

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
ASSETS			
Cash and short term funds		1,812,963	1,611,189
Deposits and placements with banks and other financial institutions		70,000	50,000
Reverse repurchase agreements		59,868	-
Securities held-for-trading	A7(a)	436,565	203,665
Securities held-to-maturity	A7(b)	699,072	1,024,096
Securities available-for-sale	A7(c)	3,136,721	2,731,301
Derivative financial assets	B11(a)	108,589	37,122
Loans, advances and financing	A8	1,401,876	932,657
Tax recoverable		11,317	9,789
Other assets	A9	4,548,106	2,720,139
Statutory and reserve deposits with Central Banks		63,055	47,673
Deferred tax assets		1,450	3,402
Investments in associated companies		20,378	20,369
Investment property		112,600	112,600
Property and equipment		179,983	173,262
Intangible assets		209,568	209,853
TOTAL ASSETS		12,872,111	9,887,117
LIABILITIES			
Deposits from customers	A10	4,583,761	4,355,697
Deposits and placements of banks and other financial institutions	A11	475,703	174,222
Derivative financial liabilities	B11(a)	72,553	51,861
Other liabilities	A12	5,251,220	3,445,463
Tax payable		31,047	30,198
Deferred tax liabilities		3,918	1,023
Borrowings	B10	509,320	216,966
Subordinated notes	B10	296,589	100,000
TOTAL LIABILITIES		11,224,111	8,375,430
EQUITY			
Share capital		961,494	678,665
Treasury shares, at cost	A5(c)	(29,783)	(29,782)
		931,711	648,883
Reserves		481,945	638,258
Issued share capital and reserves attributable to owners of the Company		1,413,656	1,287,141
Minority interests		234,344	224,546
TOTAL EQUITY		1,648,000	1,511,687
TOTAL LIABILITIES AND EQUITY		12,872,111	9,887,117
Net Assets per share attributable to owners of the Company (RM)		1.51	1.97

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

		Current quarter ended 30.9.2010	Comparative quarter ended 30.9.2009	Current year to date ended 30.9.2010	Preceding year to date ended 30.9.2009
	Note	RM'000	RM'000	RM'000	RM'000
Revenue		255,351	227,662	710,253	582,282
Interest income	A13	62,829	59,237	186,208	161,486
Interest expense	A14	(38,193)	(32,370)	(96,746)	(91,407)
Net interest income		24,636	26,867	89,462	70,079
Other operating income	A15	185,898	163,533	504,724	407,251
Net income from Islamic banking operations	A26	1,664	1,863	4,900	4,147
Other operating expenses	A16	(154,221)	(132,802)	(430,245)	(353,565)
(Allowance)/write back of allowance for impaired loans, advances and financing	A17	(1,702)	4,367	(3,398)	8,647
Write back of allowance/(allowance) for impaired trade and other receivables	A18	172	(353)	(1,308)	1,412
(Allowance)/write back of allowance for impairment losses	A19	-	(30)	(26,610)	5,681
Share of results after tax of associated companies		1,043	(2,911)	2,057	(11,839)
Profit before tax		57,490	60,534	139,582	131,813
Income tax expense	B6	(13,045)	(15,997)	(36,461)	(39,395)
Profit after tax for the period		44,445	44,537	103,121	92,418
Profit attributable to:					
Owners of the Company		33,601	34,554	76,982	75,494
Minority interests		10,844	9,983	26,139	16,924
		44,445	44,537	103,121	92,418
Earnings per share attributable to owners of the Company (sen):					
Basic	B14	3.58	# 4.26	8.42	# 9.31
Diluted	B14	3.58	# 4.20	8.40	# 9.18

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
Profit after tax for the period	44,445	44,537	103,121	92,418
Other comprehensive (loss)/income				
Foreign currency translation (loss)/gain	(12,074)	7,870	(40,118)	19,952
Reversal of available-for-sale deficit upon impairment	-	-	3,389	-
Unrealised net gain on revaluation of securities available-for-sale	13,423	6,068	17,179	10,416
Share of other comprehensive income of associated companies	-	-	-	1,086
Income tax relating to components of other comprehensive income	(3,356)	(1,517)	(5,144)	(2,604)
Other comprehensive (loss)/income for the period, net of tax	(2,007)	12,421	(24,694)	28,850
Total comprehensive income for the period, net of tax	42,438	56,958	78,428	121,268
Total comprehensive income attributable to:				
Owners of the Company	32,930	43,210	61,703	93,368
Minority interests	9,508	13,748	16,725	27,900
	42,438	56,958	78,428	121,268

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										Minority interests	Total equity	
	Share capital	Treasury shares	Share premium	Capital redemption reserve	Equity compensation reserve	Foreign exchange reserve	Statutory reserve	Available -for-sale reserve	Other reserve	Retained profits			Total
RM'000													
As at 1.1.2010													
As previously reported	678,665	(29,782)	502	-	1,094	6,616	206,078	(9,024)	-	432,992	1,287,141	224,546	1,511,687
Adoption of FRS 139	-	-	-	-	-	-	-	1,858	-	(3,325)	(1,467)	-	(1,467)
As restated	678,665	(29,782)	502	-	1,094	6,616	206,078	(7,166)	-	429,667	1,285,674	224,546	1,510,220
Total comprehensive income	-	-	-	-	-	(30,704)	-	15,425	-	76,982	61,703	16,725	78,428
Dividends	-	-	-	-	-	-	-	-	-	(52,710)	(52,710)	-	(52,710)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	(8,673)	(8,673)
Shares issued pursuant to:													
- exercise of ESOS	1,833	-	30	-	-	-	-	-	-	-	1,863	-	1,863
- conversion of Warrant B 2000/2010	116,324	-	803	-	-	-	-	-	-	-	117,127	-	117,127
Bonus issue	164,672	-	(1,335)	-	-	-	-	-	-	(163,337)	-	-	-
Share buybacks by the Company	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Transfer to statutory reserve	-	-	-	-	-	-	18,233	-	-	(18,233)	-	-	-
Reserve realised upon exercise of ESOS	-	-	-	-	(237)	-	-	-	-	237	-	-	-
Acquisition of shares from minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,254)	(1,254)
Subscription of additional shares in subsidiary company by minority interests	-	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Total transactions	282,829	(1)	(502)	-	(237)	-	18,233	-	-	(234,043)	66,279	(6,927)	59,352
As at 30.9.2010	961,494	(29,783)	-	-	857	(24,088)	224,311	8,259	-	272,606	1,413,656	234,344	1,648,000
As at 1.1.2009	673,069	(29,779)	-	58,919	1,964	(760)	164,129	(15,113)	34,686	493,286	1,380,401	298,983	1,679,384
Total comprehensive income	-	-	-	-	-	10,246	-	6,900	78	76,144	93,368	27,900	121,268
Dividends	-	-	-	-	-	-	-	-	-	(12,167)	(12,167)	-	(12,167)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	(8,892)	(8,892)
Distribution of shares in a listed subsidiary company	-	-	-	(58,919)	(211)	-	-	(1,419)	(34,764)	(107,947)	(203,260)	(100,797)	(304,057)
Shares issued pursuant to exercise of ESOS	26	-	5	-	-	-	-	-	-	-	31	-	31
Share buybacks by the Company	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Transfer to statutory reserve	-	-	-	-	-	-	19,715	-	-	(19,715)	-	-	-
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(89)	-	-	-	-	89	-	-	-
Total transactions	26	(1)	5	(58,919)	(300)	-	19,715	(1,419)	(34,764)	(139,740)	(215,397)	(109,691)	(325,088)
As at 30.9.2009	673,095	(29,780)	5	-	1,664	9,486	183,844	(9,632)	-	429,690	1,258,372	217,192	1,475,564

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
Cash Flows From Operating Activities		
Profit before tax	139,582	131,813
Adjustments for :-		
Interest expense	4,119	5,860
Interest income	(106)	(554)
Other non-cash and non-operating items	646	(1,207)
Share of results after tax of associated companies	(2,057)	11,839
Operating profit before working capital changes	142,184	147,751
<i>(Increase)/Decrease in operating assets:</i>		
Deposits and placements with banks and other financial institutions	(20,000)	(278,953)
Reverse repurchase agreements	(59,498)	-
Loans, advances and financing	(472,618)	(122,445)
Statutory and reserve deposits with Central Banks	(15,382)	39,124
Securities held-for-trading	(231,160)	(56,108)
Securities held-to-maturity	317,608	(407,153)
Securities available-for-sale	(389,108)	(1,432,388)
Other operating assets	(2,094,708)	(2,632,460)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from customers	228,064	2,729,268
Deposits and placements of banks and other financial institutions	301,481	(303,000)
Obligations on securities sold under repurchase agreements	-	(249)
Other operating liabilities	1,817,780	2,413,983
Cash (used in)/generated from operations	(475,357)	97,370
Income tax paid net of refund	(36,829)	(16,635)
Net cash (used in)/generated from operating activities	(512,186)	80,735
Cash Flows From Investing Activities		
Acquisition of additional shares in an associated company	-	(1,470)
Acquisition of additional shares from minority interests	(1,254)	-
Dividend received	3,651	2,304
Interest received	106	554
Purchase of equipment	(20,182)	(6,482)
Purchase of software licences	(2,022)	(285)
Purchase of subordinated note	(3,411)	-
Net cash outflow from distribution of shares in a listed subsidiary company	-	(36,607)
Net cash used in investing activities	(22,584)	(41,312)

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

	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
Cash Flows From Financing Activities		
Dividends paid to shareholders	(52,710)	(12,167)
Dividend paid by a subsidiary company to minority interests	(8,673)	(8,892)
Drawdown of short term borrowings	306,569	234,377
Interest paid	(4,119)	(5,860)
Payments of finance lease instalments	-	(469)
Payments of share buybacks by the Company	(1)	(1)
Payments of share buybacks by a subsidiary company	-	(2)
Proceeds from issuance of shares:		
- exercise of ESOS	1,863	31
- conversion of Warrant B 2000/2010	117,127	-
Proceeds from issuance of subordinated notes	200,000	-
Proceeds from subscription of shares by minority interests	3,000	-
Repayment of term loans	(25,000)	(17,231)
Net cash generated from financing activities	538,056	189,786
Net increase in cash and cash equivalents	3,286	229,209
Effects of exchange rate changes	(38,425)	19,130
Cash and cash equivalents at beginning of period	826,578	1,010,730
Cash and cash equivalents at end of period	791,439	1,259,069
Cash and cash equivalents at end of period comprised:		
Cash, bank balances and deposits - General accounts	230,754	201,705
Bank overdrafts	(10,784)	(9,089)
Money at call and deposits placements with maturity within one month	571,469	1,066,453
	791,439	1,259,069

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

PART A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134"): Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM")

A1. Basis of preparation

The quarterly report has been prepared in accordance with the requirements of FRS 134 issued by the MASB and the revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"). The report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

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

1 July 2009

FRS 8 Operating Segments

1 January 2010

FRS 4 Insurance Contracts

FRS 7 Financial Instruments: Disclosures

FRS 101 Presentation of Financial Statements

FRS 123 Borrowing Costs

FRS 139 Financial Instruments: Recognition and Measurement

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

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

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

Amendments to FRS 7 Financial Instruments: Disclosures

Amendments to FRS 8 Operating Segments

Amendments to FRS 107 Statements of Cash Flows

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

Amendments to FRS 110 Events After the Reporting Period

Amendments to FRS 116 Property, Plant and Equipment

Amendments to FRS 117 Leases

Amendments to FRS 118 Revenue

Amendments to FRS 119 Employee Benefits

Amendments to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance

Amendments to FRS 123 Borrowing Costs

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

Amendments to FRS 128 Investments in Associates

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

Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 132	Financial Instruments: Presentation - paragraphs 95A, 97AA and 97AB
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions
SOP i-1	Financial Reporting from an Islamic Perspective

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A1. Basis of preparation (Cont'd)

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

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

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

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

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A1. Basis of preparation (Cont'd)

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

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Subsequently, interest on the non-performing loan is recognised as income on a cash basis. FRS 139 requires interest income from an impaired loan be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

FRS 139 requires embedded derivatives to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured. There were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

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

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

As at 31.12.2009	As previously reported RM'000	Effect of amendments to FRS 117 RM'000	As Restated RM'000
Prepaid land lease payments	11,903	(11,903)	-
Property and equipment	161,359	11,903	173,262
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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**A1. Basis of preparation (Cont'd)**

The Group has yet to adopt the following FRSs, Amendments to FRSs, IC Interpretations, TR and SOP effective for annual periods beginning on and after:

1 March 2010

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

1 July 2010

FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3 Business Combinations
FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 2 Share-based Payment
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 138 Intangible Assets
IC Interpretation 12 Service Concession Arrangements
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners
Amendments to IC
Interpretation 9 Reassessment of Embedded Derivatives

1 January 2011

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

1 January 2012

IC Interpretation 15 Agreements for the Construction of Real Estate

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A1. Basis of preparation (Cont'd)

Reclassification of securities

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

(a) Amounts reclassified

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

(b) Carrying amounts and fair values

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

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
(i) Securities AFS reclassified to securities HTM		
- Carrying value	142,313	238,227
- Fair value	135,937	217,230
(ii) Securities HFT reclassified to securities AFS		
- Carrying value	42,452	42,216
- Fair value	42,452	42,216

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A1. Basis of preparation (Cont'd)
(c) Fair value gain / (loss) recognised

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
Income statement	-	-	-	-
Statement of changes in equity				
Available-for-sale reserve	162	217	762	(1,105)

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

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

A2. Seasonal or cyclical factors

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

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

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

A4. Material changes in estimates

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A5. Changes in debt and equity securities
(a) Executive Share Option Scheme (“ESOS”) of the Company

During the current year to date, the Company has issued 1,832,375 new ordinary shares of RM1.00 each for cash at the respective exercise prices pursuant to the ESOS and the total cash proceeds arising from the exercise of options amounted to RM1,862,465. The movement in the ESOS during the current year to date is as follows:

Date of offer	Exercise price* (RM)	No. of options over ordinary shares of RM1.00 each				
		As at				As at
		1.1.2010	Bonus issue*	Exercised	Forfeited	30.9.2010
27.6.2003	1.00	963,900	201,875	(398,800)	-	766,975
16.3.2004	1.00	3,185,240	670,935	(723,250)	-	3,132,925
29.4.2005	1.00	713,800	225,725	(45,375)	-	894,150
3.5.2006	1.00	2,732,800	614,274	(664,950)	-	2,682,124
		7,595,740	1,712,809	(1,832,375)	-	7,476,174

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

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

(b) Warrant B 2000/2010 of the Company

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

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

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

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

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

	Number of shares	Highest price RM	Lowest price RM	Average cost (included transaction costs) RM	Total amount paid RM
As at 1.1.2010	24,149,412	2.82	0.90	1.23	29,781,821
May	1,000	1.32	1.32	1.36	1,362
As at 30.9.2010	24,150,412	2.82	0.90	1.23	29,783,183

(d) Bonus issue by the Company

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

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

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

A6. Dividends paid

During the financial year ended 31 December 2010, the dividends paid by the Company are as follows:

	RM'000
(a) A final dividend of 5.0 sen per share less 25% income tax in respect of the preceding financial year ended 31 December 2009 was paid on 18 May 2010.	35,135
(b) An interim dividend of 2.5 sen per share less 25% income tax for the current financial year was paid on 28 September 2010.	17,575
	52,710

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A7. Securities portfolio		
(a) Securities held-for-trading		
At fair value		
Money market instruments:		
Malaysian Government Securities	103,566	-
Quoted securities:		
Shares, exchange traded funds and warrants		
- in Malaysia	83,227	72,620
- outside Malaysia	51,753	38,241
Trusts units in Malaysia	2,379	2,847
	<u>137,359</u>	<u>113,708</u>
Unquoted securities:		
Private debt securities	195,640	89,957
	<u>436,565</u>	<u>203,665</u>
(b) Securities held-to-maturity		
At amortised cost		
Money market instruments:		
Bankers' acceptance and Islamic accepted bills	-	12,410
Cagamas bonds	5,043	5,059
Malaysian Government Investment Issues	175,481	155,831
Negotiable instruments of deposit	150,000	440,000
	<u>330,524</u>	<u>613,300</u>
Unquoted securities:		
Private debt securities	373,792	410,796
Impairment losses	(5,244)	-
	<u>368,548</u>	<u>410,796</u>
	<u>699,072</u>	<u>1,024,096</u>

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A7. Securities portfolio (Cont'd)		
(c) Securities available-for-sale		
At fair value		
Money market instruments:		
Bankers' acceptance and Islamic accepted bills	770,474	533,278
Cagamas bonds	12,052	12,117
Malaysian Government Investment Issues	162,079	137,311
Malaysian Government Securities	445,072	574,599
Negotiable instruments of deposit	120,314	130,699
	1,509,991	1,388,004
Quoted securities:		
Shares and warrants		
- in Malaysia	5,017	963
- outside Malaysia	2,210	91
	7,227	1,054
Unquoted securities:		
Shares		
- in Malaysia	2,855	2,855
- outside Malaysia	12,313	8,222
Private debt securities	1,650,825	1,355,252
Impairment losses	(46,490)	(24,086)
	1,604,335	1,331,166
	1,619,503	1,342,243
	3,136,721	2,731,301

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A8. Loans, advances and financing		
Term loans	525,832	312,671
Staff loans	1,997	1,499
Share margin financing	838,442	639,869
Revolving credits	61,027	-
	1,427,298	954,039
Unearned interest and income	(16)	(22)
	1,427,282	954,017
Interest-in-suspense*	(3,703)	(2,080)
	1,423,579	951,937
Allowance for impaired loans, advances & financing		
- individual assessment	(8,183)	-
- collective assessment	(13,520)	-
- specific	-	(8,652)
- general	-	(10,628)
Total net loans, advances and financing	1,401,876	932,657
* In accordance with the Rules of Bursa Malaysia Securities Berhad		
(a) Analysis of gross loans, advances and financing		
(i) By type of customer		
Domestic business enterprises		
- Small and medium enterprises	598,557	316,524
Foreign entities	33,384	107,187
Individuals	795,341	530,306
	1,427,282	954,017
(ii) By interest/profit rate sensitivity		
Fixed rate	1,080,086	881,909
Variable rate		
- cost plus	310,001	47,917
- others	37,195	24,191
	1,427,282	954,017
(iii) By economic purpose		
Working capital	266,785	28,943
Purchase of securities	1,011,703	802,864
Others	148,794	122,210
	1,427,282	954,017

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A8. Loans, advances and financing (Cont'd)		
(a) Analysis of gross loans, advances and financing (Cont'd)		
(iv) By geographical distribution		
Malaysia	901,524	685,920
Singapore	107,901	147,465
Hong Kong	310,001	47,917
Indonesia	49,865	17,678
Cambodia	57,991	55,037
	1,427,282	954,017
(v) By maturity structure		
Up to 3 months	949,827	594,026
3-12 months	232,852	326,414
1-5 years	218,460	27,223
Over 5 years	26,143	6,354
	1,427,282	954,017
(b) Impaired loans/financing		
Purchase of securities	29,373	22,993
Movement in impaired loans		
At beginning of period/year	22,993	34,590
Classified as impaired	7,425	9,135
Reclassified as non-impaired	(352)	(18,676)
Amount recovered	(478)	-
Amount written off	-	(3,304)
Exchange differences	(215)	1,248
At end of period/year	29,373	22,993
Individual assessment	(8,183)	-
Specific allowance	-	(8,652)
Net impaired loans, advances and financing	21,190	14,341
Ratio of net impaired loans and financing to net loans and financing	1.51%	1.54%

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A8. Loans, advances and financing (Cont'd)		
(c) Movement in the allowance for impaired loans, advances and financing		
Individual assessment allowance		
At beginning of period/year		
As previously reported	-	-
Adoption of FRS 139	(8,652)	-
As restated	(8,652)	-
Allowance made	(2,626)	-
Allowance written back	2,995	-
Exchange difference	100	-
At end of period/year	(8,183)	-
Collective assessment allowance		
At beginning of period/year		
As previously reported	-	-
Adoption of FRS 139	(10,628)	-
As restated	(10,628)	-
Allowance made	(6,492)	-
Allowance written back	3,542	-
Exchange difference	58	-
At end of period/year	(13,520)	-
As % of gross loan, advances and financing less individual assessment	0.96%	0.00%
Specific allowance		
At beginning of period/year		
As previously reported	(8,652)	(16,455)
Adoption of FRS 139	8,652	-
As restated	-	(16,455)
Allowance made	-	(3,686)
Allowance written back	-	9,411
Amount written off	-	2,421
Exchange difference	-	(343)
At end of period/year	-	(8,652)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A8. Loans, advances and financing (Cont'd)		
(c) Movement in the allowance for impaired loans, advances and financing (Cont'd)		
General allowance		
At beginning of period/year		
As previously reported	(10,628)	(5,338)
Adoption of FRS 139	10,628	-
As restated	-	(5,338)
Allowance made	-	(7,539)
Allowance written off	-	2,234
Exchange difference	-	15
At end of period/year	-	(10,628)
As % of gross loan, advances and financing less specific allowance	0.00%	1.13%
(d) Impaired loans, advances and financing by geographical distribution:-		
Individual assessment		
Malaysia	(6,349)	-
Hong Kong	(36)	-
Indonesia	(1,460)	-
Cambodia	(338)	-
	(8,183)	-
Collective assessment		
Malaysia	(12,965)	-
Cambodia	(555)	-
	(13,520)	-
Specific allowance		
Malaysia	-	(7,133)
Hong Kong	-	(99)
Cambodia	-	(1,420)
	-	(8,652)
General allowance		
Malaysia	-	(10,079)
Cambodia	-	(549)
	-	(10,628)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A9. Other assets		
Interest/income receivable	42,990	37,807
Security deposits and statutory funds	5,999	4,188
Trade receivables	4,488,196	2,665,716
Less: Interest-in-suspense *	(4,334)	(3,883)
Individual assessment allowance	(14,878)	-
Specific allowance	-	(13,500)
Other receivables, deposits and prepayments	29,862	29,583
Transferable golf memberships	271	228
	4,548,106	2,720,139
* In accordance with the Rules of Bursa Malaysia Securities Berhad		
A10. Deposits from customers		
(a) By type of deposit		
Commodity Murabahah deposits	58,385	-
Demand deposits	7,631	6,459
Fixed deposits	2,988,009	2,786,827
Mudharabah general deposits	584,204	775,823
Negotiable instruments of deposits	221,103	189,773
Saving deposits	7,610	6,833
Short term deposits	716,766	589,919
Others	53	63
	4,583,761	4,355,697
(b) By type of customer		
Business enterprises	1,482,656	1,341,004
Domestic non-bank financial institutions	2,286,034	2,275,142
Individuals	170,959	99,906
Local government and statutory bodies	631,898	629,534
Others	12,214	10,111
	4,583,761	4,355,697
(c) By maturity structure		
Up to 3 months	4,007,317	3,665,524
3-12 months	552,442	616,993
1-5 years	24,002	73,180
	4,583,761	4,355,697

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
A11. Deposits and placements of banks and other financial institutions		
Bank Negara Malaysia	50,000	-
Licensed banks	120,337	39,363
Licensed investment banks	130,321	60,000
Other financial institutions	175,045	74,859
	475,703	174,222
A12. Other liabilities		
Interest/income payable	41,038	29,158
Trade payables	5,049,884	3,270,053
Other payables, deposits and accruals	159,434	141,918
Amount due to an associated company	-	3,575
Profit equalisation reserve of Islamic banking operations	864	759
	5,251,220	3,445,463

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
Loans, advances and financing	23,530	17,108	64,974	53,682
Deposits and placements with financial institutions	6,009	10,541	17,152	27,433
Securities held-for-trading	2,137	93	5,049	433
Securities held-to-maturity	5,103	8,729	16,389	24,410
Securities available-for-sale	21,267	14,407	63,608	36,509
Stock-broking and futures broking clients	2,092	328	4,088	990
Others	60	546	144	657
	60,198	51,752	171,404	144,114
Accretion of discount less amortisation of premium	2,631	7,485	14,804	17,372
	62,829	59,237	186,208	161,486

A14. Interest expense

Deposits from customers	(30,210)	(28,223)	(78,097)	(79,392)
Deposits and placements of financial institutions	(241)	(143)	(992)	(160)
Obligations on securities sold under repurchase agreements	-	-	-	(1)
Subordinated notes	(5,474)	(1,825)	(11,872)	(5,347)
Borrowings	(1,857)	(2,066)	(5,165)	(6,302)
Others	(411)	(113)	(620)	(205)
	(38,193)	(32,370)	(96,746)	(91,407)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
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A15. Other operating income
(a) Fees and commission

Advisory, agency, arrangement, placement and referral fees	25,314	7,888	46,484	21,343
Commission	4,335	3,350	10,716	9,211
Fees earned from management of unit trust funds	13,602	12,446	41,026	32,432
Gross brokerage fees	101,824	112,721	300,508	285,248
Loan processing, facility and commitment fees and carrying charges	3,648	2,636	14,142	11,235
Service charges on sale of trust units	6,930	8,772	19,634	18,093
Trustee and will-writing fees	1,543	1,480	4,286	4,160
Others	504	441	1,434	1,232
	157,700	149,734	438,230	382,954

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

Securities held-for-trading	15,596	4,259	6,035	2,767
Securities held-to-maturity	998	520	998	520
Securities available-for-sale	1,394	2,921	4,650	4,156
Derivative financial instruments	(3,300)	(298)	8,808	2,606
Shares in an associated company	-	-	-	(2,676)
	14,688	7,402	20,491	7,373

(c) Gross dividend income

Securities held-for-trading	444	531	1,405	1,373
Securities available-for-sale	264	850	313	938
	708	1,381	1,718	2,311

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
A15. Other operating income (Cont'd)				
(d) Unrealised net gain/(loss) on revaluation of trading securities and derivatives				
Securities held-for-trading	1,211	(1,279)	2,206	4,336
Derivative financial instruments	6,090	(15,111)	19,983	(24,239)
	7,301	(16,390)	22,189	(19,903)
(e) Unrealised gain on derivatives				
Unexpired structured warrants	8,104	11,693	6,294	13,542
(f) Unrealised gain/(loss) from foreign exchange translations				
	2,838	7,045	(1,985)	2,984
(g) Other income/(loss)				
Net gain on disposal of equipment	21	87	391	144
Realised (loss)/gain on foreign exchange	(10,942)	339	5,266	8,504
Net gain on interest rate swaps	2,533	22	2,833	162
Rental income	2,937	1,503	6,575	4,447
Sales of oil palm produce	34	41	116	97
Others	(24)	676	2,606	4,636
	(5,441)	2,668	17,787	17,990
	185,898	163,533	504,724	407,251

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
A16. Other operating expenses				
(a) Personnel expenses				
Salaries, allowances, bonuses and gratuity	(52,434)	(44,182)	(154,828)	(117,683)
Pension costs - defined contribution plan	(3,416)	(2,953)	(9,850)	(9,806)
Others	(3,536)	(1,729)	(8,370)	(4,567)
	(59,386)	(48,864)	(173,048)	(132,056)
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	(5,764)	(1,827)	(11,234)	(5,675)
Commission	(49,464)	(46,550)	(124,493)	(114,106)
Fees and charges	(12,086)	(11,749)	(37,748)	(33,102)
Deposit insurance	(114)	(215)	329	(788)
Others	(536)	(583)	(3,777)	(1,696)
	(67,964)	(60,924)	(176,923)	(155,367)
(c) Establishment related expenses				
Depreciation and amortisation	(4,305)	(3,746)	(12,143)	(11,280)
Insurance	(662)	(317)	(1,896)	(2,180)
Rental of equipment	(1,257)	(1,215)	(3,719)	(3,515)
Rental of premises	(4,655)	(4,365)	(13,884)	(12,525)
Repair and maintenance	(733)	(1,651)	(5,889)	(4,322)
Utility expenses	(1,501)	(1,406)	(4,406)	(3,946)
Others	(2,902)	(1,451)	(4,708)	(3,791)
	(16,015)	(14,151)	(46,645)	(41,559)
(d) General administrative expenses				
Communication expenses	(3,069)	(1,781)	(8,819)	(4,617)
Legal and professional fees	(1,485)	(1,452)	(3,798)	(3,583)
Printing and stationery	(1,528)	(1,894)	(4,873)	(4,999)
Administrative	(4,414)	(3,433)	(14,972)	(10,563)
Others	(360)	(303)	(1,167)	(821)
	(10,856)	(8,863)	(33,629)	(24,583)
	(154,221)	(132,802)	(430,245)	(353,565)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
A17. (Allowance)/write back of allowance for impaired loans, advances and financing				
Specific allowance - Made	-	(1,206)	-	(4,919)
Specific allowance - Written back	-	4,709	-	9,842
General allowance (net) - Written back	-	593	-	859
Individual assesement				
- Made	(394)	-	(2,626)	-
- Written back	110	-	2,995	-
Collective assessment (net)				
- Made	(1,434)	-	(2,950)	-
Bad debts				
- Recovered	20	15	20	3,066
- (Written off)/Reversal	(4)	256	(837)	(201)
	(1,702)	4,367	(3,398)	8,647
A18. Write back of allowance/ (allowance) for impaired trade and other receivables				
Specific allowance - Made	-	(1,491)	-	(2,930)
Specific allowance - Written back	-	1,171	-	4,456
General allowance (net)				
- Written back/(Made)	-	76	-	(18)
Individual assesement				
- Made	(840)	-	(5,402)	-
- Written back	1,194	-	4,030	-
Bad debts				
- Recovered	(182)	16	64	36
- Written off	-	(125)	-	(132)
	172	(353)	(1,308)	1,412
A19. (Allowance)/write back of allowance for impairment losses				
Goodwill on consolidation	-	-	-	(128)
Investment in an associated company	-	-	-	4,839
Securities held-for-trading	-	(30)	-	970
Securities held-to-maturity	-	-	(6,000)	-
Securities available-for-sale	-	-	(20,400)	-
Trading rights	-	-	(210)	-
	-	(30)	(26,610)	5,681

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A20. Segmental information

Please refer to Appendix I.

A21. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the quarter.

A22. Changes in the composition of the Group

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

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

- (i) the Company;
- (ii) OSK Investment Bank Berhad ("OSKIB");
- (iii) OSK Nominees (Tempatan) Sdn. Berhad;
- (iv) OSK Nominees (Asing) Sdn. Berhad; and
- (v) OSK Futures And Options Sdn. Bhd.

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

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

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

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

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

- (d) Subscription of shares in OSK International Asset Management Pte Ltd ("OSKIAML") by OSK International Investments Pte Ltd ("OSKIIL")

On 22 March 2010 and 16 August 2010, OSKIIL subscribed for SGD\$500,000 and SGD\$1,000,000 new ordinary shares in OSKIAML for additional working capital purpose. The issued and paid up share capital of OSKIAML increased from SGD\$1,500,000 to SGD\$3,000,000.

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

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

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

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

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

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

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

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

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

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A22. Changes in the composition of the Group (Cont'd.)

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

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

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

- (l) Business merger of nominees companies pursuant to Section 176(3) and Section 178 of the Companies Act, 1965

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

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

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

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

The objective of the business merger is to gain business and operational synergies and to achieve economies of scale. The business merger completed on 1 September 2010.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A22. Changes in the composition of the Group (Cont'd.)

- (m) Approval-in-principle to OSK Indochina Securities Limited ("OSKISL") to Act as a Securities Underwriter in Cambodia

On 20 October 2010, the Securities and Exchange Commission of Cambodia ("SECC") issued the License for Securities Firm to OSKISL, a wholly-owned indirect subsidiary of the Company. The said License permits OSKISL to undertake securities underwriting business, securities dealing business, securities brokerage business and investment advisory business in Cambodia.

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

- (n) Subscription of SGD\$2,000,000 ordinary shares in OSK International Investment Pte Ltd ("OSKIIL") by OSKIB

On 3 August 2010, OSKIB subscribed for SGD\$2,000,000 new ordinary shares in OSKIIL for additional working capital purpose. The issued and paid up share capital of OSKIIL increased from SGD\$2,000,000 to SGD\$4,000,000.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A23. Commitments and contingencies

Please refer to Appendix II.

A24. Interest/profit rate risk

Please refer to Appendix III.

A25. Capital Adequacy

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

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

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

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

	OSKIB Group		OSKIB [^]	
	As at 30.9.2010	As at 31.12.2009	As at 30.9.2010	As at 31.12.2009
Before deducting proposed dividends:				
Core capital ratio	28.39%	27.85%	23.47%	22.58%
Risk weighted capital ratio	36.03%	30.56%	23.47%	22.58%
After deducting proposed dividends:				
Core capital ratio	28.39%	26.97%	23.47%	21.21%
Risk weighted capital ratio	36.03%	29.68%	23.47%	21.21%

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A25. Capital Adequacy (Cont'd)

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

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

	OSKIB Group		OSKIB	
	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
Issued and fully paid share capital	660,000	630,000	660,000	630,000
Retained profits - audited	139,431	153,275	52,569	69,774
Retained profits - adoption of FRS 139	(3,205)	-	(3,205)	-
Statutory reserve	224,311	206,078	224,311	206,078
Tier 1 minority interests	235,321	225,185	-	-
	1,255,858	1,214,538	933,675	905,852
Less: Goodwill	(98,715)	(99,959)	(46,516)	(46,516)
Deferred tax assets	(1,444)	(2,860)	-	(1,041)
Tier I capital	1,155,699	1,111,719	887,159	858,295
Collective assessment allowance	10,811	-	10,257	-
General allowance	-	8,179	-	7,630
Maximum allowance subordinated debt capital	300,000	100,000	300,000	100,000
Tier II capital	310,811	108,179	310,257	107,630
Total capital	1,466,510	1,219,898	1,197,416	965,925
Less: Investments in subsidiary companies	-	-	(432,740)	(381,907)
Capital base	1,466,510	1,219,898	764,676	584,018

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

The capital adequacy ratios of OSKIB Group and OSKIB are computed in accordance with RWCAF-Basel II. OSKIB Group and OSKIB have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2009: 8.0%) for the risk weighted capital ratio.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A25. Capital Adequacy (Cont'd)

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

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

	OSKIBL	
	As at	As at
	30.9.2010	31.12.2009
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	59.61%	69.31%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	59.61%	69.31%

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

No equivalent ratio in Cambodia.

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

	OSKL	
	As at	As at
	30.9.2010	31.12.2009
Before deducting proposed dividends:		
Core capital ratio	34.00%	179.00%
Risk weighted capital ratio	34.00%	179.00%
After deducting proposed dividends:		
Core capital ratio	34.00%	179.00%
Risk weighted capital ratio	34.00%	179.00%

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A25. Capital Adequacy (Cont'd)
(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk
As at 30.9.2010
OSKIB Group

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,161,116	1,161,116	-	-
Banks, development financial institutions and multilateral development banks	3,315,388	3,315,388	838,369	67,070
Insurance companies, securities firms and fund managers	419,210	419,210	83,842	6,707
Corporates	2,441,367	1,604,329	1,004,180	80,334
Other assets	363,998	363,998	363,998	29,120
Total on balance sheet exposures	7,701,079	6,864,041	2,290,389	183,231
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	597,261	597,261	124,223	9,938
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	86,338	86,338	58,338	4,667
Defaulted exposures	-	-	-	-
Total off balance sheet exposures	683,599	683,599	182,561	14,605
Total on and off balance sheet exposures	8,384,678	7,547,640	2,472,950	197,836
(ii) Large exposures risk requirement	1,889	1,889	1,889	-
(iii) Market risk	Long Position	Short Position		
Interest rate risk	579,206	210,000	219,748	17,580
Foreign currency risk	732,290	(3,615)	732,286	58,583
Equity risk	22,956	-	60,173	4,814
Option risk	74,800	-	14,723	1,178
Total	1,409,252	206,385	1,026,930	82,155
(iv) Operational risk			568,344	45,468
(v) Total RWA and capital requirements			4,070,113	325,459

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A25. Capital Adequacy (Cont'd)
(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)
As at 30.9.2010
OSKIB

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,056,734	1,056,734	-	-
Banks, development financial institutions and multilateral development banks	2,826,919	2,826,919	742,473	59,398
Insurance companies, securities firms and fund managers	419,210	419,210	83,842	6,707
Corporates	1,915,470	1,544,796	944,647	75,572
Other assets	281,263	281,263	281,263	22,501
Total on balance sheet exposures	6,499,596	6,128,922	2,052,225	164,178
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	597,261	597,261	124,223	9,938
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	82,157	82,157	54,157	4,333
Defaulted exposures	-	-	-	-
Total off balance sheet exposures	679,418	679,418	178,380	14,271
Total on and off balance sheet exposures	7,179,014	6,808,340	2,230,605	178,449
(ii) Large exposures risk requirement	1,889	1,889	1,889	-
(iii) Market risk	Long Position	Short Position		
Interest rate risk	579,206	210,000	219,748	17,580
Foreign currency risk	210,736	(3,449)	210,735	16,859
Equity risk	4,840	-	12,136	971
Option risk	74,800	-	14,723	1,178
Total	869,582	206,551	457,342	36,588
(iv) Operational risk			568,344	45,468
(v) Total RWA and capital requirements			3,258,180	260,505

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A25. Capital Adequacy (Cont'd)
(c) Credit risk exposures by risk weights
As at 30.9.2010
OSKIB Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Develop- ment Financial Institutions & Multi- lateral Develop- ment Banks RM'000	Insurance Compa- nies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000		
0%	1,161,116	9,049	-	-	-	1,170,165	-	
20%	-	3,396,766	420,875	749,879	-	4,567,520	913,503	
35%	-	-	-	-	-	-	-	
50%	-	428,626	15,901	143,623	-	588,150	294,075	
75%	-	-	-	-	-	-	-	
100%	-	60,642	-	710,031	363,998	1,134,671	1,134,671	
150%	-	-	-	87,134	-	87,134	130,701	
Total	1,161,116	3,895,083	436,776	1,690,667	363,998	7,547,640	2,472,950	
Risk weighted assets by exposures	-	954,307	92,126	1,062,519	363,998	2,472,950		
Average risk weight	0%	25%	21%	63%	100%	33%		
Deduction from capital base	-	-	-	-	-	-		

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A25. Capital Adequacy (Cont'd)
(c) Credit risk exposures by risk weights (Contd.)
As at 30.9.2010
OSKIB

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Develop- ment Financial Institutions & Multi- lateral Develop- ment Banks RM'000	Insurance Compa- nies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000		
0%	1,056,734	62	-	-	-	1,056,796	-	
20%	-	2,917,283	420,875	749,879	-	4,088,037	817,607	
35%	-	-	-	-	-	-	-	
50%	-	428,626	15,901	143,623	-	588,150	294,074	
75%	-	-	-	-	-	-	-	
100%	-	60,642	-	646,318	281,263	988,223	988,223	
150%	-	-	-	87,134	-	87,134	130,701	
Total	1,056,734	3,406,613	436,776	1,626,954	281,263	6,808,340	2,230,605	
Risk weighted assets by exposures	-	858,412	92,126	998,804	281,263	2,230,605		
Average risk weight	0%	25%	21%	61%	100%	33%		
Deduction from capital base	-	-	-	-	-	-		

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A25. Capital Adequacy (Cont'd)
(d) Off balance sheet exposures and counterparty credit risk
As at 30.9.2010
OSKIB Group

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	74,800	-	37,400	9,400
Foreign exchange related contracts One year or less	879,980	104	499,727	99,945
Interest/profit rate related contracts Over one year to five years	878,655	80,232	79,816	15,963
Equity related contracts One year or less	2,907	14,502	2,907	2,907
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	73,927	13,751	17,718	8,314
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	92,062	-	46,031	46,031
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,285,161	-	-	-
Total	3,287,492	108,589	683,599	182,560

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A25. Capital Adequacy (Cont'd)
(d) Off balance sheet exposures and counterparty credit risk (Cont'd)
As at 30.9.2010
OSKIB

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	74,800	██████████	37,400	9,400
Foreign exchange related contracts One year or less	879,980	104	499,727	99,945
Interest/profit rate related contracts Over one year to five years	878,655	80,232	79,816	15,963
Equity related contracts One year or less	2,907	14,179	2,907	2,907
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	73,927	13,751	17,718	8,314
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	83,700	██████████	41,850	41,850
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration a borrower's creditworthiness	378,102	██████████	-	-
Total	2,372,071	108,266	679,418	178,379

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A25. Capital Adequacy (Cont'd)

(e) Risk weighted assets and capital requirements for various categories of risk under Market Risk

	OSKIB Group		OSKIB	
	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
Interest rate risk				
- General interest rate risk	10,839	4,460	10,839	3,320
- Specific interest rate risk	6,741	2,979	6,741	2,979
	17,580	7,439	17,580	6,299
Equity position risk				
- General risk	1,836	1,297	387	439
- Specific risk	2,978	1,989	584	658
	4,814	3,286	971	1,097
Foreign exchange risk	74,234	55,017	32,510	23,267
Option risk	1,178	2,296	1,178	2,296
	97,806	68,038	52,239	32,959

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A26. Islamic banking operations of OSK Investment Bank Berhad

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	OSKIB As at 30.9.2010 RM'000	OSKIB As at 31.12.2009 RM'000
ASSETS			
Cash and short term funds		113,117	174,834
Securities held-to-maturity	A26(a)	290,221	283,836
Securities available-for-sale	A26(b)	347,618	372,835
Other assets	A26(c)	4,961	2,995
Equipment		19	20
Intangible assets		139	-
TOTAL ASSETS		756,075	834,520
LIABILITIES			
Deposits from customers	A26(d)	642,590	775,823
Deposits and placements of banks and other financial institutions	A26(e)	50,000	-
Other liabilities	A26(f)	3,461	2,965
Tax payable		2,376	1,361
Deferred tax liabilities		148	81
TOTAL LIABILITIES		698,575	780,230
ISLAMIC BANKING FUNDS			
Islamic banking funds		50,000	50,000
Reserves		7,500	4,290
TOTAL ISLAMIC BANKING FUNDS		57,500	54,290
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		756,075	834,520

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

	OSKIB Current quarter ended 30.9.2010 RM'000	OSKIB Comparative quarter ended 30.9.2009 RM'000	OSKIB Current year to date ended 30.9.2010 RM'000	OSKIB Preceding year to date ended 30.9.2009 RM'000
Income derived from investment of depositors' funds and others	6,614	4,892	19,195	13,545
Transfer from/(to) to profit equalisation reserve	72	(22)	(105)	(286)
Gross and total attributable income	6,686	4,870	19,090	13,259
Income attributable to the depositors	(5,032)	(3,007)	(14,316)	(9,112)
Income attributable to OSKIB	1,654	1,863	4,774	4,147
Income derived from investment of Islamic banking funds	10	-	126	-
Total net income	1,664	1,863	4,900	4,147
Other operating expenses	(325)	(260)	(842)	(789)
Profit before tax	1,339	1,603	4,058	3,358
Zakat	(36)	-	(36)	-
Income tax expense	(331)	(400)	(1,014)	(839)
Profit after tax for the period	972	1,203	3,008	2,519

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

Income derived from investments : of depositors' funds and others	6,614	4,892	19,195	13,545
of Islamic banking funds	10	-	126	-
Income attributable to the depositors	(5,032)	(3,007)	(14,316)	(9,112)
Transfer from/(to) to profit equalisation reserve	72	(22)	(105)	(286)
Net income from Islamic banking operations reported in Group-wide income statement	1,664	1,863	4,900	4,147

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Current quarter ended 30.9.2010 RM'000	Comparative quarter ended 30.9.2009 RM'000	Current year to date ended 30.9.2010 RM'000	Preceding year to date ended 30.9.2009 RM'000
Profit after tax for the period	972	1,203	3,008	2,519
Other comprehensive gain				
Unrealised net gain on revaluation of securities available-for-sale	303	8	319	226
Income tax relating to components of other comprehensive gain	(76)	(2)	(80)	(56)
Other comprehensive gain for the period, net of tax	227	6	239	170
Total comprehensive income for the period, net of tax	1,199	1,209	3,247	2,689
Total comprehensive income attributable to owner of OSKIB	1,199	1,209	3,247	2,689

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

UNAUDITED CONDENSED STATEMENT OF CHANGES IN ISLAMIC BANKING FUND

	Islamic Banking Fund	Available- for-sale reserve	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000
As at 1.1.2010				
As previously reported	50,000	244	4,046	54,290
Adoption of FRS 139	-	(37)	-	(37)
As restated	50,000	207	4,046	54,253
Total comprehensive income	-	239	3,008	3,247
As at 30.9.2010	50,000	446	7,054	57,500
As at 1.1.2009	50,000	-	702	50,702
Total comprehensive income	-	170	2,519	2,689
As at 30.9.2009	50,000	170	3,221	53,391

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

	OSKIB	OSKIB
	As at	As at
	30.9.2010	31.12.2009
	RM'000	RM'000
(a) Securities held-to-maturity		
At amortised cost		
Money market instruments:		
Islamic accepted bills	-	12,410
Cagamas bonds	5,043	5,059
Malaysian Government Investment Issues	165,482	155,831
	170,525	173,300
Unquoted securities:		
Islamic private debt securities	119,696	110,536
	290,221	283,836
(b) Securities available-for-sale		
At fair value		
Money market instruments:		
Islamic accepted bills	68,992	197,145
Malaysian Government Investment Issues	25,395	-
Negotiable instruments of deposits	89,827	99,907
	184,214	297,052
Unquoted securities:		
Islamic private debt securities	163,404	75,783
	347,618	372,835
(c) Other assets		
Income receivable	4,918	2,995
Prepayments	43	-
	4,961	2,995

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

	OSKIB	OSKIB
	As at	As at
	30.9.2010	31.12.2009
	RM'000	RM'000
(d) Deposits from customers		
(i) By type of deposit		
Commodity Murabahah deposits	58,385	-
Mudharabah general deposits	584,205	775,823
	642,590	775,823
(ii) By type of customer		
Local government and statutory bodies	245,345	292,396
Domestic non-bank financial institutions	158,824	361,644
Business enterprises	238,421	121,783
	642,590	775,823
(iii) By maturity structure		
Up to 3 months	565,295	740,538
3-12 months	77,295	35,285
	642,590	775,823
(e) Deposits and placements of banks and other financial institutions		
Bank Negara Malaysia	50,000	-
(f) Other liabilities		
Income payable	2,522	1,951
Profit equalisation reserve	864	759
Other payable and accruals	75	255
	3,461	2,965

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

A26. (g) Capital adequacy of Islamic banking operations

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

(i) Risk weighted capital ratios and tier I and tier II capital

The capital adequacy ratios and capital base are as follows:

	As at 30.9.2010	As at 31.12.2009
Before deducting proposed dividends:		
Core capital ratio	56.63%	53.94%
Risk-weighted capital ratio	56.63%	53.94%
After deducting proposed dividends:		
Core capital ratio	56.63%	53.94%
Risk-weighted capital ratio	56.63%	53.94%
	RM'000	RM'000
Islamic banking funds	50,000	50,000
Retained profits - audited	6,082	4,046
	56,082	54,046

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

The capital adequacy ratios of the Islamic banking operations of OSKIB is computed in accordance with RWCAF-Basel II. The Islamic banking operations of OSKIB has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2009: 8.0%) for the risk weighted capital ratio.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A26. (g) Capital adequacy of Islamic banking operations (Cont'd)
(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk
As at 30.9.2010

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weights Assets RM'000	Capital Require- ments RM'000
(a) Credit risk				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	317,560	317,560	-	-
Banks, development financial institutions and multilateral development banks	227,160	227,160	45,432	3,635
Insurance companies, securities firms and fund managers	-	-	-	-
Corporates	211,297	211,297	46,189	3,695
Other assets	25	25	25	2
Total on balance sheet exposures	756,042	756,042	91,646	7,332
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-
Defaulted exposures	-	-	-	-
Total off balance sheet exposures	-	-	-	-
Total on and off balance sheet exposures:	756,042	756,042	91,646	7,332
(b) Large exposures risk requirement	-	-	-	-
(c) Market risk	-	-	-	-
(d) Operational risk			7,392	591
(e) Total RWA and capital requirements			99,038	7,923

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

(iii) Credit risk exposures by risk weights

As at 30.9.2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Develop- ment Financial Institu- tions & Multi- lateral Develop- ment Banks RM'000	Insuranc e Compa nies, Securitie s Firms and Fund Manager s RM'000	Corpo- rates RM'000	Other Assets RM'000			
0%	317,560	-	-	-	-	-	317,560	-
20%	-	227,160	-	206,385	-	-	433,545	86,709
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
100%	-	-	-	4,912	25	-	4,937	4,937
150%	-	-	-	-	-	-	-	-
Total	317,560	227,160	-	211,297	25	-	756,042	91,646
Risk weighted assets by exposures	-	45,432	-	46,189	25	-	91,646	
Average risk weight	0%	20%	0%	22%	100%	-	12%	
Deduction from capital base	-	-	-	-	-	-	-	

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

(iv) Off balance sheet exposures and counterparty credit risk

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

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

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Equity position risk		
- General risk	-	-
- Specific risk	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Foreign exchange risk	-	-
Option risk	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

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

Overall Performance

The Group revenue for the nine months ended 30 September 2010 ("9M10") increased by 22% to RM710.25 million from RM582.28 million as compared to nine months ended 30 September 2009("9M09"). The Group profit before tax ("PBT") increased by 6% or RM7.77 million to RM139.58 million for 9M10 from RM131.81 million in 9M09. The profit after tax of the Group of RM103.12 million for 9M10 represented a growth of 12% Y-o-Y from RM92.42 million in 9M09.

The Principal Subsidiaries' Performance

OSK Investment Bank Berhad ("OSKIB"), the wholly-owned subsidiary of the Company is the main contributor accounting for 45% of the Group's PBT. The balance PBT of 55% is made up of profits from all other subsidiaries.

Geographical Segments Performance

Total PBT contribution by foreign subsidiaries amounting 33% or RM45.54 million in 9M10 as compared to 27% or RM36.06 million in 9M09.

PBT from Singapore operations increased in 9M10 with its PBT expanding 17% to RM45.23 million from RM38.70 million in 9M09. The Indonesian operations contributed a PBT of RM7.87 million in 9M10 compared to a loss before tax of RM2.72 million in 9M09.

Business Segments Performance

Investment Banking which consists mainly of Treasury, Corporate Advisory and Capital Market activities contributed PBT of RM72.26 million or 52% of the Group's PBT for 9M10 as compared to RM43.99 million or 33% in 9M09.

Earnings from Loans and Financing contributed RM31.11 million or 22% of the Group's PBT as compared to RM25.12 million or 19% in 9M09.

Equities & Futures broking recorded PBT of RM26.93 million or 19% of the Group's PBT as compared to RM56.23 million or 43% in 9M09.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

The Group PBT for the third quarter ended 30 September 2010 surged by 141% or RM33.59 million to RM57.49 million from RM23.90 million in second quarter of 2010.

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

(a) Current year prospects

(Commentary on the rest of year)

The Board is optimistic that our regional economy will continue to sustain its recovery path. While domestic demand is expected to be the main impetus for growth, the appropriate management of short-term capital flows has become an increasingly crucial development for the regional economy.

The Board expects the Group to perform well for the rest of 2010.

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

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

B5. Profit forecast / profit guarantee

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

B6. Income tax expense

	Current quarter ended 30.9.2010 RM'000	Current year to date ended 30.9.2010 RM'000
In respect of the current quarter / year to date		
- Malaysian income tax	8,303	24,892
- Foreign income tax	4,429	11,335
	<u>12,732</u>	<u>36,227</u>
In respect of the prior year		
- Malaysian income tax	(68)	(57)
- Foreign income tax	(27)	95
Deferred taxation	408	196
	<u>13,045</u>	<u>36,461</u>

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

B7. Sales of unquoted investments and / or properties

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

B8. Purchase or disposal of quoted securities

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

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

	Current quarter ended 30.9.2010 RM'000	Current year to date ended 30.9.2010 RM'000
Total purchase consideration	<u>26,295</u>	<u>71,107</u>
Total sale proceeds	<u>23,548</u>	<u>70,783</u>
Net gain on disposals	<u>373</u>	<u>1,111</u>

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

	RM'000
Quoted shares at cost:	
In Malaysia	17,105
Outside Malaysia	<u>12,318</u>
	29,423
Fair value adjustments	<u>(1,617)</u>
	<u>27,806</u>
Market value of quoted shares:	
In Malaysia	15,811
Outside Malaysia	<u>11,995</u>
	<u>27,806</u>

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

B9. Status of corporate proposals and utilisation of proceeds

(a) Status of corporate proposals announced but not completed as at 23 November 2010 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report)

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

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

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

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

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

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

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

(a) Status of corporate proposals announced but not completed as at 23 November 2010 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report) (Cont'd)

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

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

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

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

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

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

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

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

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

B10. Borrowings

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

	RM'000
Short term borrowings *	509,320
Subordinated notes - unsecured	296,589
	805,909
* Short term borrowings consist of:	
<i>Unsecured:</i> Revolving credits	139,880
Revolving credits denominated in HKD	281,872
Revolving credits denominated in USD	21,921
Bank loans denominated in SGD	50,428
Overdraft denominated in SGD	10,784
<i>Secured:</i> Syndicated term loan	4,435
	509,320

B11. Derivative financial instruments

(a) Disclosure of derivatives

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

Derivative financial assets:

Equity related contracts comprises:

a) Options

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

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

b) Futures

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

B11. Derivative financial instruments (Cont'd)

(a) Derivative financial instruments (Cont'd)

c) Interest rate swaps

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

d) Foreign currency spot, forward and swap contracts

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

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

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

Derivative financial liabilities:

a) Structured warrants

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

b) Structured investments

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

c) Foreign exchange swap contracts

Refer to (a)(i) d)

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

	As at 30.9.2010		As at 31.12.2009	
	Contract/ Notional value RM'000	Fair value RM'000	Contract/ Notional value RM'000	Fair value RM'000
Derivative financial assets:				
Equity related contracts				
Less than 1 year	15,013	14,093	38,857	17,601
More than 3 years	-	14,161	-	16,358
	15,013	28,254	38,857	33,959
Interest rate swaps				
Less than 1 year	373,495	54,862	123,282	1,181
1 year to 3 years	408,667	25,915	308,688	(1,328)
More than 3 years	50,000	(546)	80,000	2,516
	832,162	80,231	511,970	2,369
Foreign currency spot, forward and swap contracts				
Less than 1 year	1,293,495	104	168,704	794
	1,293,495	104	168,704	794
	2,140,670	108,589	719,531	37,122
Derivative financial liabilities:				
Structured warrants				
Less than 1 year	48,688	60,661	47,558	46,390
1 year to 3 years	-	-	1,959	1,190
	48,688	60,661	49,517	47,580
Structured investments				
Less than 1 year	8,973	8,937	2,046	2,124
	8,973	8,937	2,046	2,124
Foreign exchange swap contracts				
Less than 1 year	268,743	2,955	203,915	2,157
	268,743	2,955	203,915	2,157
	326,404	72,553	255,478	51,861

B11. Derivative financial instruments (Cont'd)

(a) Disclosure of derivatives (Cont'd)

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

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

(iv) Changes in derivatives since last financial year

Credit risk

Credit risk is the risk that counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge his obligation. As at 30 September 2010, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM108,589,000 (31.12.2009 : RM37,122,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Market risk

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

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

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

During current year to date, the Group recognised a loss of RM16.112 million arising from fair value changes of derivative liabilities.

Types of financial liabilities	Current quarter ended 30.9.2010	Current year to date ended 30.9.2010
	RM'000	RM'000
Structured warrants	(16,943)	(14,913)
Structured investments	28	54
Foreign exchange swap contracts	(1,194)	(1,253)
	<u>(18,109)</u>	<u>(16,112)</u>

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

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

Market risk

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

Interest rate risk

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

Currency risk

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**B11. Derivative financial instruments (Cont'd)****(b) Disclosure of gains/losses arising from fair value changes of financial liabilities (Cont'd)****(iii) Bases in arriving at the fair value:**Structured warrants

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

Structured investments

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

Foreign currency swap contracts

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

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

	As at 30.9.2010
	RM'000
Realised retained profits	316,209
Unrealised retained profits *	(43,602)
	<u>272,606</u>

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

B12. Material litigation

As at 23 November 2010 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), save as disclosed below, the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

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

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

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

B13. Dividends

- (a) No dividend has been declared for the current quarter as well as for the comparative quarter ended 30 September 2009.
- (b) An interim dividend of 2.5 sen per share less 25% income tax in respect of the current year to date has been paid on 28 September 2010 (2009: Interim 2.5 sen per share less 25% income tax).

Total dividend for the current year declared to date is 2.5 sen per share less 25% income tax (2009: 2.5 sen per share less income tax).

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

	Current quarter ended 30.9.2010	Comparative quarter ended 30.9.2009	Current year to date ended 30.9.2010	Preceding year to date ended 30.9.2009
<u>Basic</u>				
Profit attributable to owners of the Company (RM'000)	33,601	34,554	76,982	75,494
Weighted average number of ordinary shares in issue ('000 shares)	937,327	# 811,170	914,591	# 811,158
Basic EPS (sen)	3.58	4.26	8.42	9.31
<u>Diluted</u>				
Profit attributable to owners of the Company (RM'000)	33,601	34,554	76,982	75,494
Weighted average number of ordinary shares in issue ('000 shares)	937,327	# 811,170	914,591	# 811,158
Effect of dilution on assumed conversion of Warrants B 2000/2010 and exercise of options granted under ESOS ('000 shares)	2,147	12,222	1,943	11,620
Adjusted weighted average number of ordinary shares in issue and issuable ('000 shares)	939,474	# 823,392	916,534	# 822,778
Diluted EPS (sen)	3.58	4.20	8.40	9.18

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

B15. Auditors' report of preceding annual financial statements

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

By Order of the Board

Ong Leong Huat
Director

Kuala Lumpur
26 November 2010

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**A20. Segmental information**

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

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

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A20. Segmental information (Cont'd)
Geographical Segments

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

The comparative segment information have been re-presented to conform with current year segments information.

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

CURRENT YEAR TO DATE ENDED 30 SEPTEMBER 2010

Revenue	478,294	142,078	40,750	40,794	8,337	231,959	710,253
Profit/(loss) before tax	94,039	45,226	(6,792)	7,871	(762)	45,543	139,582
Non-current assets as at 30.9.2010	495,672	2,673	5,871	6,331	11,982	26,857	522,529

PRECEDING YEAR TO DATE ENDED 30 SEPTEMBER 2009

Revenue	406,650	130,481	30,252	11,125	3,774	175,632	582,282
Profit/(loss) before tax	95,755	38,702	153	(2,717)	(80)	36,058	131,813
Non-current assets as at 31.12.2009	494,976	2,355	6,349	4,212	8,192	21,108	516,084

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010
A23. Commitments and contingencies

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

	30.9.2010			31.12.2009		
	Principal amount	Credit equivalent*	Risk weighted amount	Principal amount	Credit equivalent*	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Obligations under underwriting agreements	74,800	37,400	8,900	255,000	127,500	25,500
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,285,161	-	-	1,315,744	2,072	2,072
- maturity exceeding one year	92,062	46,031	46,031	-	-	-
Foreign exchange related contracts:						
- less than one year	879,980	499,727	99,945	370,640	195,898	39,180
Interest rate related contracts:						
- one year to less than five years	878,655	79,816	15,963	508,167	16,002	3,200
	3,210,658	662,974	170,839	2,449,551	341,472	69,952

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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A24. Interest/profit rate risk

As at 30.9.2010	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short term funds	1,217,227	88,007	12,247	-	-	495,482	-	1,812,963	2.28
Deposits and placements with banks and other financial institutions	-	70,000	-	-	-	-	-	70,000	2.93
Reverse repurchase agreements	59,868	-	-	-	-	-	-	59,868	2.81
Securities held-for-trading	-	-	-	-	-	-	436,565	436,565	-
Securities held-to-maturity	100,000	50,000	75,303	328,252	145,517	-	-	699,072	4.28
Securities available-for-sale	560,612	604,473	208,743	1,453,174	287,323	22,396	-	3,136,721	3.10
Derivative financial assets	-	-	-	-	-	108,589	-	108,589	-
Loans, advances and financing									
- Performing	809,235	132,610	199,519	215,623	25,870	-	-	1,382,857	8.78
- Non-performing	-	-	-	-	-	19,019	-	19,019	-
Statutory and reserve deposits with Central Banks	15,617	-	-	-	-	47,438	-	63,055	0.17
Other assets	24,901	-	100	-	-	4,523,105	-	4,548,106	1.74
Other non-interest sensitive assets	-	-	-	-	-	535,296	-	535,296	-
Total Assets	2,787,460	945,090	495,912	1,997,049	458,710	5,751,325	436,565	12,872,111	

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 30.9.2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES									
Deposits from customers	2,998,981	998,537	562,240	24,003	-	-	-	4,583,761	2.96
Deposits and placements of banks and other financial institutions	225,830	50,000	199,844	-	-	29	-	475,703	3.05
Derivative financial liabilities	-	-	-	-	-	72,553	-	72,553	-
Borrowings	199,545	264,421	45,354	-	-	-	-	509,320	2.92
Subordinated notes	-	-	-	97,901	198,688	-	-	296,589	7.31
Other non-interest sensitive liabilities	-	-	-	-	-	5,286,185	-	5,286,185	-
Total Liabilities	3,424,356	1,312,958	807,438	121,904	198,688	5,358,767	-	11,224,111	
Shareholders' funds	-	-	-	-	-	1,413,656	-	1,413,656	
Minority interests	-	-	-	-	-	234,344	-	234,344	
Total Equity	-	-	-	-	-	1,648,000	-	1,648,000	
Total Liabilities and Equity	3,424,356	1,312,958	807,438	121,904	198,688	7,006,767	-	12,872,111	
On-balance sheet interest sensitivity gap	(636,896)	(367,868)	(311,526)	1,875,145	260,022	(1,255,442)	436,565	-	
Off-balance sheet interest sensitivity gap	37,050	74,007	262,438	371,507	87,160	-	-	832,162	
Total Interest Sensitivity Gap	(599,846)	(293,861)	(49,088)	2,246,652	347,182	(1,255,442)	436,565	832,162	
Cumulative interest rate sensitivity gap	(599,846)	(893,707)	(942,795)	1,303,857	1,651,039	395,597	832,162	832,162	

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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

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