

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 127776-V)**  
**AND ITS SUBSIDIARY COMPANIES**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2008**

**Domiciled in Malaysia.**  
**Registered Office:**  
**2, Leboh Ampang,**  
**50100 Kuala Lumpur**

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 127776-V)**  
**AND ITS SUBSIDIARY COMPANIES**  
**(Incorporated in Malaysia)**

**MANAGEMENT'S CERTIFICATION**

I hereby certify that the attached unaudited condensed financial statements for the financial period ended 30 September 2008 have been prepared from the Group and the Bank's accounting and other records and that they are in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia on 5 October 2004.

BALDEV SINGH  
Chief Financial Officer

Date : 22 October 2008

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 127776-V)**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED BALANCE SHEETS**  
**AS AT 30 SEPTEMBER 2008**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Assets</b>					
Cash and short term funds		<b>14,064,598</b>	11,321,351	<b>11,982,991</b>	11,321,351
Securities purchased under resale agreements		<b>2,733,018</b>	1,858,579	<b>2,733,018</b>	1,858,579
Deposits and placements with banks and other financial institutions		<b>1,485,841</b>	1,448,953	<b>2,428,976</b>	1,448,953
Securities held-for-trading	<i>11</i>	<b>1,152,122</b>	1,236,193	<b>1,152,122</b>	1,236,193
Securities available-for-sale	<i>12</i>	<b>2,313,095</b>	4,272,517	<b>1,766,016</b>	4,272,517
Loans, advances and financing	<i>13</i>	<b>29,728,834</b>	26,007,124	<b>26,745,166</b>	26,007,124
Other assets	<i>15</i>	<b>2,071,497</b>	897,653	<b>2,060,901</b>	897,653
Statutory deposits with Bank Negara Malaysia		<b>709,648</b>	704,847	<b>587,248</b>	704,847
Investment in subsidiaries		-	-	<b>660,021</b>	21
Prepaid land lease payments		<b>19,767</b>	20,890	<b>19,767</b>	20,890
Property, plant and equipment		<b>256,855</b>	258,290	<b>256,499</b>	258,290
Intangible assets		<b>51,339</b>	41,869	<b>51,252</b>	41,869
Deferred tax assets		<b>97,183</b>	69,675	<b>81,409</b>	69,675
<b>Total Assets</b>		<b>54,683,797</b>	48,137,941	<b>50,525,386</b>	48,137,962
<b>Liabilities</b>					
Deposits from customers	<i>16</i>	<b>42,817,886</b>	36,314,839	<b>38,727,024</b>	36,314,860
Deposits and placements of banks and other financial institutions	<i>17</i>	<b>4,109,022</b>	4,441,901	<b>4,106,929</b>	4,441,901
Bills and acceptances payable		<b>381,816</b>	627,730	<b>381,816</b>	627,730
Other liabilities	<i>18</i>	<b>2,303,807</b>	1,815,550	<b>2,251,685</b>	1,815,550
Recourse obligation on loans sold to Cagamas Berhad		<b>715,983</b>	759,101	<b>715,983</b>	759,101
Provision for taxation and zakat		<b>52,688</b>	57,569	<b>49,081</b>	57,569
Subordinated bonds	<i>19</i>	<b>991,658</b>	1,000,000	<b>991,658</b>	1,000,000
<b>Total Liabilities</b>		<b>51,372,860</b>	45,016,690	<b>47,224,176</b>	45,016,711
<b>Shareholders' Funds</b>					
Share capital		<b>114,500</b>	114,500	<b>114,500</b>	114,500
Reserves		<b>3,196,437</b>	2,756,751	<b>3,186,710</b>	2,756,751
Proposed dividend		-	250,000	-	250,000
<b>Shareholders' funds</b>		<b>3,310,937</b>	3,121,251	<b>3,301,210</b>	3,121,251
<b>Total Liabilities and Shareholders' Funds</b>		<b>54,683,797</b>	48,137,941	<b>50,525,386</b>	48,137,962
Commitments and Contingencies	<i>26</i>	<b>88,820,005</b>	76,966,309	<b>87,057,072</b>	76,966,309

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on page 7 to 34 attached to the unaudited condensed interim financial statements.*

*The financial statements were approved by the Board of Directors on 22 October 2008.*

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 127776-V)**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

	<i>Note</i>	<i>Group</i>			
		<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
		<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		<b>880,767</b>	813,351	<b>2,658,365</b>	2,405,400
Interest income	20	<b>558,233</b>	504,056	<b>1,610,165</b>	1,486,275
Interest expense	21	<b>(265,565)</b>	(227,716)	<b>(747,180)</b>	(657,989)
Net interest income		<b>292,668</b>	276,340	<b>862,985</b>	828,286
Other operating income	22	<b>216,847</b>	220,394	<b>763,162</b>	653,891
Income from Islamic banking operations	28(f)	<b>67,096</b>	59,903	<b>187,688</b>	173,851
Operating income		<b>576,611</b>	556,637	<b>1,813,835</b>	1,656,028
Other operating expenses	23	<b>(265,281)</b>	(249,533)	<b>(747,957)</b>	(710,214)
Profit before allowance		<b>311,330</b>	307,104	<b>1,065,878</b>	945,814
Allowance for losses on loans and financing	24	<b>(78,014)</b>	(80,631)	<b>(186,726)</b>	(226,312)
Profit before taxation and zakat		<b>233,316</b>	226,473	<b>879,152</b>	719,502
Taxation and zakat		<b>(62,612)</b>	(68,055)	<b>(227,045)</b>	(204,333)
Profit attributable to shareholders		<b>170,704</b>	158,418	<b>652,107</b>	515,169
Earnings per RM0.50 ordinary share					
- basic/diluted		<b>74.5 sen</b>	69.2 sen	<b>284.7 sen</b>	225.0 sen
Dividends per RM0.50 ordinary share (net)					
- paid in respect of prior year		-	-	<b>109.2 sen</b>	109.2 sen
- interim dividend paid		<b>65.5 sen</b>	87.3 sen	<b>65.5 sen</b>	87.3 sen

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on page 7 to 34 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
(Company No. 127776-V)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INCOME STATEMENTS (CONT'D)**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

	<i>Bank</i>				
	<i>Note</i>	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
		<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000	
Revenue		<b>846,267</b>	813,351	<b>2,623,865</b>	2,405,400
Interest income	20	<b>561,710</b>	504,056	<b>1,613,642</b>	1,486,275
Interest expense	21	<b>(265,565)</b>	(227,716)	<b>(747,180)</b>	(657,989)
Net interest income		<b>296,145</b>	276,340	<b>866,462</b>	828,286
Other operating income	22	<b>223,103</b>	220,394	<b>769,418</b>	653,891
Income from Islamic banking operations	28(f)	<b>37,407</b>	59,903	<b>157,999</b>	173,851
Operating income		<b>556,655</b>	556,637	<b>1,793,879</b>	1,656,028
Other operating expenses	23	<b>(261,100)</b>	(249,533)	<b>(743,776)</b>	(710,214)
Profit before allowance		<b>295,555</b>	307,104	<b>1,050,103</b>	945,814
Allowance for losses on loans and financing	24	<b>(75,455)</b>	(80,631)	<b>(184,167)</b>	(226,312)
Profit before taxation and zakat		<b>220,100</b>	226,473	<b>865,936</b>	719,502
Taxation and zakat		<b>(58,968)</b>	(68,055)	<b>(223,401)</b>	(204,333)
Profit attributable to shareholders		<b>161,132</b>	158,418	<b>642,535</b>	515,169
Earnings per RM0.50 ordinary share					
- basic/diluted		<b>70.4 sen</b>	69.2 sen	<b>280.6 sen</b>	225.0 sen
Dividends per RM0.50 ordinary share (net)					
- paid in respect of prior year		-	-	<b>109.2 sen</b>	109.2 sen
- interim dividend paid		<b>65.5 sen</b>	87.3 sen	<b>65.5 sen</b>	87.3 sen

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on page 7 to 34 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
(Company No. 127776-V)  
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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

	<i>Group</i>									
	← <i>Non-distributable</i>				→ <i>Distributable</i>					
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available- for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>	<i>Proposed dividend</i>	<i>Total Shareholders' funds</i>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2007	114,500	741,375	114,500	118,966	190,000	23,597	1,259,993	2,448,431	250,000	2,812,931
Deferred tax adjustment on revaluation reserve	-	-	-	3,165	-	-	-	3,165	-	3,165
Net unrealised gains on revaluation	-	-	-	-	-	8,108	-	8,108	-	8,108
Net gains transferred to income statement	-	-	-	-	-	(13,050)	-	(13,050)	-	(13,050)
Net gains recognised directly in equity	-	-	-	3,165	-	(4,942)	-	(1,777)	-	(1,777)
Net profit for the period	-	-	-	-	-	-	515,169	515,169	-	515,169
Total recognised income and expense for the period	-	-	-	3,165	-	(4,942)	515,169	513,392	-	513,392
Dividend paid - 2006 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividend paid - 2007 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at 30 Sept 2007	114,500	741,375	114,500	122,131	190,000	18,655	1,575,162	2,761,823	-	2,876,323
Balance as at 1 October 2007	114,500	741,375	114,500	122,131	190,000	18,655	1,575,162	2,761,823	-	2,876,323
Deferred tax adjustment on revaluation reserve	-	-	-	818	-	-	-	818	-	818
Net unrealised gains on revaluation	-	-	-	-	-	24,449	-	24,449	-	24,449
Transfer to retained profit on realisation of assets	-	-	-	(180)	-	-	180	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(1,757)	-	(1,757)	-	(1,757)
Net gains recognised directly in equity	-	-	-	638	-	22,692	180	23,510	-	23,510
Net profit for the period	-	-	-	-	-	-	221,418	221,418	-	221,418
Total recognised income and expense for the period	-	-	-	638	-	22,692	221,598	244,928	-	244,928
Proposed dividend - 2007 final	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance as at 31 December 2007	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Balance as at 1 January 2008	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Deferred tax adjustment on revaluation reserve	-	-	-	816	-	-	-	816	-	816
Net unrealised losses on revaluation	-	-	-	-	-	(26,345)	-	(26,345)	-	(26,345)
Transfer to retained profit on realisation of assets	-	-	-	(752)	-	-	752	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(36,892)	-	(36,892)	-	(36,892)
Net gains/(losses) recognised directly in equity	-	-	-	64	-	(63,237)	752	(62,421)	-	(62,421)
Net profit for the period	-	-	-	-	-	-	652,107	652,107	-	652,107
Total recognised income and expense for the period	-	-	-	64	-	(63,237)	652,859	589,686	-	589,686
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Dividend paid - 2007 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividend paid - 2008 interim	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance as at 30 Sept 2008	114,500	741,375	114,500	122,833	190,000	(21,890)	2,049,619	3,196,437	-	3,310,937

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on page 7 to 34 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
(Company No. 127776-V)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

	<i>Bank</i>									
	← <i>Non-distributable</i>			<i>Bank</i>			→ <i>Distributable</i>			
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>	<i>Proposed dividend</i>	<i>Total Shareholders' funds</i>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2007	114,500	741,375	114,500	118,966	190,000	23,597	1,259,993	2,448,431	250,000	2,812,931
Deferred tax adjustment on revaluation reserve	-	-	-	3,165	-	-	-	3,165	-	3,165
Net unrealised gains on revaluation	-	-	-	-	-	8,108	-	8,108	-	8,108
Net gains transferred to income statement	-	-	-	-	-	(13,050)	-	(13,050)	-	(13,050)
Net gains recognised directly in equity	-	-	-	3,165	-	(4,942)	-	(1,777)	-	(1,777)
Net profit for the period	-	-	-	-	-	-	515,169	515,169	-	515,169
Total recognised income and expense for the period	-	-	-	3,165	-	(4,942)	515,169	513,392	-	513,392
Dividend paid - 2006 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividend paid - 2007 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at 30 Sept 2007	114,500	741,375	114,500	122,131	190,000	18,655	1,575,162	2,761,823	-	2,876,323
Balance as at 1 October 2007	114,500	741,375	114,500	122,131	190,000	18,655	1,575,162	2,761,823	-	2,876,323
Deferred tax adjustment on revaluation reserve	-	-	-	818	-	-	-	818	-	818
Net unrealised gains on revaluation	-	-	-	-	-	24,449	-	24,449	-	24,449
Transfer to retained profit on realisation of assets	-	-	-	(180)	-	-	180	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(1,757)	-	(1,757)	-	(1,757)
Net gains recognised directly in equity	-	-	-	638	-	22,692	180	23,510	-	23,510
Net profit for the period	-	-	-	-	-	-	221,418	221,418	-	221,418
Total recognised income and expense for the period	-	-	-	638	-	22,692	221,598	244,928	-	244,928
Proposed dividend - 2007 final	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance as at 31 December 2007	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Balance as at 1 January 2008	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Deferred tax adjustment on revaluation reserve	-	-	-	816	-	-	-	816	-	816
Net unrealised losses on revaluation	-	-	-	-	-	(26,500)	-	(26,500)	-	(26,500)
Transfer to retained profit on realisation of assets	-	-	-	(752)	-	-	752	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(36,892)	-	(36,892)	-	(36,892)
Net gains/(losses) recognised directly in equity	-	-	-	64	-	(63,392)	752	(62,576)	-	(62,576)
Net profit for the period	-	-	-	-	-	-	642,535	642,535	-	642,535
Total recognised income and expense for the period	-	-	-	64	-	(63,392)	643,287	579,959	-	579,959
Dividend paid - 2007 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividend paid - 2008 interim	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Balance as at 30 Sept 2008	114,500	741,375	114,500	122,833	190,000	(22,045)	2,040,047	3,186,710	-	3,301,210

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on page 7 to 34 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 127776-V)**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before taxation and zakat	<b>879,152</b>	719,502	<b>865,936</b>	719,502
Adjustments for non-operating and non-cash items	<b>33,806</b>	238,632	<b>33,762</b>	238,632
Operating profit before working capital changes	<b>912,958</b>	958,134	<b>899,698</b>	958,134
Changes in working capital:				
Net changes in operating assets	<b>(5,727,611)</b>	(2,367,625)	<b>(6,882,529)</b>	(2,367,625)
Net changes in operating liabilities	<b>6,361,051</b>	3,196,180	<b>8,406,006</b>	3,196,180
Taxation and zakat paid	<b>(235,679)</b>	(203,566)	<b>(235,679)</b>	(203,566)
<b>Net cash generated from operations</b>	<b>1,310,719</b>	1,583,123	<b>2,187,496</b>	1,583,123
<b>Net cash generated from/ (used in) investing activities</b>	<b>1,832,528</b>	(2,010,729)	<b>(1,125,856)</b>	(2,010,729)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(400,000)</b>	50,000	<b>(400,000)</b>	50,000
	<b>1,432,528</b>	(1,960,729)	<b>(1,525,856)</b>	(1,960,729)
<b>Net changes in cash and cash equivalents</b>	<b>2,743,247</b>	(377,606)	<b>661,640</b>	(377,606)
<b>Cash and cash equivalents at beginning of the period</b>	<b>11,321,351</b>	6,114,345	<b>11,321,351</b>	6,114,345
<b>Cash and cash equivalents at end of the period</b>	<b>14,064,598</b>	5,736,739	<b>11,982,991</b>	5,736,739
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>14,064,598</b>	5,736,739	<b>11,982,991</b>	5,736,739

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on page 7 to 34 attached to the unaudited condensed interim financial statements.*



**HSBC BANK MALAYSIA BERHAD**  
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**(Incorporated in Malaysia)**

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**AS AT 30 SEPTEMBER 2008**

**1 General Information**

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HSBC Bank Malaysia Berhad ("the Bank"), is principally engaged in the provision of banking and other related financial services. The principal activities of the Group consist of conventional banking, Islamic banking and nominee services.

There were no changes in the composition of the Group except for the incorporation of HSBC Amanah Malaysia Bhd ("HSBC Amanah"), a fully owned subsidiary of the Bank on 26 February 2008.

Pursuant to the order of the High Court of Malaya which was obtained on 10 July 2008, the Bank's Islamic banking business was vested to HSBC Amanah on 24 August 2008 in accordance with the terms and conditions of the business transfer agreement entered into between the Bank and HSBC Amanah dated 1 July 2008.

The assets and liabilities of the Bank's Islamic banking business that were transferred to HSBC Amanah are as follows:-

	<b>RM'000</b>
<b>Assets transferred</b>	
Cash and short term funds	2,858,449
Securities available for sale	646,190
Financing, advances and other loans	3,157,602
Other assets	69,945
Statutory deposits with Bank Negara Malaysia	100,900
Equipment	349
Intangible assets	109
Deferred tax asset	15,909
	<hr/>
	6,849,453
<b>Liabilities transferred</b>	
Deposits from customers	5,058,617
Deposits and placements of banks and other financial institutions	133,247
Other liabilities	998,189
	<hr/>
	6,190,053
	<hr/>
<b>Net assets transferred</b>	<b>659,400</b>

## 2 Basis of Preparation

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The unaudited condensed interim financial statements for the period ended 30 September 2008 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") as modified by Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

The Group's unaudited interim financial statements include the financial statements of the Bank and its subsidiary companies. The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2007. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and Bank since the financial year ended 31 December 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2007, except for the adoption of the following Financial Reporting Standards ("FRS's") and Interpretations that are effective for financial periods beginning on or after 1 July 2007:

- FRS 107 *Cash Flow Statements*
- FRS 111 *Construction Contracts*
- FRS 112 *Income Taxes*
- FRS 118 *Revenue*
- FRS 119 *Employee Benefits*
- FRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*
- *Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*
- FRS 126 *Accounting and Reporting by Retirement Benefit Plans*
- FRS 129 *Financial Reporting in Hyperinflationary Economies*
- FRS 134 *Interim Financial Reporting*
- FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*
- IC Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- IC Interpretation 6 *Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*
- IC Interpretation 7 *Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies*
- IC Interpretation 8 *Scope of FRS 2*

The adoption of FRS's 107, 112, 118, 119, 134, 137, Amendment to FRS 121 and IC Interpretation 8 does not result in significant changes in the accounting policies of the Group and the Bank.

FRS's 111, 120, 126, 129, IC Interpretations 1, 2, 5, 6, and 7 are not applicable to the Group and the Bank.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

- (i) Estimation of recoverable amount based on the discounted cashflow methodology for impaired loans (Notes 14(ii) and 24)
- (ii) Fair value estimation of financial assets and liabilities.

### **3 Auditors' Report On Preceding Annual Financial Statements**

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The audit report on the audited annual financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

### **4 Seasonality or Cyclical Factors**

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The business operations of the Group and Bank are not subject to material seasonal or cyclical fluctuations.

### **5 Unusual Items Due to Their Nature, Size or Incidence**

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the period ended 30 September 2008 except for the vesting of the Bank's Islamic Banking operations to HSBC Amanah Malaysia Berhad on 24 August 2008 as disclosed in Note 1.

### **6 Changes in Estimates**

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There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the period ended 30 September 2008.

### **7 Debt and Equity Securities**

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There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 September 2008.

### **8 Dividend**

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The Group paid the following dividends during the financial period ended 30 September 2008.

- a) A final dividend of RM1.475 per ordinary share less tax at 26% totalling RM250 million in respect of the financial year ended 31 December 2007 was paid on 7 March 2008.
- b) An interim dividend of RM0.885 per ordinary share less tax at 26% totalling RM150 million in respect of the current financial year was paid on 5 September 2008.

### **9 Carrying Amount of Revalued Assets**

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Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial period ended 30 September 2008.

### **10 Significant Events Subsequent to the Balance Sheet Date**

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

## 11 Securities Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>259,682</b>	83,422	<b>259,682</b>	83,422
Bank Negara Malaysia bills and notes	<b>383,684</b>	316,580	<b>383,684</b>	316,580
Bank Negara Malaysia Islamic bills	<b>73,265</b>	315,096	<b>73,265</b>	315,096
Malaysian Government securities	<b>410,915</b>	413,625	<b>410,915</b>	413,625
Malaysian Government Islamic bonds	<b>4,649</b>	9,780	<b>4,649</b>	9,780
Cagamas bonds and notes	<b>4,316</b>	12,474	<b>4,316</b>	12,474
	<b>1,136,511</b>	1,150,977	<b>1,136,511</b>	1,150,977
Unquoted securities:				
Private debt securities (including commercial paper)	<b>15,611</b>	85,216	<b>15,611</b>	85,216
	<b>1,152,122</b>	1,236,193	<b>1,152,122</b>	1,236,193

## 12 Securities Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	-	29,916	-	29,916
Bank Negara Malaysia bills and notes	-	775,282	-	775,282
Bank Negara Malaysia Islamic bills	-	804,051	-	804,051
Malaysian Government securities	<b>336,565</b>	371,059	<b>336,565</b>	371,059
Malaysian Government Islamic bonds	<b>559,796</b>	651,757	<b>205,672</b>	651,757
Khazanah bonds	<b>64,988</b>	277,853	<b>12,145</b>	277,853
Cagamas bonds and notes	<b>109,900</b>	540,095	<b>109,900</b>	540,095
Negotiable instruments of deposit	<b>500,031</b>	320,015	<b>480,035</b>	320,015
Bankers' acceptance and Islamic accepted bills	<b>458,199</b>	90,202	<b>458,199</b>	90,202
	<b>2,029,479</b>	3,860,230	<b>1,602,516</b>	3,860,230
Quoted securities:				
Shares	<b>24,801</b>	21,108	<b>24,801</b>	21,108
Loan stock	<b>16,106</b>	16,106	<b>16,106</b>	16,106
	<b>40,907</b>	37,214	<b>40,907</b>	37,214
Unquoted securities:				
Shares	<b>41,170</b>	77,342	<b>41,170</b>	77,342
Private debt securities	<b>217,645</b>	313,837	<b>97,529</b>	313,837
	<b>258,815</b>	391,179	<b>138,699</b>	391,179
Impairment loss:				
Quoted securities in Malaysia:				
Loan stock	<b>(16,106)</b>	(16,106)	<b>(16,106)</b>	(16,106)
	<b>2,313,095</b>	4,272,517	<b>1,766,016</b>	4,272,517

### 13 Loans, Advances and Financing

#### (i) By type

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts	<b>1,598,443</b>	1,523,922	<b>1,593,515</b>	1,523,922
Term loans/ financing				
Housing loans/ financing	<b>8,948,578</b>	8,486,428	<b>8,880,429</b>	8,486,428
Syndicated term loans/ financing	<b>149,807</b>	155,159	<b>149,807</b>	155,159
Hire purchase receivables	<b>278,508</b>	251,516	<b>1,782</b>	251,516
Lease receivables	<b>16,083</b>	23,570	<b>16,083</b>	23,570
Other term loans/ financing	<b>8,265,482</b>	6,887,328	<b>6,587,479</b>	6,887,328
Bills receivable	<b>2,076,354</b>	1,519,669	<b>2,076,354</b>	1,519,669
Trust receipts	<b>1,254,044</b>	640,323	<b>1,254,044</b>	640,323
Claims on customers under acceptance credits	<b>3,095,487</b>	2,567,640	<b>1,938,219</b>	2,567,640
Staff loans/ financing	<b>349,672</b>	329,416	<b>348,561</b>	329,416
Credit/ charge cards	<b>2,359,348</b>	2,343,528	<b>2,358,145</b>	2,343,528
Revolving credit	<b>2,195,435</b>	2,024,455	<b>2,195,435</b>	2,024,455
Other loans/ financing	<b>6,788</b>	5,574	<b>6,788</b>	5,574
Less: Unearned interest and income	<b>(136,740)</b>	(131,370)	<b>(2,287)</b>	(131,370)
	<b>30,457,289</b>	26,627,158	<b>27,404,354</b>	26,627,158
Less: Allowance for bad and doubtful debts and financing:				
- General	<b>(459,897)</b>	(401,700)	<b>(407,300)</b>	(401,700)
- Specific	<b>(268,558)</b>	(218,334)	<b>(251,888)</b>	(218,334)
Total net loans, advances and financing	<b>29,728,834</b>	26,007,124	<b>26,745,166</b>	26,007,124

#### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions				
Stockbroking companies	<b>151,868</b>	153,084	<b>151,868</b>	153,084
Others	<b>114,047</b>	47,138	<b>114,047</b>	47,138
Domestic business enterprises				
Small medium enterprises	<b>4,240,671</b>	3,447,776	<b>3,797,441</b>	3,447,776
Others	<b>11,157,983</b>	9,211,129	<b>9,497,964</b>	9,211,129
Government and statutory bodies	<b>7</b>	23	<b>7</b>	23
Individuals	<b>13,837,464</b>	13,190,289	<b>12,892,126</b>	13,190,289
Other domestic entities	<b>2,860</b>	2,695	<b>2,860</b>	2,695
Foreign entities	<b>952,389</b>	575,024	<b>948,041</b>	575,024
	<b>30,457,289</b>	26,627,158	<b>27,404,354</b>	26,627,158

**13 Loans, Advances and Financing (Cont'd)**

**(iii) By interest/ profit rate sensitivity**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate				
Housing loans/ financing	<b>262,672</b>	281,934	<b>206,885</b>	281,934
Hire purchase receivables	<b>249,617</b>	223,506	<b>1,727</b>	223,506
Other fixed rate loans/ financing	<b>4,903,408</b>	4,157,222	<b>2,183,150</b>	4,157,222
Variable rate	-			
BLR plus	<b>20,459,012</b>	17,596,513	<b>20,459,012</b>	17,596,513
Cost-plus	<b>2,195,435</b>	2,024,455	<b>2,195,435</b>	2,024,455
Other variable rates	<b>2,387,145</b>	2,343,528	<b>2,358,145</b>	2,343,528
	<b>30,457,289</b>	26,627,158	<b>27,404,354</b>	26,627,158

**(iv) By sector**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>963,685</b>	1,001,145	<b>817,224</b>	1,001,145
Mining and quarrying	<b>340,281</b>	177,656	<b>329,473</b>	177,656
Manufacturing	<b>6,385,545</b>	5,064,036	<b>5,446,898</b>	5,064,036
Electricity, gas and water	<b>101,084</b>	110,542	<b>84,447</b>	110,542
Construction	<b>836,004</b>	639,879	<b>774,974</b>	639,879
Real estate	<b>723,429</b>	690,951	<b>717,910</b>	690,951
Purchase of landed property:				
Residential	<b>9,368,566</b>	8,926,254	<b>9,312,779</b>	8,926,254
Non-residential	<b>1,248,994</b>	1,164,051	<b>1,240,370</b>	1,164,051
Wholesale & retail trade and restaurants & hotels	<b>2,908,395</b>	2,280,204	<b>2,398,189</b>	2,280,204
Transport, storage and communication	<b>382,187</b>	247,079	<b>266,070</b>	247,079
Finance, insurance and business services	<b>1,810,913</b>	1,496,488	<b>1,586,010</b>	1,496,488
Purchase of securities	<b>40,282</b>	48,123	<b>38,528</b>	48,123
Purchase of transport vehicles	<b>45,634</b>	39,915	<b>45,634</b>	39,915
Consumption credit	<b>4,605,676</b>	4,325,096	<b>3,716,162</b>	4,325,096
Others	<b>696,614</b>	415,739	<b>629,686</b>	415,739
	<b>30,457,289</b>	26,627,158	<b>27,404,354</b>	26,627,158

#### 14 Non-Performing Loans/ Financing (NPL/ NPF)

##### (i) Movements in non-performing loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At beginning of period/ year	<b>438,025</b>	538,401	<b>438,025</b>	538,401
Classified as non-performing during the period/ year	<b>351,327</b>	541,516	<b>346,605</b>	541,516
Reclassified as performing	<b>(61,614)</b>	(104,002)	<b>(61,427)</b>	(104,002)
Loans/ financing converted to securities	-	(19,339)	-	(19,339)
Amount recovered	<b>(120,028)</b>	(173,397)	<b>(118,786)</b>	(173,397)
Amount written off	<b>(139,115)</b>	(256,499)	<b>(135,941)</b>	(256,499)
Disposal of non performing loans	-	(94,727)	-	(94,727)
Disposal of Islamic banking operations to HSBC Amanah	-	-	<b>(22,681)</b>	-
Other movements	<b>10,300</b>	6,072	<b>10,300</b>	6,072
At end of period/ year	<b>478,895</b>	438,025	<b>456,095</b>	438,025
Specific allowance	<b>(268,558)</b>	(218,334)	<b>(251,888)</b>	(218,334)
Net non-performing loans, advances and financing	<b>210,337</b>	219,691	<b>204,207</b>	219,691
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<b>0.7%</b>	0.8%	<b>0.8%</b>	0.8%

##### (ii) Movements in allowance for bad and doubtful debts

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>General allowance</b>				
At beginning of period/ year	<b>401,700</b>	372,600	<b>401,700</b>	372,600
Made during the year	<b>60,197</b>	53,200	<b>60,197</b>	53,200
Amount written back during the period/ year	<b>(2,000)</b>	(24,100)	<b>(2,000)</b>	(24,100)
Disposal of Islamic banking operations to HSBC Amanah	-	-	<b>(52,597)</b>	-
At end of period/ year	<b>459,897</b>	401,700	<b>407,300</b>	401,700
As % of gross loans, advances and financing less specific allowance	<b>1.5%</b>	1.5%	<b>1.5%</b>	1.5%
<b>Specific allowance</b>				
At beginning of period/ year	<b>218,334</b>	272,395	<b>218,334</b>	272,395
Made during the period/ year	<b>199,981</b>	318,312	<b>196,717</b>	318,312
Amount recovered during the period/ year	<b>(25,667)</b>	(69,895)	<b>(25,429)</b>	(69,895)
Amount written off	<b>(134,403)</b>	(308,547)	<b>(131,163)</b>	(308,547)
Other movements	<b>10,313</b>	6,069	<b>10,313</b>	6,069
Disposal of Islamic banking operations to HSBC Amanah	-	-	<b>(16,884)</b>	-
At end of period/ year	<b>268,558</b>	218,334	<b>251,888</b>	218,334

#### 14 Non-Performing Loans/ Financing (NPL/ NPF) (Cont'd)

##### (iii) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>1,209</b>	2,400	<b>1,209</b>	2,400
Manufacturing	<b>58,915</b>	67,164	<b>58,644</b>	67,164
Construction	<b>7,230</b>	8,013	<b>7,230</b>	8,013
Real estate	<b>13,728</b>	14,552	<b>13,728</b>	14,552
Purchase of landed property:	-			
Residential	<b>149,496</b>	161,317	<b>148,099</b>	161,317
Non-residential	<b>24,645</b>	22,244	<b>24,645</b>	22,244
Wholesale & retail trade and restaurants & hotels	<b>63,848</b>	39,578	<b>63,848</b>	39,578
Transport, storage and communication	<b>4,240</b>	1,999	<b>4,240</b>	1,999
Finance, insurance and business services	<b>6,864</b>	3,548	<b>6,637</b>	3,548
Purchase of securities	<b>368</b>	363	<b>368</b>	363
Purchase of transport vehicles	<b>255</b>	286	<b>255</b>	286
Consumption credit	<b>146,282</b>	113,971	<b>125,377</b>	113,971
Others	<b>1,815</b>	2,590	<b>1,815</b>	2,590
	<b>478,895</b>	438,025	<b>456,095</b>	438,025

#### 15 Other Assets

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Derivative financial assets	<b>1,051,015</b>	546,321	<b>1,044,992</b>	546,321
Interest/ income receivable	<b>44,055</b>	46,528	<b>34,247</b>	46,528
Other receivables, deposits and prepayments	<b>976,427</b>	304,804	<b>981,662</b>	304,804
	<b>2,071,497</b>	897,653	<b>2,060,901</b>	897,653

#### 16 Deposits from Customers

##### (i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>8,221,150</b>	7,606,560	<b>8,134,160</b>	7,606,581
Savings deposits	<b>5,501,081</b>	5,159,481	<b>5,058,687</b>	5,159,481
Fixed/ investment deposits	<b>23,766,266</b>	20,316,874	<b>20,396,315</b>	20,316,874
Negotiable instruments of deposits	<b>807,911</b>	266,092	<b>807,911</b>	266,092
Wholesale money market deposits	<b>2,709,832</b>	1,882,951	<b>2,709,832</b>	1,882,951
Others	<b>1,811,646</b>	1,082,881	<b>1,620,119</b>	1,082,881
	<b>42,817,886</b>	36,314,839	<b>38,727,024</b>	36,314,860



## 16 Deposits from Customers (Cont'd)

### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008 RM'000	31 Dec 2007 RM'000	30 Sep 2008 RM'000	31 Dec 2007 RM'000
Government and statutory bodies	171,832	156,972	39,503	156,972
Business enterprises	17,335,081	14,388,888	15,137,160	14,388,909
Individuals	19,581,081	17,780,919	18,170,998	17,780,919
Others	5,729,892	3,988,060	5,379,363	3,988,060
	<b>42,817,886</b>	<b>36,314,839</b>	<b>38,727,024</b>	<b>36,314,860</b>

## 17 Deposits and Placements of Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008 RM'000	31 Dec 2007 RM'000	30 Sep 2008 RM'000	31 Dec 2007 RM'000
Licensed banks	-	-	648	-
Bank Negara Malaysia	51,284	111,089	48,543	111,089
Other financial institutions	4,057,738	4,330,812	4,057,738	4,330,812
	<b>4,109,022</b>	<b>4,441,901</b>	<b>4,106,929</b>	<b>4,441,901</b>

## 18 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008 RM'000	31 Dec 2007 RM'000	30 Sep 2008 RM'000	31 Dec 2007 RM'000
Derivative financial liabilities	924,314	507,882	918,291	507,882
Interest/ profit payable	227,133	196,813	209,330	196,813
Allowance for commitments and contingencies	2,245	2,245	2,245	2,245
Profit equalisation reserve	6,700	5,700	-	5,700
Other creditors and accruals	1,143,415	1,102,910	1,121,819	1,102,910
	<b>2,303,807</b>	<b>1,815,550</b>	<b>2,251,685</b>	<b>1,815,550</b>

## 19 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008 RM'000	31 Dec 2007 RM'000	30 Sep 2008 RM'000	31 Dec 2007 RM'000
Subordinated bonds, at par	1,000,000	1,000,000	1,000,000	1,000,000
Fair value changes arising from fair value hedge	(8,342)	-	(8,342)	-
	<b>991,658</b>	<b>1,000,000</b>	<b>991,658</b>	<b>1,000,000</b>

The outstanding Subordinated bonds relate to the RM 1 billion Subordinated bonds issued in 2007 via 2 tranches:

- (a) 4.35% coupon rate for RM 500 million due 2022 callable with a 100 bp step up coupon in 2017
- (b) 5.05% coupon rate for RM 500 million due 2027 callable with a 100 bp step up coupon in 2022

During the financial period, the Bank has undertaken fair value hedge on the interest rate risk on a portion of each of the above two tranches of Subordinated bonds using interest rate swaps. Total amount of Subordinated bonds hedged is RM 420 million.

## 20 Interest Income

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	<b>400,251</b>	380,358	<b>1,150,193</b>	1,094,188
- Recoveries from NPLs	<b>4,452</b>	8,971	<b>21,877</b>	28,348
Money at call and deposit placements with financial institutions	<b>142,717</b>	75,211	<b>388,961</b>	263,566
Securities available-for-sale	<b>13,112</b>	20,208	<b>46,879</b>	71,729
Others	<b>537</b>	-	<b>1,580</b>	-
	<b>561,069</b>	484,748	<b>1,609,490</b>	1,457,831
Amortisation of premium less accretion of discounts	<b>2,271</b>	24,709	<b>18,717</b>	44,091
Interest suspended	<b>(5,107)</b>	(5,401)	<b>(18,042)</b>	(15,647)
Total interest income	<b>558,233</b>	504,056	<b>1,610,165</b>	1,486,275

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	<b>400,251</b>	380,358	<b>1,150,193</b>	1,094,188
- Recoveries from NPLs	<b>4,452</b>	8,971	<b>21,877</b>	28,348
Money at call and deposit placements with financial institutions	<b>142,717</b>	75,211	<b>388,961</b>	263,566
Securities available-for-sale	<b>13,112</b>	20,208	<b>46,879</b>	71,729
Others	<b>4,014</b>	-	<b>5,057</b>	-
	<b>564,546</b>	484,748	<b>1,612,967</b>	1,457,831
Amortisation of premium less accretion of discounts	<b>2,271</b>	24,709	<b>18,717</b>	44,091
Interest suspended	<b>(5,107)</b>	(5,401)	<b>(18,042)</b>	(15,647)
Total interest income	<b>561,710</b>	504,056	<b>1,613,642</b>	1,486,275

## 21 Interest Expense

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	<b>22,851</b>	37,655	<b>65,108</b>	73,693
Deposits from customers	<b>221,437</b>	171,123	<b>617,129</b>	506,869
Loans sold to Cagamas	<b>8,257</b>	9,414	<b>26,024</b>	29,681
Subordinated bonds	<b>11,847</b>	5,482	<b>35,282</b>	5,661
Others	<b>1,173</b>	4,042	<b>3,637</b>	42,085
	<b>265,565</b>	227,716	<b>747,180</b>	657,989

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	<b>22,851</b>	37,655	<b>65,108</b>	73,693
Deposits from customers	<b>221,437</b>	171,123	<b>617,129</b>	506,869
Loans sold to Cagamas	<b>8,257</b>	9,414	<b>26,024</b>	29,681
Subordinated bonds	<b>11,847</b>	5,482	<b>35,282</b>	5,661
Others	<b>1,173</b>	4,042	<b>3,637</b>	42,085
	<b>265,565</b>	227,716	<b>747,180</b>	657,989

## 22 Other Operating Income

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fees and commissions	<b>95,783</b>	100,994	<b>288,320</b>	306,979
Net gains arising from sale of securities				
- Securities held-for-trading	<b>2,089</b>	7,784	<b>18,442</b>	7,180
- Securities available-for-sale	<b>405</b>	5,460	<b>61,877</b>	22,956
Net interest income from trading securities	<b>8,910</b>	13,204	<b>39,466</b>	32,387
Net unrealised gains/ (losses) on revaluation of trading securities	<b>400</b>	(8,541)	<b>620</b>	(6,348)
Net gains arising from dealing in foreign currency	<b>30,730</b>	77,588	<b>135,698</b>	220,461
Net unrealised gains from dealing in foreign currency	<b>66,191</b>	7,424	<b>157,279</b>	33,361
Net (losses)/gains arising from trading in derivatives	<b>(114)</b>	(7,517)	<b>6,826</b>	(49,999)
Net unrealised gains on revaluation of derivatives	<b>7,343</b>	15,107	<b>32,016</b>	61,437
Dividend income from securities available-for-sale			-	
- Unquoted in Malaysia	<b>1,876</b>	38	<b>2,038</b>	803
Rental income	<b>1,485</b>	1,650	<b>4,635</b>	4,871
Net gains on disposal of property, plant and equipment	<b>121</b>	161	<b>418</b>	436
Other operating income	<b>1,628</b>	7,042	<b>15,527</b>	19,367
	<b>216,847</b>	220,394	<b>763,162</b>	653,891

The above fees and commissions were derived from the following major contributors:

Cards	<b>40,908</b>	35,216	<b>123,690</b>	107,045
Service charges and fees	<b>29,088</b>	38,845	<b>88,817</b>	97,143
Agency fees	<b>2,946</b>	13,806	<b>22,065</b>	49,124
Credit facilities	<b>7,422</b>	6,438	<b>21,430</b>	19,932

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fees and commissions	<b>95,783</b>	100,994	<b>288,320</b>	306,979
Net gains arising from sale of securities				
- Securities held-for-trading	<b>2,089</b>	7,784	<b>18,442</b>	7,180
- Securities available-for-sale	<b>405</b>	5,460	<b>61,877</b>	22,956
Net interest income from trading securities	<b>8,910</b>	13,204	<b>39,466</b>	32,387
Net unrealised gains/(losses) on revaluation of trading securities	<b>400</b>	(8,541)	<b>620</b>	(6,348)
Net gains arising from dealing in foreign currency	<b>30,730</b>	77,588	<b>135,698</b>	220,461
Net unrealised gains from dealing in foreign currency	<b>66,191</b>	7,424	<b>157,279</b>	33,361
Net(losses)/gains arising from trading in derivatives	<b>(114)</b>	(7,517)	<b>6,826</b>	(49,999)
Net unrealised gains on revaluation of derivatives	<b>7,343</b>	15,107	<b>32,016</b>	61,437
Dividend income from securities available-for-sale				
- Unquoted in Malaysia	<b>1,876</b>	38	<b>2,038</b>	803
Rental income	<b>1,485</b>	1,650	<b>4,635</b>	4,871
Net gains on disposal of property, plant and equipment	<b>121</b>	161	<b>418</b>	436
Other operating income	<b>7,884</b>	7,042	<b>21,783</b>	19,367
	<b>223,103</b>	220,394	<b>769,418</b>	653,891

The above fees and commissions were derived from the following major contributors:

Cards	<b>40,908</b>	35,216	<b>123,690</b>	107,045
Service charges and fees	<b>29,088</b>	38,845	<b>88,817</b>	97,143
Agency fees	<b>2,946</b>	13,806	<b>22,065</b>	49,124
Credit facilities	<b>7,422</b>	6,438	<b>21,430</b>	19,932

## 23 Other Operating Expenses

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>136,905</b>	125,989	<b>393,368</b>	365,280
Promotion and marketing related expenses	<b>17,753</b>	16,816	<b>44,025</b>	49,686
Establishment related expenses	<b>28,957</b>	27,904	<b>83,886</b>	74,547
General administrative expenses	<b>81,666</b>	78,824	<b>226,678</b>	220,701
	<b>265,281</b>	249,533	<b>747,957</b>	710,214

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>108,120</b>	95,606	<b>301,537</b>	280,799
Employees Provident Fund contributions	<b>18,323</b>	15,832	<b>53,495</b>	45,473
Promotion and marketing related expenses				
Advertising and promotion	<b>10,402</b>	11,841	<b>27,170</b>	31,788
Establishment related expenses				
Depreciation of property, plant and equipment	<b>7,836</b>	7,302	<b>22,517</b>	20,961
Amortisation of intangible assets	<b>5,102</b>	3,917	<b>13,210</b>	9,403
Information technology costs	<b>4,336</b>	4,320	<b>11,970</b>	11,447
Hire of equipment	<b>406</b>	3,164	<b>5,772</b>	8,287
Rental of premises	<b>4,403</b>	3,214	<b>12,969</b>	9,489
Property, plant and equipment written off	<b>13</b>	20	<b>185</b>	65
General administrative expenses				
Intercompany expenses	<b>54,484</b>	58,409	<b>144,591</b>	145,492
Auditors' remuneration	<b>88</b>	88	<b>263</b>	263

### *Bank*

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>135,697</b>	125,989	<b>392,160</b>	365,280
Promotion and marketing related expenses	<b>16,677</b>	16,816	<b>42,949</b>	49,686
Establishment related expenses	<b>28,620</b>	27,904	<b>83,549</b>	74,547
General administrative expenses	<b>80,106</b>	78,824	<b>225,118</b>	220,701
	<b>261,100</b>	249,533	<b>743,776</b>	710,214

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>107,165</b>	95,606	<b>300,582</b>	280,799
Employees Provident Fund contributions	<b>18,165</b>	15,832	<b>53,337</b>	45,473
Promotion and marketing related expenses				
Advertising and promotion	<b>9,326</b>	11,841	<b>26,094</b>	31,788
Establishment related expenses				
Depreciation of property, plant and equipment	<b>7,814</b>	7,302	<b>22,495</b>	20,961
Amortisation of intangible assets	<b>5,080</b>	3,917	<b>13,188</b>	9,403
Information technology costs	<b>4,171</b>	4,320	<b>11,805</b>	11,447
Hire of equipment	<b>406</b>	3,164	<b>5,772</b>	8,287
Rental of premises	<b>4,316</b>	3,214	<b>12,882</b>	9,489
Property, plant and equipment written off	<b>13</b>	20	<b>185</b>	65
General administrative expenses				
Intercompany expenses	<b>54,484</b>	58,409	<b>144,591</b>	145,492
Auditors' remuneration	<b>88</b>	88	<b>263</b>	263

**24 Allowance for Losses on Loans and Financing**

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
Made during the financial period	<b>67,686</b>	60,177	<b>199,981</b>	265,496
Written back	<b>(7,610)</b>	(7,512)	<b>(25,667)</b>	(53,164)
(b) General allowance				
Made during the financial period	<b>34,597</b>	38,350	<b>60,197</b>	53,150
Written back	<b>(800)</b>	(3,750)	<b>(2,000)</b>	(7,950)
Bad debts on loans and financing:				
Recovered	<b>(16,786)</b>	(12,719)	<b>(50,565)</b>	(48,842)
Written off	<b>927</b>	6,085	<b>4,780</b>	17,745
Allowance for losses on commitments and contingencies:				
Made during the financial period	-	-	-	-
Written back	-	-	-	(123)
	<b>78,014</b>	80,631	<b>186,726</b>	226,312
	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
Made during the financial period	<b>64,422</b>	60,177	<b>196,717</b>	265,496
Written back	<b>(7,372)</b>	(7,512)	<b>(25,429)</b>	(53,164)
(b) General allowance				
Made during the financial period	<b>34,597</b>	38,350	<b>60,197</b>	53,150
Written back	<b>(800)</b>	(3,750)	<b>(2,000)</b>	(7,950)
Bad debts on loans and financing:				
Recovered	<b>(16,318)</b>	(12,719)	<b>(50,097)</b>	(48,842)
Written off	<b>926</b>	6,085	<b>4,779</b>	17,745
Allowance for losses on commitments and contingencies:				
Made during the financial period	-	-	-	-
Written back	-	-	-	(123)
	<b>75,455</b>	80,631	<b>184,167</b>	226,312

## 25 Capital Adequacy

	<i>Group</i>	
	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>114,500</b>	114,500
Share premium	<b>741,375</b>	741,375
Capital redemption reserve	<b>190,000</b>	190,000
Retained profits	<b>1,878,915</b>	1,796,760
Other reserves	<b>114,500</b>	114,500
	<b>3,039,290</b>	2,957,135
Less: Deferred tax adjustments	<b>(98,713)</b>	(105,145)
Total Tier 1 capital	<b>2,940,577</b>	2,851,990
<b>Tier 2 capital</b>		
Subordinated bonds	<b>991,658</b>	1,000,000
Revaluation reserves	<b>72,007</b>	72,383
General allowance for bad and doubtful debts and financing	<b>459,897</b>	401,700
Total Tier 2 capital	<b>1,523,562</b>	1,474,083
Total capital	<b>4,464,139</b>	4,326,073
Less: Investment in subsidiaries	-	-
<b>Capital base</b>	<b>4,464,139</b>	4,326,073
Core capital ratio	<b>7.8%</b>	10.0%
Risk-weighted capital ratio	<b>11.9%</b>	15.1%
Core capital ratio (net of proposed dividend)	<b>7.8%</b>	9.1%
Risk-weighted capital ratio (net of proposed dividend)	<b>11.9%</b>	14.2%

Breakdown of gross risk-weighted assets ("RWA") in the various categories of risk-weights:

	<i>Group</i>			
	<b>30 Sep 2008</b>		31 Dec 2007	
	<b>Principal</b>	<b>Risk-weighted</b>	Principal	Risk-weighted
	<b>RM'000</b>	<b>RM'000</b>	RM'000	RM'000
0%	<b>18,320,900</b>	-	16,373,703	-
10%	-	-	264,455	26,446
20%	<b>6,879,268</b>	<b>1,375,854</b>	4,205,244	841,049
35%	<b>8,634,952</b>	<b>3,022,233</b>	-	-
50%	<b>2,673,539</b>	<b>1,336,769</b>	9,899,366	4,949,682
75%	<b>8,739,912</b>	<b>6,554,934</b>	-	-
100%	<b>18,751,130</b>	<b>18,751,130</b>	21,839,548	21,839,548
150%	<b>416,539</b>	<b>624,810</b>	-	-
Total RWA for market risk	-	<b>1,977,983</b>	-	980,958
Total RWA for operational risk	-	<b>3,845,267</b>	-	-
	<b>64,416,240</b>	<b>37,488,980</b>	52,582,316	28,637,683

**25 Capital Adequacy (Cont'd)**

	<i>Bank</i>	
	<b>30 Sep 2008</b>	<b>31 Dec 2007</b>
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>114,500</b>	114,500
Share premium	<b>741,375</b>	741,375
Capital redemption reserve	<b>190,000</b>	190,000
Retained profits	<b>1,878,915</b>	1,796,760
Other reserves	<b>114,500</b>	114,500
	<b>3,039,290</b>	2,957,135
Less: Deferred tax adjustments	<b>(98,713)</b>	(105,145)
Total Tier 1 capital	<b>2,940,577</b>	2,851,990
<b>Tier 2 capital</b>		
Subordinated bonds	<b>991,658</b>	1,000,000
Revaluation reserves	<b>72,007</b>	72,383
General allowance for bad and doubtful debts and financing	<b>407,300</b>	401,700
Total Tier 2 capital	<b>1,470,965</b>	1,474,083
Total capital	<b>4,411,542</b>	4,326,073
Less: Investment in subsidiaries	<b>(660,021)</b>	(21)
<b>Capital base</b>	<b>3,751,521</b>	4,326,052
Core capital ratio	<b>8.4%</b>	10.0%
Risk-weighted capital ratio	<b>10.8%</b>	15.1%
Core capital ratio (net of proposed dividend)	<b>8.4%</b>	9.1%
Risk-weighted capital ratio (net of proposed dividend)	<b>10.8%</b>	14.2%

Breakdown of gross risk-weighted assets ("RWA") in the various categories of risk-weights:

	<i>Bank</i>			
	<b>30 Sep 2008</b>		<b>31 Dec 2007</b>	
	<b>Principal</b>	<b>Risk-weighted</b>	<b>Principal</b>	<b>Risk-weighted</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	<b>14,940,579</b>	-	16,373,703	-
10%	-	-	264,455	26,446
20%	<b>6,671,599</b>	<b>1,334,320</b>	4,205,244	841,049
35%	<b>8,634,952</b>	<b>3,022,233</b>	-	-
50%	<b>3,260,460</b>	<b>1,630,231</b>	9,899,366	4,949,682
75%	<b>7,637,322</b>	<b>5,727,991</b>	-	-
100%	<b>16,685,033</b>	<b>16,685,032</b>	21,839,548	21,839,548
150%	<b>394,674</b>	<b>592,011</b>	-	-
Total RWA for market risk	-	<b>1,977,983</b>	-	980,958
Total RWA for operational risk	-	<b>3,848,384</b>	-	-
	<b>58,224,619</b>	<b>34,818,185</b>	52,582,316	28,637,683

## 26 Commitments and Contingencies

	<i>Group</i>					
	30 Sep 2008			31 Dec 2007		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,672,634	1,672,634	1,570,261	1,478,440	1,478,440	1,462,396
Transaction-related contingent items	2,491,986	1,245,993	1,008,710	2,584,941	1,292,471	1,223,077
Short-term self-liquidating trade-related contingencies	471,755	94,351	82,770	438,700	87,740	73,252
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	18,906,111	3,781,222	3,104,175	19,642,907	-	-
- Maturity exceeding one year	1,110,034	555,017	499,545	634,924	317,462	317,462
Foreign exchange related contracts:						
- Less than one year	24,121,627	847,562	583,142	21,557,011	279,475	105,763
- One year to less than five years	3,579,021	254,125	113,128	1,799,862	175,660	73,788
- Five years and above	1,957,086	147,330	19,673	1,915,480	278,531	127,469
Interest rate related contracts:						
- Less than one year	10,001,338	33,476	9,283	6,696,171	21,700	4,906
- One year to less than five years	18,912,326	564,147	209,054	17,441,588	444,377	181,798
- Five years and above	4,573,391	318,313	94,182	1,677,521	110,951	50,038
Other commodity contracts:						
- One year to less than five years	77,965	10,262	2,052	-	-	-
Equity related contract	676,688	62,596	12,661	811,894	139,293	62,256
Sell buy back agreement	268,043	268,043	268,043	286,870	286,870	286,870
	<b>88,820,005</b>	<b>9,855,071</b>	<b>7,576,679</b>	<b>76,966,309</b>	<b>4,912,970</b>	<b>3,969,075</b>

\* The credit equivalent and risk weighted amount is computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. From 2008 onwards, the credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach. Previous year balances that were computed on Basel 1 basis were not required to be restated.



**26 Commitments and Contingencies (Cont'd)**

	<i>Bank</i>					
	30 Sep 2008			31 Dec 2007		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,657,563	1,657,563	1,555,229	1,478,440	1,478,440	1,462,396
Transaction-related contingent items	2,483,966	1,241,983	1,004,700	2,584,941	1,292,471	1,223,077
Short-term self-liquidating trade-related contingencies	450,439	90,088	78,600	438,700	87,740	73,252
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	17,574,819	3,514,963	2,849,336	19,642,907	-	-
- Maturity exceeding one year	1,109,374	554,687	499,290	634,924	317,462	317,462
Foreign exchange related contracts:						
- Less than one year	24,121,627	847,562	583,142	21,557,011	279,475	105,763
- One year to less than five years	3,579,021	254,125	113,128	1,799,862	175,660	73,788
- Five years and above	1,957,086	147,330	19,673	1,915,480	278,531	127,469
Interest rate related contracts:						
- Less than one year	10,001,338	33,476	9,283	6,696,171	21,700	4,906
- One year to less than five years	18,912,326	564,147	209,054	17,441,588	444,377	181,798
- Five years and above	4,573,391	318,313	94,182	1,677,521	110,951	50,038
Other commodity contracts:						
- One year to less than five years	77,965	10,262	2,052	-	-	-
Equity related contract	558,157	47,713	9,684	811,894	139,293	62,256
Sell buy back agreement	-	-	-	286,870	286,870	286,870
	<b>87,057,072</b>	<b>9,282,212</b>	<b>7,027,353</b>	<b>76,966,309</b>	<b>4,912,970</b>	<b>3,969,075</b>

\* The credit equivalent and risk weighted amount is computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. From 2008 onwards, the credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach. Previous year balances that were computed on Basel 1 basis were not required to be restated.

## 27 Interest/ Profit Rate Risk

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The following table summarises the Group and Bank's exposure to interest/profit rate risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

Group 30 Sep 2008	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	13,496,360	-	-	-	-	568,238	-	14,064,598	3.56
Securities purchased under resale agreements	2,381,584	351,434	-	-	-	-	-	2,733,018	3.45
Deposits and placements with banks and other financial institutions	-	1,417,001	68,840	-	-	-	-	1,485,841	3.42
Securities held-for-trading	-	-	-	-	-	-	1,152,122	1,152,122	3.63
Securities available-for-sale	307,824	670,861	932,696	206,506	129,237	65,971	-	2,313,095	3.92
Loans, advances and financing									
- performing	23,989,229	2,231,164	716,443	1,465,109	494,401	622,151	-	29,518,497	6.43
- non-performing *	-	-	-	-	-	210,337	-	210,337	-
Others	-	-	-	-	-	1,346,312	1,859,977	3,206,289	-
<b>Total Assets</b>	<b>40,174,997</b>	<b>4,670,460</b>	<b>1,717,979</b>	<b>1,671,615</b>	<b>623,638</b>	<b>2,813,009</b>	<b>3,012,099</b>	<b>54,683,797</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	21,318,599	4,703,383	8,748,977	639,898	188,354	7,218,675	-	42,817,886	2.88
Deposits and placements of banks and other financial institutions	1,971,340	879,848	407,678	56,021	2,311	791,824	-	4,109,022	2.91
Bills and acceptances payable	35,928	28,551	-	-	-	317,337	-	381,816	3.30
Recourse obligation on loans sold to Cagamas Berhad	-	-	75,889	640,094	-	-	-	715,983	4.71
Subordinated bonds	-	-	-	-	991,658	-	-	991,658	4.70
Others	-	-	-	-	-	1,151,031	1,205,464	2,356,495	-
<b>Total Liabilities</b>	<b>23,325,867</b>	<b>5,611,782</b>	<b>9,232,544</b>	<b>1,336,013</b>	<b>1,182,323</b>	<b>9,478,867</b>	<b>1,205,464</b>	<b>51,372,860</b>	
Shareholders' funds	-	-	-	-	-	3,310,937	-	3,310,937	
<b>Total Liabilities and Shareholders' funds</b>	<b>23,325,867</b>	<b>5,611,782</b>	<b>9,232,544</b>	<b>1,336,013</b>	<b>1,182,323</b>	<b>12,789,804</b>	<b>1,205,464</b>	<b>54,683,797</b>	
On-balance sheet interest sensitivity gap	16,849,130	(941,322)	(7,514,565)	335,602	(558,685)	(9,976,795)	1,806,635	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	(20,000)	20,000	-	-	-	-	-	
- options	(178,800)	(91,830)	186,830	83,800	-	-	-	-	
- swaps	(707,563)	206,234	(362,245)	(488,946)	1,373,562	-	-	21,042	
<b>Total interest sensitivity gap</b>	<b>15,962,767</b>	<b>(846,918)</b>	<b>(7,669,980)</b>	<b>(69,544)</b>	<b>814,877</b>	<b>(9,976,795)</b>	<b>1,806,635</b>	<b>21,042</b>	

**27 Interest/ Profit Rate Risk (Cont'd)**

Group 31 Dec 2007	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short term funds	9,727,281	-	-	-	-	1,594,070	-	11,321,351	3.56
Securities purchased under resale agreements	879,502	979,077	-	-	-	-	-	1,858,579	3.50
Deposits and placements with banks and other financial institutions	-	1,440,854	-	8,099	-	-	-	1,448,953	4.00
Securities held for trading	-	-	-	-	-	-	1,236,193	1,236,193	3.71
Securities available-for-sale	659,360	898,549	1,313,304	1,296,330	6,525	98,449	-	4,272,517	3.69
Loans, advances and financing									
- performing	20,483,360	2,413,919	755,898	994,843	325,056	814,357	-	25,787,433	6.55
- non-performing *	-	-	-	-	-	219,691	-	219,691	-
Others	-	-	-	-	-	1,326,054	667,191	1,993,245	-
<b>TOTAL ASSETS</b>	<b>31,749,503</b>	<b>5,732,399</b>	<b>2,069,202</b>	<b>2,299,272</b>	<b>331,581</b>	<b>4,052,621</b>	<b>1,903,384</b>	<b>48,137,962</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	17,919,846	4,354,973	6,732,610	804,387	62,677	6,440,367	-	36,314,860	2.77
Deposits and placements of banks and other financial institutions	1,906,527	465,475	55,293	256,256	1,171	1,757,179	-	4,441,901	3.29
Bills and acceptances payable	57,297	65,067	-	-	-	505,366	-	627,730	3.30
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	759,101	-	-	-	759,101	4.71
Subordinated bonds	-	-	-	-	1,000,000	-	-	1,000,000	4.70
Others	-	-	-	-	-	1,069,923	803,196	1,873,119	-
<b>Total Liabilities</b>	<b>19,883,670</b>	<b>4,885,515</b>	<b>6,787,903</b>	<b>1,819,744</b>	<b>1,063,848</b>	<b>9,772,835</b>	<b>803,196</b>	<b>45,016,711</b>	
Shareholders' funds	-	-	-	-	-	3,121,251	-	3,121,251	
<b>Total Liabilities and Shareholders' funds</b>	<b>19,883,670</b>	<b>4,885,515</b>	<b>6,787,903</b>	<b>1,819,744</b>	<b>1,063,848</b>	<b>12,894,086</b>	<b>803,196</b>	<b>48,137,962</b>	
On-balance sheet interest sensitivity gap	11,865,833	846,884	(4,718,701)	479,528	(732,267)	(8,841,465)	1,100,188	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	790,910	(800,910)	10,000	-	-	-	-	
- options	(72,800)	(306,885)	156,885	222,800	-	-	-	-	
- swaps	(1,166,983)	(296,659)	1,281,480	257,076	(26,307)	-	-	48,607	
<b>Total interest sensitivity gap</b>	<b>10,626,050</b>	<b>1,034,250</b>	<b>(4,081,246)</b>	<b>969,404</b>	<b>(758,574)</b>	<b>(8,841,465)</b>	<b>1,100,188</b>	<b>48,607</b>	

**27 Interest/ Profit Rate Risk (Cont'd)**

Bank 30 Sep 2008	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	10,644,310	-	-	-	-	1,338,681	-	11,982,991	3.57
Securities purchased under resale agreements	2,381,584	351,434	-	-	-	-	-	2,733,018	3.45
Deposits and placements with banks and other financial institutions	5,793	1,449,662	805,918	167,603	-	-	-	2,428,976	3.47
Securities held-for-trading	-	-	-	-	-	-	1,152,122	1,152,122	3.63
Securities available-for-sale	297,824	668,135	537,327	67,522	129,237	65,971	-	1,766,016	3.79
Loans, advances and financing									
- performing	23,154,759	1,720,831	653,084	144,653	246,642	620,990	-	26,540,959	6.28
- non-performing *	-	-	-	-	-	204,207	-	204,207	-
Others	-	-	-	-	-	1,863,143	1,853,954	3,717,097	-
<b>Total Assets</b>	<b>36,484,270</b>	<b>4,190,062</b>	<b>1,996,329</b>	<b>379,778</b>	<b>375,879</b>	<b>4,092,992</b>	<b>3,006,076</b>	<b>50,525,386</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	18,732,311	4,060,523	8,230,362	631,525	130,000	6,942,303	-	38,727,024	2.87
Deposits and placements of banks and other financial institutions	1,971,340	879,848	407,678	56,021	2,311	789,731	-	4,106,929	2.91
Bills and acceptances payable	35,928	28,551	-	-	-	317,337	-	381,816	3.30
Recourse obligation on loans sold to Cagamas Berhad	-	-	75,889	640,094	-	-	-	715,983	4.71
Subordinated bonds	-	-	-	-	991,658	-	-	991,658	4.70
Others	-	-	-	-	-	1,101,325	1,199,441	2,300,766	
<b>Total Liabilities</b>	<b>20,739,579</b>	<b>4,968,922</b>	<b>8,713,929</b>	<b>1,327,640</b>	<b>1,123,969</b>	<b>9,150,696</b>	<b>1,199,441</b>	<b>47,224,176</b>	
Shareholders' funds	-	-	-	-	-	3,301,210	-	3,301,210	
<b>Total Liabilities and Shareholders' funds</b>	<b>20,739,579</b>	<b>4,968,922</b>	<b>8,713,929</b>	<b>1,327,640</b>	<b>1,123,969</b>	<b>12,451,906</b>	<b>1,199,441</b>	<b>50,525,386</b>	
On-balance sheet interest sensitivity gap	15,744,691	(778,860)	(6,717,600)	(947,862)	(748,090)	(8,358,914)	1,806,635	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	(20,000)	20,000	-	-	-	-	-	
- options	(178,800)	(91,830)	186,830	83,800	-	-	-	-	
- swaps	(707,563)	206,234	(362,245)	(488,946)	1,373,562	-	-	21,042	
<b>Total interest sensitivity gap</b>	<b>14,858,328</b>	<b>(684,456)</b>	<b>(6,873,015)</b>	<b>(1,353,008)</b>	<b>625,472</b>	<b>(8,358,914)</b>	<b>1,806,635</b>	<b>21,042</b>	

**27 Interest/ Profit Rate Risk (Cont'd)**

Bank 31 Dec 2007	Non-trading book						Trading book RM'000	Effective interest rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			Total RM'000
<b>ASSETS</b>									
Cash and short term funds	9,727,281	-	-	-	-	1,594,070	-	11,321,351	3.56
Securities purchased under resale agreements	879,502	979,077	-	-	-	-	-	1,858,579	3.50
Deposits and placements with banks and other financial institutions	-	1,440,854	-	8,099	-	-	-	1,448,953	4.00
Securities held for trading	-	-	-	-	-	-	1,236,193	1,236,193	3.71
Securities available-for-sale	659,360	898,549	1,313,304	1,296,330	6,525	98,449	-	4,272,517	3.69
Loans, advances and financing									
- performing	20,483,360	2,413,919	755,898	994,843	325,056	814,357	-	25,787,433	6.55
- non-performing *	-	-	-	-	-	219,691	-	219,691	-
Others	-	-	-	-	-	1,326,054	667,191	1,993,245	-
<b>TOTAL ASSETS</b>	<b>31,749,503</b>	<b>5,732,399</b>	<b>2,069,202</b>	<b>2,299,272</b>	<b>331,581</b>	<b>4,052,621</b>	<b>1,903,384</b>	<b>48,137,962</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	17,919,846	4,354,973	6,732,610	804,387	62,677	6,440,367	-	36,314,860	2.77
Deposits and placements of banks and other financial institutions	1,906,527	465,475	55,293	256,256	1,171	1,757,179	-	4,441,901	3.29
Bills and acceptances payable	57,297	65,067	-	-	-	505,366	-	627,730	3.30
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	759,101	-	-	-	759,101	4.71
Subordinated bonds	-	-	-	-	1,000,000	-	-	1,000,000	4.70
Others	-	-	-	-	-	1,069,923	803,196	1,873,119	-
<b>Total Liabilities</b>	<b>19,883,670</b>	<b>4,885,515</b>	<b>6,787,903</b>	<b>1,819,744</b>	<b>1,063,848</b>	<b>9,772,835</b>	<b>803,196</b>	<b>45,016,711</b>	
Shareholders' funds	-	-	-	-	-	3,121,251	-	3,121,251	
<b>Total Liabilities and Shareholders' funds</b>	<b>19,883,670</b>	<b>4,885,515</b>	<b>6,787,903</b>	<b>1,819,744</b>	<b>1,063,848</b>	<b>12,894,086</b>	<b>803,196</b>	<b>48,137,962</b>	
On-balance sheet interest sensitivity gap	11,865,833	846,884	(4,718,701)	479,528	(732,267)	(8,841,465)	1,100,188	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	790,910	(800,910)	10,000	-	-	-	-	
- options	(72,800)	(306,885)	156,885	222,800	-	-	-	-	
- swaps	(1,166,983)	(296,659)	1,281,480	257,076	(26,307)	-	-	48,607	
<b>Total interest sensitivity gap</b>	<b>10,626,050</b>	<b>1,034,250</b>	<b>(4,081,246)</b>	<b>969,404</b>	<b>(758,574)</b>	<b>(8,841,465)</b>	<b>1,100,188</b>	<b>48,607</b>	

\* This is arrived at after deducting specific allowance from non-performing loans.

## 28 Operations of Islamic Banking

### Unaudited Condensed Balance Sheets as at 30 September 2008 (30 Syawal 1429)

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		30 Sep 2008 RM'000	31 Dec 2007 RM'000	30 Sep 2008* RM'000	31 Dec 2007 RM'000
<b>Assets</b>					
Cash and short term funds		2,854,482	1,139,046	-	1,139,046
Securities available-for-sale		547,079	821,927	-	821,927
Financing, advances and other loans	(a)	2,983,668	2,961,465	-	2,961,465
Other assets	(c)	17,323	6,879	-	6,879
Statutory deposits with Bank Negara Malaysia		122,400	77,100	-	77,100
Equipment		356	397	-	397
Intangible assets		87	213	-	213
Deferred tax asset		15,774	15,584	-	15,584
<b>Total Assets</b>		<b>6,541,169</b>	<b>5,022,611</b>	<b>-</b>	<b>5,022,611</b>
<b>Liabilities</b>					
Deposits from customers	(d)	4,090,883	3,323,111	-	3,323,111
Deposits and placements of banks and other financial institutions		945,876	5,772	-	5,772
Other liabilities	(e)	831,076	1,046,751	-	1,046,751
Provision for taxation and zakat		3,607	25,833	-	25,833
<b>Total Liabilities</b>		<b>5,871,442</b>	<b>4,401,467</b>	<b>-</b>	<b>4,401,467</b>
<b>Shareholder's Equity</b>					
Islamic banking funds		-	430,000	-	430,000
Share capital		50,000	-	-	-
Reserves		619,727	191,144	-	191,144
		<b>669,727</b>	<b>621,144</b>	<b>-</b>	<b>621,144</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>6,541,169</b>	<b>5,022,611</b>	<b>-</b>	<b>5,022,611</b>
<b>Commitments and Contingencies</b>		<b>1,762,932</b>	<b>327,901</b>	<b>-</b>	<b>327,901</b>

\*The assets and liabilities of the Bank's Islamic Banking operations were vested to HSBC Amanah Malaysia Berhad, a wholly owned subsidiary of HSBC Bank Malaysia Berhad, on 24 August 2008.

**28 Operations of Islamic Banking (Cont'd)**

**Unaudited Condensed Income Statements  
for the period ended 30 September 2008 (30 Syawal 1429)**

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositor's funds and others	<b>90,889</b>	71,242	<b>242,169</b>	217,311
Allowance for losses on financing	<b>(7,828)</b>	(6,751)	<b>(35,012)</b>	(25,375)
Profit equalisation reserve	-	-	<b>(1,000)</b>	(1,000)
Total distributable income	<b>83,061</b>	64,491	<b>206,157</b>	190,936
Income attributable to depositors	<b>(47,031)</b>	(37,152)	<b>(121,015)</b>	(114,840)
Income attributable to the Bank	<b>36,030</b>	27,339	<b>85,142</b>	76,096
Income derived from investment of Islamic banking capital funds	<b>14,847</b>	18,344	<b>42,918</b>	48,608
Total net income	<b>50,877</b>	45,683	<b>128,060</b>	124,704
Other operating expenses	<b>(24,518)</b>	(17,505)	<b>(60,599)</b>	(48,004)
Profit before taxation and zakat	<b>26,359</b>	28,178	<b>67,461</b>	76,700
Taxation and zakat	<b>(7,432)</b>	(7,819)	<b>(19,224)</b>	(21,027)
Profit after taxation and zakat	<b>18,927</b>	20,359	<b>48,237</b>	55,673

**28 Operations of Islamic Banking (Cont'd)**

**Unaudited Condensed Income Statements  
for the period ended 30 September 2008 (30 Syawal 1429)**

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2008</b>	30 Sep 2007	<b>30 Sep 2008</b>	30 Sep 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositor's funds and others	<b>53,745</b>	71,242	<b>205,025</b>	217,311
Allowance for losses on financing	<b>(5,269)</b>	(6,751)	<b>(32,453)</b>	(25,375)
Profit equalisation reserve	<b>-</b>	-	<b>(1,000)</b>	(1,000)
Total distributable income	<b>48,476</b>	64,491	<b>171,572</b>	190,936
Income attributable to depositors	<b>(28,961)</b>	(37,152)	<b>(102,945)</b>	(114,840)
Income attributable to the Bank	<b>19,515</b>	27,339	<b>68,627</b>	76,096
Income derived from investment of Islamic banking capital funds	<b>7,709</b>	18,344	<b>35,780</b>	48,608
Total net income	<b>27,224</b>	45,683	<b>104,407</b>	124,704
Other operating expenses	<b>(14,081)</b>	(17,505)	<b>(50,162)</b>	(48,004)
Profit before taxation and zakat	<b>13,143</b>	28,178	<b>54,245</b>	76,700
Taxation and zakat	<b>(3,788)</b>	(7,819)	<b>(15,580)</b>	(21,027)
Profit after taxation and zakat	<b>9,355</b>	20,359	<b>38,665</b>	55,673



## 28 Operations of Islamic Banking (Cont'd)

### (a) Financing, advances and other loans

#### By type

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash Line	<b>4,928</b>	-	-	-
Term financing				
House financing	<b>68,149</b>	86,295	-	86,295
Hire purchase receivables	<b>276,726</b>	250,807	-	250,807
Lease receivables	-	23,055	-	23,055
Other term financing	<b>1,678,003</b>	1,379,211	-	1,379,211
Claims on customers under acceptance credits	<b>1,157,268</b>	1,416,825	-	1,416,825
Staff financing	<b>1,111</b>	-	-	-
Credit/ charge cards	<b>1,203</b>	1,105	-	1,105
Less: Unearned income	<b>(134,453)</b>	(131,370)	-	(131,370)
	<b>3,052,935</b>	3,025,928	-	3,025,928
Less: Allowance for bad and doubtful financing :				
General	<b>(52,597)</b>	(45,525)	-	(45,525)
Specific	<b>(16,670)</b>	(18,938)	-	(18,938)
Total net financing, advances and other loans	<b>2,983,668</b>	2,961,465	-	2,961,465

### (b) Non-Performing Financing (NPF)

#### (i) Movements in non-performing financing, advances and other loans (including income receivable)

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2008</b>	31 Dec 2007	<b>30 Sep 2008</b>	31 Dec 2007
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At beginning of period/ year	<b>24,321</b>	22,183	<b>24,321</b>	22,183
Classified as non-performing during the period/ year	<b>53,321</b>	87,200	<b>48,599</b>	87,200
Reclassified as performing	<b>(365)</b>	(631)	<b>(178)</b>	(631)
Amount recovered	<b>(22,385)</b>	(6,214)	<b>(21,143)</b>	(6,214)
Amount written off	<b>(29,147)</b>	(40,719)	<b>(25,973)</b>	(40,719)
Others	<b>(2,945)</b>	(37,498)	<b>(2,945)</b>	(37,498)
Amount vested to HSBC Amanah Malaysia Bhd	-	-	<b>(22,681)</b>	-
At end of period/ year	<b>22,800</b>	24,321	-	24,321
Specific allowance	<b>(16,670)</b>	(18,938)	-	(18,938)
Net non-performing financing, advances and other loans	<b>6,130</b>	5,383	-	5,383
Ratio of net non-performing financing, advances and other loans to net financing, advances and other loans	<b>0.2%</b>	0.2%	-	0.2%

## 28 Operations of Islamic Banking (Cont'd)

### (ii) Movements in allowance for bad and doubtful financing

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008	31 Dec 2007	30 Sep 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
<b>General allowance</b>				
At beginning of period/ year	45,525	48,740	45,525	48,740
Made during the period/ year	9,072	535	9,072	535
Allowance written back during the period/ year	(2,000)	(3,750)	(2,000)	(3,750)
Amount vested to HSBC Amanah Malaysia Bhd	-	-	(52,597)	-
At end of period/year	<b>52,597</b>	45,525	-	45,525
As % of gross financing, advances and other loans less specific allowance	<b>1.7%</b>	1.5%	-	1.5%

### Specific allowance

At beginning of period/ year	18,938	18,703	18,938	18,703
Allowance made during the period/ year	34,333	47,487	31,069	47,487
Amount recovered	(4,543)	(6,697)	(4,305)	(6,697)
Amount written off	(29,564)	(40,555)	(26,324)	(40,555)
Other movements	(2,494)	-	(2,494)	-
Amount vested to HSBC Amanah Malaysia Bhd	-	-	(16,884)	-
At end of period/ year	<b>16,670</b>	18,938	-	18,938

### (c) Other Assets

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008	31 Dec 2007	30 Sep 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
Revaluation gain on equity related contracts	6,023	-	-	-
Income receivable	9,808	6,692	-	6,692
Other receivables, deposits and prepayments	1,492	187	-	187
	<b>17,323</b>	6,879	-	6,879

### (d) Deposits from Customers

#### (i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008	31 Dec 2007	30 Sep 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
<b>Non-Mudharabah Fund</b>				
Demand deposits	87,011	87,528	-	87,528
Savings deposits	442,394	382,606	-	382,606
	<b>529,405</b>	470,134	-	470,134
<b>Mudharabah Fund</b>				
General investment deposits	3,369,951	2,852,977	-	2,852,977
Others	191,527	-	-	-
	<b>4,090,883</b>	3,323,111	-	3,323,111

## 28 Operations of Islamic Banking (Cont'd)

### (e) Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2008 RM'000	31 Dec 2007 RM'000	30 Sep 2008 RM'000	31 Dec 2007 RM'000
Revaluation loss on equity related contracts	6,023	-	-	-
Special placement deposits by Head Office	-	920,792	-	920,792
Settlement due to Head Office	-	52,838	-	52,838
Profit equalisation reserve	6,700	5,700	-	5,700
Profit payable	17,803	21,206	-	21,206
Other creditors and accruals	800,550	46,215	-	46,215
	<b>831,076</b>	<b>1,046,751</b>	<b>-</b>	<b>1,046,751</b>

### (f) Income from Islamic Banking Operations

For consolidation with the conventional operations, income from Islamic banking operations comprises the following items :

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2008 RM'000	30 Sep 2007 RM'000	30 Sep 2008 RM'000	30 Sep 2007 RM'000
Income derived from investment of depositors' funds and others	90,840	71,242	242,120	217,311
Profit equalisation reserve	-	-	(1,000)	(1,000)
Income attributable to the depositors	(43,505)	(37,152)	(117,489)	(114,840)
Income attributable to special placement deposits by Head Office	4,914	8,153	21,139	24,456
Profit from structured deposits earned from Head Office	-	(684)	-	(684)
	<b>52,249</b>	<b>41,559</b>	<b>144,770</b>	<b>125,243</b>
Income derived from investment of Islamic Banking capital funds	14,847	18,344	42,918	48,608
	<b>67,096</b>	<b>59,903</b>	<b>187,688</b>	<b>173,851</b>

  

	<i>Bank</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2008 RM'000	30 Sep 2007 RM'000	30 Sep 2008 RM'000	30 Sep 2007 RM'000
Income derived from investment of depositors' funds and others	53,745	71,242	205,025	217,311
Profit equalisation reserve	-	-	(1,000)	(1,000)
Income attributable to the depositors	(28,961)	(37,152)	(102,945)	(114,840)
Income attributable to special placement deposits by Head Office	4,914	8,153	21,139	24,456
Profit from structured deposits earned from Head Office	-	(684)	-	(684)
	<b>29,698</b>	<b>41,559</b>	<b>122,219</b>	<b>125,243</b>
Income derived from investment of Islamic Banking capital funds	7,709	18,344	35,780	48,608
	<b>37,407</b>	<b>59,903</b>	<b>157,999</b>	<b>173,851</b>

## 29 Comparative Figures

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The following comparative figures have been reclassified to conform with the current year's presentation.

	<i>Group</i>		<i>Bank</i>	
	As restated	As previously stated	As restated	As previously stated
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Balance Sheet as at 31 Dec 2007</i>				
Deposits from customers	36,314,839	36,173,674	36,314,860	36,173,695
Deposits and placements of banks and other financial institutions	4,441,901	4,583,066	4,441,901	4,583,066

## 30 Review of Performance

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The Group recorded profit before tax of RM879 million for the period ended 30 September 2008, an increase of 22.2% or RM160 million when compared against the corresponding period last year. Despite a competitive banking environment, operating income grew to RM1.814 billion, an increase of RM158 million or 9.5% against the financial period ended 30 September 2007, mainly on trading profits due to higher volatility in the foreign exchange market, coupled with higher gains on sale of securities. Operating expenses increased at a slower pace (5.3%), resulting in an improvement in the cost income ratio to 41.2% from 42.9% in the corresponding period last year.

The overall quality of the Group's loan and advances portfolio improved, as net non-performing loans ratio decreased from 0.8% at 30 Sept 2007 to 0.7% currently, resulting in a decrease of RM40 million in allowance for losses on loans and financing for the period ended 30 September 2008 compared to the corresponding period last year.

Total assets grew by RM6.5 billion or 13.6% against 31 December 2007, in tandem with the growth in customer deposits which were up RM6.5 billion or 17.9% due to ample liquidity in the banking sector. Similarly, net loans, advances and financing at RM29.7 billion as at 30 September 2008 also saw an upward trend as it increased by RM3.7 billion or 14.3% against 31 December 2007.

## 31 Business Prospects

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Despite the financial turmoil worldwide, the Malaysian economy is still forecasted to grow, albeit at a slower pace, with inflation projected to rise significantly due to the fuel price hike in June 2008. Recent reductions in fuel prices, however, could help ease inflationary pressures. The Malaysian economy has performed well due to its diversified structure, resilient domestic demand from the private and public sectors and the Malaysian government's long term economic policies promoting foreign trade and investment.

Liquidity in the local banking sector remains ample but income growth could be affected by the expected decrease in domestic consumption and the possible dampening of demand for credit due to the weakening economic environment. Despite the waning growth of global economies and the significant stress on global credit markets, the local banking sector has remained resilient. While the Malaysian economy will not be insulated from the global economic turmoil, its economic fundamentals are sound and are expected to remain as such.

Islamic financing has remained largely positive despite the current global credit crisis. The Group intends to capitalise on the growth in Islamic banking in the region and will be leveraging on the impending launch of HSBC Amanah Malaysia Berhad branches in the fourth quarter of 2008 which will further expand the Group's Islamic banking business market coverage.

Barring unforeseen circumstances, the Group expects to register a satisfactory performance for the current financial year.