>RM'000</b>  |
| <b><u>The Group</u></b>  |  |  |   |  |
| Net profit for the period  | <b>13,578</b>  | 2,974  | <b>19,587</b>   | 8,781  |
| Other comprehensive income:  |  |  |   |  |
| Net gain on revaluation of financial<br>investments available-for-sale | <b>40</b>  | -  | <b>40</b>   | -  |
| Income tax relating to components of<br>other comprehensive income     | <b>(10)</b>  | -  | <b>(10)</b>   | -  |
| Other comprehensive income for the<br>period, net of tax               | <b>30</b>  | -  | <b>30</b>   | -  |
| Total comprehensive income for<br>the period                           | <b>13,608</b>  | 2,974  | <b>19,617</b>   | 8,781  |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|   | Current<br>quarter ended<br>31/12/2010 | Last year's<br>quarter ended<br>31/12/2009 | Current<br>year ended<br>31/12/2010 | Last<br>year's ended<br>31/12/2009 |
|---|--|--|-------------------------------------|------------------------------------|
| Note  | RM'000                                 | RM'000                                     | RM'000                              | RM'000                             |
| <b><u>The Bank</u></b>  |  |  |                                     |                                    |
| Operating revenue   | <b>41,311</b>                          | 17,222                                     | <b>66,694</b>                       | 34,022                             |
| Interest income   | 22 <b>14,361</b>                       | 3,378                                      | <b>24,027</b>                       | 6,469                              |
| Interest expense  | 23 <b>(10,887)</b>                     | (935)                                      | <b>(17,297)</b>                     | (1,713)                            |
| Net interest income   | <b>3,474</b>                           | 2,443                                      | <b>6,730</b>                        | 4,756                              |
| Other operating income  | 24 <b>26,950</b>                       | 13,844                                     | <b>42,667</b>                       | 27,553                             |
| Net income  | <b>30,424</b>                          | 16,287                                     | <b>49,397</b>                       | 32,309                             |
| Other operating expenses  | 25 <b>(13,139)</b>                     | (11,818)                                   | <b>(24,685)</b>                     | (20,294)                           |
| Operating profit  | <b>17,285</b>                          | 4,469                                      | <b>24,712</b>                       | 12,015                             |
| Write-back of/(allowance for)<br>impairment on loans and advances | 26 <b>743</b>                          | (312)                                      | <b>1,234</b>                        | (252)                              |
| Profit before taxation  | <b>18,028</b>                          | 4,157                                      | <b>25,946</b>                       | 11,763                             |
| Taxation  | <b>(4,512)</b>                         | (1,034)                                    | <b>(6,490)</b>                      | (2,936)                            |
| Net profit for the period   | <b>13,516</b>                          | 3,123                                      | <b>19,456</b>                       | 8,827                              |
| Earnings per RM1.00 share:<br>- basic and diluted (sen)           | <b>5.1</b>                             | 2.5  | <b>7.3</b>                          | 7.1                                |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|  | Current<br>quarter ended<br>31/12/2010<br>Note | Last year's<br>quarter ended<br>31/12/2009 | Current<br>year ended<br>31/12/2010 | Last<br>year's ended<br>31/12/2009 |
|--|--|--|-------------------------------------|------------------------------------|
|  | RM'000   | RM'000                                     | RM'000                              | RM'000                             |
| <b><u>The Bank</u></b>   |  |  |                                     |                                    |
| Net profit for the period  | 13,516   | 3,123                                      | 19,456                              | 8,827                              |
| Other comprehensive income   |  |  |                                     |                                    |
| Net gain on revaluation of financial<br>investments available-for-sale | 40   | -  | 40                                  | -                                  |
| Income tax relating to components of<br>other comprehensive income     | (10)   | -  | (10)                                | -                                  |
| Other comprehensive income for the<br>period, net of tax               | 30   | -  | 30                                  | -                                  |
| Total comprehensive income for<br>the period                           | 13,546   | 3,123                                      | 19,486                              | 8,827                              |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
 (Company Number 43526-P)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|   | Share<br>Capital<br>RM'000 | Redeemable<br>Preference<br>Share<br>RM'000 | Non-Distributable<br>Reserves |                                 |                             | Distributable<br>Reserves     | Total<br>RM'000 |
|---|----------------------------|---|-------------------------------|---------------------------------|-----------------------------|-------------------------------|-----------------|
|   |                            |   | Share<br>Premium<br>RM'000    | Statutory<br>Reserves<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 |                 |
| <b>The Group</b>                          |                            |   |                               |                                 |                             |                               |                 |
| <b>At 1 July 2010</b>                     | <b>265,535</b>             | <b>1,631</b>                                | -                             | <b>11,044</b>                   | -                           | <b>9,415</b>                  | <b>287,625</b>  |
| - effect of adopting FRS139               | -                          | -   | -                             | -                               | -                           | <b>(2,630)</b>                | <b>(2,630)</b>  |
| At 1 July 2010, as restated               | <b>265,535</b>             | <b>1,631</b>                                | -                             | <b>11,044</b>                   | -                           | <b>6,785</b>                  | <b>284,995</b>  |
| Net profit for the period                 | -                          | -   | -                             | -                               | -                           | <b>19,587</b>                 | <b>19,587</b>   |
| Other comprehensive income                | -                          | -   | -                             | -                               | <b>30</b>                   | -                             | <b>30</b>       |
| Total comprehensive income for the period | -                          | -   | -                             | -                               | <b>30</b>                   | <b>19,587</b>                 | <b>19,617</b>   |
| <b>At 31 December 2010</b>                | <b>265,535</b>             | <b>1,631</b>                                | -                             | <b>11,044</b>                   | <b>30</b>                   | <b>26,372</b>                 | <b>304,612</b>  |
| At 1 July 2009                            | 123,500                    | 1,631                                       | 142,035                       | 4,362                           | -                           | 2,743                         | 274,271         |
| Net profit for the period                 | -                          | -   | -                             | -                               | -                           | 8,781                         | 8,781           |
| Other comprehensive income                | -                          | -   | -                             | -                               | -                           | -                             | -               |
| Total comprehensive income for the period | -                          | -   | -                             | -                               | -                           | 8,781                         | 8,781           |
| At 31 December 2009                       | 123,500                    | 1,631                                       | 142,035                       | 4,362                           | -                           | 11,524                        | 283,052         |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

**HONG LEONG INVESTMENT BANK BERHAD**  
 (Company Number 43526-P)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|   |                                     |   |                                     | <u>Non-Distributable Reserves</u>        |                                      | <u>Distributable Reserves</u>          |                | <b>Total<br/>RM'000</b> |
|---|-------------------------------------|---|-------------------------------------|--|--------------------------------------|--|----------------|-------------------------|
|   | <b>Share<br/>Capital<br/>RM'000</b> | <b>Redeemable<br/>Preference<br/>Share<br/>RM'000</b> | <b>Share<br/>Premium<br/>RM'000</b> | <b>Statutory<br/>Reserves<br/>RM'000</b> | <b>Other<br/>Reserves<br/>RM'000</b> | <b>Retained<br/>Profits<br/>RM'000</b> |                |                         |
| <b><u>The Bank</u></b>                    |                                     |   |                                     |  |                                      |  |                |                         |
| <b>At 1 July 2010</b>                     | <b>265,535</b>                      | <b>1,631</b>  | -                                   | <b>11,044</b>                            | -                                    | <b>10,644</b>                          | <b>288,854</b> |                         |
| - effect of adopting FRS139               | -                                   | -   | -                                   | -  | -                                    | <b>(2,630)</b>                         | <b>(2,630)</b> |                         |
| At 1 July 2010, as restated               | <b>265,535</b>                      | <b>1,631</b>  | -                                   | <b>11,044</b>                            | -                                    | <b>8,014</b>                           | <b>286,224</b> |                         |
| Net profit for the period                 | -                                   | -   | -                                   | -  | -                                    | <b>19,456</b>                          | <b>19,456</b>  |                         |
| Other comprehensive income                | -                                   | -   | -                                   | -  | <b>30</b>                            | -                                      | <b>30</b>      |                         |
| Total comprehensive income for the period | -                                   | -   | -                                   | -  | <b>30</b>                            | <b>19,456</b>                          | <b>19,486</b>  |                         |
| <b>At 31 December 2010</b>                | <b>265,535</b>                      | <b>1,631</b>  | -                                   | <b>11,044</b>                            | <b>30</b>                            | <b>27,470</b>                          | <b>305,710</b> |                         |
| At 1 July 2009                            | 123,500                             | 1,631   | 142,035                             | 4,362                                    | -                                    | 3,963                                  | 275,491        |                         |
| Net profit for the period                 | -                                   | -   | -                                   | -  | -                                    | 8,827                                  | 8,827          |                         |
| Other comprehensive income                | -                                   | -   | -                                   | -  | -                                    | -                                      | -              |                         |
| Total comprehensive income for the period | -                                   | -   | -                                   | -  | -                                    | 8,827                                  | 8,827          |                         |
| At 31 December 2009                       | 123,500                             | 1,631   | 142,035                             | 4,362                                    | -                                    | 12,790                                 | 284,318        |                         |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*



**HONG LEONG INVESTMENT BANK BERHAD**  
*(Company Number 43526-P)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

|  | <b>The Group</b> |                  | <b>The Bank</b>  |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31/12/2010       | 31/12/2009       | 31/12/2010       | 31/12/2009       |
|  | RM'000           | RM'000           | RM'000           | RM'000           |
| Profit before taxation                                 | 26,077           | 11,717           | 25,946           | 11,763           |
| Adjustments for non-cash items                         | <u>(16,091)</u>  | <u>(3,367)</u>   | <u>(16,091)</u>  | <u>(3,367)</u>   |
| Operating profit before changes in working capital     | 9,986            | 8,350            | 9,855            | 8,396            |
| Changes in working capital:                            |                  |                  |                  |                  |
| Net changes in operating assets                        | (802,248)        | 40,784           | (805,105)        | 41,297           |
| Net changes in operating liabilities                   | 779,370          | 162,170          | 784,795          | 160,960          |
| Net taxes received                                     | 120              | -                | 120              | -                |
| Net cash (used in)/generated from operating activities | <u>(12,772)</u>  | <u>211,304</u>   | <u>(10,335)</u>  | <u>210,653</u>   |
| Net cash used in investing activities                  | (9,352)          | (179,129)        | (9,352)          | (179,129)        |
| Net cash used in financing activities                  | -                | -                | -                | -                |
| Net change in cash and cash equivalents                | (22,124)         | 32,175           | (19,687)         | 31,524           |
| Cash and cash equivalents at beginning of the year     | 480,828          | 55,546           | 478,318          | 54,674           |
| Cash and cash equivalents at end of the period         | <u>458,704</u>   | <u>87,721</u>    | <u>458,631</u>   | <u>86,198</u>    |
| <b>Cash and cash equivalents comprise of:</b>          |                  |                  |                  |                  |
| Cash and short term funds                              | 658,233          | 244,592          | 655,127          | 243,069          |
| Less: Remisiers' and clients' trust monies             | <u>(199,529)</u> | <u>(156,871)</u> | <u>(196,496)</u> | <u>(156,871)</u> |
|  | <u>458,704</u>   | <u>87,721</u>    | <u>458,631</u>   | <u>86,198</u>    |

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2010.*

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

**1. Basis of preparation**

The unaudited interim financial statements have been prepared in accordance with FRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 30 June 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2010.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

- 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 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- FRS 101 "Presentation of Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- 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"
- Amendments to FRS 134 "Interim Financial Reporting"
- Amendments to FRS 138 "Intangible Assets"
- 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 14 "FRS 119 The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction"
- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendments to FRS 1 "Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters"
- Amendments to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 138 "Intangible Assets"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining Whether an Arrangement Contain a Lease"

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

The adoption of these FRSs, amendments to FRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Bank. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note 29.

Amendments to FRS 139 included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in the BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects are also disclosed in Note 29.

**2. Auditors' report on preceding annual financial statements**

The auditors' report on the audited financial statements for the financial year ended 30 June 2010 was not qualified.

**3. Comments about seasonal or cyclical factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors during the financial quarter ended 31 December 2010.

**4. Unusual items due to their nature, size or incidence**

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Bank during the financial quarter ended 31 December 2010.

**5. Change in estimate**

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 31 December 2010.

**6. Debt and Equity Securities**

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, share held as treasury shares and resale of treasury shares during the financial quarter ended 31 December 2010.

**7. Dividends**

There was no dividend has been paid during the financial quarter ended 31 December 2010.

**8. Valuations of Property, Plant and Equipment**

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 2010.

**9. Subsequent Events**

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.

**10. Performance review**

The Group achieved a profit before tax of RM18.1 million in current quarter as compared to RM4.0 million in the preceding year corresponding quarter. The increase in profit was mainly due to higher other operating income which was mainly contributed by investment banking business achieved in the current quarter as compared to the preceding year corresponding quarter.

**11. Prospect for the next financial year**

The Group is expected to show satisfactory performance in the coming financial year ending 30 June 2011 with improving profitability via diversification of income source from more extensive investment banking activities.

**Financial Reporting for Licensed Institutions ("BNM/GP8")**

**12. Financial assets held at fair value through profit or loss**

|  | <b>The Group and the Bank</b> |                               |
|--|-------------------------------|-------------------------------|
|  | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
| <b>Financial assets held-for-trading</b> |                               |                               |
| Money market instruments:                |                               |                               |
| Negotiable instruments of deposits       | 130,007                       | 45,003                        |
| Bank Negara Malaysia Bills               | 79,661                        | 188,748                       |
| Bankers' acceptances                     | 309,700                       | -                             |
| Quoted securities:                       |                               |                               |
| Shares in Malaysia                       | 42,125                        | 7,117                         |
| Unquoted securities:                     |                               |                               |
| Private debt securities in Malaysia      | 113,255                       | 190,543                       |
| Private debt securities outside Malaysia | 72,391                        | -                             |
| Total financial assets held-for-trading  | <b>747,139</b>                | <b>431,411</b>                |

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

|  | <b>The Group and the Bank</b> |                               |
|--|-------------------------------|-------------------------------|
|  | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
| Unquoted securities:                           |                               |                               |
| Shares in Malaysia                             | 2,445                         | 245                           |
| Private debt securities in Malaysia            | 30,176                        | -                             |
| Total financial investments available-for-sale | <b>32,621</b>                 | <b>245</b>                    |

**14. Financial investments held-to-maturity**

|  | <b>The Group and the Bank</b> |                               |
|--|-------------------------------|-------------------------------|
|  | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
| <b>At amortised cost</b>                     |                               |                               |
| Money market instruments:                    |                               |                               |
| Malaysian Government Investment Issues       | 5,083                         | -                             |
| Negotiable instruments of deposits           | -                             | 10,000                        |
| Unquoted securities:                         |                               |                               |
| Private debt securities in Malaysia          | 30,546                        | -                             |
| Total financial investments held-to-maturity | <b>35,629</b>                 | <b>10,000</b>                 |

15. Loans and advances

The Group and the Bank

|  | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
|--|-------------------------------|-------------------------------|
| <b>At amortised cost</b>                     |                               |                               |
| Term loans                                   | 21,362                        | 47,559                        |
| Share margin financing                       | 59,868                        | 46,647                        |
| Revolving credits                            | 25,422                        | 28,204                        |
| Gross loans and advances                     | <u>106,652</u>                | <u>122,410</u>                |
| Allowance for impaired loans and advances:   |                               |                               |
| - individual assessment allowance            | (4,987)                       | -                             |
| - collective assessment allowance            | (1,525)                       | -                             |
| - specific allowance                         | -                             | (2,688)                       |
| - general allowance                          | -                             | (1,796)                       |
| Net loans and advances                       | <u><u>100,140</u></u>         | <u><u>117,926</u></u>         |
| <b>15a. By type of customer</b>              |                               |                               |
| Domestic business enterprises                |                               |                               |
| - Small and medium enterprises               | 6,417                         | 2,007                         |
| - Others                                     | 44,083                        | 73,526                        |
| Individuals                                  | 54,707                        | 45,197                        |
| Foreign non-bank entities                    | 1,445                         | 1,680                         |
| Gross loans and advances                     | <u><u>106,652</u></u>         | <u><u>122,410</u></u>         |
| <b>15b. By interest rate sensitivity</b>     |                               |                               |
| Fixed rate                                   |                               |                               |
| - Other fixed rate loan/financing            | 59,868                        | 46,647                        |
| Variable rate                                |                               |                               |
| - Cost plus                                  | 46,784                        | 75,763                        |
| Gross loans and advances                     | <u><u>106,652</u></u>         | <u><u>122,410</u></u>         |
| <b>15c. By residual contractual maturity</b> |                               |                               |
| Maturity within 1 year                       | 106,652                       | 122,410                       |
| Gross loans and advances                     | <u><u>106,652</u></u>         | <u><u>122,410</u></u>         |
| <b>15d. By geographical distribution</b>     |                               |                               |
| Malaysia                                     | 106,652                       | 122,410                       |
| Gross loans and advances                     | <u><u>106,652</u></u>         | <u><u>122,410</u></u>         |
| <b>15e. By economic purpose</b>              |                               |                               |
| Working capital                              | 32,716                        | 60,841                        |
| Purchase of securities                       | 73,936                        | 61,569                        |
| Gross loans and advances                     | <u><u>106,652</u></u>         | <u><u>122,410</u></u>         |

**HLIB Q2 (31.12.2010)**

**15. Loans and advances (continued)**

|  | <b>The Group and the Bank</b> |                   |
|--|-------------------------------|-------------------|
|  | <b>As at</b>                  | <b>As at</b>      |
|  | <b>31/12/2010</b>             | <b>30/06/2010</b> |
|  | <b>RM'000</b>                 | <b>RM'000</b>     |
| <b>15f. Movements in impaired loans and advances ("impaired loans")</b><br>are as follows: |                               |                   |
| Impaired loans and advances  |                               |                   |
| At 1 July  |                               |                   |
| - as previously stated   | 2,688                         | 2,521             |
| - effect of adopting FRS139  | 10,012                        | -                 |
| At 1 July, as restated   | <u>12,700</u>                 | <u>2,521</u>      |
| Impaired during the period/year  | 72                            | 178               |
| Recoveries   | (1,371)                       | (11)              |
| Pre-acquisition adjustment   | (1,086)                       | -                 |
| Closing balance  | <u>10,315</u>                 | <u>2,688</u>      |
| Gross impaired loans as a percentage of gross loans<br>and advances                        | <u>9.7%</u>                   | <u>2.2%</u>       |
| <b>15g. <u>Impaired loans and advances by geographical distribution</u></b>                |                               |                   |
| Malaysia   | <u>10,315</u>                 | <u>2,688</u>      |
| <b>15h. <u>Impaired loans and advances by economic purpose</u></b>                         |                               |                   |
| Working capital  | 8,887                         | -                 |
| Purchase of securities   | 1,428                         | 2,688             |
| Gross impaired loans and advances  | <u>10,315</u>                 | <u>2,688</u>      |
| <b>15i. Movements in allowance for impaired loans and advances</b><br>are as follows:      |                               |                   |
| <u>Collective assessment allowance</u>   |                               |                   |
| At 1 July  |                               |                   |
| - as previously stated   | -                             | -                 |
| - effect of adopting FRS139  | 1,743                         | -                 |
| At 1 July, as restated   | <u>1,743</u>                  | <u>-</u>          |
| Allowance written back during the period/year  | (218)                         | -                 |
| Closing balance  | <u>1,525</u>                  | <u>-</u>          |
| As % of gross loans and advances<br>less individual assessment allowance                   | <u>1.5%</u>                   | <u>-</u>          |

**HLIB Q2 (31.12.2010)**

**15. Loans and advances (continued)**

|   | <b>The Group and the Bank</b> |                   |
|---|-------------------------------|-------------------|
|   | <b>As at</b>                  | <b>As at</b>      |
|   | <b>31/12/2010</b>             | <b>30/06/2010</b> |
|   | <b>RM'000</b>                 | <b>RM'000</b>     |
| <u>Individual assessment allowance</u>                      |                               |                   |
| At 1 July   |                               |                   |
| - as previously stated                                      | -                             | -                 |
| - effect of adopting FRS139                                 | <b>6,247</b>                  | -                 |
| At 1 July, as restated                                      | <b>6,247</b>                  | -                 |
| Allowance made during the period/year                       | <b>72</b>                     | -                 |
| Recoveries  | <b>(246)</b>                  | -                 |
| Pre-acquisition adjustment                                  | <b>(1,086)</b>                | -                 |
| Closing balance   | <b>4,987</b>                  | -                 |
| <u>General allowance</u>                                    |                               |                   |
| At 1 July   |                               |                   |
| - as previously stated                                      | <b>1,796</b>                  | 1,254             |
| - effect of adopting FRS139                                 | <b>(1,796)</b>                | -                 |
| At 1 July, as restated                                      | -                             | 1,254             |
| Allowance made during the period/year                       | -                             | 542               |
| Closing balance   | -                             | 1,796             |
| As % of gross loans and advances<br>less specific allowance | -                             | 1.5%              |
| <u>Specific allowance</u>                                   |                               |                   |
| At 1 July   |                               |                   |
| - as previously stated                                      | <b>2,688</b>                  | 2,521             |
| - effect of adopting FRS139                                 | <b>(2,688)</b>                | -                 |
| At 1 July, as restated                                      | -                             | 2,521             |
| Allowance made during the period/year                       | -                             | 178               |
| Written back during the period/year                         | -                             | (11)              |
| Closing balance   | -                             | 2,688             |

**16. Clients' and brokers' balances**

|                                       | <b>The Group and the Bank</b> |                   |
|---------------------------------------|-------------------------------|-------------------|
|                                       | <b>As at</b>                  | <b>As at</b>      |
|                                       | <b>31/12/2010</b>             | <b>30/06/2010</b> |
|                                       | <b>RM'000</b>                 | <b>RM'000</b>     |
| Performing accounts                   | <b>155,013</b>                | 80,456            |
| Impaired accounts                     | <b>14,321</b>                 | 37,813            |
| Less: Individual assessment allowance | <b>(13,381)</b>               | (37,043)          |
| Collective assessment allowance       | -                             | (9)               |
| Interest-in-suspense                  | <b>(672)</b>                  | (627)             |
|                                       | <b>155,281</b>                | 80,590            |



**HLIB Q2 (31.12.2010)**

**17. Other receivables**

|  | <b>The Group</b>                       |  | <b>The Bank</b>                        |  |
|--|--|--|--|--|
|  | <b>As at<br/>31/12/2010<br/>RM'000</b> | <b>As at<br/>30/06/2010<br/>RM'000</b> | <b>As at<br/>31/12/2010<br/>RM'000</b> | <b>As at<br/>30/06/2010<br/>RM'000</b> |
| Interest receivable                        | 7,896                                  | 4,008                                  | 7,896                                  | 4,008                                  |
| Derivative financial instruments (Note 20) | 7,032                                  | 23                                     | 7,032                                  | 23                                     |
| Amount due from holding company            | 465                                    | -                                      | 465                                    | -                                      |
| Amount due from subsidiary companies       | -                                      | -                                      | 5,212                                  | 745                                    |
| Deposits and prepayments                   | 4,397                                  | 2,876                                  | 4,397                                  | 2,876                                  |
| Other receivables                          | 55,617                                 | 6,393                                  | 55,294                                 | 7,680                                  |
|  | <b>75,407</b>                          | <b>13,300</b>                          | <b>80,296</b>                          | <b>15,332</b>                          |

**18. Deposits from customers**

|  | <b>The Group and the Bank</b>          |  |
|--|--|--|
|  | <b>As at<br/>31/12/2010<br/>RM'000</b> | <b>As at<br/>30/06/2010<br/>RM'000</b> |
| <b>18a. <u>By type of deposit</u></b>                                |  |  |
| Fixed deposits   | <b>271,479</b>                         | <b>31,218</b>                          |
| <b>18b. <u>By type of customer</u></b>                               |  |  |
| Federal and state governments  | 40,000                                 | -                                      |
| Local government and statutory authorities                           | 12,000                                 | -                                      |
| Business enterprises   | 218,874                                | 31,218                                 |
| Individuals  | 605                                    | -                                      |
|  | <b>271,479</b>                         | <b>31,218</b>                          |
| <b>18c. The maturity structure of fixed deposits are as follows:</b> |  |  |
| Due within six months  | <b>271,479</b>                         | <b>31,218</b>                          |

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

|                              | <b>The Group and the Bank</b>          |  |
|------------------------------|--|--|
|                              | <b>As at<br/>31/12/2010<br/>RM'000</b> | <b>As at<br/>30/06/2010<br/>RM'000</b> |
| Licensed banks               | 322,619                                | 61,000                                 |
| Other financial institutions | 1,028,146                              | 539,990                                |
|                              | <b>1,350,765</b>                       | <b>600,990</b>                         |

20. Derivative financial instruments

|   | The Group and the Bank |              |
|---|------------------------|--------------|
|   | As at                  | As at        |
|   | 31/12/2010             | 30/06/2010   |
|   | RM'000                 | RM'000       |
| <b>Derivatives at fair value through profit or loss</b> |                        |              |
| - Interest rate swaps                                   | -                      | 23           |
| - Currency swaps  | 3,152                  | -            |
| - Currency forwards                                     | 685                    | -            |
| - Futures   | 3,195                  | -            |
| Total derivative financial assets                       | <u>7,032</u>           | <u>23</u>    |
| <b>Derivatives at fair value through profit or loss</b> |                        |              |
| - Futures   | 1,050                  | 1,194        |
| - Interest rate swaps                                   | 186                    | -            |
| - Currency forwards                                     | 616                    | -            |
| Total derivative financial liabilities                  | <u>1,852</u>           | <u>1,194</u> |

21. Payables and other liabilities

|  | The Group     |                | The Bank      |                |
|--|---------------|----------------|---------------|----------------|
|  | As at         | As at          | As at         | As at          |
|  | 31/12/2010    | 30/06/2010     | 31/12/2010    | 30/06/2010     |
|  | RM'000        | RM'000         | RM'000        | RM'000         |
| Amount due to holding company              | -             | 272            | -             | 272            |
| Amount due to subsidiary companies         | -             | -              | 89            | 89             |
| Remisiers' trust deposits                  | 10,528        | 10,687         | 10,528        | 10,687         |
| Derivative financial instruments (Note 20) | 1,852         | 1,194          | 1,852         | 1,194          |
| Other payables and accrued liabilities     | 27,827        | 295,846        | 30,261        | 297,011        |
| Interest payable                           | 1,809         | 703            | 1,809         | 703            |
| Post employment benefits obligation        | -             | -              | -             | -              |
| - defined contribution plan                | 426           | 420            | 426           | 420            |
|  | <u>42,442</u> | <u>309,122</u> | <u>44,965</u> | <u>310,376</u> |

## HLIB Q2 (31.12.2010)

### 22. Interest income

|  | Current<br>quarter ended<br>31/12/2010<br>RM'000 | Last year's<br>quarter ended<br>31/12/2009<br>RM'000 | Current<br>year ended<br>31/12/2010<br>RM'000 | Last<br>year's ended<br>31/12/2009<br>RM'000 |
|--|--|--|---|--|
| <b>The Group and the Bank</b>  |  |  |   |  |
| Loan and advances  | 1,291  | 691  | 2,796   | 1,508  |
| Money at call and deposits placements<br>with banks and other financial institutions | 4,324  | 280  | 7,221   | 469  |
| Financial assets held at fair value through<br>profit or loss                        | 6,807  | -  | 11,249  | -  |
| Financial investments available-for-sale   | 841  | 1,563  | 1,363   | 2,858  |
| Financial investments held-to-maturity   | 820  | -  | 1,115   | -  |
| Others   | 297  | 844  | 406   | 1,634  |
|  | <u>14,380</u>                                    | <u>3,378</u>   | <u>24,150</u>                                 | <u>6,469</u>                                 |
| Accretion of discount less<br>amortisation of premium                                | (19)   | -  | (123)   | -  |
| Total interest income  | <u>14,361</u>                                    | <u>3,378</u>   | <u>24,027</u>                                 | <u>6,469</u>                                 |
| Of which:  |  |  |   |  |
| Interest income earned on impaired loans<br>and advances                             | <u>106</u>                                       | <u>-</u>   | <u>205</u>                                    | <u>-</u>                                     |

### 23. Interest expense

|  | Current<br>quarter ended<br>31/12/2010<br>RM'000 | Last year's<br>quarter ended<br>31/12/2009<br>RM'000 | Current<br>year ended<br>31/12/2010<br>RM'000 | Last<br>year's ended<br>31/12/2009<br>RM'000 |
|--|--|--|---|--|
| <b>The Group and the Bank</b>  |  |  |   |  |
| Deposits and placements of banks and<br>other financial institutions | 2,624  | 13   | 4,468   | 31   |
| Deposits from customers  | 8,263  | 922  | 12,829  | 1,682  |
| Total interest expense   | <u>10,887</u>                                    | <u>935</u>   | <u>17,297</u>                                 | <u>1,713</u>                                 |

## 24. Other operating income

|   | Current<br>quarter ended<br>31/12/2010<br>RM'000 | Last year's<br>quarter ended<br>31/12/2009<br>RM'000 | Current<br>year ended<br>31/12/2010<br>RM'000 | Last<br>year's ended<br>31/12/2009<br>RM'000 |
|---|--|--|---|--|
| <b>The Group</b>  |  |  |   |  |
| (a) Fee income:   |  |  |   |  |
| Fee on loans and advances   | 122  | 215  | 1,471   | 323  |
| Arranger fees   | 5,525  | 1,496  | 6,984   | 1,991  |
| Corporate advisory fees   | 1,285  | 180  | 2,875   | 180  |
| Underwriting commissions  | 1,329  | -  | 1,329   | -  |
| Brokerage commissions   | 12,246   | 9,556  | 22,322  | 21,778                                       |
| Net commission from futures business  | 277  | -  | 277   | -  |
| Other fee income  | 2,837  | 1,276  | 2,885   | 1,555  |
|   | <u>23,621</u>                                    | <u>12,723</u>  | <u>38,143</u>                                 | <u>25,827</u>                                |
| (b) Net gain arising from sale<br>of securities<br>- held at fair value through profit<br>or loss | 643  | 538  | 2,032   | 538  |
|   | <u>643</u>                                       | <u>538</u>   | <u>2,032</u>                                  | <u>538</u>                                   |
| (c) Gross dividend from securities<br>- held at fair value through profit<br>or loss              | 29   | -  | 298   | 299  |
|   | <u>29</u>  | <u>-</u>   | <u>298</u>                                    | <u>299</u>                                   |
| (d) Unrealised gain on revaluation<br>of securities held at fair value<br>through profit or loss  | 3,239  | 359  | 2,556   | 718  |
| (e) Gain on disposal of property<br>and equipment   | 1  | -  | 1   | -  |
| (f) Other (expense)/income  | (485)  | 324  | (164)   | 419  |
| Total other operating income  | <u>27,048</u>                                    | <u>13,944</u>  | <u>42,866</u>                                 | <u>27,801</u>                                |

## 24. Other operating income (continued)

|   | Current<br>quarter ended<br>31/12/2010<br>RM'000 | Last year's<br>quarter ended<br>31/12/2009<br>RM'000 | Current<br>year ended<br>31/12/2010<br>RM'000 | Last<br>year's ended<br>31/12/2009<br>RM'000 |
|---|--|--|---|--|
| <b>The Bank</b>   |  |  |   |  |
| (a) Fee income:   |  |  |   |  |
| Fee on loans and advances   | 122  | 215  | 1,471   | 323  |
| Arranger fees   | 5,525  | 1,496  | 6,984   | 1,991  |
| Corporate advisory fees   | 1,285  | 180  | 2,875   | 180  |
| Underwriting commissions  | 1,329  | -  | 1,329   | -  |
| Brokerage commissions   | 12,246   | 9,556  | 22,322  | 21,778                                       |
| Net commission from futures business  | 277  | -  | 277   | -  |
| Other fee income  | 2,739  | 1,176  | 2,686   | 1,307  |
|   | <u>23,523</u>                                    | <u>12,623</u>  | <u>37,944</u>                                 | <u>25,579</u>                                |
| (b) Net gain arising from sale<br>of securities<br>- held at fair value through profit<br>or loss | <u>643</u>                                       | <u>538</u>   | <u>2,032</u>                                  | <u>538</u>                                   |
|   | <u>643</u>                                       | <u>538</u>   | <u>2,032</u>                                  | <u>538</u>                                   |
| (c) Gross dividend from securities<br>- held at fair value through profit<br>or loss              | <u>29</u>  | <u>-</u>   | <u>298</u>                                    | <u>299</u>                                   |
|   | <u>29</u>  | <u>-</u>   | <u>298</u>                                    | <u>299</u>                                   |
| (d) Unrealised gain on revaluation<br>of securities held at fair value<br>through profit or loss  | 3,239  | 359  | 2,556   | 718  |
| (e) Gain on disposal of property<br>and equipment   | 1  | -  | 1   | -  |
| (f) Other (expense)/income  | (485)  | 324  | (164)   | 419  |
| Total other operating income  | <u>26,950</u>                                    | <u>13,844</u>  | <u>42,667</u>                                 | <u>27,553</u>                                |

25. Other operating expenses

|  | Current<br>quarter ended<br>31/12/2010<br>RM'000 | Last year's<br>quarter ended<br>31/12/2009<br>RM'000 | Current<br>year ended<br>31/12/2010<br>RM'000 | Last<br>year's ended<br>31/12/2009<br>RM'000 |
|--|--|--|---|--|
| <b>The Group</b>                         |  |  |   |  |
| Personnel costs                          | 6,744  | 7,100  | 11,976  | 10,890                                       |
| - Salaries, allowances and bonuses       | 5,767  | 5,794  | 10,151  | 8,970  |
| - Others                                 | 977  | 1,306  | 1,825   | 1,920  |
| Establishment costs                      | 3,448  | 2,702  | 7,396   | 5,443  |
| - Depreciation of property and equipment | 562  | 396  | 1,053   | 775  |
| - Amortisation of intangible assets      | 197  | 154  | 391   | 268  |
| - Rental                                 | 1,240  | 908  | 2,368   | 1,825  |
| - Information technology expenses        | 857  | 1,006  | 2,104   | 1,917  |
| - Others                                 | 592  | 238  | 1,480   | 658  |
| Marketing expenses                       | 273  | 116  | 499   | 290  |
| - Advertisement and publicity            | 50   | 7  | 53  | 7  |
| - Entertainment and business improvement | 178  | 98   | 355   | 248  |
| - Others                                 | 45   | 11   | 91  | 35   |
| Administration and general expenses      | 2,710  | 2,149  | 4,882   | 3,965  |
| - Management fees                        | 650  | 243  | 1,015   | 585  |
| - Teletransmission expenses              | 662  | 356  | 1,155   | 688  |
| - Audit fees                             | 32   | 35   | 64  | 70   |
| - Legal and professional fees            | 719  | 796  | 1,457   | 1,536  |
| - Others                                 | 647  | 719  | 1,191   | 1,086  |
|  | <b>13,175</b>                                    | <b>12,067</b>  | <b>24,753</b>                                 | <b>20,588</b>                                |

25. Other operating expenses (continued)

|  | Current<br>quarter ended<br>30/09/2010<br>RM'000 | Last year's<br>quarter ended<br>30/09/2009<br>RM'000 | Current<br>year ended<br>30/09/2010<br>RM'000 | Last<br>year's ended<br>30/09/2009<br>RM'000 |
|--|--|--|---|--|
| <b>The Bank</b>                          |  |  |   |  |
| Personnel costs                          | 6,714  | 7,046  | 11,917  | 10,796                                       |
| - Salaries, allowances and bonuses       | 5,740  | 5,746  | 10,099  | 8,886  |
| - Others                                 | 974  | 1,300  | 1,818   | 1,910  |
| Establishment costs                      | 3,448  | 2,702  | 7,396   | 5,443  |
| - Depreciation of property and equipment | 562  | 396  | 1,053   | 775  |
| - Amortisation of intangible assets      | 197  | 154  | 391   | 268  |
| - Rental                                 | 1,240  | 908  | 2,368   | 1,825  |
| - Information technology expenses        | 857  | 1,006  | 2,104   | 1,917  |
| - Others                                 | 592  | 238  | 1,480   | 658  |
| Marketing expenses                       | 273  | 116  | 499   | 290  |
| - Advertisement and publicity            | 50   | 7  | 53  | 7  |
| - Entertainment and business improvement | 178  | 98   | 355   | 248  |
| - Others                                 | 45   | 11   | 91  | 35   |
| Administration and general expenses      | 2,704  | 1,954  | 4,873   | 3,765  |
| - Management fees                        | 650  | 243  | 1,015   | 585  |
| - Teletransmission expenses              | 662  | 356  | 1,155   | 688  |
| - Audit fees                             | 32   | 35   | 64  | 70   |
| - Legal and professional fees            | 719  | 796  | 1,457   | 1,536  |
| - Others                                 | 641  | 524  | 1,182   | 886  |
|  | <b>13,139</b>                                    | <b>11,818</b>  | <b>24,685</b>                                 | <b>20,294</b>                                |

26. (Write-back of)/ allowance for impairment on loans and advances

|  | Current<br>quarter ended<br>31/12/2010<br>RM'000 | Last year's<br>quarter ended<br>31/12/2009<br>RM'000 | Current<br>year ended<br>31/12/2010<br>RM'000 | Last<br>year's ended<br>31/12/2009<br>RM'000 |
|--|--|--|---|--|
| <b>The Group and the Bank</b>  |  |  |   |  |
| Allowance for/(write-back of) losses on impaired loans and advances:   |  |  |   |  |
| Specific allowance   |  |  |   |  |
| - written back during the period                                       | -  | -  | -   | (11)   |
| - made during the period   | -  | 66   | -   | 131  |
| General allowance written back during the period                       |  |  |   |  |
|  | -  | 235  | -   | 183  |
| Individual assessment allowance  |  |  |   |  |
| - written back during the period                                       | (246)  | -  | (246)   | -  |
| - made during the period   | 30   | -  | 72  | -  |
| Collective assessment allowance made/ (written back) during the period |  |  |   |  |
|  | 61   | -  | (218)   | -  |
| Allowance for losses on clients' and brokers' balances:                |  |  |   |  |
| Specific allowance   |  |  |   |  |
| - written back during the period                                       | (385)  | 24   | (910)   | (11)   |
| - made during the period   | -  | -  | 130   | -  |
| General allowance written back during the period                       |  |  |   |  |
|  | (204)  | (13)   | (9)   | (40)   |
| Bad debts on clients' and brokers' balances                            |  |  |   |  |
| - Recovered  | 1  | -  | (53)  | -  |
|  | <u>(743)</u>                                     | <u>312</u>   | <u>(1,234)</u>                                | <u>252</u>                                   |



## HLIB Q2 (31.12.2010)

### 27. Commitments and contingencies

| The Group and the Bank   | Principal<br>Amount<br>RM'000 | Positive Fair<br>Value of<br>Derivatives<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>RM'000 | Risk<br>Weighted<br>Amount<br>RM'000 |
|--|-------------------------------|---|--------------------------------|--------------------------------------|
| <b>31 December 2010</b>  |                               |   |                                |                                      |
| <u>Commitments and contingent liabilities</u>  |                               |   |                                |                                      |
| Any commitment that are unconditionally cancelled at any time by the bank without prior notice |                               |   |                                |                                      |
| - maturity less than 1 year  | <u>270,040</u>                | <u>-</u>  | <u>-</u>                       | <u>-</u>                             |
| <u>Derivative Financial Instruments</u>  |                               |   |                                |                                      |
| Interest rate related contracts:   |                               |   |                                |                                      |
| - One year or less   | 1,195,237                     | -   | -                              | -                                    |
| - Over one year to five years  | 4,616,698                     | 2,679   | 9,824                          | 1,965                                |
| - Over five years  | 246,820                       | 432   | -                              | -                                    |
| Foreign exchange related contracts   |                               |   |                                |                                      |
| - One year or less   | 786,494                       | 3,837   | 9,245                          | 4,012                                |
| Equity related contracts:  |                               |   |                                |                                      |
| - One year or less   | 34,594                        | 84  | -                              | -                                    |
|  | <u>6,879,843</u>              | <u>7,032</u>  | <u>19,069</u>                  | <u>5,977</u>                         |
|  | <u>7,149,883</u>              | <u>7,032</u>  | <u>19,069</u>                  | <u>5,977</u>                         |
| <b>30 June 2010</b>  |                               |   |                                |                                      |
| <u>Commitments and contingent liabilities</u>  |                               |   |                                |                                      |
| Any commitment that are unconditionally cancelled at any time by the bank without prior notice |                               |   |                                |                                      |
| - maturity less than 1 year  | <u>267,940</u>                | <u>-</u>  | <u>-</u>                       | <u>-</u>                             |
| <u>Derivative Financial Instruments</u>  |                               |   |                                |                                      |
| Interest rate related contracts:   |                               |   |                                |                                      |
| - One year or less   | 680,000                       | -   | -                              | -                                    |
| - Over one year to five years  | 2,545,000                     | 23  | 1,021                          | 204                                  |
|  | <u>3,225,000</u>              | <u>23</u>   | <u>1,021</u>                   | <u>204</u>                           |
|  | <u>3,492,940</u>              | <u>23</u>   | <u>1,021</u>                   | <u>204</u>                           |

The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights as defined in the BNM's revised Risk-weighted Capital Adequacy Framework ("RWCAF").

## 28. Capital adequacy

The capital adequacy ratios of the Group and the Bank as at the following dates:

|   | The Group           |                     | The Bank            |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | As at<br>31/12/2010 | As at<br>30/06/2010 | As at<br>31/12/2010 | As at<br>30/06/2010 |
| <b><u>Before and after deducting proposed dividends</u></b> |                     |                     |                     |                     |
| Core capital ratio  | <b>28.3%</b>        | 33.0%               | <b>28.2%</b>        | 33.1%               |
| Risk-weighted capital ratio                                 | <b>28.7%</b>        | 33.6%               | <b>28.6%</b>        | 33.5%               |

|   | The Group                     |                               | The Bank                      |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 | As at<br>31/12/2010<br>RM'000 | As at<br>30/06/2010<br>RM'000 |
| Components of Tier I and Tier II capital: |                               |                               |                               |                               |
| <u>Tier I capital</u>                     |                               |                               |                               |                               |
| Paid-up share capital                     | <b>265,535</b>                | 265,535                       | <b>265,535</b>                | 265,535                       |
| Retained profit                           | <b>9,415</b>                  | 9,415                         | <b>10,644</b>                 | 10,644                        |
| Statutory reserves                        | <b>11,044</b>                 | 11,044                        | <b>11,044</b>                 | 11,044                        |
|   | <b>285,994</b>                | 285,994                       | <b>287,223</b>                | 287,223                       |
| Less: Goodwill                            | <b>(28,986)</b>               | (28,986)                      | <b>(30,236)</b>               | (30,236)                      |
| Deferred tax assets (net)                 | <b>(52,597)</b>               | (52,597)                      | <b>(52,597)</b>               | (52,597)                      |
| Total Tier I capital                      | <b>204,411</b>                | 204,411                       | <b>204,390</b>                | 204,390                       |
| <u>Tier II capital</u>                    |                               |                               |                               |                               |
| Redeemable preference shares ("RPS")      | <b>1,631</b>                  | 1,631                         | <b>1,631</b>                  | 1,631                         |
| Collective assessment allowance           | <b>1,525</b>                  | -                             | <b>1,525</b>                  | -                             |
| General allowance                         | -                             | 1,805                         | -                             | 1,805                         |
| Total tier II capital                     | <b>3,156</b>                  | 3,436                         | <b>3,156</b>                  | 3,436                         |
| Total capital                             | <b>207,567</b>                | 207,847                       | <b>207,546</b>                | 207,826                       |
| Less: Investment in subsidiary companies  | -                             | -                             | <b>(588)</b>                  | (588)                         |
| Capital base                              | <b>207,567</b>                | 207,847                       | <b>206,958</b>                | 207,238                       |

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010 - 8.00%) for the risk-weighted capital ratio.

## 28. Capital adequacy (continued)

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

| The Group<br>31 December 2010<br>Exposure Class   | Gross<br>Exposures<br>RM'000 | Net<br>Exposures<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Capital<br>Requirements<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------------------|-----------------------------------|
| <b>(i) Credit Risk</b>  |                              |                            |                                       |                                   |
| On-Balance Sheet Exposures:   |                              |                            |                                       |                                   |
| Sovereigns & Central Banks  | 202,809                      | 202,809                    | -                                     | -                                 |
| Public Sector Entities  | 10,133                       | 10,133                     | 2,027                                 | 162                               |
| Banks, Development Financial<br>Institutions ("DFI") & Multilateral<br>Development Banks ("MDBs") | 926,977                      | 926,977                    | 185,795                               | 14,864                            |
| Corporates  | 148,944                      | 70,478                     | 33,245                                | 2,660                             |
| Other Assets  | 181,618                      | 181,618                    | 132,519                               | 10,601                            |
| Equity Exposures  | 2,445                        | 2,445                      | 2,445                                 | 196                               |
| <b>Total On-Balance Sheet<br/>Exposures</b>   | <b>1,472,926</b>             | <b>1,394,460</b>           | <b>356,031</b>                        | <b>28,483</b>                     |
| Off-Balance Sheet Exposures:  |                              |                            |                                       |                                   |
| Credit-related Off-Balance<br>Sheet Exposures   |                              |                            |                                       |                                   |
| Derivative Financial Instruments  | 19,069                       | 19,069                     | 5,977                                 | 478                               |
| <b>Total Off-Balance Sheet<br/>Exposures</b>  | <b>19,069</b>                | <b>19,069</b>              | <b>5,977</b>                          | <b>478</b>                        |
| <b>Total On and Off Balance<br/>Sheet Exposures</b>   | <b>1,491,995</b>             | <b>1,413,529</b>           | <b>362,008</b>                        | <b>28,961</b>                     |
| <b>(ii) Large Exposure Risk Requirement</b>   |                              |                            |                                       |                                   |
|   | -                            | -                          | -                                     | -                                 |
| <b>(iii) Market Risk</b>  |                              |                            |                                       |                                   |
|   | Long<br>Position             | Short<br>Position          |                                       |                                   |
| Interest Rate Risk  | 7,217,465                    | 6,510,527                  | 185,432                               | 14,834                            |
| Equity Risk   | 76,835                       | -                          | 37,800                                | 3,025                             |
| Foreign Exchange Risk   | 3,679                        | -                          | 3,675                                 | 294                               |
|   | <b>7,297,979</b>             | <b>6,510,527</b>           | <b>226,907</b>                        | <b>18,153</b>                     |
| <b>(iv) Operational Risk</b>  |                              |                            |                                       |                                   |
|   |                              |                            | 133,245                               | 10,660                            |
| <b>Total RWA and Capital Requirements</b>   |                              |                            | <b>722,160</b>                        | <b>57,773</b>                     |

## 28. Capital adequacy (continued)

| The Group<br>30 June 2010<br>Exposure Class   | Gross<br>Exposures<br>RM'000 | Net<br>Exposures<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Capital<br>Requirements<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------------------|-----------------------------------|
| <b>(i) Credit Risk</b>  |                              |                            |                                       |                                   |
| On-Balance Sheet Exposures:   |                              |                            |                                       |                                   |
| Sovereigns & Central Banks  | 25,799                       | 25,799                     | -                                     | -                                 |
| Banks, Development Financial<br>Institutions ("DFI") & Multilateral<br>Development Banks ("MDBs") | 741,289                      | 741,289                    | 147,441                               | 11,795                            |
| Corporates  | 77,227                       | 77,227                     | 76,055                                | 6,084                             |
| Other Assets  | 17,089                       | 17,089                     | 17,067                                | 1,365                             |
| Equity Exposures  | 124,805                      | 124,805                    | 113,084                               | 9,047                             |
| Total On Balance Sheet<br>Exposures   | 986,209                      | 986,209                    | 353,647                               | 28,291                            |
| Off-Balance Sheet Exposures:  |                              |                            |                                       |                                   |
| Credit-related Off-Balance<br>Sheet Exposures   |                              |                            |                                       |                                   |
| Derivative Financial Instruments  | 1,021                        | 1,021                      | 1,021                                 | 82                                |
| Total Off Balance Sheet<br>Exposures  | 1,021                        | 1,021                      | 1,021                                 | 82                                |
| Total On and Off Balance<br>Sheet Exposures   | 987,230                      | 987,230                    | 354,668                               | 28,373                            |
| <b>(ii) Large Exposure Risk Requirement</b>   |                              |                            |                                       |                                   |
|   | -                            | -                          | -                                     | -                                 |
| <b>(iii) Market Risk</b>  |                              |                            |                                       |                                   |
|   | Long<br>Position             | Short<br>Position          |                                       |                                   |
| Interest Rate Risk  | 3,484,640                    | 3,105,307                  | 157,885                               | 12,631                            |
| Equity Risk   | 7,117                        | -                          | 19,575                                | 1,566                             |
| Foreign Exchange Risk   | 10                           | -                          | 13                                    | 1                                 |
|   | 3,491,767                    | 3,105,307                  | 177,473                               | 14,198                            |
| <b>(iv) Operational Risk</b>  |                              |                            | 86,750                                | 6,940                             |
| Total RWA and Capital Requirements  |                              |                            | 618,891                               | 49,511                            |

## 28. Capital adequacy (continued)

| The Bank<br>31 December 2010<br>Exposure Class  | Gross<br>Exposures<br>RM'000 | Net<br>Exposures<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Capital<br>Requirements<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------------------|-----------------------------------|
| <b>(i) Credit Risk</b>  |                              |                            |                                       |                                   |
| On-Balance Sheet Exposures:   |                              |                            |                                       |                                   |
| Sovereigns & Central Banks  | 202,809                      | 202,809                    | -                                     | -                                 |
| Public Sector Entities  | 10,133                       | 10,133                     | 2,027                                 | 162                               |
| Banks, Development Financial<br>Institutions ("DFI") & Multilateral<br>Development Banks ("MDBs") | 923,871                      | 923,871                    | 185,174                               | 14,813                            |
| Corporates  | 148,944                      | 70,478                     | 33,245                                | 2,660                             |
| Other Assets  | 186,507                      | 186,507                    | 137,408                               | 10,993                            |
| Equity Exposures  | 2,445                        | 2,445                      | 2,445                                 | 196                               |
| <b>Total On-Balance Sheet<br/>Exposures</b>   | <b>1,474,709</b>             | <b>1,396,243</b>           | <b>360,299</b>                        | <b>28,824</b>                     |
| Off-Balance Sheet Exposures:  |                              |                            |                                       |                                   |
| Credit-related Off-Balance<br>Sheet Exposures   |                              |                            |                                       |                                   |
| Derivative Financial Instruments  | 19,069                       | 19,069                     | 5,977                                 | 478                               |
| <b>Total Off-Balance Sheet<br/>Exposures</b>  | <b>19,069</b>                | <b>19,069</b>              | <b>5,977</b>                          | <b>478</b>                        |
| <b>Total On and Off Balance<br/>Sheet Exposures</b>   | <b>1,493,778</b>             | <b>1,415,312</b>           | <b>366,276</b>                        | <b>29,302</b>                     |
| <b>(ii) Large Exposure Risk Requirement</b>   |                              |                            |                                       |                                   |
| -   |                              |                            |                                       |                                   |
| <b>(iii) Market Risk</b>  |                              |                            |                                       |                                   |
|   | Long<br>Position             | Short<br>Position          |                                       |                                   |
| Interest Rate Risk  | 7,217,465                    | 6,510,527                  | 185,432                               | 14,834                            |
| Equity Risk   | 76,835                       | -                          | 37,800                                | 3,025                             |
| Foreign Currency Risk   | 3,679                        | -                          | 3,675                                 | 294                               |
|   | <b>7,297,979</b>             | <b>6,510,527</b>           | <b>226,907</b>                        | <b>18,153</b>                     |
| <b>(iv) Operational Risk</b>  |                              |                            | 130,817                               | 10,465                            |
| <b>Total RWA and Capital Requirements</b>   |                              |                            | <b>724,000</b>                        | <b>57,920</b>                     |

## 28. Capital adequacy (continued)

| <b>The Bank<br/>30 June 2010<br/>Exposure Class</b>   | <b>Gross<br/>Exposures<br/>RM'000</b> | <b>Net<br/>Exposures<br/>RM'000</b> | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Capital<br/>Requirements<br/>RM'000</b> |
|---|---------------------------------------|-------------------------------------|---|--|
| <b>(i) Credit Risk</b>  |                                       |                                     |   |  |
| On-Balance Sheet Exposures:   |                                       |                                     |   |  |
| Sovereigns & Central Banks  | 25,799                                | 25,799                              | -   | -  |
| Banks, Development Financial<br>Institutions ("DFI") & Multilateral<br>Development Banks ("MDBs") | 738,779                               | 738,779                             | 147,756   | 11,820                                     |
| Corporates  | 77,227                                | 77,227                              | 76,055  | 6,084                                      |
| Other Assets  | 19,121                                | 19,121                              | 19,099  | 1,528                                      |
| Equity Exposures  | 124,805                               | 124,805                             | 113,084   | 9,047                                      |
| <b>Total On Balance Sheet<br/>Exposures</b>   | <b>985,731</b>                        | <b>985,731</b>                      | <b>355,994</b>                                  | <b>28,479</b>                              |
| Off-Balance Sheet Exposures:  |                                       |                                     |   |  |
| Credit-related Off-Balance<br>Sheet Exposures   |                                       |                                     |   |  |
| Derivative Financial Instruments  | 1,021                                 | 1,021                               | 204   | 16   |
| <b>Total Off Balance Sheet<br/>Exposures</b>  | <b>1,021</b>                          | <b>1,021</b>                        | <b>204</b>                                      | <b>16</b>                                  |
| <b>Total On and Off Balance<br/>Sheet Exposures</b>   | <b>986,752</b>                        | <b>986,752</b>                      | <b>356,198</b>                                  | <b>28,495</b>                              |
| <b>(ii) Large Exposure Risk Requirement</b>   | -                                     | -                                   | -   | -  |
| <b>(iii) Market Risk</b>  |                                       |                                     |   |  |
|   | <b>Long<br/>Position</b>              | <b>Short<br/>Position</b>           |   |  |
| Interest Rate Risk  | 3,484,640                             | 3,105,307                           | 157,885   | 12,631                                     |
| Equity Risk   | 7,117                                 | -                                   | 19,575  | 1,566                                      |
| Foreign Currency Risk   | 10                                    | -                                   | 13  | 1  |
|   | <b>3,491,767</b>                      | <b>3,105,307</b>                    | <b>177,473</b>                                  | <b>14,198</b>                              |
| <b>(iv) Operational Risk</b>  |                                       |                                     | <b>84,507</b>                                   | <b>6,761</b>                               |
| <b>Total RWA and Capital Requirements</b>   |                                       |                                     | <b>618,178</b>                                  | <b>49,454</b>                              |

## 28. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for the current period are as follows:

### <-- Exposures after Netting and Credit Risk Mitigation -->

| Risk Weights                      | Sovereigns & Central Banks | Public Sector Entities | Banks, DFIs and MDBs | Corporates | Other Assets | Equity Exposures | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------------|----------------------------|------------------------|----------------------|------------|--------------|------------------|--|----------------------------|
|                                   | RM'000                     | RM'000                 | RM'000               | RM'000     | RM'000       | RM'000           | RM'000   | RM'000                     |
| <b>The Group</b>                  |                            |                        |                      |            |              |                  |  |                            |
| <b>31 December 2010</b>           |                            |                        |                      |            |              |                  |  |                            |
| 0%                                | 202,809                    | -                      | -                    | 545        | 11           | -                | 203,365  | -                          |
| 20%                               | -                          | 10,133                 | 942,234              | 45,725     | 61,360       | -                | 1,059,452  | 211,890                    |
| 35%                               | -                          | -                      | -                    | -          | -            | -                | -  | -                          |
| 50%                               | -                          | -                      | 974                  | 215        | -            | -                | 1,189  | 595                        |
| 75%                               | -                          | -                      | -                    | -          | -            | -                | -  | -                          |
| 100%                              | -                          | -                      | 134                  | 26,697     | 120,247      | 2,445            | 149,523  | 149,523                    |
| 150%                              | -                          | -                      | -                    | -          | -            | -                | -  | -                          |
| Total Exposures                   | 202,809                    | 10,133                 | 943,342              | 73,182     | 181,618      | 2,445            | 1,413,529  | 362,008                    |
| Risk-Weighted Assets by Exposures | -                          | 2,027                  | 189,067              | 35,950     | 132,519      | 2,445            | 362,008  |                            |
| Average Risk Weight               | 0.0%                       | 20.0%                  | 20.0%                | 49.1%      | 73.0%        | 100.0%           | 25.6%  |                            |

## 28. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for the current period are as follows:

### <-- Exposures after Netting and Credit Risk Mitigation -->

| <b>Risk Weights</b>                          | <b>Sovereigns &amp; Central Banks<br/>RM'000</b> | <b>Public Sector Entities<br/>RM'000</b> | <b>Banks, DFIs and MDBs<br/>RM'000</b> | <b>Corporates<br/>RM'000</b> | <b>Other Assets<br/>RM'000</b> | <b>Equity Exposures<br/>RM'000</b> | <b>Total Exposures after Netting &amp; Credit Risk Mitigation<br/>RM'000</b> | <b>Total Risk Weighted Assets<br/>RM'000</b> |
|--|--|--|--|------------------------------|--------------------------------|------------------------------------|--|--|
| <b>The Group<br/>30 June 2010</b>            |  |  |  |                              |                                |                                    |  |  |
| 0%   | 25,799   | -  | -                                      | -                            | 22                             | -                                  | 25,821   | -  |
| 20%  | -  | -  | 742,310                                | 1,465                        | -                              | 14,651                             | 758,426  | 151,685                                      |
| 35%  | -  | -  | -                                      | -                            | -                              | -                                  | -  | -  |
| 50%  | -  | -  | -                                      | -                            | -                              | -                                  | -  | -  |
| 75%  | -  | -  | -                                      | -                            | -                              | -                                  | -  | -  |
| 100%   | -  | -  | -                                      | 75,762                       | 17,067                         | 110,154                            | 202,983  | 202,983                                      |
| 150%   | -  | -  | -                                      | -                            | -                              | -                                  | -  | -  |
| <b>Total Exposures</b>                       | <b>25,799</b>                                    | <b>-</b>                                 | <b>742,310</b>                         | <b>77,227</b>                | <b>17,089</b>                  | <b>124,805</b>                     | <b>987,230</b>   | <b>354,668</b>                               |
| <b>Risk-Weighted Assets<br/>by Exposures</b> | <b>-</b>   | <b>-</b>                                 | <b>148,462</b>                         | <b>76,055</b>                | <b>17,067</b>                  | <b>113,084</b>                     | <b>354,668</b>   |  |
| <b>Average Risk Weight</b>                   | <b>0.0%</b>                                      | <b>0.0%</b>                              | <b>20.0%</b>                           | <b>98.5%</b>                 | <b>99.9%</b>                   | <b>90.6%</b>                       | <b>35.9%</b>   |  |



## 28. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for the current period are as follows:

### <-- Exposures after Netting and Credit Risk Mitigation -->

| Risk Weights                      | Sovereigns & Central Banks | Public Sector Entities | Banks, DFIs and MDBs | Corporates | Other Assets | Equity Exposures | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------------|----------------------------|------------------------|----------------------|------------|--------------|------------------|--|----------------------------|
|                                   | RM'000                     | RM'000                 | RM'000               | RM'000     | RM'000       | RM'000           | RM'000   | RM'000                     |
| <b>The Bank</b>                   |                            |                        |                      |            |              |                  |  |                            |
| <b>31 December 2010</b>           |                            |                        |                      |            |              |                  |  |                            |
| 0%                                | 202,809                    | -                      | -                    | 545        | 11           | -                | 203,365  | -                          |
| 20%                               | -                          | 10,133                 | 939,128              | 45,725     | 61,360       | -                | 1,056,346  | 211,269                    |
| 35%                               | -                          | -                      | -                    | -          | -            | -                | -  | -                          |
| 50%                               | -                          | -                      | 974                  | 215        | -            | -                | 1,189  | 595                        |
| 75%                               | -                          | -                      | -                    | -          | -            | -                | -  | -                          |
| 100%                              | -                          | -                      | 134                  | 26,697     | 125,136      | 2,445            | 154,412  | 154,412                    |
| 150%                              | -                          | -                      | -                    | -          | -            | -                | -  | -                          |
| Total Exposures                   | 202,809                    | 10,133                 | 940,236              | 73,182     | 186,507      | 2,445            | 1,415,312  | 366,276                    |
| Risk-Weighted Assets by Exposures | -                          | 2,027                  | 188,446              | 35,950     | 137,408      | 2,445            | 366,276  |                            |
| Average Risk Weight               | 0.0%                       | 20.0%                  | 20.0%                | 49.1%      | 73.7%        | 100.0%           | 25.9%  |                            |

## 28. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for the current period are as follows:

**<-- Exposures after Netting and Credit Risk Mitigation -->**

| Risk Weights                         | Sovereigns<br>& Central<br>Banks<br>RM'000 | Public<br>Sector<br>Entities<br>RM'000 | Banks,<br>DFIs and<br>MDBs<br>RM'000 | Corporates<br>RM'000 | Other<br>Assets<br>RM'000 | Equity<br>Exposures<br>RM'000 | Total<br>Exposures<br>after Netting<br>& Credit Risk<br>Mitigation<br>RM'000 | Total<br>Risk<br>Weighted<br>Assets<br>RM'000 |
|--------------------------------------|--|--|--------------------------------------|----------------------|---------------------------|-------------------------------|--|---|
| <b>The Bank</b>                      |  |  |                                      |                      |                           |                               |  |   |
| <b>30 June 2010</b>                  |  |  |                                      |                      |                           |                               |  |   |
| 0%                                   | 25,799                                     | -                                      | -                                    | -                    | 22                        | -                             | 25,821   | -   |
| 20%                                  | -  | -                                      | 739,800                              | 1,465                | -                         | 14,651                        | 755,916  | 151,183                                       |
| 35%                                  | -  | -                                      | -                                    | -                    | -                         | -                             | -  | -   |
| 50%                                  | -  | -                                      | -                                    | -                    | -                         | -                             | -  | -   |
| 75%                                  | -  | -                                      | -                                    | -                    | -                         | -                             | -  | -   |
| 100%                                 | -  | -                                      | -                                    | 75,762               | 19,099                    | 110,154                       | 205,015  | 205,015                                       |
| 150%                                 | -  | -                                      | -                                    | -                    | -                         | -                             | -  | -   |
| Total Exposures                      | 25,799                                     | -                                      | 739,800                              | 77,227               | 19,121                    | 124,805                       | 986,752  | 356,198                                       |
| Risk-Weighted Assets<br>by Exposures | -  | -                                      | 147,960                              | 76,055               | 19,099                    | 113,084                       | 356,198  |   |
| Average Risk Weight                  | 0.0%                                       | 0.0%                                   | 20.0%                                | 98.5%                | 99.9%                     | 90.6%                         | 36.1%  |   |

## 28. Capital adequacy (continued)

The risk-weighted assets and capital requirements for the various categories of risk under Market Risk for the Group and the Bank are as follows:

|                               | 31 December 2010                                    |                               | 30 June 2010  |                               |
|-------------------------------|---|-------------------------------|---|-------------------------------|
|                               | Risk-<br>Weighted<br>Assets<br>Equivalent<br>RM'000 | Capital<br>Required<br>RM'000 | Risk-<br>Weighted<br>Assets<br>Equivalent<br>RM'000 | Capital<br>Required<br>RM'000 |
| <b>The Group and the Bank</b> |   |                               |   |                               |
| Interest rate risk            |   |                               |   |                               |
| - General interest rate risk  | 92,716  | 7,417                         | 110,360   | 8,829                         |
| - Specific interest rate risk | 92,716  | 7,417                         | 47,525  | 3,802                         |
|                               | <u>185,432</u>                                      | <u>14,834</u>                 | <u>157,885</u>                                      | <u>12,631</u>                 |
| Equity position risk          |   |                               |   |                               |
| - General risk                | 7,450   | 596                           | 7,125   | 570                           |
| - Specific risk               | 30,350  | 2,429                         | 12,450  | 996                           |
|                               | <u>37,800</u>                                       | <u>3,025</u>                  | <u>19,575</u>                                       | <u>1,566</u>                  |
| Foreign exchange risk         | 3,675   | 294                           | 13  | 1                             |
|                               | <u>226,907</u>                                      | <u>18,153</u>                 | <u>177,473</u>                                      | <u>14,198</u>                 |

**29. Change in accounting policies and prior year adjustments**

With effect from 1 January 2005, the BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8'), whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139, have been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in the following material changes in accounting policies as follows:

1) Impairment of loans and advances

Prior to 1 July 2010, the Group and the Bank loan loss allowances were determined in accordance with the BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ('BNM/GP3').

Under FRS 139, the Group and the Bank first assesses individually whether objective evidence of impairment exists individually for loans.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans and advances. The carrying amount of the loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowances of the Group and the Bank as at the reporting date has been arrived at based on this transitional arrangement issued by BNM.

**29. Change in accounting policies and prior year adjustments (continued)**1) Impairment of loans and advances (continued)

The adoption of FRS 139 and the transitional provision has resulted in the following adjustments against the retained profit of the Group and the Bank as at 1 July 2010:

|  | <b>The Group and the Bank</b> |
|--|-------------------------------|
|  | <b>RM'000</b>                 |
| i) Write back of specific allowance                        | (2,688)                       |
| ii) Write back of general allowance                        | (1,796)                       |
| iii) Opening adjustment in collective assessment allowance | 1,743                         |
| iv) Opening adjustment in individual assessment allowance  | 6,247                         |
| v) Opening adjustment in deferred tax assets               | <u>(876)</u>                  |

2) Recognition of interest income

Prior to 1 July 2010, interest on loans and advances was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

3) Recognition of Embedded Derivatives

Upon the adoption of FRS 139, 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.

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