

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

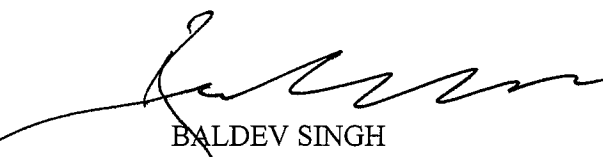
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2010**

**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 3rd quarter and nine months ended 30 September 2010 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 Banking Institutions issued by Bank Negara Malaysia in 2010.



BALDEV SINGH  
Chief Financial Officer

Date : 28 October 2010

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPT 2010**

	Note	<i>Group</i>		<i>Bank</i>	
		<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Assets</b>			Restated		Restated
Cash and short term funds	11	<b>14,396,169</b>	11,709,558	<b>13,400,703</b>	11,480,483
Securities purchased under resale agreements		<b>4,014,825</b>	6,780,923	<b>4,014,825</b>	6,780,923
Deposits and placements with banks and other financial institutions	12	<b>59,795</b>	142,812	<b>1,150,649</b>	1,085,869
Financial Assets Held-for-Trading	13	<b>3,723,035</b>	1,282,817	<b>3,294,904</b>	1,155,431
Financial Investments Available-for-Sale	14	<b>2,397,756</b>	4,855,892	<b>2,071,597</b>	4,471,672
Loans, advances and financing	15	<b>32,426,607</b>	28,623,792	<b>28,314,848</b>	25,458,819
Other assets	17	<b>1,839,823</b>	1,135,215	<b>2,100,403</b>	1,116,912
Statutory deposits with Bank Negara Malaysia		<b>198,627</b>	178,827	<b>167,598</b>	150,298
Investments in subsidiary companies		-	-	<b>660,021</b>	660,021
Property and equipment		<b>282,880</b>	287,872	<b>270,306</b>	280,372
Intangible assets		<b>54,367</b>	57,187	<b>52,688</b>	54,964
Deferred tax assets		<b>150,772</b>	82,614	<b>132,005</b>	68,730
<b>Total assets</b>		<b>59,544,656</b>	55,137,509	<b>55,630,547</b>	52,764,494
<b>Liabilities</b>					
Deposits from customers	18	<b>45,806,471</b>	44,686,358	<b>42,706,201</b>	42,213,968
Deposits and placements of banks and other financial institutions	19	<b>4,869,633</b>	2,819,638	<b>4,274,749</b>	2,710,022
Bills and acceptances payable		<b>398,920</b>	311,616	<b>395,469</b>	308,318
Other liabilities	20	<b>2,778,739</b>	1,821,930	<b>2,666,511</b>	2,118,650
Recourse obligation on loans sold to Cagamas Berhad		<b>530,694</b>	575,511	<b>530,694</b>	575,511
Provision for taxation and zakat		<b>104,029</b>	37,773	<b>100,110</b>	33,986
Subordinated bonds	21	<b>1,010,788</b>	1,000,385	<b>1,010,788</b>	1,000,385
<b>Total liabilities</b>		<b>55,499,274</b>	51,253,211	<b>51,684,522</b>	48,960,840
<b>Equity</b>					
Share capital		<b>114,500</b>	114,500	<b>114,500</b>	114,500
Reserves		<b>3,930,882</b>	3,519,798	<b>3,831,525</b>	3,439,154
Proposed dividend		-	250,000	-	250,000
<b>Total equity attributable to shareholder of the Bank</b>		<b>4,045,382</b>	3,884,298	<b>3,946,025</b>	3,803,654
<b>Total liabilities and equity</b>		<b>59,544,656</b>	55,137,509	<b>55,630,547</b>	52,764,494
<b>Commitments and Contingencies</b>	30	<b>90,644,674</b>	75,667,293	<b>88,843,321</b>	74,087,292

*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 2009 and the accompanying explanatory notes on page 7 to 40 attached to the unaudited condensed interim financial statements.*

*The financial statements were approved by the Board of Directors on 28 October 2010.*

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

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	<i>Note</i>	<i>Group</i>			
		<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
		<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		865,342	742,583	2,460,216	2,278,793
Interest income	22	<b>493,205</b>	421,201	<b>1,396,036</b>	1,329,095
Interest expense	22	<b>(209,385)</b>	(175,070)	<b>(582,192)</b>	(570,754)
Net interest income	22	<b>283,820</b>	246,131	<b>813,844</b>	758,341
Fee and commission income	23	<b>111,150</b>	110,446	<b>342,549</b>	311,888
Fee and commission expense	23	<b>(7,301)</b>	(6,690)	<b>(22,126)</b>	(18,544)
Net fee and commission income	23	<b>103,849</b>	103,756	<b>320,423</b>	293,344
Net trading income	24	<b>150,365</b>	124,677	<b>415,537</b>	341,880
Income from Islamic banking operations	25	<b>81,670</b>	64,576	<b>232,082</b>	198,393
Other operating income	26	<b>8,934</b>	10,404	<b>30,846</b>	56,381
Operating income before impairment losses		<b>628,638</b>	549,544	<b>1,812,732</b>	1,648,339
Loans / financing impairment charges and other credit risk provisions	27	<b>(41,585)</b>	(69,492)	<b>(164,914)</b>	(204,255)
Impairment losses on available-for-sale financial investments		-	-	-	(9,637)
Net operating income		<b>587,053</b>	480,052	<b>1,647,818</b>	1,434,447
Other operating expenses	28	<b>(280,635)</b>	(291,201)	<b>(845,634)</b>	(803,802)
Profit before income tax expense and zakat		<b>306,418</b>	188,851	<b>802,184</b>	630,645
Income tax expense and zakat		<b>(78,509)</b>	(49,506)	<b>(211,311)</b>	(161,412)
<b>Profit for the period</b>		<b>227,909</b>	139,345	<b>590,873</b>	469,233
<b>Other comprehensive income</b>					
Deferred tax adjustment on revaluation reserve		-	-	-	804
Fair value reserve (available-for-sale financial investments):					
Change in fair value		<b>9,707</b>	18,849	<b>10,740</b>	6,109
Amount transferred to profit or loss		-	-	<b>(6,129)</b>	(22,799)
Impairment charges reclassified to income statement		-	-	-	9,637
Income tax relating to components of other comprehensive income		<b>(2,291)</b>	(4,711)	<b>(1,371)</b>	1,728
<b>Other comprehensive income for the period, net of income tax</b>		<b>7,416</b>	14,138	<b>3,240</b>	(4,521)
<b>Total comprehensive income for the period</b>		<b>235,325</b>	153,483	<b>594,113</b>	464,712
Profit attributable to shareholder of the Bank		<b>227,909</b>	139,345	<b>590,873</b>	469,233
Total comprehensive income attributable to shareholder of the Bank		<b>235,325</b>	153,483	<b>594,113</b>	464,712
Basic earnings per RM0.50 share		<b>99.5 sen</b>	60.8 sen	<b>258.0 sen</b>	204.9 sen
Dividends per RM0.50 ordinary share (net)					
- paid in respect of prior year		-	-	<b>109.2 sen</b>	65.5 sen
- interim dividend paid		<b>87.3 sen</b>	87.3 sen	<b>87.3 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 2009 and the accompanying explanatory notes on page 7 to 40 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)**  
**FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	<i>Note</i>	<i>Bank</i>			
		<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
		<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		797,911	692,325	2,282,206	2,115,946
Interest income	22	<b>502,241</b>	427,106	<b>1,420,200</b>	1,346,858
Interest expense	22	<b>(209,385)</b>	(175,070)	<b>(582,192)</b>	(570,754)
Net interest income	22	<b>292,856</b>	252,036	<b>838,008</b>	776,104
Fee and commission income	23	<b>111,150</b>	110,446	<b>342,549</b>	311,888
Fee and commission expense	23	<b>(7,301)</b>	(6,690)	<b>(22,126)</b>	(18,544)
Net fee and commission income	23	<b>103,849</b>	103,756	<b>320,423</b>	293,344
Net trading income	24	<b>150,365</b>	124,677	<b>415,537</b>	341,880
Other operating income	26	<b>34,155</b>	30,096	<b>103,920</b>	115,320
Operating income before impairment losses		<b>581,225</b>	510,565	<b>1,677,888</b>	1,526,648
Loans / financing impairment charges and other credit risk provisions	27	<b>(18,243)</b>	(58,231)	<b>(106,164)</b>	(166,459)
Impairment losses on available-for-sale financial investments		-	-	-	(9,637)
Net operating income		<b>562,982</b>	452,334	<b>1,571,724</b>	1,350,552
Other operating expenses	28	<b>(266,609)</b>	(281,383)	<b>(800,241)</b>	(770,222)
Profit before income tax expense		<b>296,373</b>	170,951	<b>771,483</b>	580,330
Income tax expense		<b>(73,106)</b>	(44,580)	<b>(200,136)</b>	(147,715)
<b>Profit for the period</b>		<b>223,267</b>	126,371	<b>571,347</b>	432,615
<b>Other comprehensive income</b>					
Deferred tax adjustment on revaluation reserve		-	-	-	804
Fair value reserve (available-for-sale financial investments):					
Change in fair value		<b>9,704</b>	19,214	<b>11,570</b>	6,052
Amount transferred to profit or loss		-	-	<b>(6,129)</b>	(22,799)
Impairment charges reclassified to income statement		-	-	-	9,637
Income tax relating to components of other comprehensive income		<b>(2,425)</b>	(4,802)	<b>(1,356)</b>	1,728
<b>Other comprehensive income for the period, net of income tax</b>		<b>7,279</b>	14,412	<b>4,085</b>	(4,578)
<b>Total comprehensive income for the period</b>		<b>230,546</b>	140,783	<b>575,432</b>	428,037
Profit attributable to shareholder of the Bank		<b>223,267</b>	126,371	<b>571,347</b>	432,615
Total comprehensive income attributable to shareholder of the Bank		<b>230,546</b>	140,783	<b>575,432</b>	428,037
Basic earnings per RM0.50 share		<b>97.5 sen</b>	55.2 sen	<b>249.50 sen</b>	188.9 sen
Dividends per RM0.50 ordinary share (net)					
- paid in respect of prior year		-	-	<b>109.2 sen</b>	65.5 sen
- interim dividend paid		<b>87.3 sen</b>	87.3 sen	<b>87.3 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 2009 and the accompanying explanatory notes on page 7 to 40 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Group									
	← Non-distributable					→ Distributable				
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available- for-sale reserve	Retained profit	Total reserves	Proposed dividends	Total shareholder's equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2009	114,500	741,375	125,861	122,723	190,000	(2,528)	2,135,618	3,313,049	150,000	3,577,549
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	469,233	469,233	-	469,233
<b>Other comprehensive income, net of income tax</b>										
Deferred tax adjustment on revaluation reserve	-	-	-	804	-	-	-	804	-	804
Fair value reserve (available-for-sale financial investments):										
Net change in fair value	-	-	-	-	-	4,547	-	4,547	-	4,547
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Impairment charges reclassified to income statement	-	-	-	-	-	7,228	-	7,228	-	7,228
Total other comprehensive income	-	-	-	804	-	(5,325)	-	(4,521)	-	(4,521)
Total comprehensive income for the period	-	-	-	804	-	(5,325)	469,233	464,712	-	464,712
<b>Transactions with shareholder, recorded directly in equity</b>										
Dividends paid to shareholder - 2008 final	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Dividends paid to shareholder - 2009 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at 30 September 2009	114,500	741,375	125,861	123,527	190,000	(7,853)	2,404,851	3,577,761	-	3,692,261
Balance as at 1 January 2010	<b>114,500</b>	<b>741,375</b>	<b>154,604</b>	<b>133,216*</b>	<b>190,000</b>	<b>(11,406)</b>	<b>2,312,009*</b>	<b>3,519,798</b>	<b>250,000</b>	<b>3,884,298</b>
-effect of adopting FRS 139	-	-	-	-	-	-	9,284	9,284	-	9,284
Balance as at 1 January 2010, as restated	<b>114,500</b>	<b>741,375</b>	<b>154,604</b>	<b>133,216</b>	<b>190,000</b>	<b>(11,406)</b>	<b>2,321,293</b>	<b>3,529,082</b>	<b>250,000</b>	<b>3,893,582</b>
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	590,873	590,873	-	590,873
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(2,302)	-	-	2,302	-	-	-
Fair value reserve (available-for-sale financial investments):										
Net change in fair value	-	-	-	-	-	7,837	-	7,837	-	7,837
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(4,597)	-	(4,597)	-	(4,597)
Total other comprehensive income	-	-	-	(2,302)	-	3,240	2,302	3,240	-	3,240
Total comprehensive income for the period	-	-	-	(2,302)	-	3,240	593,175	594,113	-	594,113
<b>Transactions with shareholder, recorded directly in equity</b>										
Share based payment transactions	-	-	-	-	-	-	7,687	7,687	-	7,687
Dividends paid to shareholder - 2009 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividends paid to shareholder - 2010 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at 30 September 2010	<b>114,500</b>	<b>741,375</b>	<b>154,604</b>	<b>130,914</b>	<b>190,000</b>	<b>(8,166)</b>	<b>2,722,155</b>	<b>3,930,882</b>	<b>-</b>	<b>4,045,382</b>

\* This figure has been restated. Please refer to Note 32 for further details.

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 2009 and the accompanying explanatory notes on page 7 to 40 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 (CONT'D)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Bank									
	← Non-distributable				→ Available-			Distributable		Total shareholder's equity
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	for-sale reserve	Retained profit	Total reserves	Proposed dividends	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2009	114,500	741,375	114,500	122,723	190,000	(3,619)	2,124,258	3,289,237	150,000	3,553,737
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	432,615	432,615	-	432,615
<b>Other comprehensive income, net of income tax</b>										
Deferred tax adjustment on revaluation reserve	-	-	-	804	-	-	-	804	-	804
Fair value reserve (available-for-sale financial investments):										
Net change in fair value	-	-	-	-	-	4,490	-	4,490	-	4,490
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Impairment charges reclassified to income statement	-	-	-	-	-	7,228	-	7,228	-	7,228
Total other comprehensive income	-	-	-	804	-	(5,382)	-	(4,578)	-	(4,578)
Total comprehensive income for the period	-	-	-	804	-	(5,382)	432,615	428,037	-	428,037
<b>Transactions with shareholder, recorded directly in equity</b>										
Dividends paid to shareholder - 2008 final	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Dividends paid to shareholder - 2009 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at 30 September 2009	114,500	741,375	114,500	123,527	190,000	(9,001)	2,356,873	3,517,274	-	3,631,774
Balance as at 1 January 2010	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>133,216 *</b>	<b>190,000</b>	<b>(11,843)</b>	<b>2,271,906*</b>	<b>3,439,154</b>	<b>250,000</b>	<b>3,803,654</b>
-effect of adopting FRS 139	-	-	-	-	-	-	<b>9,252</b>	<b>9,252</b>	-	<b>9,252</b>
Balance as at 1 January 2010, as restated	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>133,216</b>	<b>190,000</b>	<b>(11,843)</b>	<b>2,281,158</b>	<b>3,448,406</b>	<b>250,000</b>	<b>3,812,906</b>
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	571,347	571,347	-	571,347
<b>Other comprehensive income, net of income tax</b>										
Revaluation reserve:										
Transfer to retained profit upon realisation of depreciation	-	-	-	(2,302)	-	-	2,302	-	-	-
Fair value reserve (available-for-sale financial investments):										
Net change in fair value	-	-	-	-	-	8,682	-	8,682	-	8,682
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(4,597)	-	(4,597)	-	(4,597)
Total other comprehensive income	-	-	-	(2,302)	-	4,085	2,302	4,085	-	4,085
Total comprehensive income for the period	-	-	-	(2,302)	-	4,085	573,649	575,432	-	575,432
<b>Transactions with shareholder, recorded directly in equity</b>										
Share based payment transactions	-	-	-	-	-	-	7,687	7,687	-	7,687
Dividends paid to shareholder - 2009 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Dividends paid to shareholder - 2010 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Balance as at 30 September 2010	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>130,914</b>	<b>190,000</b>	<b>(7,758)</b>	<b>2,662,494</b>	<b>3,831,525</b>	<b>-</b>	<b>3,946,025</b>

\* This figure has been restated. Please refer to Note 32 for further details.

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**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before income tax and zakat	<b>802,184</b>	630,645	<b>771,483</b>	580,330
Adjustments for non-operating and non-cash items	<b>60,663</b>	43,209	<b>57,577</b>	38,971
Operating profit before working capital changes	<b>862,847</b>	673,854	<b>829,060</b>	619,301
Changes in working capital:				
Net changes in operating assets	<b>(4,105,735)</b>	2,178,949	<b>(3,284,572)</b>	1,836,669
Net changes in operating liabilities	<b>4,172,500</b>	(838,155)	<b>2,650,239</b>	(292,038)
Income tax and zakat paid	<b>(219,873)</b>	(179,794)	<b>(201,732)</b>	(168,127)
<b>Net cash generated from operations</b>	<b>709,739</b>	1,834,854	<b>(7,005)</b>	1,995,805
<b>Net cash generated from/(used in) investing activities</b>	<b>2,426,872</b>	(660,998)	<b>2,377,225</b>	(850,503)
<b>Net cash used in financing activity</b>	<b>(450,000)</b>	(350,000)	<b>(450,000)</b>	(350,000)
	<b>1,976,872</b>	(1,010,998)	<b>1,927,225</b>	(1,200,503)
<b>Net changes in cash and cash equivalents</b>	<b>2,686,611</b>	823,856	<b>1,920,220</b>	795,302
<b>Cash and cash equivalents at beginning of the period</b>	<b>11,709,558</b>	8,428,554	<b>11,480,483</b>	7,445,455
<b>Cash and cash equivalents at end of the period</b>	<b>14,396,169</b>	9,252,410	<b>13,400,703</b>	8,240,757
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>14,396,169</b>	9,252,410	<b>13,400,703</b>	8,240,757

*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 2009 and the accompanying explanatory notes on page 7 to 40 attached to the unaudited condensed interim financial statements.*



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

**Explanatory notes to the Interim Financial Statements as at 30 September 2010**

**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 subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

There were no significant changes in these activities during the financial period.

**2 Basis of Preparation**

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The unaudited condensed interim financial statements for the 3rd quarter and nine months ended 30 September 2010 have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") as modified by Bank Negara Malaysia's ("BNM") guidelines.

The Group's unaudited interim financial statements include the financial statements of the Bank and its subsidiary companies. The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group as at and for the financial year ended 31 December 2009. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and Bank since the financial year ended 31 December 2009.

All other significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2009, except for the adoption of the following FRSs, amendments to FRSs and Issues Committee ("IC") Interpretations.

**FRSs / Interpretations**

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendment to FRS 117, Leases
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements
- Amendments to FRS 132, Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Improvements to FRSs (2009)
- 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

## 2 Basis of Preparation (Cont'd)

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FRS 4 (Insurance Contracts), FRS 8 (Operating Segments) and IC Interpretation 14 (FRS 119 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction) are not applicable to the Group and the Bank. The adoption of FRS 7, FRS 101 and amendments to FRS 132 did not impact the financial results of the Group and the Bank, as the changes introduced are presentational in nature. The changes in presentation arising from the adoption of FRS7 and FRS 101 are disclosed in Note 32. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments and FRS 117 are disclosed in Note 32.

The Amendments to FRS 139 include an additional transitional arrangement for entities in the financial services sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions. BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 require banking institutions to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment provision. Subject to the prior written approval from BNM, banking institutions are allowed to maintain a collective impairment assessment provision based on the banks' respective collective impairment assessment methodology.

The adoption of the remaining FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial results of the Group and the Bank.

The Group and Bank have not applied the following accounting standards, amendments and interpretations that have been issued by the MASB as they are either not applicable or not yet effective for the Group and Bank.

<b>FRS/Interpretations</b>	<b>Effective date</b>
- FRS 1, First-time Adoption of Financial Reporting Standards	1 July 2010
- FRS 3, Business Combinations	1 July 2010
- FRS 127, Consolidated and Separate Financial Statements	1 July 2010
- IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 Jan 2011
- IC Interpretation 12, Service Concession Arrangements	1 July 2010
- IC Interpretation 15, Agreements for the Construction of Real Estate	1 Jan 2012
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
- IC Interpretation 17, Distribution of Non-cash Assets to Owners	1 July 2010
- IC Interpretation 18, Transfers of Assets from Customers	1 Jan 2011
- Amendments to FRS 1, First Time Adoption of Financial Reporting Standards- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters.	1 Jan 2011
- Amendments to FRS 2, Share-based Payment IC	1 July 2010
- Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions	1 Jan 2011
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
- Amendments to FRS 7, Financial Instruments: Disclosures- Improving Disclosures about Financial Instruments	1 Jan 2011
- Amendments to FRS 138, Intangible Assets	1 July 2010
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010

The new requirements above take effect for the annual periods beginning on or after 1 July 2010, except for IC Interpretations 4 and 18 and Amendments to FRS 1, 2 (Group Cash-settled Share-based Payment Transactions) and 7 which apply for the annual period beginning on or after 1 January 2011 and IC Interpretation 15 which applies for the annual period beginning on or after 1 January 2012. IC Interpretations 12, 15, 16 and 17 are not expected to have any impact on the financial statements of the Group as they are not relevant to the operations of the Group. The adoption of the other revised FRSs, amendments to FRSs and IC Interpretations is not expected to have a significant financial impact on the Group.

### **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 2009 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 3rd quarter and nine months ended 30 September 2010.

### **6 Changes in Estimates**

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The preparation of financial information requires the use of estimates. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that critical accounting policies where judgement is necessarily applied are those which relate to impairment of loans, advances and financing, the valuation of financial instruments and the impairment of available-for-sale financial investments.

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 3rd quarter and nine months ended 30 September 2010.

### **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 3rd quarter and nine months ended 30 September 2010.

### **8 Dividend**

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The Group paid the following dividends during the nine months ended 30 September 2010:-

- a) A final dividend of RM1.456 per ordinary share less tax at 25% totalling RM250 million in respect of the financial year ended 31 December 2009 was paid on 5 March 2010.
- b) An interim dividend of RM1.164 per ordinary share less tax at 25% totalling RM200 million in respect of the current financial year was paid on 25 August 2010.

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

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Property and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and professional valuation. The adoption of the amendment to FRS 117 has resulted in the Group reassessing and determining that all leasehold land of the Group is in substance finance leases and as such the leasehold land has been reclassified to property and equipment. The principal effects of the adoption of the amendment to FRS 117 are disclosed in Note 32.

### **10 Significant Events**

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

### 11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	605,078	434,905	570,393	423,859
Money at call and deposit placements maturing within one month	13,791,091	11,274,653	12,830,310	11,056,624
	<b>14,396,169</b>	<b>11,709,558</b>	<b>13,400,703</b>	<b>11,480,483</b>

### 12 Deposits and Placements with Banks and Other Financial Institutions

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	1,090,854	943,057
Bank Negara Malaysia	-	100,000	-	100,000
Other financial institutions	59,795	42,812	59,795	42,812
	<b>59,795</b>	<b>142,812</b>	<b>1,150,649</b>	<b>1,085,869</b>

### 13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government treasury bills	315,697	57,422	18,072	18,110
Bank Negara Malaysia bills and notes	1,376,475	315,670	1,376,475	315,670
Bank Negara Malaysia Islamic bills	184,019	149,490	184,019	149,490
Malaysian Government securities	1,203,944	458,592	1,203,944	458,592
Malaysian Government Islamic bonds	301,114	170,838	170,608	82,764
Cagamas bonds and notes	3,305	4,627	3,305	4,627
	<b>3,384,554</b>	<b>1,156,639</b>	<b>2,956,423</b>	<b>1,029,253</b>
Unquoted securities:				
Private debt securities (including commercial paper)	338,481	126,178	338,481	126,178
	<b>3,723,035</b>	<b>1,282,817</b>	<b>3,294,904</b>	<b>1,155,431</b>

### 14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010	31 Dec 2009	30 Sep 2010	31 Dec 2009
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government treasury bills	97,964	174,424	97,964	84,633
Malaysian Government securities	819,051	2,338,447	819,051	2,338,447
Malaysian Government Islamic bonds	666,281	451,077	370,121	344,736
Khazanah bonds	-	47,946	-	-
Cagamas bonds and notes	56,028	35,770	56,028	35,770
Negotiable instruments of deposit	29,999	875,060	-	805,055
Bankers' acceptance and Islamic accepted bills	662,717	782,678	662,717	782,678
	<b>2,332,040</b>	<b>4,705,402</b>	<b>2,005,881</b>	<b>4,391,319</b>
Quoted securities:				
Shares	10,682	19,063	10,682	19,063
Loan stock*	-	5,930	-	5,930
	<b>10,682</b>	<b>24,993</b>	<b>10,682</b>	<b>24,993</b>
Unquoted securities:				
Shares*	16,908	16,908	16,908	16,908
Private and Islamic debt securities	41,941	117,761	41,941	47,624
	<b>58,849</b>	<b>134,669</b>	<b>58,849</b>	<b>64,532</b>
Impairment loss: Quoted securities:				
Shares	(3,815)	(3,242)	(3,815)	(3,242)
Loan stock	-	(5,930)	-	(5,930)
	<b>(3,815)</b>	<b>(9,172)</b>	<b>(3,815)</b>	<b>(9,172)</b>
	<b>2,397,756</b>	<b>4,855,892</b>	<b>2,071,597</b>	<b>4,471,672</b>

\*Stated at cost due to the lack of quoted prices in an active market or / and the fair values of the investments cannot be reliably measured.

## 15 Loans, Advances and Financing

### (i) By type

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<b>At amortised cost</b>				
Overdrafts	1,265,332	1,343,183	1,253,808	1,338,246
Term loans/ financing				
Housing loans/ financing	10,958,603	9,591,757	10,605,108	9,507,684
Syndicated term loans/ financing	50,369	135,712	50,369	135,712
Factoring receivables	32,488	-	32,488	-
Hire purchase receivables	180,562	224,063	1,192	1,629
Lease receivables	2,931	5,836	2,729	5,560
Other term loans/ financing	9,358,488	8,882,984	6,399,066	6,582,449
Bills receivable	2,366,957	1,306,227	2,366,957	1,306,227
Trust receipts	885,173	500,035	884,264	500,035
Claims on customers under acceptance credits	2,995,369	2,808,613	2,441,166	2,248,860
Staff loans/ financing	398,252	380,338	390,388	377,443
Credit/ charge cards	2,744,332	2,724,521	2,514,992	2,556,092
Revolving credit	2,116,088	1,633,995	2,116,088	1,633,995
Other loans/ financing	8,723	7,993	8,723	7,993
Less: Unearned income	(71,988)	(90,379)	-	-
Gross loans, advances and financing	33,291,679	29,454,878	29,067,338	26,201,925
Less: Allowances for impaired loans, advances and financing				
- Collective allowances for impairment	(493,874)	-	(431,200)	-
- Individual allowances for impairment	(371,198)	-	(321,290)	-
- General allowances	-	(440,297)	-	(387,700)
- Specific allowances	-	(390,789)	-	(355,406)
Total net loans, advances and financing	32,426,607	28,623,792	28,314,848	25,458,819

### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Domestic banking institutions	46,462	51,859	-	-
Domestic non-bank financial institutions				
Stockbroking companies	151,471	152,533	151,471	152,533
Others	278	332	278	332
Domestic business enterprises				
Small medium enterprises	5,479,959	4,730,388	4,651,706	3,975,954
Others	8,351,939	8,051,888	6,997,263	6,961,158
Government and statutory bodies	26,090	-	-	-
Individuals	16,584,332	15,141,707	14,834,507	13,868,492
Other domestic entities	10,224	10,269	6,461	6,034
Foreign entities	2,640,924	1,315,902	2,425,652	1,237,422
	33,291,679	29,454,878	29,067,338	26,201,925

### (iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Maturity within one year	14,743,746	12,254,415	12,604,029	10,637,402
More than one year to three years	2,253,896	2,047,274	1,614,470	1,432,530
More than three years to five years	2,037,628	2,307,579	1,177,439	1,469,232
More than five years	14,256,409	12,845,610	13,671,400	12,662,761
	33,291,679	29,454,878	29,067,338	26,201,925

## 15 Loans, Advances and Financing (Cont'd)

### (iv) By interest/ profit rate sensitivity

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate				
Housing loans/ financing	<b>226,108</b>	242,662	<b>202,740</b>	210,380
Hire purchase receivables	<b>165,116</b>	203,166	<b>1,192</b>	1,629
Other fixed rate loans/ financing	<b>5,040,345</b>	4,812,852	<b>2,600,110</b>	2,405,735
Variable rate				
BLR plus	<b>21,964,667</b>	19,439,386	<b>21,632,215</b>	19,394,093
Cost-plus	<b>2,116,089</b>	1,633,996	<b>2,116,089</b>	1,633,996
Other variable rates	<b>3,779,354</b>	3,122,816	<b>2,514,992</b>	2,556,092
	<b>33,291,679</b>	29,454,878	<b>29,067,338</b>	26,201,925

### (v) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>1,039,283</b>	845,718	<b>945,965</b>	749,961
Mining and quarrying	<b>399,943</b>	344,177	<b>265,371</b>	328,673
Manufacturing	<b>6,076,883</b>	5,832,326	<b>5,257,024</b>	5,043,494
Electricity, gas and water	<b>42,600</b>	55,183	<b>36,277</b>	47,681
Construction	<b>937,627</b>	764,321	<b>832,509</b>	709,835
Real estate	<b>1,092,734</b>	1,063,619	<b>788,685</b>	820,427
Wholesale & retail trade and restaurants & hotels	<b>1,936,546</b>	1,954,204	<b>1,768,723</b>	1,676,138
Transport, storage and communication	<b>461,230</b>	368,837	<b>224,193</b>	228,077
Finance, insurance and business services	<b>1,573,642</b>	1,295,134	<b>1,245,142</b>	1,057,541
Household-retail	<b>17,578,632</b>	15,967,891	<b>15,800,660</b>	14,684,813
Others	<b>2,152,559</b>	963,468	<b>1,902,789</b>	855,285
	<b>33,291,679</b>	29,454,878	<b>29,067,338</b>	26,201,925

### (vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of landed property:				
-Residential	<b>11,338,701</b>	9,975,127	<b>10,989,485</b>	9,897,146
-Non residential	<b>990,383</b>	1,005,847	<b>982,065</b>	998,510
Purchase of securities	<b>33,045</b>	46,303	<b>31,883</b>	44,947
Purchase of transport vehicles	<b>47,876</b>	50,517	<b>46,427</b>	50,423
Purchase of fixed assets excluding land & building	<b>84,450</b>	235,009	-	-
Consumption credit	<b>5,777,315</b>	5,578,063	<b>4,351,978</b>	4,376,167
Construction	<b>937,627</b>	764,321	<b>832,509</b>	709,835
Working capital	<b>12,401,748</b>	11,324,636	<b>10,369,279</b>	9,722,493
Other purpose	<b>1,680,534</b>	475,055	<b>1,463,712</b>	402,404
	<b>33,291,679</b>	29,454,878	<b>29,067,338</b>	26,201,925

## 15 Loans, Advances and Financing (Cont'd)

### (vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Northern region	4,889,946	4,275,120	4,280,591	3,953,177
Southern region	4,562,341	4,162,901	4,028,408	3,760,714
Central region	20,111,872	17,292,534	17,383,713	15,131,844
Eastern region	3,727,520	3,724,323	3,374,626	3,356,190
	<b>33,291,679</b>	<b>29,454,878</b>	<b>29,067,338</b>	<b>26,201,925</b>

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Malacca and Pahang.

The Central region consists of the states of Selangor, Negeri Sembilan and the Federal Territory of Kuala Lumpur .

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

## 16 Impaired Loans, Advances and Financing

### (i) Movements in impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
At beginning of period/ year	667,236	485,804	611,783	457,328
Classified as impaired during the period/ year	438,946	711,813	370,348	632,418
Reclassified as performing	(113,479)	(108,088)	(112,788)	(107,833)
Amount recovered	(139,920)	(181,736)	(129,156)	(171,012)
Amount written off	(192,557)	(270,804)	(144,741)	(221,716)
Other movements	12,561	30,247	8,726	22,598
At end of period/ year	672,787	667,236	604,172	611,783
Individual allowance for impairment / (2009: Specific allowance)	(371,198)	(390,789)	(321,290)	(355,406)
Net impaired loans, advances and financing	<b>301,589</b>	<b>276,447</b>	<b>282,882</b>	<b>256,377</b>

### (ii) Movements in allowances for impaired loans, advances and financing

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<b>Collective allowance for impairment (2009: General allowance)</b>				
At beginning of period/ year	440,297	462,597	387,700	410,000
Made during the period/ year	70,142	12,400	53,100	12,400
Amount written back	(16,565)	(34,700)	(9,600)	(34,700)
At end of period/ year	<b>493,874</b>	<b>440,297</b>	<b>431,200</b>	<b>387,700</b>

With the adoption of FRS 139's transitional provision, the Group and the Bank have reversed the 31 December 2009 general allowance balances and reinstated them as collective impairment allowances on 1 January 2010 as both general allowance and collective impairment allowance are based on 1.5% of customer advances net of impairment charge. Prior to 1 Jan 2010, The Group and the Bank's classification of impaired loans, advances and financing was already in line with FRS 139 requirement and its specific allowance was already computed on the net present value of future expected cash flows.

### **Individual allowance for impairment (2009: Specific allowance)**

At beginning of period/ year, as previously stated	390,789	277,100	355,406	255,961
-effect of adopting FRS 139	(12,379)	-	(12,336)	-
At beginning of period/ year, as restated	378,410	277,100	343,070	255,961
Made during the period/ year	189,677	379,365	126,050	313,867
Amount recovered	(36,347)	(44,951)	(28,688)	(33,972)
Amount written off	(168,742)	(250,688)	(123,941)	(202,764)
Other movements	8,200	29,963	4,799	22,314
At end of period/ year	<b>371,198</b>	<b>390,789</b>	<b>321,290</b>	<b>355,406</b>

## 16 Impaired Loans, Advances and Financing (Cont'd)

### (iii) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>1,213</b>	1,246	<b>1,213</b>	1,246
Manufacturing	<b>111,917</b>	133,654	<b>105,149</b>	128,056
Construction	<b>4,060</b>	4,762	<b>4,060</b>	4,762
Real estate	<b>9,248</b>	14,330	<b>9,248</b>	14,134
Wholesale & retail trade, restaurants & hotels	<b>66,151</b>	68,509	<b>62,533</b>	64,653
Transport, storage and communication	<b>2,289</b>	2,261	<b>2,289</b>	2,261
Finance, insurance and business services	<b>6,523</b>	10,139	<b>5,859</b>	10,083
Household-retail	<b>470,908</b>	430,835	<b>413,354</b>	385,088
Others	<b>478</b>	1,500	<b>467</b>	1,500
	<b>672,787</b>	667,236	<b>604,172</b>	611,783

### (iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of landed property:				
-Residential	<b>213,436</b>	193,158	<b>211,326</b>	191,990
-Non residential	<b>15,418</b>	32,129	<b>15,321</b>	32,007
Purchase of securities	<b>377</b>	380	<b>377</b>	380
Purchase of transport vehicles	<b>328</b>	167	<b>328</b>	167
Consumption credit	<b>248,431</b>	228,588	<b>192,987</b>	184,010
Construction	<b>4,060</b>	4,762	<b>4,060</b>	4,762
Working capital	<b>190,737</b>	208,052	<b>179,773</b>	198,467
	<b>672,787</b>	667,236	<b>604,172</b>	611,783

### (v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern region	<b>109,618</b>	118,610	<b>96,856</b>	107,635
Southern region	<b>183,569</b>	176,101	<b>172,049</b>	167,567
Central region	<b>316,079</b>	303,731	<b>280,727</b>	276,083
Eastern region	<b>63,521</b>	68,794	<b>54,540</b>	60,498
	<b>672,787</b>	667,236	<b>604,172</b>	611,783

## 17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Derivative financial assets (Note 30)	<b>1,151,735</b>	753,861	<b>1,142,298</b>	743,624
Interest/ income receivable	<b>43,437</b>	47,679	<b>41,384</b>	46,382
Other receivables, deposits and prepayments	<b>644,651</b>	333,675	<b>916,721</b>	326,906
	<b>1,839,823</b>	1,135,215	<b>2,100,403</b>	1,116,912



## 18 Deposits from Customers

### (i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>10,433,962</b>	10,254,916	<b>10,209,862</b>	10,126,661
Savings deposits	<b>7,701,038</b>	7,089,713	<b>7,094,763</b>	6,581,567
Fixed / Investment deposits	<b>22,299,097</b>	21,758,455	<b>20,161,669</b>	20,123,308
Negotiable instruments of deposit	<b>776,362</b>	417,289	<b>776,362</b>	417,289
Wholesale money market deposits	<b>2,022,404</b>	2,521,745	<b>2,022,404</b>	2,521,745
Others	<b>2,573,608</b>	2,644,240	<b>2,441,141</b>	2,443,398
	<b>45,806,471</b>	44,686,358	<b>42,706,201</b>	42,213,968

The maturity structure of fixed / investment deposits and negotiable instruments of deposit is as follows:

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>18,049,090</b>	17,184,934	<b>16,170,688</b>	15,824,484
More than six months to one year	<b>3,952,109</b>	4,553,680	<b>3,704,879</b>	4,280,602
More than one year to three years	<b>661,153</b>	256,385	<b>654,164</b>	255,924
More than three years to five years	<b>413,107</b>	180,745	<b>408,300</b>	179,587
	<b>23,075,459</b>	22,175,744	<b>20,938,031</b>	20,540,597

### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>168,808</b>	90,038	<b>14,229</b>	14,922
Business enterprises	<b>15,481,216</b>	16,197,083	<b>14,516,110</b>	15,457,644
Individuals	<b>23,040,548</b>	21,849,408	<b>21,482,096</b>	20,588,871
Others	<b>7,115,899</b>	6,549,829	<b>6,693,766</b>	6,152,531
	<b>45,806,471</b>	44,686,358	<b>42,706,201</b>	42,213,968

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Bank Negara Malaysia	<b>55,935</b>	59,551	<b>55,935</b>	59,551
Other financial institutions	<b>4,813,698</b>	2,760,087	<b>4,218,814</b>	2,650,471
	<b>4,869,633</b>	2,819,638	<b>4,274,749</b>	2,710,022

## 20 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Derivative financial liabilities	<b>1,003,230</b>	618,732	<b>993,792</b>	608,495
Interest/ profit payable	<b>173,038</b>	152,594	<b>159,617</b>	144,551
Allowance for commitments and contingencies	<b>2,027</b>	2,440	<b>2,027</b>	2,440
Profit equalisation reserve	<b>6,700</b>	6,700	-	-
Other creditors and accruals	<b>1,593,744</b>	1,041,464	<b>1,511,075</b>	1,363,164
	<b>2,778,739</b>	1,821,930	<b>2,666,511</b>	2,118,650

## 21 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 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	10,788	385	10,788	385
	<b>1,010,788</b>	<b>1,000,385</b>	<b>1,010,788</b>	<b>1,000,385</b>

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

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

The Bank has undertaken a 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.

## 22 Net Interest Income

	<i>Group</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2010 RM'000	30 Sep 2009 RM'000	30 Sep 2010 RM'000	30 Sep 2009 RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	354,988	315,071	991,216	1,009,654
- Interest income recognised from impaired loans	11,044	8,038	26,558	23,782
Money at call and deposit placements with financial institutions	108,067	69,182	312,548	202,461
Financial investments available-for-sale	17,520	26,826	59,932	88,534
Fair value hedge derivative assets	1,586	2,084	5,782	4,664
	<b>493,205</b>	<b>421,201</b>	<b>1,396,036</b>	<b>1,329,095</b>
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	(14,147)	(5,541)	(32,237)	(23,223)
Deposits from customers	(175,228)	(145,655)	(490,609)	(482,578)
Loans sold to Cagamas	(6,384)	(7,691)	(19,672)	(23,836)
Subordinated bonds	(11,846)	(11,846)	(35,153)	(35,153)
Others	(1,780)	(4,337)	(4,521)	(5,964)
	<b>(209,385)</b>	<b>(175,070)</b>	<b>(582,192)</b>	<b>(570,754)</b>
<b>Net interest income</b>	<b>283,820</b>	<b>246,131</b>	<b>813,844</b>	<b>758,341</b>
	<i>Bank</i>			
	3rd quarter ended		Year-To-Date ended	
	30 Sep 2010 RM'000	30 Sep 2009 RM'000	30 Sep 2010 RM'000	30 Sep 2009 RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	354,988	315,071	991,216	1,009,654
- Interest income recognised from impaired loans	11,044	8,038	26,558	23,782
Money at call and deposit placements with financial institutions	117,103	75,087	336,712	220,224
Financial investments available-for-sale	17,520	26,826	59,932	88,534
Fair value hedge derivative assets	1,586	2,084	5,782	4,664
	<b>502,241</b>	<b>427,106</b>	<b>1,420,200</b>	<b>1,346,858</b>
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	(14,147)	(5,541)	(32,237)	(23,223)
Deposits from customers	(175,228)	(145,655)	(490,609)	(482,578)
Loans sold to Cagamas	(6,384)	(7,691)	(19,672)	(23,836)
Subordinated bonds	(11,846)	(11,846)	(35,153)	(35,153)
Others	(1,780)	(4,337)	(4,521)	(5,964)
	<b>(209,385)</b>	<b>(175,070)</b>	<b>(582,192)</b>	<b>(570,754)</b>
<b>Net interest income</b>	<b>292,856</b>	<b>252,036</b>	<b>838,008</b>	<b>776,104</b>

All items of interest income and expense were recognised from assets and liabilities that were not at fair value through profit or loss.

## 23 Net Fee and Commission Income

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>45,625</b>	47,957	<b>135,454</b>	139,616
Service charges and fees	<b>33,798</b>	33,119	<b>106,053</b>	93,755
Fees on credit facilities	<b>6,437</b>	9,267	<b>24,337</b>	23,892
Agency fee	<b>11,822</b>	7,955	<b>39,222</b>	22,140
Others	<b>13,468</b>	12,148	<b>37,483</b>	32,485
	<b>111,150</b>	110,446	<b>342,549</b>	311,888
<b>Fee and commission expense</b>				
Interbank and clearing fees	<b>(221)</b>	(231)	<b>(680)</b>	(670)
Brokerage	<b>(559)</b>	(489)	<b>(1,769)</b>	(1,529)
Others	<b>(6,521)</b>	(5,970)	<b>(19,677)</b>	(16,345)
	<b>(7,301)</b>	(6,690)	<b>(22,126)</b>	(18,544)
<b>Net fee and commission income</b>	<b>103,849</b>	103,756	<b>320,423</b>	293,344
	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>45,625</b>	47,957	<b>135,454</b>	139,616
Service charges and fees	<b>33,798</b>	33,119	<b>106,053</b>	93,755
Fees on credit facilities	<b>6,437</b>	9,267	<b>24,337</b>	23,892
Agency fee	<b>11,822</b>	7,955	<b>39,222</b>	22,140
Others	<b>13,468</b>	12,148	<b>37,483</b>	32,485
	<b>111,150</b>	110,446	<b>342,549</b>	311,888
<b>Fee and commission expense</b>				
Interbank and clearing fees	<b>(221)</b>	(231)	<b>(680)</b>	(670)
Brokerage	<b>(559)</b>	(489)	<b>(1,769)</b>	(1,529)
Others	<b>(6,521)</b>	(5,970)	<b>(19,677)</b>	(16,345)
	<b>(7,301)</b>	(6,690)	<b>(22,126)</b>	(18,544)
<b>Net fee and commission income</b>	<b>103,849</b>	103,756	<b>320,423</b>	293,344

## 24 Net Trading Income

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial assets held-for-trading and other financial instruments	<b>15,578</b>	13,207	<b>45,306</b>	9,800
Net interest income from financial assets held-for-trading	<b>24,112</b>	13,533	<b>48,856</b>	47,241
Net unrealised gains on revaluation of financial assets held-for-trading	<b>6,732</b>	3,695	<b>9,605</b>	4,833
Net gains arising from dealing in foreign currency	<b>90,090</b>	98,799	<b>204,758</b>	279,293
Net unrealised (losses)/gains from dealing in foreign currency	<b>(2,240)</b>	(25,112)	<b>43,368</b>	(41,795)
Net (losses)/gains arising from trading in derivatives	<b>(20,202)</b>	(1,559)	<b>3,734</b>	17,730
Net unrealised gains on revaluation of derivatives	<b>36,437</b>	21,904	<b>59,884</b>	24,562
(Losses)/gains arising from fair value hedges	<b>(142)</b>	210	<b>26</b>	216
	<b>150,365</b>	124,677	<b>415,537</b>	341,880

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial assets held-for-trading and other financial instruments	<b>15,578</b>	13,207	<b>45,306</b>	9,800
Net interest income from financial assets held-for-trading	<b>24,112</b>	13,533	<b>48,856</b>	47,241
Net unrealised gains on revaluation of financial assets held-for-trading	<b>6,732</b>	3,695	<b>9,605</b>	4,833
Net gains arising from dealing in foreign currency	<b>90,090</b>	98,799	<b>204,758</b>	279,293
Net unrealised (losses)/gains from dealing in foreign currency	<b>(2,240)</b>	(25,112)	<b>43,368</b>	(41,795)
Net (losses)/gains arising from trading in derivatives	<b>(20,202)</b>	(1,559)	<b>3,734</b>	17,730
Net unrealised gains on revaluation of derivatives	<b>36,437</b>	21,904	<b>59,884</b>	24,562
(Losses)/gains arising from fair value hedges	<b>(142)</b>	210	<b>26</b>	216
	<b>150,365</b>	124,677	<b>415,537</b>	341,880

## 25 Income from Islamic Banking operations

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositor funds and others	<b>78,953</b>	56,980	<b>212,384</b>	187,310
Income derived from investment of shareholders funds	<b>22,735</b>	18,875	<b>62,864</b>	52,239
Income attributable to the depositors	<b>(20,018)</b>	(11,279)	<b>(43,166)</b>	(41,156)
Income from Islamic Banking operations	<b>81,670</b>	64,576	<b>232,082</b>	198,393

## 26 Other Operating Income

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Disposal of financial investments available-for-sale	<b>999</b>	157	<b>5,498</b>	27,559
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	<b>88</b>	739	<b>1,170</b>	1,381
Rental income	<b>1,714</b>	1,819	<b>5,056</b>	5,148
Net gains on disposal of property and equipment	<b>17</b>	96	<b>23</b>	309
Other operating income	<b>6,116</b>	7,593	<b>19,099</b>	21,984
	<b>8,934</b>	10,404	<b>30,846</b>	56,381
	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Disposal of financial investments available-for-sale	<b>999</b>	157	<b>5,498</b>	27,559
Dividend income from financial investments available-for-sale				
- Unquoted in Malaysia	<b>88</b>	739	<b>1,170</b>	1,381
Rental income	<b>1,714</b>	1,819	<b>5,056</b>	5,148
Net gains on disposal of property and equipment	<b>17</b>	96	<b>23</b>	309
Other operating income	<b>31,337</b>	27,285	<b>92,173</b>	80,923
	<b>34,155</b>	30,096	<b>103,920</b>	115,320

**27 Loans/ Financing Impairment Charges and other Credit Risk Provisions**

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment / (2009: Specific allowance)				
Made during the financial period	<b>67,932</b>	104,588	<b>189,677</b>	297,207
Written back	<b>(18,902)</b>	(13,181)	<b>(36,347)</b>	(34,265)
(b) Collective impairment / (2009: General allowance)				
Made during the financial period	<b>17,200</b>	1,300	<b>70,142</b>	7,100
Written back	<b>(12,765)</b>	(12,400)	<b>(16,565)</b>	(33,100)
Impaired loans				
Recovered during the financial period	<b>(20,729)</b>	(17,374)	<b>(65,395)</b>	(46,806)
Written off	<b>8,863</b>	6,767	<b>23,815</b>	13,709
Impairment charges on commitments and contingencies:				
Made during the financial period	-	29	-	1,122
Written back	<b>(14)</b>	(237)	<b>(439)</b>	(712)
Impairment charges on other credit related items				
Made during the financial period	-	-	<b>26</b>	-
	<b>41,585</b>	69,492	<b>164,914</b>	204,255
<i>Bank</i>				
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment / (2009: Specific allowance)				
Made during the financial period	<b>42,216</b>	85,202	<b>126,050</b>	245,978
Written back	<b>(13,698)</b>	(6,828)	<b>(28,688)</b>	(25,297)
(b) Collective impairment / (2009: General allowance)				
Made during the financial period	<b>5,100</b>	1,300	<b>53,100</b>	7,100
Written back	<b>(5,800)</b>	(12,400)	<b>(9,600)</b>	(33,100)
Impaired loans				
Recovered during the financial period	<b>(17,029)</b>	(14,956)	<b>(55,084)</b>	(41,520)
Written off	<b>7,468</b>	6,121	<b>20,799</b>	12,888
Impairment charges on commitments and contingencies:				
Made during the financial period	-	29	-	1,122
Written back	<b>(14)</b>	(237)	<b>(439)</b>	(712)
Impairment charges on other credit related items				
Made during the financial period	-	-	<b>26</b>	-
	<b>18,243</b>	58,231	<b>106,164</b>	166,459

## 28 Other Operating Expenses

	<i>Group</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>134,442</b>	159,587	<b>425,780</b>	429,033
Promotion and marketing related expenses	<b>22,546</b>	24,206	<b>67,098</b>	53,092
Establishment related expenses	<b>36,351</b>	31,539	<b>101,194</b>	91,229
General administrative expenses	<b>87,296</b>	75,869	<b>251,562</b>	230,448
	<b>280,635</b>	291,201	<b>845,634</b>	803,802

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>107,257</b>	108,523	<b>330,159</b>	318,595
Employees Provident Fund contributions	<b>18,004</b>	18,706	<b>53,791</b>	53,205
Promotion and marketing related expenses				
Advertising and promotion	<b>17,138</b>	19,921	<b>49,809</b>	42,320
Establishment related expenses				
Depreciation of property and equipment	<b>8,608</b>	8,874	<b>25,510</b>	26,242
Amortisation of intangible assets	<b>7,027</b>	5,698	<b>19,306</b>	15,873
Information technology costs	<b>4,100</b>	3,393	<b>10,027</b>	10,333
Hire of equipment	<b>944</b>	1,984	<b>4,773</b>	5,273
Rental of premises	<b>8,720</b>	6,519	<b>22,820</b>	17,168
Property and equipment written off	<b>15</b>	22	<b>69</b>	79
General administrative expenses				
Intercompany expenses	<b>68,338</b>	60,653	<b>185,684</b>	175,722
Auditors' remuneration				
-Statutory audit	<b>113</b>	128	<b>338</b>	303
-Other services	<b>131</b>	84	<b>413</b>	151

	<i>Bank</i>			
	<b>3rd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Sep 2010</b>	30 Sep 2009	<b>30 Sep 2010</b>	30 Sep 2009
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>128,947</b>	151,293	<b>407,606</b>	412,863
Promotion and marketing related expenses	<b>19,252</b>	21,488	<b>58,282</b>	42,513
Establishment related expenses	<b>33,284</b>	29,814	<b>92,939</b>	86,263
General administrative expenses	<b>85,126</b>	78,788	<b>241,414</b>	228,583
	<b>266,609</b>	281,383	<b>800,241</b>	770,222

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>102,976</b>	103,945	<b>315,813</b>	305,787
Employees Provident Fund contributions	<b>17,229</b>	17,951	<b>51,358</b>	51,081
Promotion and marketing related expenses				
Advertising and promotion	<b>13,846</b>	17,203	<b>40,993</b>	31,741
Establishment related expenses				
Depreciation of property and equipment	<b>7,611</b>	8,486	<b>23,013</b>	25,164
Amortisation of intangible assets	<b>6,848</b>	5,515	<b>18,750</b>	15,419
Information technology costs	<b>4,006</b>	3,456	<b>9,759</b>	10,001
Hire of equipment	<b>934</b>	1,892	<b>4,606</b>	5,166
Rental of premises	<b>7,302</b>	5,521	<b>19,404</b>	14,726
Property and equipment written off	<b>15</b>	22	<b>68</b>	79
General administrative expenses				
Intercompany expenses	<b>66,066</b>	60,255	<b>176,909</b>	174,043
Auditors' remuneration				
-Statutory audit	<b>93</b>	88	<b>278</b>	263
-Other services	<b>123</b>	84	<b>279</b>	151

## 29 Capital Adequacy

	<i>Group</i>	
	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		Restated
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 (including proposed dividend)	<b>2,475,866</b>	2,562,009
Statutory reserve	<b>154,604</b>	154,604
	<b>3,676,345</b>	3,762,488
Less: Deferred tax adjustments	<b>(128,658)</b>	(97,687)
Total Tier 1 capital	<b>3,547,687</b>	3,664,801
<b>Tier 2 capital</b>		
Subordinated bonds	<b>1,010,788</b>	1,000,385
Revaluation reserves	<b>76,206</b>	77,357
Collective impairment allowance / (2009: General Allowance)	<b>493,874</b>	440,297
Total Tier 2 capital	<b>1,580,868</b>	1,518,039
Total capital	<b>5,128,555</b>	5,182,840
<b>Capital base</b>	<b>5,128,555</b>	5,182,840
Core capital ratio	<b>9.8%</b>	11.1%
Risk-weighted capital ratio	<b>14.2%</b>	15.8%
Core capital ratio (net of proposed dividend)	<b>9.8%</b>	10.4%
Risk-weighted capital ratio (net of proposed dividend)	<b>14.2%</b>	15.0%

The capital ratios have been computed in accordance with the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

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

	<i>Group</i>			
	<b>30 Sep 2010</b>		31 Dec 2009	
	<b>Principal</b>	<b>Risk-weighted</b>	Principal	Risk-weighted
	<b>RM'000</b>	<b>RM'000</b>	RM'000	RM'000
Total RWA for credit risk	<b>65,479,758</b>	<b>30,217,774</b>	63,293,707	27,030,500
Total RWA for market risk	-	<b>1,576,198</b>	-	1,558,720
Total RWA for operational risk	-	<b>4,421,576</b>	-	4,299,805
	<b>65,479,758</b>	<b>36,215,547</b>	63,293,707	32,889,025



## 29 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	<b>30 Sep 2010</b>	31 Dec 2009
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		Restated
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 (including proposed dividend)	<b>2,435,720</b>	2,521,906
Statutory reserve	<b>114,500</b>	114,500
	<b>3,596,095</b>	3,682,281
Less: Deferred tax adjustments	<b>(130,537)</b>	(99,566)
Total Tier 1 capital	<b>3,465,558</b>	3,582,715
<b>Tier 2 capital</b>		
Subordinated bonds	<b>1,010,788</b>	1,000,385
Revaluation reserves	<b>76,206</b>	77,357
Collective impairment allowance / (2009: General Allowance)	<b>431,200</b>	387,700
Total Tier 2 capital	<b>1,518,194</b>	1,465,442
Total capital	<b>4,983,752</b>	5,048,157
Less: Investment in subsidiaries	<b>(660,021)</b>	(660,021)
<b>Capital base</b>	<b>4,323,731</b>	4,388,136
Core capital ratio	<b>10.6%</b>	11.8%
Risk-weighted capital ratio	<b>13.2%</b>	14.5%
Core capital ratio (net of proposed dividend)	<b>10.6%</b>	11.0%
Risk-weighted capital ratio (net of proposed dividend)	<b>13.2%</b>	13.7%

The capital ratios have been computed in accordance with the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

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

	<i>Bank</i>			
	<b>30 Sep 2010</b>		31 Dec 2009	
	<b>Principal</b>	<b>Risk-weighted</b>	Principal	Risk-weighted
	<b>RM'000</b>	<b>RM'000</b>	RM'000	RM'000
Total RWA for credit risk	<b>60,903,380</b>	<b>27,120,363</b>	60,002,149	24,575,852
Total RWA for market risk	-	<b>1,511,147</b>	-	1,534,062
Total RWA for operational risk	-	<b>4,202,768</b>	-	4,161,243
	<b>60,903,380</b>	<b>32,834,278</b>	60,002,149	30,271,157

### 30 Commitments and Contingencies

30 Sep 2010

	Group			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,053,299	-	1,053,299	952,088
Transaction-related contingent items	2,086,469	-	1,043,235	835,634
Short-term self-liquidating trade-related contingencies	445,330	-	89,066	72,166
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	9,970,302	-	-	-
- Maturity exceeding one year	1,254,713	-	627,357	488,567
Unutilised credit card lines	7,027,416	-	1,405,483	1,054,112
Foreign exchange related contracts				
- Less than one year	25,893,460	275,966	519,122	372,569
- Over one year to less than five years	7,888,593	348,324	909,858	522,332
- Over five years	1,456,026	128,395	292,701	277,084
Interest/profit rate related contracts:				
- Less than one year	6,424,743	17,747	27,159	10,641
- Over one year to less than five years	24,068,281	259,902	780,330	308,491
- Over five years	1,559,730	39,177	142,667	46,364
Gold and other precious metals contracts				
- Less than one year	42,605	2,703	3,128	625
- Over one year to less than five years	75,827	3,647	7,464	1,493
Other commodity contracts:				
- Less than one year	1,828	44	227	45
- Over one year to less than five years	30,640	149	3,825	765
Equity related contracts				
- Less than one year	113,018	2,550	7,601	1,520
- Over one year to less than five years	1,086,140	72,528	159,420	31,884
- Over five years	13,706	603	1,973	395
Sell buy back agreement	152,548	-	152,548	152,548
	<b>90,644,674</b>	<b>1,151,735</b>	<b>7,226,463</b>	<b>5,129,323</b>

Note 17

^ The foreign exchange related contracts, interest/profit rate related contracts, equity related contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and security price) of the underlying instruments. The table above shows the Group's derivative financial instruments as at the balance sheet date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at balance sheet date are shown above.

\* The credit equivalent and risk weighted amount is computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF" and the temporary (until 31 December 2010) measure related to credit conversion factor for undrawn facilities.

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

**30 Sep 2010**

	<b>Bank</b>			
	<b>Credit Principal amount RM'000</b>	<b>Positive fair value of derivative contracts^ RM'000</b>	<b>Credit equivalent amount* RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	977,194	-	977,194	876,647
Transaction-related contingent items	2,064,134	-	1,032,067	825,933
Short-term self-liquidating trade-related contingencies	428,677	-	85,735	70,353
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	9,123,207	-	-	-
- Maturity exceeding one year	1,198,611	-	599,306	466,750
Unutilised credit card lines	6,505,517	-	1,301,103	975,828
Foreign exchange related contracts				
- Less than one year	25,893,460	275,966	519,122	372,569
- Over one year to less than five years	7,888,593	348,324	909,858	522,332
- Over five years	1,456,026	128,395	292,701	277,084
Interest rate related contracts:				
- Less than one year	6,424,743	17,747	27,159	10,641
- Over one year to less than five years	24,068,281	259,902	780,330	308,491
- Over five years	1,559,730	39,177	142,667	46,364
Gold and other precious metals contracts				
- Less than one year	42,605	2,703	3,128	625
- Over one year to less than five years	75,827	3,647	7,464	1,493
Other commodity contracts:				
- Less than one year	1,828	44	227	45
- Over one year to less than five years	30,640	149	3,825	765
Equity related contracts				
- Less than one year	97,458	2,550	6,667	1,333
- Over one year to less than five years	993,084	63,091	142,538	28,508
- Over five years	13,706	603	1,973	395
	<b>88,843,321</b>	<b>1,142,298</b>	<b>6,833,064</b>	<b>4,786,156</b>

Note 17

^ The foreign exchange related contracts, interest rate related contracts, equity related contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the balance sheet date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at balance sheet date are shown above.

\* The credit equivalent and risk weighted amount is computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF" and the temporary (until 31 December 2010) measure related to credit conversion factor for undrawn facilities.

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

**31 Dec 2009**

	Group			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,446,422	-	1,446,422	1,235,995
Transaction-related contingent items	2,249,420	-	1,124,710	928,413
Short-term self-liquidating trade-related contingencies	465,362	-	93,073	78,134
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	9,895,365	-	-	-
- Maturity exceeding one year	789,001	-	394,501	359,391
Unutilised credit card lines	7,494,056	-	1,498,811	1,124,108
Foreign exchange related contracts				
- Less than one year	13,704,272	128,399	280,081	187,442
- Over one year to less than five years	7,755,321	203,458	813,501	395,224
- Over five years	56,719	1,899	7,840	6,730
Interest/profit rate related contracts:				
- Less than one year	8,044,693	30,241	36,273	13,364
- Over one year to less than five years	20,202,471	244,668	729,983	265,587
- Over five years	2,185,414	46,831	181,820	95,002
Other commodity contracts:				
- Less than one year	64,077	454	8,143	1,629
- Over one year to less than five years	36,658	1,974	6,373	1,274
Equity related contracts				
- Less than one year	80,720	2,804	7,647	1,528
- Over one year to less than five years	1,031,565	93,133	173,802	34,762
- Over five years	-	-	-	-
Sell buy back agreement	165,757	-	165,757	165,757
	<u>75,667,293</u>	<u>753,861</u>	<u>6,968,737</u>	<u>4,894,340</u>

Note 17

^ The foreign exchange related contracts, interest/profit rate related contracts, equity related contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and security price) of the underlying instruments. The table above shows the Group's derivative financial instruments as at the balance sheet date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at balance sheet date are shown above.

\* The credit equivalent and risk weighted amount is computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

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

**31 Dec 2009**

	Bank			
	Credit Principal amount RM'000	Positive fair value of derivative contracts^ RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,420,404	-	1,420,404	1,210,053
Transaction-related contingent items	2,237,095	-	1,118,548	922,348
Short-term self-liquidating trade-related contingencies	415,629	-	83,126	68,284
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	9,272,578	-	-	-
- Maturity exceeding one year	737,471	-	368,735	334,734
Unutilised credit card lines	6,987,115	-	1,397,423	1,048,067
Foreign exchange related contracts				
- Less than one year	13,704,272	128,399	280,081	187,442
- Over one year to less than five years	7,755,321	203,458	813,501	395,224
- Over five years	56,719	1,899	7,840	6,730
Interest rate related contracts:				
- Less than one year	8,044,693	30,241	36,273	13,364
- Over one year to less than five years	20,202,471	244,668	729,983	265,587
- Over five years	2,185,414	46,831	181,820	95,002
Other commodity contracts:				
- Less than one year	64,077	454	8,143	1,629
- Over one year to less than five years	36,658	1,974	6,373	1,274
Equity related contracts				
- Over one year to less than five years	967,375	85,700	161,233	32,247
- Over five years	-	-	-	-
	<u>74,087,292</u>	<u>743,624</u>	<u>6,613,483</u>	<u>4,581,985</u>

Note 17

^ The foreign exchange related contracts, interest rate related contracts, equity related contracts and commodity related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the balance sheet date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at balance sheet date are shown above.

\* The credit equivalent and risk weighted amount is computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

### 31 Interest/ Profit Rate Risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rates on its financial position and cash flows. The following tables summarises the Group and the 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 2010	Non-trading book					Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit 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	13,813,956	-	-	-	-	582,213	-	14,396,169	2.41
Securities purchased under resale agreements	1,858,163	2,156,662	-	-	-	-	-	4,014,825	2.77
Deposits and placements with banks and other financial institutions	-	59,795	-	-	-	-	-	59,795	2.49
Financial assets held-for-trading	-	-	-	-	-	-	3,723,035	3,723,035	2.86
Financial investments available-for-sale	251,347	483,361	449,880	1,017,504	171,888	23,776	-	2,397,756	3.24
Loans, advances and financing - performing	25,828,877	2,739,346	531,794	1,598,989	471,274	954,738	-	32,125,018	5.41
- impaired *	-	-	-	-	-	301,589	-	301,589	
Others	-	-	-	-	-	839,023	1,687,446	2,526,469	
<b>Total Assets</b>	<b>41,752,343</b>	<b>5,439,164</b>	<b>981,674</b>	<b>2,616,493</b>	<b>643,162</b>	<b>2,701,339</b>	<b>5,410,481</b>	<b>59,544,656</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	22,635,956	3,933,133	6,760,197	2,360,549	447,662	9,668,974	-	45,806,471	1.93
Deposits and placements of banks and other financial institutions	2,997,503	835,674	100,544	7,116	4,303	924,493	-	4,869,633	2.03
Bills and acceptances payable	10,403	5,322	-	-	-	383,195	-	398,920	2.18
Recourse obligation on loans sold to Cagamas Berhad	-	149,746	308,044	72,904	-	-	-	530,694	4.73
Subordinated bonds	-	-	-	-	1,010,788	-	-	1,010,788	4.70
Others	-	-	-	-	-	1,329,002	1,553,766	2,882,768	
<b>Total Liabilities</b>	<b>25,643,862</b>	<b>4,923,875</b>	<b>7,168,785</b>	<b>2,440,569</b>	<b>1,462,753</b>	<b>12,305,664</b>	<b>1,553,766</b>	<b>55,499,274</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,045,382</b>	<b>-</b>	<b>4,045,382</b>	
<b>Total Liabilities and Shareholders' funds</b>	<b>25,643,862</b>	<b>4,923,875</b>	<b>7,168,785</b>	<b>2,440,569</b>	<b>1,462,753</b>	<b>16,351,046</b>	<b>1,553,766</b>	<b>59,544,656</b>	
On-balance sheet interest/profit sensitivity gap	16,108,481	515,289	(6,187,111)	175,924	(819,591)	(13,649,707)	3,856,715	-	
Off-balance sheet interest/profit sensitivity gap									
Interest/profit rate contracts									
- futures	-	(150,190)	210,190	(60,000)	-	-	-	-	
- options	(58,308)	(160,000)	160,000	58,308	-	-	-	-	
- swaps	1,565,494	(1,894,447)	452,044	(881,182)	788,012	-	-	29,921	
<b>Total interest/profit sensitivity gap</b>	<b>17,615,667</b>	<b>(1,689,348)</b>	<b>(5,364,877)</b>	<b>(706,950)</b>	<b>(31,579)</b>	<b>(13,649,707)</b>	<b>3,856,715</b>	<b>29,921</b>	

\* This is arrived at after deducting individual impairment allowance from impaired loans.

### 31 Interest/ Profit Rate Risk (Cont'd)

Group 31 Dec 2009 Restated	Non-trading book					Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit 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	11,214,110	-	-	-	-	495,448	-	11,709,558	1.94
Securities purchased under resale agreements	3,769,817	3,011,106	-	-	-	-	-	6,780,923	2.01
Deposits and placements with banks and other financial institutions	-	108,018	34,794	-	-	-	-	142,812	2.13
Financial assets held-for-trading	-	-	-	-	-	-	1,282,817	1,282,817	2.83
Financial investments available-for-sale	833,878	1,117,380	759,895	1,964,474	147,536	32,729	-	4,855,892	2.76
Loans, advances and financing									
- performing	22,450,938	2,210,886	775,916	1,523,149	430,931	955,525	-	28,347,345	5.39
- non-performing *	-	-	-	-	-	276,447	-	276,447	
Others	-	-	-	-	-	735,876	1,005,839	1,741,715	
<b>Total Assets</b>	<b>38,268,743</b>	<b>6,447,390</b>	<b>1,570,605</b>	<b>3,487,623</b>	<b>578,467</b>	<b>2,496,025</b>	<b>2,288,656</b>	<b>55,137,509</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	23,591,775	2,842,003	7,199,920	1,766,063	245,000	9,041,597	-	44,686,358	1.92
Deposits and placements of banks and other financial institutions	1,833,526	373,621	196,389	6,737	2,004	407,361	-	2,819,638	1.54
Bills and acceptances payable	2,100	8,817	-	-	-	300,699	-	311,616	1.61
Recourse obligation on loans sold to Cagamas Berhad	-	-	173,739	401,772	-	-	-	575,511	4.71
Subordinated bonds	-	-	-	-	1,000,385	-	-	1,000,385	4.70
Others	-	-	-	-	-	1,016,917	842,786	1,859,703	
<b>Total Liabilities</b>	<b>25,427,401</b>	<b>3,224,441</b>	<b>7,570,048</b>	<b>2,174,572</b>	<b>1,247,389</b>	<b>10,766,574</b>	<b>842,786</b>	<b>51,253,211</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,884,298</b>	<b>-</b>	<b>3,884,298</b>	
<b>Total Liabilities and Shareholders' funds</b>	<b>25,427,401</b>	<b>3,224,441</b>	<b>7,570,048</b>	<b>2,174,572</b>	<b>1,247,389</b>	<b>14,650,872</b>	<b>842,786</b>	<b>55,137,509</b>	
On-balance sheet interest/profit sensitivity gap	12,841,342	3,222,949	(5,999,443)	1,313,051	(668,922)	(12,154,847)	1,445,870	-	
Off-balance sheet interest/profit sensitivity gap									
Interest/profit rate contracts									
- futures	-	30,000	-	(30,000)	-	-	-	-	
- options	56,198	(340,000)	70,400	213,402	-	-	-	-	
- swaps	364,643	(596,137)	(119,124)	166,001	198,756	-	-	14,139	
<b>Total interest/profit sensitivity gap</b>	<b>13,262,183</b>	<b>2,316,812</b>	<b>(6,048,167)</b>	<b>1,662,454</b>	<b>(470,166)</b>	<b>(12,154,847)</b>	<b>1,445,870</b>	<b>14,139</b>	

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

### 31 Interest/ Profit Rate Risk (Cont'd)

Bank 30 Sep 2010	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	12,853,174	-	-	-	-	547,529	-	13,400,703	2.40
Securities purchased under resale agreements	1,858,163	2,156,662	-	-	-	-	-	4,014,825	2.77
Deposits and placements with banks and other financial institutions	24,748	209,795	896,044	20,062	-	-	-	1,150,649	2.49
Financial assets held-for-trading	-	-	-	-	-	-	3,294,904	3,294,904	3.22
Financial investments available-for-sale	251,347	453,362	449,880	721,344	171,888	23,776	-	2,071,597	3.27
Loans, advances and financing									
- performing	24,084,412	2,270,931	360,009	167,545	287,804	861,265	-	28,031,966	5.01
- impaired*	-	-	-	-	-	282,882	-	282,882	
Others	-	-	-	-	-	1,705,401	1,677,620	3,383,021	
<b>Total Assets</b>	<b>39,071,844</b>	<b>5,090,750</b>	<b>1,705,933</b>	<b>908,951</b>	<b>459,692</b>	<b>3,420,853</b>	<b>4,972,524</b>	<b>55,630,547</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	20,957,374	3,315,906	6,315,369	2,348,753	447,662	9,321,137	-	42,706,201	1.93
Deposits and placements of banks and other financial institutions	2,767,244	471,049	100,544	7,116	4,303	924,493	-	4,274,749	2.09
Bills and acceptances payable	10,403	5,322	-	-	-	379,744	-	395,469	2.18
Recourse obligation on loans sold to Cagamas Berhad	-	149,746	308,044	72,904	-	-	-	530,694	4.73
Subordinated bonds	-	-	-	-	1,010,788	-	-	1,010,788	4.70
Others	-	-	-	-	-	1,247,332	1,519,289	2,766,621	
<b>Total Liabilities</b>	<b>23,735,021</b>	<b>3,942,023</b>	<b>6,723,957</b>	<b>2,428,773</b>	<b>1,462,753</b>	<b>11,872,706</b>	<b>1,519,289</b>	<b>51,684,522</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,946,025</b>	<b>-</b>	<b>3,946,025</b>	
<b>Total Liabilities and Shareholders' funds</b>	<b>23,735,021</b>	<b>3,942,023</b>	<b>6,723,957</b>	<b>2,428,773</b>	<b>1,462,753</b>	<b>15,818,731</b>	<b>1,519,289</b>	<b>55,630,547</b>	
On-balance sheet interest sensitivity gap	15,336,823	1,148,727	(5,018,024)	(1,519,822)	(1,003,061)	(12,397,878)	3,453,235	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	(150,190)	210,190	(60,000)	-	-	-	-	
- options	(58,308)	(160,000)	160,000	58,308	-	-	-	-	
- swaps	1,565,494	(1,894,447)	452,044	(881,182)	788,012	-	-	29,921	
<b>Total interest sensitivity gap</b>	<b>16,844,009</b>	<b>(1,055,910)</b>	<b>(4,195,790)</b>	<b>(2,402,696)</b>	<b>(215,049)</b>	<b>(12,397,878)</b>	<b>3,453,235</b>	<b>29,921</b>	

\* This is arrived at after deducting individual impairment allowance from impaired loans.



### 31 Interest/ Profit Rate Risk (Cont'd)

Bank 31 Dec 2009 Restated	← 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	10,589,230	6,851	400,000	-	-	484,402	-	11,480,483	1.93
Securities purchased under resale agreements	3,769,817	3,011,106	-	-	-	-	-	6,780,923	2.01
Deposits and placements with banks and other financial institutions	47,275	374,108	642,220	22,266	-	-	-	1,085,869	2.13
Financial assets held-for-trading	-	-	-	-	-	-	1,155,431	1,155,431	3.03
Financial investments available-for-sale	785,932	887,447	759,895	1,858,134	147,536	32,728	-	4,471,672	2.72
Loans, advances and financing									
- performing	21,482,356	1,868,359	518,225	163,620	267,677	902,205	-	25,202,442	5.03
- non-performing loans *	-	-	-	-	-	256,377	-	256,377	
Others	-	-	-	-	-	1,336,356	994,941	2,331,297	
<b>Total Assets</b>	<b>36,674,610</b>	<b>6,147,871</b>	<b>2,320,340</b>	<b>2,044,020</b>	<b>415,213</b>	<b>3,012,068</b>	<b>2,150,372</b>	<b>52,764,494</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	22,138,114	2,568,085	6,781,698	1,764,444	245,000	8,716,627	-	42,213,968	1.93
Deposits and placements of banks and other financial institutions	1,833,526	264,005	196,389	6,737	2,004	407,361	-	2,710,022	1.31
Bills and acceptances payable	2,100	8,817	-	-	-	297,401	-	308,318	1.61
Recourse obligation on loans sold to Cagamas Berhad	-	-	173,739	401,772	-	-	-	575,511	4.71
Subordinated bonds	-	-	-	-	1,000,385	-	-	1,000,385	4.70
Others	-	-	-	-	-	1,320,087	832,549	2,152,636	
<b>Total Liabilities</b>	<b>23,973,740</b>	<b>2,840,907</b>	<b>7,151,826</b>	<b>2,172,953</b>	<b>1,247,389</b>	<b>10,741,476</b>	<b>832,549</b>	<b>48,960,840</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,803,654</b>	<b>-</b>	<b>3,803,654</b>	
<b>Total Liabilities and Shareholders' funds</b>	<b>23,973,740</b>	<b>2,840,907</b>	<b>7,151,826</b>	<b>2,172,953</b>	<b>1,247,389</b>	<b>14,545,130</b>	<b>832,549</b>	<b>52,764,494</b>	
On-balance sheet interest sensitivity gap	12,700,870	3,306,964	(4,831,486)	(128,933)	(832,176)	(11,533,062)	1,317,823	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	30,000	-	(30,000)	-	-	-	-	
- options	56,198	(340,000)	70,400	213,402	-	-	-	-	
- swaps	364,643	(596,137)	(119,124)	166,001	198,756	-	-	14,139	
<b>Total interest sensitivity gap</b>	<b>13,121,711</b>	<b>2,400,827</b>	<b>(4,880,210)</b>	<b>220,470</b>	<b>(633,420)</b>	<b>(11,533,062)</b>	<b>1,317,823</b>	<b>14,139</b>	

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

## 32 Change in Accounting Policies

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### a) Change in Accounting Policies

The adoption of the new FRSs and amendments to FRSs shown below during the financial period has resulted in the following changes in accounting policies:

- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 9, Reassessment of Embedded Derivatives
- FRS 101, Presentation of Financial Statements
- Amendment to FRS 117, Leases

#### 1) FRS 139, Financial Instruments: Recognition and Measurement

Prior to FRS 139 coming into effect on 1 Jan 2010, BNM's revised Guidelines on Financial Reporting for Licensed Institutions issued on 1 January 2005 adopted certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting that are in line with FRS 139 principles. By adhering to the BNM guidelines, the Group and the Bank adopted these FRS 139 principles. Therefore, the adoption of FRS 139 on 1 January 2010 only impacted areas where the FRS 139 principles were previously not incorporated into BNM's Guidelines issued in 2005 and these areas are disclosed below:

##### i) Impairment of Loans, Advances and Financing

The Group and the Bank's loans, advances and financing impairment policy and allowances for impaired loans, advances and financing are in conformity with FRS 139 and the requirements of Bank Negara Malaysia's revised "Guidelines on Classification and Impairment Provisions for Loans/Financing".

In line with the Amendment to FRS 139 which relates to the transitional arrangement for the financial sector, BNM's "Guidelines on Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 prescribes that banking institutions are required to maintain collective impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. This is similar to the previous regulatory requirement whereby banking institutions were required to maintain general allowance provisions of least 1.5% of total outstanding loans/financing, net of specific allowance, with the exception that the determination of individual impairment allowance is required to be based on reasonable and well-documented estimates of the net present value of the future cash flows that the banking institutions expect to recover. Previously, BNM allowed specific allowance to be made based on the number of days in arrears of the loans/financing.

Prior to 1 January 2010, the Group and the Bank's accounting policy relating to the classification of impaired loans, advances and financing and the assessment of individual impairment allowances (previously referred to as specific allowances) on impaired loans, advances and financing (previously referred to as non-performing loans) was already largely in line with the requirement of FRS 139. The main change upon full adoption of FRS 139 and BNM's revised "Guidelines on Classification and Impairment Provisions for Loans/Financing" from 1 January 2010 onwards, is that BNM's previous requirement for additional individual impairment allowances for impaired loans/financing of more than 5 years and 7 years is no longer applicable under FRS 139 principles.

In view of the above, there have been minimum changes to the opening retained profits as well as opening individual or collective impairment allowance balances.

##### ii) Interest Income Recognition

Prior to the adoption of FRS 139, interest/profit income recognized as income 90 days prior to the date that a loan was classified as non-performing, would be reversed out of income and an interest/profit in suspense was created. Thereafter, interest/profit on the non-performing loan was only recognised as income upon recovery. With the adoption of FRS 139, once a loan has been assessed as impaired, there is no claw back of interest/profit income recognized previously and interest/profit income on the impaired loan is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

## **32 Change in Accounting Policies (Cont'd)**

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### a) Change in Accounting Policies (Cont'd)

#### 1) FRS 139, Financial Instruments: Recognition and Measurement (Cont'd)

##### iii) Recognition of Embedded Derivatives(Cont'd)

IC Interpretation 9 on Reassessment of Embedded Derivatives 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.

The Group and the Bank's booking of embedded derivatives was already in line with this principle and hence, the implementation of IC Interpretation 9 has no impact on the Group and the Bank's financials.

#### 2) FRS 101, Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group and the Bank for the comparative 3rd quarter and nine months ended 30 September 2009 have been re-presented as a single statement of comprehensive income displaying components of profit and loss and other comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

When an entity applies an accounting policy retrospectively, FRS 101 requires presentation of a statement of financial position at the beginning of the earliest comparative period, in addition to statements at the end of the current period and at the end of the previous period. The changes to the statement of financial position as at 1 January 2009 due to the retrospective application of FRS 117 are disclosed in Note 32 b) 1. The other items in the statement of financial position as at 1 January 2009 are similar to that disclosed in the statement of financial position as at 31 December 2008 as disclosed in the audited financial statements for the year ended 31 December 2009.

#### 3) FRS 7, Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period resulted in some changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities. The disclosure of comparative figures in the statement of financial position as at 31 December 2009 and the income statement for the 3rd quarter and nine months ended 30 September 2009 have been restated to conform with the current period's presentation. Since these changes only affect the presentation of disclosure items, there is no impact on the financial results of the Group and the Bank for the comparative period.

#### 4) Amendment to FRS 117, Leases

As a result of the adoption of the amendment to FRS 117 during the financial period, the Bank has reassessed and determined that all leasehold land of the Bank is in substance finance leases, resulting in its reclassification from prepaid lease payments to property and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provision of the amendment.

In accordance with the Group and the Bank's accounting policy for property and equipment, premises are stated at valuation less accumulated depreciation and impairment loss. Therefore, the reclassification also involved a change in value of the leasehold land whereby the carrying value of the prepaid lease payments was restated at the fair value of the leasehold land on a retrospective basis. Any revaluation surpluses are credited firstly to the statement of comprehensive income to the extent of any deficits arising on revaluation previously charged to the statement of comprehensive income in respect of the same premises, and are thereafter taken to the property revaluation reserve. Deficits arising on revaluation are first set off against any previous revaluation surpluses including in the property revaluation reserve in respect of the same premises, and are thereafter recognised through the statement of comprehensive income.

The impact on the basic earnings per ordinary share for the current and comparative periods in relation to the adoption of the amendment to FRS 117 are insignificant.

### 32 Change in Accounting Policies (Cont'd)

#### b) Adjustments due to Change in Accounting Policies

##### 1) Amendment to FRS 117 : Leases

The following comparative figures have been restated following the adoption of the amendment to FRS 117. This change in accounting policy has been accounted for retrospectively in line with the transitional provisions of the amendment, resulting in:-

- i) a reversal of downward revaluation of property amounting to RM15,000 to closing retained profits as at 31 December 2009,
- ii) an increase of RM200,000 in closing revaluation reserve balances as at 31 December 2009,
- iii) a decrease of RM67,000 in closing deferred tax assets balances as at 31 December 2009, and
- iv) a reclassification of prepaid lease payments amounting to RM19,099,000 to property and equipment as at 31 December 2009.

##### Statement of financial position as at 31 December 2009

	<u>Group</u>		<u>Bank</u>	
	As restated	As previously stated	As restated	As previously stated
	RM'000	RM'000	RM'000	RM'000
<u>Assets:-</u>				
Prepaid lease payments	-	19,099	-	19,099
Property and equipment	287,872	268,491	280,372	260,991
Deferred tax assets	82,614	82,681	68,730	68,797
<u>Reserves:-</u>				
Revaluation reserves	133,216	133,016	133,216	133,016
Retained profit	2,312,009	2,311,994	2,271,906	2,271,891

FRS 101 requires presentation of a statement of financial position at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively. The changes to affected items on the statement of financial position as at 1 January 2009 due to the retrospective application of FRS 117 are disclosed below.

##### Statement of financial position as at 1 January 2009

	<u>Group</u>		<u>Bank</u>	
	As restated	As previously stated	As restated	As previously stated
	RM'000	RM'000	RM'000	RM'000
<u>Assets:-</u>				
Prepaid lease payments	-	19,551	-	19,551
Property and equipment	277,643	258,092	275,160	255,609

##### 2) FRS 139, Financial Instruments: Recognition and Measurement

The opening retained earnings of the Group and the Bank have been adjusted to reflect the recognition of discount unwind of individual impairment and the related deferred tax income/expense on the discount unwind balances not previously recognised in the Group and the Bank's financial statements prior to 1 Jan 2010 even though the Group and the Bank have adopted the discounted cash flow method to determine specific allowance required on non-performing loans.

##### Statement of financial position as at 1 January 2010

	<u>Group</u>		<u>Bank</u>	
	As restated	As previously stated	As restated	As previously stated
	RM'000	RM'000	RM'000	RM'000
<u>Reserves:-</u>				
Retained profit	2,321,293	2,312,009	2,281,158	2,271,906

### 33 Comparative Figures

#### Restatement of Comparative Figures

The presentation and classification of items in the current financial statements is consistent with the previous financial period except for the following:

- (i) Reclassification/restatement to conform to current period's presentation

#### Condensed Statement of Financial Position as at 31 Dec 2009

(previously referred to as balance sheet)

a) <u>Loans, advances and financing</u>	<u>Group</u>		<u>Bank</u>	
	As restated	As previously stated	As restated	As previously stated
<b>By type</b>				
Term Loans				
Housing loans / financing	9,591,757	9,574,369	9,507,684	9,490,296
Other term loans/ financing	8,882,984	8,881,017	6,582,449	6,580,482
Staff loans/ financing	380,338	399,693	377,443	396,798
<b>By type of customer</b>				
Individuals	15,141,707	15,676,524	13,868,492	14,403,309
Foreign entities	1,315,902	781,085	1,237,422	702,605
<b>By sector</b>				
Manufacturing	5,832,326	5,169,080	5,043,494	4,385,835
Purchase of landed property:				
Residential	-	9,975,127	-	9,897,146
Non-residential	-	1,005,847	-	998,510
Purchase of securities	-	46,303	-	44,947
Purchase of transport vehicles	-	50,930	-	50,423
Consumption credit	-	5,577,650	-	4,376,167
Household-retail	15,967,891	-	14,684,813	-
Others	963,468	938,748	855,285	830,564
<b>By purpose</b>				
Purchase of fixed assets excluding land & building	235,009	- *	-	-*
Working capital	11,324,636	11,559,645*	9,722,493	9,722,493*

\* Comparative figures as disclosed in the unaudited condensed interim financial statements as at 31 March 2010.

### 33 Comparative Figures (Cont'd)

#### Restatement of Comparative Figures (Cont'd)

Statement of comprehensive income for the financial period ended 30 September 2009  
(previously referred to as income statement)

	Group		Bank	
	As restated	As previously stated	As restated	As previously stated
<b>Year-To-Date</b>				
b) <u>Interest income</u>				
Loans and advances				
- Interest income other than from impaired loans	1,009,654	1,027,610	1,009,654	1,027,610
- Interest income recognised from impaired loans	23,782	23,782	23,782	23,782
Money at call and deposit placements with financial institutions	202,461	202,461	220,224	204,201
Financial investments available-for-sale	88,534	85,945	88,534	85,945
Fair value hedge derivative assets	4,664	-	4,664	-
Others	-	19,300	-	35,323
	<u>1,329,095</u>	<u>1,359,098</u>	<u>1,346,858</u>	<u>1,376,861</u>
Amortisation of premium less accretion of discounts	-	(12,047)	-	(12,047)
Interest suspended	-	(17,956)	-	(17,956)
Total interest income	<u>1,329,095</u>	<u>1,329,095</u>	<u>1,346,858</u>	<u>1,346,858</u>
<b>3rd Quarter Ended</b>				
<u>Interest income</u>				
Loans and advances				
- Interest income other than from impaired loans	315,071	321,543	315,071	321,543
- Interest income recognised from impaired loans	8,038	8,038	8,038	8,038
Money at call and deposit placements with financial institutions	69,182	69,182	75,087	70,199
Financial investments available-for-sale	26,826	27,604	26,826	27,604
Fair value hedge derivative assets	2,084	-	2,084	-
Others	-	5,575	-	10,463
	<u>421,201</u>	<u>431,942</u>	<u>427,106</u>	<u>437,847</u>
Amortisation of premium less accretion of discounts	-	(4,269)	-	(4,269)
Interest suspended	-	(6,472)	-	(6,472)
Total interest income	<u>421,201</u>	<u>421,201</u>	<u>427,106</u>	<u>427,106</u>
<b>Year-To-Date</b>				
c) <u>Net fee and commission income*</u>				
Fee and commission income	311,888	-	311,888	-
Fee and commission expense	(18,544)	-	(18,544)	-
Net fee and commission income	<u>293,344</u>	<u>-</u>	<u>293,344</u>	<u>-</u>
<b>3rd Quarter Ended</b>				
<u>Net fee and commission income*</u>				
Fee and commission income	110,446	-	110,446	-
Fee and commission expense	(6,690)	-	(6,690)	-
Net fee and commission income	<u>103,756</u>	<u>-</u>	<u>103,756</u>	<u>-</u>

\* Net fee and commission income were previously classified separately as components of other operating income and other operating expenses.

### 33 Comparative Figures (Cont'd)

#### Restatement of Comparative Figures (Cont'd)

Statement of comprehensive income for the financial period ended 30 September 2009 (Cont'd)  
(previously referred to as income statement)

	Group		Bank	
	As restated	As previously stated	As restated	As previously stated
<b>Year-To-Date</b>				
d) <u>Other operating income</u>				
Fees and commissions*	-	296,332	-	296,332
Net gains arising from sale of securities				
- Securities held-for-trading and other financial instruments**	-	9,800	-	9,800
- Securities available-for-sale	27,559	27,559	27,559	27,559
Net interest income from trading securities**	-	47,241	-	47,241
Net unrealised gains on revaluation of trading securities**	-	4,833	-	4,833
Net gains arising from dealing in foreign currency**	-	279,293	-	279,293
Net unrealised losses from dealing in foreign currency**	-	(41,795)	-	(41,795)
Net gains arising from trading in derivatives**	-	18,106	-	18,106
Net unrealised gains on revaluation of derivatives**	-	24,562	-	24,562
Dividend income from securities available-for-sale				
- Unquoted in Malaysia	1,381	1,381	1,381	1,381
Rental income	5,148	5,148	5,148	5,148
Net gains on disposal of property and equipment	309	309	309	309
Other operating income***	21,984	21,824	80,923	80,763
	<u>56,381</u>	<u>694,593</u>	<u>115,320</u>	<u>753,532</u>

#### 3rd Quarter Ended

##### Other operating income

Fees and commissions*	-	104,863	-	104,863
Net gains arising from sale of securities				
- Securities held-for-trading and other financial instruments**	-	13,207	-	13,207
- Securities available-for-sale	157	157	157	157
Net interest income from trading securities**	-	13,533	-	13,533
Net unrealised gains on revaluation of trading securities**	-	3,695	-	3,695
Net gains arising from dealing in foreign currency**	-	98,799	-	98,799
Net unrealised losses from dealing in foreign currency**	-	(25,112)	-	(25,112)
Net losses arising from trading in derivatives**	-	(1,741)	-	(1,741)
Net unrealised gains on revaluation of derivatives**	-	21,904	-	21,904
Dividend income from securities available-for-sale				
- Unquoted in Malaysia	739	739	739	739
Rental income	1,819	1,819	1,819	1,819
Net gains on disposal of property and equipment	96	96	96	96
Other operating income***	7,593	7,986	27,285	27,678
	<u>10,404</u>	<u>239,945</u>	<u>30,096</u>	<u>259,637</u>

\* Now classified under net fee and commission income

\*\* Now classified under net trading income

\*\*\* Losses amounting to RM160,000 and gains amounting to RM393,000 were reclassified to net trading income for the financial period ended and quarter-to-date ended 30 September 2009 respectively.

### 33 Comparative Figures (Cont'd)

#### Restatement of Comparative Figures (Cont'd)

Statement of comprehensive income for the financial period ended 30 September 2009 (Cont'd)  
(previously referred to as income statement)

	Group		Bank	
	As restated	As previously stated	As restated	As previously stated
<b>Year-To-Date</b>				
e) <u>Net Trading income*</u>				
Financial assets held-for-trading and other financial instruments	9,800	-	9,800	-
Net interest income from financial assets held-for-trading	47,241	-	47,241	-
Net unrealised gains on revaluation of financial assets held-for-trading	4,833	-	4,833	-
Net gains arising from dealing in foreign currency	279,293	-	279,293	-
Net unrealised losses from dealing in foreign currency	(41,795)	-	(41,795)	-
Net gains arising from trading in derivatives	17,730	-	17,730	-
Net unrealised gains on revaluation of derivatives	24,562	-	24,562	-
Gains arising from fair value hedges	216	-	216	-
	<u>341,880</u>	<u>-</u>	<u>341,880</u>	<u>-</u>
<b>3rd Quarter Ended</b>				
<u>Net Trading income*</u>				
Financial assets held-for-trading and other financial instruments	13,207	-	13,207	-
Net interest income from financial assets held-for-trading	13,533	-	13,533	-
Net unrealised gains on revaluation of financial assets held-for-trading	3,695	-	3,695	-
Net gains arising from dealing in foreign currency	98,799	-	98,799	-
Net unrealised losses from dealing in foreign currency	(25,112)	-	(25,112)	-
Net losses arising from trading in derivatives	(1,559)	-	(1,559)	-
Net unrealised gains on revaluation of derivatives	21,904	-	21,904	-
Gains arising from fair value hedges	210	-	210	-
	<u>124,677</u>	<u>-</u>	<u>124,677</u>	<u>-</u>

\* Net trading income were previously reported under other operating income.

#### Year-To-Date

f) <u>Income from Islamic Banking</u>				
Income derived from investment of depositor funds and others	187,310	187,310	-	-
Income derived from investment of shareholders funds*	52,239	52,855	-	-
Income attributable to the depositors	(41,156)	(41,156)	-	-
Income from Islamic Banking operations	<u>198,393</u>	<u>199,009</u>	<u>-</u>	<u>-</u>

#### 3rd Quarter Ended

<u>Income from Islamic Banking</u>				
Income derived from investment of depositor funds and others	56,980	56,980	-	-
Income derived from investment of shareholders funds*	18,875	19,141	-	-
Income attributable to the depositors	(11,279)	(11,279)	-	-
Income from Islamic Banking operations	<u>64,576</u>	<u>64,842</u>	<u>-</u>	<u>-</u>

\*Fee and commission expenses/recoveries previously classified under general administrative expenses ( refer Note 33(g) ) are now classified as net finance income under income from investment of shareholder funds.



### 33 Comparative Figures (Cont'd)

#### Restatement of Comparative Figures (Cont'd)

Statement of comprehensive income for the financial period ended 30 September 2009 (Cont'd)  
(previously referred to as income statement)

	Group		Bank	
	As restated	As previously stated	As restated	As previously stated
<b>Year-To-Date</b>				
g) <u>Other operating expenses</u>				
Personnel expenses	429,033	424,199	412,863	412,863
Promotion and marketing related expenses	53,092	53,092	42,513	42,513
Establishment related expenses	91,229	91,229	86,263	86,263
General administrative expenses*	230,448	238,886	228,583	231,571
	<u>803,802</u>	<u>807,406</u>	<u>770,222</u>	<u>773,210</u>
<b>3rd Quarter Ended</b>				
<u>Other operating expenses</u>				
Personnel expenses	159,587	154,753	151,293	151,293
Promotion and marketing related expenses	24,206	24,206	21,488	21,488
Establishment related expenses	31,539	31,539	29,814	29,814
General administrative expenses*	75,869	82,077	78,788	79,896
	<u>291,201</u>	<u>292,575</u>	<u>281,383</u>	<u>282,491</u>

\*Fee and commission expenses/recoveries classified under general administrative expenses are now reclassified to net fee and commission income/income from Islamic Banking.

### 34 **Review of Performance**

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The Group recorded profit before tax of RM802 million for the nine months ended 30 September 2010, an increase of 27.2% or RM172 million compared against history. Operating income increased by RM164 million or 10.0% against the corresponding period in 2009, mainly on trading profits (+RM74 million or 21.5%) due to higher gains from financial assets held-for-trading and other financial instruments. Net interest income also improved (+RM56 million or 7.3%) in line with the higher Base Lending Rate while net fee income increased by RM27 million or 9.2% primarily due to higher fees and commissions from the sale of third party unit trusts and insurance. Other operating income declined by RM26 million or 45.3% due to a decline in gains on disposal of available-for-sale financial investments. Operating expenses also grew by 5.2% or RM42 million mainly on higher general administrative expenses due to the expansion of the business and the opening of new branches.

Cost income ratio improved to 46.6% (September 2009: 48.8%) as the growth in operating income outpaced the increased operating expenditure. Net impaired loans at 0.9% also improved compared to history (September 2009: 1.0%), reflecting the improving economic environment and growth in loans, advances and financing.

Total assets at RM59.5 billion increased by RM4.4 billion or 8.0% against 31 Dec 2009, funded by higher deposits from banks and financial institutions and customers (+RM3.2 billion). Gross loans, advances and financing as at 30 September 2010 stood at RM33.3 billion, RM3.8 billion higher than the RM29.5 billion recorded as at 31 December 2009, mainly due to higher trade financing and mortgages.

### 35 **Business Prospects**

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The Malaysian economy registered a robust growth of 8.9% in the second quarter of the year, driven mainly by healthy domestic demand and stronger trade activities. However, the pace of recovery is more subdued in the second quarter in comparison to the record double digit growth of 10.1% in the first quarter as the economy moves into a more normalised phase. Owing to growing concerns over the vulnerable Euro area economies and slower than anticipated growth from the larger emerging markets, the pace of the region's economic rebound is expected to continue to ease, although full year-on-year growth is likely to remain strong.

Nevertheless, the Malaysian government is committed to creating a conducive environment to stimulate national economic growth and to sharpen the competitive edge of Malaysia. Under the 10th Malaysia Plan ("10 MP"), the government has allocated RM230 billion as development expenditure. A number of high impact projects have been earmarked for implementation under the 10 MP, and this could generate more economic activity and build up the demand for credit and the need for other banking services. These, along with further liberalisation efforts in the financial services sector will attract more investors in the long run. The rising interest rate environment also bodes well for the Group from a net interest margin perspective.

The focus for the remaining part of 2010 will be on growing the Premier and Advance proposition for both the conventional and Islamic banks. "Advance" is a new proposition launched in the second half of 2010 to cater to the newly emerging mass affluent market. It complements the existing Premier proposition that targets the internationally-oriented mass affluent segment. Wealth management services will also remain a key area of attention, together with the cross selling of various banking products to the Group's existing customers by leveraging on the HSBC brand name, global reach and connectivity. The Group will continue to expand its business and widen its geographical reach by opening more conventional and Islamic branches, together with offsite Islamic Self Service banking terminals, in 2010. To date, HSBC Amanah has 8 branches and there are plans to open more branches nationwide within the next two to three years.

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