

Company No. 823437K



Standard Chartered Saadiq Berhad

(Company No. 823437K)
(Incorporated in Malaysia)

**Financial statements for the nine months
ended 30 September 2010**

Domiciled in Malaysia
Principal place of business
Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010**

		30 September 2010	31 December 2009
	Note	RM'000	RM'000
Assets			
Cash and short term funds		824,107	2,592,117
Deposits and placements with banks and other financial institutions		-	-
Investment securities available-for-sale	11	1,006,989	185,866
Financing and advances	12	2,397,759	1,911,270
Other assets	14	118,562	75,918
Tax recoverable		-	334
Statutory deposits with Bank Negara Malaysia		20,273	14,322
Deferred tax assets		4,037	1,424
Total assets		<u>4,371,727</u>	<u>4,781,251</u>
Liabilities			
Deposits from customers	15	1,378,215	1,459,537
Deposits and placements of banks and other financial institutions	16	2,383,654	2,766,514
Other liabilities	17	174,534	238,708
Tax payable		4,989	-
Total liabilities		<u>3,941,392</u>	<u>4,464,759</u>
Equity			
Share capital		96,500	75,000
Reserves		333,835	241,492
Total equity attributable to equity holder of the Bank		<u>430,335</u>	<u>316,492</u>
Total liabilities and equity		<u>4,371,727</u>	<u>4,781,251</u>
Commitments and contingencies	23	<u>12,107,655</u>	<u>2,383,585</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2009.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

	Note	3rd Quarter ended		Nine months ended	
		30 September 2010	30 September 2009	30 September 2010	30 September 2009
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	18	28,246	15,230	86,800	72,621
Income derived from investment of shareholder's funds	20	39,488	29,912	112,040	85,581
Impairment provisions for financing	22	(15,697)	(12,992)	(45,979)	(33,611)
Transfer to profit equalisation reserve:	17	-	-	-	(804)
Total distributable income		52,037	32,150	152,861	123,787
Income attributable to depositors	19	(18,603)	(13,261)	(48,703)	(69,822)
Total net income		33,434	18,889	104,158	53,965
Other operating expenses	21	(20,343)	(12,215)	(55,760)	(35,756)
Profit before taxation		13,091	6,674	48,398	18,209
Tax expense		(3,912)	(1,694)	(12,747)	(4,637)
Profit for the period		9,179	4,980	35,651	13,572
Other comprehensive income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		(78)	(44)	(473)	1,666
Net amount transferred to profit or loss		-	126	-	(177)
Other comprehensive income/(loss) for the period, net of income tax		(78)	82	(473)	1,489
Total comprehensive income for the period		9,101	5,062	35,178	15,061
Profit for the period attributable to:-					
Equity holder of the Bank		9,179	4,980	35,651	13,572
Total comprehensive income attributable to:-					
Equity holder of the Bank		9,101	5,062	35,178	15,061

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2009.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	←	Non Distributable Reserves			→	Distributable Reserves Retained profits	Total
		Share capital	Share premium	Statutory reserves			
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010, as previously stated		75,000	225,000	7,960	571	7,961	316,492
Effect of adoption of FRS 139	26	-	-	-	-	(7,335)	(7,335)
		75,000	225,000	7,960	571	626	309,157
Profit for the period		-	-	-	-	35,651	35,651
Issuance of shares		21,500	64,500	-	-	-	86,000
Other comprehensive income for the period		-	-	-	(473)	-	(473)
Total comprehensive income for the period		21,500	64,500	-	(473)	35,651	121,178
At 30 September 2010		96,500	289,500	7,960	98	36,277	430,335

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2009.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

	←	<i>Non Distributable Reserves</i>			→	<i>Distributable Reserves</i>	
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	Total	
						RM'000	
At 1 January 2009	50,000	150,000	1,539	(901)	1,539	202,177	
Profit for the period	-	-	-	-	13,572	13,572	
Issuance of shares	25,000	75,000	-	-	-	100,000	
Other comprehensive income for the period	-	-	-	1,489	-	1,489	
	25,000	75,000	-	1,489	13,572	115,061	
At 30 September 2009	75,000	225,000	1,539	588	15,111	317,238	

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2008.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASHFLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	30 September 2010 RM'000	30 September 2009 RM'000
Profit before taxation	48,398	18,209
Adjustment for non-cash items	(15,576)	164
Operating profit before working capital changes	<u>32,822</u>	<u>18,373</u>
Changes in working capital		
Net changes in operating assets	(535,084)	482,725
Net changes in operating liabilities	(528,357)	(1,293,618)
Income taxes paid	(7,424)	(2,688)
Net cash used in operating activities	<u>(1,038,043)</u>	<u>(795,208)</u>
Net cash (used in)/ generated from investing activities	(815,967)	57,607
Net cash generated from financing activities	86,000	100,000
Net (decrease)/increase in cash and cash equivalents	<u>(1,768,010)</u>	<u>(637,601)</u>
Cash and cash equivalent at beginning of the year	2,592,117	2,585,476
Cash and cash equivalent at end of the period	<u><u>824,107</u></u>	<u><u>1,947,875</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2009.

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REVIEW OF PERFORMANCE

The Bank's profit before taxation for the nine months ended 30 September 2010 was RM48.40 million which is RM30.19 million higher than the corresponding period last year. Income derived from investment of depositors' funds and others was RM86.80 million while income derived from investment of shareholder's funds was RM112.04 million. Impairment provisions for financing was higher by RM12.37 million while overheads increased by RM20.01 million. Total assets registered a reduction of RM409.52 million or 8.57% to RM4.37 billion compared to the last financial year ended 31 December 2009. However, the Bank's core capital ratio and risk-weighted capital ratio remained strong at 13.63%.

PROSPECTS

The Bank will continue to grow its business in Malaysia in support of a focused strategic agenda to achieve Standard Chartered PLC's ambition to be the best international Islamic bank, leading the way in Asia, Africa and the Middle East. The Bank has built significant momentum to lead the way in product innovation, service, performance culture, corporate governance and enhancing shareholder value. The strategic agenda for 2010 is set out below:-

- Deliver superior financial performance, in line with the market
- Continuously improve the way we work, to make things simpler, faster and better
- Massively multiply our leadership capability, attracting and retaining more talent and turning managers into true leaders
- Reinforce the brand, making it even more powerful and well-known across our footprint

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Notes to the financial statements for the nine months ended 30 September 2010

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the third quarter and nine months ended 30 September 2010 have been prepared in accordance with FRS 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia ("BNM") guidelines.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of new/revised Financial Reporting Standards ("FRSs") issued by the MASB which have impact on the accounting policies and financial results of the Bank for the financial period beginning on 1 January 2010:-

- (i) FRS 7, *Financial Instruments: Disclosures*
- (ii) FRS 101, *Presentation of Financial Statements*
- (iii) FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of the above FRSs did not have any material impact on the results of the Bank as the changes are presentation in nature except for FRS 139. The principal effect of changes to the accounting policies arising from the full adoption of FRS 139 are disclosed in Note 26 to the financial statements.

Pursuant to the adoption of FRS 101, the Bank's income statement for the nine months ended 30 September 2010 has been presented as statement of comprehensive income. The changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income.

The adoption of FRS 7 has resulted in changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities. Since these changes only affect the presentation of disclosure items, there is no impact on the financial results of the Bank for the comparative period.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2009.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2009 was not qualified.

3. Seasonal or cyclical factors

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the third quarter and nine months ended 30 September 2010.

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5. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the third quarter and nine months ended 30 September 2010.

6. Issuances, cancellations, repurchases, resale and repayments of securities portfolio

There were no issuance and repayment of debt and equity securities, share-buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the third quarter and nine months ended 30 September 2010.

7. Proposed Dividend

No dividend has been proposed for the third quarter and nine months ended 30 September 2010.

8. Issuance of shares

- (i) The authorised share capital of the Bank was increased from RM100,000,000 as at 30 June 2010 to RM1,000,000,000 as at 30 September 2010.
- (ii) The issued and paid-up share capital of the Bank was increased from RM75,000,000 as at 30 June 2010 to RM96,500,000 as at 30 September 2010 by the issuance of an additional 21,500,000 new Ordinary Shares of RM1.00 each in the share capital of the Bank at a premium of RM3.00 each to its holding company, Standard Chartered Bank Malaysia Berhad.

9. Subsequent events

There were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

10. Changes in the composition of the Bank

There were no significant changes in the composition of the Bank in the third quarter and nine months ended 30 September 2010.

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11. Investment securities available-for-sale

	30 September 2010 RM'000	31 December 2009 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	891,841	-
Cagamas bonds	25,000	65,250
Islamic negotiable instruments of deposit	35,000	34,992
Government Islamic bonds	-	25,072
Islamic private debt securities	55,148	60,552
	<u>1,006,989</u>	<u>185,866</u>

12. Financing and advances**(i) By type**

	30 September 2010 RM'000	31 December 2009 RM'000
<u>At amortised cost</u>		
Term financing		
- House financing	742,396	279,564
- Hire purchase receivables	93,596	36,972
- Lease receivables	325,940	218,873
- Other term financing	1,465,390	1,331,143
Bills receivable	2,221	4,364
Trust receipts	123,217	40,020
Staff financing (of which advances to Directors - Nil)	3,942	3,514
Revolving credit	544,868	544,787
	<u>3,301,570</u>	<u>2,459,237</u>
Less: Unearned income	(855,101)	(522,922)
Gross financing and advances	<u>2,446,469</u>	<u>1,936,315</u>
Less: Impairment provisions on financing and advances:-		
- Individual impairment provisions (2009: Specific allowance)	(11,795)	(1,304)
- Collective impairment provisions (2009: General allowance)	(36,915)	(23,741)
Total net financing and advances	<u>2,397,759</u>	<u>1,911,270</u>

(ii) By contract

	30 September 2010 RM'000	31 December 2009 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	352,748	213,580
Ijarah Thumma Al-Bai (<i>finance lease</i>)	397,215	246,145
Murabahah (<i>cost plus</i>)	123,892	39,687
Bai'Al Inah (<i>sale and buy-back</i>)	1,520,192	1,379,721
Others	52,422	57,182
	<u>2,446,469</u>	<u>1,936,315</u>

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12. Financing and advances (continued)**(iii) By type of customer**

	30 September 2010 RM'000	31 December 2009 RM'000
Domestic non-bank financial institutions	190,221	262,237
<i>Stockbroking companies</i>	-	-
<i>Others</i>	190,221	262,237
Domestic business enterprises	1,005,692	720,221
<i>Small medium enterprises</i>	135,590	107,782
<i>Others</i>	870,102	612,439
Individuals	1,222,488	942,075
Foreign entities	28,068	11,782
	<u>2,446,469</u>	<u>1,936,315</u>

(iv) By profit rate sensitivity

	30 September 2010 RM'000	31 December 2009 RM'000
Fixed rate		
- House financing	5,061	5,471
- Hire purchase receivables	93,596	36,972
- Other financing	1,171,956	928,279
Variable rate		
- House financing	378,677	241,302
- Revolving credit	541,444	535,393
- Other financing	255,735	188,898
	<u>2,446,469</u>	<u>1,936,315</u>

(v) By sector

	30 September 2010 RM'000	31 December 2009 RM'000
Agriculture	61,271	20,005
Mining and quarrying	2,815	1,722
Manufacturing	229,324	117,420
Construction	19,901	84,504
Real estate	172,360	91,828
Purchase of landed property	315,589	168,140
- <i>Residential</i>	279,724	127,155
- <i>Non-residential</i>	35,865	40,985
Wholesale & retail trade and restaurants & hotels	212,038	134,510
Transport, storage and communication	213,205	202,895
Finance, insurance and business services	252,125	303,896
Consumption credit	934,967	785,728
Others	32,874	25,667
	<u>2,446,469</u>	<u>1,936,315</u>

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12. Financing and advances (continued)**(vi) By maturity structure**

	30 September 2010 RM'000	31 December 2009 RM'000
Maturing within one year	882,363	799,311
One year to three years	373,680	280,050
Three years to five years	739,452	588,778
Over five years	450,974	268,176
	<u>2,446,469</u>	<u>1,936,315</u>

(vii) By geographical distribution

	30 September 2010 RM'000	31 December 2009 RM'000
Within Malaysia	<u>2,446,469</u>	<u>1,936,315</u>

(viii) Analysis of foreign currency exposure

Financing and advances denominated in currencies other than the functional currency comprise RM17,973,916 (2009: RM30,715,046) of financing, advances and other loans denominated in U.S. Dollar and RM280,111 (2009: Nil) denominated in other currencies.

13. Impaired financing and advances**(i) Movements in impaired financing and advances**

	30 September 2010 RM'000	31 December 2009 RM'000
At 1 January as previously stated	13,969	9,254
Effect of adoption of FRS 139 (Note 26)	158	-
At 1 January, as restated	<u>14,127</u>	<u>9,254</u>
Classified as impaired during the financial period/year	37,959	47,732
Reclassified as performing during the financial period/year	(655)	(1,415)
Amount recovered during the financial period/year	(5,874)	(3,338)
Amount written off	<u>(31,638)</u>	<u>(38,264)</u>
At end of reporting period/year	13,919	13,969
Individual impairment provisions (2009: Specific allowance)	<u>(11,795)</u>	<u>(1,304)</u>
Net impaired financing and advances	<u>2,124</u>	<u>12,665</u>
Ratio of net impaired financing and advances to net financing and advances	<u>0.09%</u>	<u>0.65%</u>

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13. Impaired financing and advances (continued)**(ii) Movements in impairment provisions for financing and advances**

	30 September 2010 RM'000	31 December 2009 RM'000
Collective Impairment Provisions (2009: General allowance)		
At 1 January	23,741	20,881
Impairment provisions made during the financial period/year	20,318	2,860
Amount written back	(7,144)	-
At end of reporting period/year	<u>36,915</u>	<u>23,741</u>
As a percentage of gross financing and advances less impairment provisions	<u>* 1.5%</u>	<u>* 1.2%</u>

* Under Bank Negara Malaysia's ("BNM") Guidelines on Classification and Impairment Provision for Loans/ Financing issued on 8 January 2010, banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding financing and advances, net of individual impairment provisions.

Included in the gross financing and advances of the Bank are RM381,244,000 (2009: RM358,904,000) worth of financing funded by Specific Investment Account ("SIA") placements from SCBMB. As stipulated in Note 4.4(i) of Bank Negara Malaysia's Guidelines on the Booking of Provisions for Financing Asset Funded by SIA, the proportion of collective impairment provisions for financing funded by the SIA can be transferred to its immediate holding company, Standard Chartered Bank Malaysia Berhad ("SCBMB") as the fund provider. Had the abovementioned gross financing and advances been excluded from the computation, the collective impairment provisions maintained by the Bank would be 1.8% (2009: 1.5%).

	30 September 2010 RM'000	31 December 2009 RM'000
Individual Impairment Provisions (2009: Specific allowance)		
At 1 January, as previously stated	1,304	848
Effect of adoption of FRS 139 (Note 26)	<u>9,938</u>	<u>-</u>
	11,242	848
Impairment provisions made during the financial period	33,460	38,990
Amount written back in respect of recoveries	(655)	(270)
Amount written off	<u>(32,252)</u>	<u>(38,264)</u>
At end of reporting period/year	<u>11,795</u>	<u>1,304</u>

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13. Impaired financing and advances (continued)**(iii) Impaired financing and advances by sector**

	30 September 2010 RM'000	31 December 2009 RM'000
Purchase of landed property	2,968	4,046
Wholesale & retail trade and restaurants & hotels	50	-
Consumption credit	10,901	9,923
	<u>13,919</u>	<u>13,969</u>

(iv) Impaired financing and advances by geographical distribution

	30 September 2010 RM'000	31 December 2009 RM'000
Within Malaysia	<u>13,919</u>	<u>13,969</u>

14. Other assets

	30 September 2010 RM'000	31 December 2009 RM'000
Derivative financial instruments	36,815	24,481
Income receivable	1,410	2,290
Other receivables, deposit and prepayments	80,337	49,147
	<u>118,562</u>	<u>75,918</u>

15. Deposits from customers**(i) By type of deposits**

	30 September 2010 RM'000	31 December 2009 RM'000
Non-Mudharabah		
Demand deposits	509,172	496,521
Savings deposits	63,163	69,250
Negotiable instruments of deposits	256,591	435,776
	<u>828,926</u>	<u>1,001,547</u>
Mudharabah		
General investment deposits	549,289	457,990
	<u>1,378,215</u>	<u>1,459,537</u>

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15. Deposits from customers (continued)

The maturity structure of the general investment deposits and negotiable instrument of deposits is as follows:

	30 September 2010 RM'000	31 December 2009 RM'000
Due within six months	561,913	503,147
Six months to one year	103,640	200,064
One year to three years	55,451	89,539
Three years to five years	-	18,898
Over five years	84,876	82,118
	<u>84,876</u>	<u>82,118</u>

(ii) By type of customers

	30 September 2010 RM'000	31 December 2009 RM'000
Government and statutory bodies	50,000	-
Business enterprises	545,096	549,539
Individuals	483,201	451,582
Others	299,918	458,416
	<u>1,378,215</u>	<u>1,459,537</u>

16. Deposits and placements of banks and other financial institutions

	30 September 2010 RM'000	31 December 2009 RM'000
Non-Mudharabah		
Licensed banks	7,478	7,269
Other financial institutions	70,342	187,245
	<u>77,820</u>	<u>194,514</u>
Mudharabah		
Licensed banks	2,305,834	2,572,000
	<u>2,383,654</u>	<u>2,766,514</u>

17. Other liabilities

	30 September 2010 RM'000	31 December 2009 RM'000
Derivative financial instruments	35,788	24,248
Income payable	13,081	4,847
Profit equalisation reserve	7,478	7,478
Other payables and accruals	118,187	202,135
	<u>174,534</u>	<u>238,708</u>
Profit equalisation reserves:-		
At 1 January	7,478	5,744
Amount provided during the financial period/year	-	1,734
At end of reporting period/year	<u>7,478</u>	<u>7,478</u>

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18. Income derived from investment of depositors' funds and others

	3rd Quarter ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:-				
(i) General investment deposits	15,466	11,265	34,594	49,769
(ii) Other deposits	12,780	3,965	52,206	22,852
	<u>28,246</u>	<u>15,230</u>	<u>86,800</u>	<u>72,621</u>

(i) Income derived from investment of general investment deposits

	3rd Quarter ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	9,642	8,392	19,696	21,156
Investment securities available-for-sale	303	606	808	1,736
Money at call and deposits with financial institutions	2,634	5,976	7,993	32,895
	12,579	14,974	28,497	55,787
Amortisation of premium less accretion of discount	(1,156)	(4,624)	(4,854)	(12,474)
Total finance income and hibah	<u>11,423</u>	<u>10,350</u>	<u>23,643</u>	<u>43,313</u>
Other operating income				
Fees and commission	4,043	915	10,951	6,456
	<u>15,466</u>	<u>11,265</u>	<u>34,594</u>	<u>49,769</u>

(ii) Income derived from investment of other deposits

	3rd Quarter ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	9,000	3,453	29,723	9,714
Investment securities available-for-sale	180	243	1,220	798
Money at call and deposits with financial institutions	1,016	1,900	12,062	15,104
	10,196	5,596	43,005	25,616
Amortisation of premium less accretion of discount	296	(1,877)	(7,325)	(5,728)
Total finance income and hibah	<u>10,492</u>	<u>3,719</u>	<u>35,680</u>	<u>19,888</u>
Other operating income				
Fees and commission	2,288	246	16,526	2,964
	<u>12,780</u>	<u>3,965</u>	<u>52,206</u>	<u>22,852</u>

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19. Income attributable to depositors

	3rd Quarter ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010 RM'000	30 September 2009 RM'000
Deposits from customers				
- Mudharabah fund	3,415	4,212	7,064	43,418
- Non-Mudharabah fund	1,657	2,145	5,154	7,974
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	13,166	6,608	35,666	17,151
- Non-Mudharabah fund	365	296	819	1,279
	<u>18,603</u>	<u>13,261</u>	<u>48,703</u>	<u>69,822</u>

20. Income derived from investment of shareholder's funds

	3rd Quarter ended		Nine months ended	
	30 September 2010 RM'000	30 September 2009	30 September 2010 RM'000	30 September 2009 RM'000
Finance income and hibah				
Financing and advances	38,855	28,659	110,038	81,470
Investment securities available-for-sale	633	1,253	2,002	4,111
	<u>39,488</u>	<u>29,912</u>	<u>112,040</u>	<u>85,581</u>

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21. Other operating expenses

	3rd Quarter ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	747	261	1,749	720
- Other staff related cost	275	164	378	195
	<u>1,022</u>	<u>425</u>	<u>2,127</u>	<u>915</u>
Establishment costs				
- Information technology expenses	8	-	17	2
- Utilities and maintenance	176	10	191	69
	<u>184</u>	<u>10</u>	<u>208</u>	<u>71</u>
Marketing expenses				
- Advertisement and publicity	479	210	932	1,233
- Others	20	3	23	49
	<u>499</u>	<u>213</u>	<u>955</u>	<u>1,282</u>
Administration and general expenses				
- Communication expenses	17	7	38	29
- Group administration fees and business support expenses	1,650	956	4,706	2,639
- Management fee	15,837	10,170	44,091	29,404
- Others	1,134	434	3,635	1,416
	<u>18,638</u>	<u>11,567</u>	<u>52,470</u>	<u>33,488</u>
Total other operating expenses	<u>20,343</u>	<u>12,215</u>	<u>55,760</u>	<u>35,756</u>

22. Impairment provisions for financing

	3rd Quarter ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
Impairment provisions for financing:-				
Individual impairment provisions (2009: Specific allowance)	12,351	10,682	32,805	27,451
- Made in the financial period	12,450	10,748	33,460	27,648
- Written back in respect of recoveries	(99)	(66)	(655)	(197)
Collective impairment provisions (2009: General allowance)				
- Made in the financial period	3,852	2,310	20,318	6,310
- Written back	(506)	-	(7,144)	(150)
	<u>15,697</u>	<u>12,992</u>	<u>45,979</u>	<u>33,611</u>

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23. Commitments and contingencies

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

The commitments and contingencies are as follows:-

	As at 30 September 2010			As at 31 December 2009		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
Direct credit substitutes	23,263	23,263	8,090	36,203	36,203	35,316
Transaction-related contingent items	22,706	22,706	7,308	17,841	8,921	7,504
Short-term self liquidating trade-related contingencies	8,762	8,762	2,228	54,103	10,820	10,889
Other commitments to extend credit:-						
- maturity not exceeding one year	443,691	42,685 **	22,223 **	717,341	-	-
- maturity exceeding one year	394,617	18,146	11,717	52,347	19,635 **	14,471 **
Foreign exchange related contracts:-						
- less than one year	4,815	150	126	444,625	11,340	2,489
- one year to less than five years	281,906	28,200	5,463	231,347	20,793	5,042
Profit rate related contracts:-						
- one year to less than five years	10,300,000	217,521	32,287	200,000	6,747	1,349
- five years and above	627,895	39,737	55,518	629,778	61,425	22,615
	<u>12,107,655</u>	<u>401,170</u>	<u>144,961</u>	<u>2,383,585</u>	<u>175,884</u>	<u>99,675</u>

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights respectively, as per Bank Negara Malaysia guidelines. With effect from 1 July 2010, the credit conversion factors and risk weights were based on Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") - Basel II.

No restatement is required for comparative figures which is computed based on Bank Negara Malaysia's CAFIB - Basel I.

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM15.5 million (2009: RM6.5 million) and RM8.0 million (2009: RM6.5million) respectively related to undrawn financing facilities funded by Specific Investment Account (SIA) placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account (SIA). The facilities funded by the SIA is allowed to be transferred to SCBMB as the fund provider.

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24. Capital adequacy

The capital adequacy ratios of the Bank are analysed as follows:-

	30 September 2010 RM'000	31 December 2009 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	96,500	75,000
Share premium	289,500	225,000
Other reserves	44,237	15,921
Less: Deferred tax assets	(4,070)	(1,613)
Deductions in excess of Tier 2 Capital	(51,827)	-
Eligible Tier 1 capital	<u>374,340</u>	<u>314,308</u>
Tier 2 Capital		
General allowance for bad and doubtful financing	-	23,741
Collective impairment provisions under standardised approach	934	-
Eligible Tier 2 capital	<u>934</u>	<u>23,741</u>
Less : Excess of Expected Loss over Expected Provisions under IRB approach	(934)	-
Eligible Tier 2 capital	<u>-</u>	<u>23,741</u>
Capital Base	<u><u>374,340</u></u>	<u><u>338,049</u></u>

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:-

Total risk-weighted assets:-		
- credit risk	2,471,871	1,690,444
- operational risk	275,234	-
- market risk	-	-
	<u>2,747,105</u>	<u>1,690,444</u>
Tier 1 capital ratio	13.63%	18.59%
Risk-weighted capital ratio	13.63%	20.00%

With effect from 1 July 2010, the capital ratios have been computed in accordance with Bank Negara Malaysia's CAFIB - Basel II.

Comparative figures have been computed in accordance with Bank Negara Malaysia's CAFIB - Basel I, and have not been restated for the first time adoption and disclosure of CAFIB - Basel II.

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25. Rate of return risk

As at 30 September 2010	Non Trading books								Non profit sensitive	Total	Effective Profit Rate (%)
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets											
Cash and short term funds	809,726	-	-	-	-	-	-	-	14,381	824,107	2.35
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investment securities available-for-sale	35,000	635,206	301,661	30,043	5,079	-	-	-	-	1,006,989	2.86
Financing and advances											
- Performing	445,262	205,696	262,475	92,252	202,025	273,336	348,201	564,297	2,091	2,395,635	8.75
- Non-performing	-	-	-	-	-	-	-	-	2,124	2,124	
Other balances	-	-	-	-	-	-	-	-	142,872	142,872	
Total assets	1,289,988	840,902	564,136	122,295	207,104	273,336	348,201	564,297	161,468	4,371,727	
Liabilities and shareholders' equity											
Deposits from customers	684,784	335,391	217,656	36,013	19,498	-	-	84,873	-	1,378,215	1.86
Deposits and placements of banks and other financial institutions	1,105,554	710,001	379,999	7,479	-	-	-	180,621	-	2,383,654	2.67
Other balances	-	-	-	-	-	-	-	-	179,523	179,523	
Total liabilities	1,790,338	1,045,392	597,655	43,492	19,499	-	-	265,494	179,523	3,941,392	
Shareholder's equity	-	-	-	-	-	-	-	-	430,335	430,335	
Total liabilities and shareholder's equity	1,790,338	1,045,392	597,655	43,492	19,499	-	-	265,494	609,858	4,371,727	
On-balance sheet profit sensitivity gap	(500,350)	(204,490)	(33,519)	78,803	187,605	273,336	348,201	298,803	(448,390)		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-		
Total profit sensitivity gap	(500,350)	(204,490)	(33,519)	78,803	187,605	273,336	348,201	298,803	(448,390)		

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25. Rate of return risk (continued)

As at 31 December 2009	Non Trading books								Total RM'000	Effective Profit Rate (%)	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000			Non profit sensitive RM'000
Assets											
Cash and short term funds	2,580,300	-	-	-	-	-	-	-	11,817	2,592,117	2.01
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investment securities available-for-sale	34,992	25,072	110,693	5,032	5,046	-	5,031	-	-	185,866	2.84
Financing and advances											
- Performing	477,714	91,198	245,955	108,105	156,252	228,066	360,666	229,239	1,410	1,898,605	8.75
- Non performing	-	-	-	-	-	-	-	-	12,665	12,665	-
Other balances	-	-	-	-	-	-	-	-	91,998	91,998	-
Total assets	3,093,006	116,270	356,648	113,137	161,298	228,066	365,697	229,239	117,890	4,781,251	
Liabilities and shareholder's equity											
Deposits from customers	707,557	207,931	353,437	82,407	7,188	18,899	-	82,118	-	1,459,537	1.95
Deposits and placements of banks and other financial institutions	1,495,320	600,000	500,000	-	-	-	7,270	163,924	-	2,766,514	1.86
Other balances	-	-	-	-	-	-	-	-	238,708	238,708	-
Total liabilities	2,202,877	807,931	853,437	82,407	7,188	18,899	7,270	246,042	238,708	4,464,759	
Shareholder's equity	-	-	-	-	-	-	-	-	316,492	316,492	
Total liabilities and shareholder's equity	2,202,877	807,931	853,437	82,407	7,188	18,899	7,270	246,042	555,200	4,781,251	
On-balance sheet profit sensitivity gap	890,129	(691,661)	(496,789)	30,730	154,110	209,167	358,427	(16,803)	(437,310)		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-		
Total profit sensitivity gap	890,129	(691,661)	(496,789)	30,730	154,110	209,167	358,427	(16,803)	(437,310)		

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26. Significant changes in accounting policies

BNM's revised Guidelines on Financial Reporting for Licensed Institutions issued on 1 January 2005 adopted certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting that are in line with FRS 139 principles, which has already been adopted by the Bank. With effect from 1 January 2010, the full adoption of FRS 139, Financial Instruments: Recognition and Measurement ("FRS 139") have resulted in several changes to accounting policies relating to the recognition of income for impaired financings and impairment provisions.

Prior to FRS 139, income accrued and recognised as income prior to the date the financings are classified as impaired are reversed out of income. Thereafter, income on impaired financings were only recognised as income upon recovery. Impairment provisions is made on principal outstanding.

With the adoption of FRS 139, such reversal of income accrued are no longer required. When financings are impaired, impairment provisions is made on principal outstanding and income/fee accrued. Upon impairment, subsequent contractual income due will not be recognised as income as income accrued will be suspended in the balance sheet.

As for collective impairment provisions (previously known as general allowance), BNM's "Guidelines on Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 prescribes that banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding financing and advances, net of individual impairment provisions. This is similar to the previous regulatory requirement whereby banking institutions are required to maintain general allowance of at least 1.5% of total outstanding financing and advances, net of specific allowance. The determination of individual impairment provisions is required to be based on reasonable and well documented estimates of the net present value of the future cash flows that the banking institutions expect to recover. Previously, BNM allowed specific allowance to be made based on number of days in arrears of the financing and advances.

	RM'000
Retained earnings	
At 31 December 2009, as previously stated	7,961
Change in treatment of income accrued on impaired financing and advances	
- Impact on impaired financing and advances	158
- Impact on impairment provisions on financing and advances	(36)
Additional impairment provisions on financing and advances required due to financing impairment classification	(9,902)
	(1,819)
Tax effect at 25%	2,445
At 31 December 2009, as restated	626