

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2009**

**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 half year ended ended 30 June 2009 have been prepared from the Group and the Bank's accounting and other records and that they are in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia on 5 October 2004.

BALDEV SINGH  
Chief Financial Officer

Date : 29 July 2009

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

**UNAUDITED CONDENSED BALANCE SHEETS**  
**AS AT 30 JUNE 2009**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Assets</b>					
Cash and short term funds		<b>9,077,308</b>	8,428,554	<b>7,966,728</b>	7,445,455
Securities purchased under resale agreements		<b>6,988,301</b>	3,778,793	<b>6,988,301</b>	3,778,793
Deposits and placements with banks and other financial institutions		<b>532,748</b>	997,814	<b>1,476,400</b>	1,941,125
Securities held-for-trading	11	<b>1,757,473</b>	3,491,259	<b>1,672,710</b>	3,223,521
Securities available-for-sale	12	<b>4,203,514</b>	3,914,911	<b>3,831,070</b>	3,349,350
Loans, advances and financing	13	<b>28,672,721</b>	29,719,270	<b>25,941,642</b>	26,792,239
Other assets	15	<b>1,160,140</b>	1,417,121	<b>1,168,025</b>	1,424,328
Statutory deposits with Bank Negara Malaysia		<b>175,827</b>	653,026	<b>150,998</b>	580,497
Investment in subsidiaries		-	-	<b>660,021</b>	660,021
Prepaid land lease payments		<b>19,325</b>	19,551	<b>19,325</b>	19,551
Property and equipment		<b>255,524</b>	258,092	<b>250,462</b>	255,609
Intangible assets		<b>56,923</b>	51,153	<b>55,200</b>	49,789
Deferred tax assets		<b>88,076</b>	86,769	<b>73,666</b>	71,566
<b>Total Assets</b>		<b>52,987,880</b>	52,816,313	<b>50,254,548</b>	49,591,844
<b>Liabilities</b>					
Deposits from customers	16	<b>42,610,558</b>	40,953,472	<b>39,824,061</b>	37,709,152
Deposits and placements of banks and other financial institutions	17	<b>2,944,773</b>	3,531,472	<b>2,944,773</b>	3,531,472
Bills and acceptances payable		<b>266,584</b>	414,233	<b>261,001</b>	413,180
Other liabilities	18	<b>1,730,255</b>	2,569,719	<b>1,837,816</b>	2,614,505
Recourse obligation on loans sold to Cagamas Berhad		<b>673,395</b>	701,370	<b>673,395</b>	701,370
Provision for taxation and zakat		<b>23,737</b>	41,160	<b>22,711</b>	41,090
Subordinated bonds	19	<b>999,800</b>	1,027,338	<b>999,800</b>	1,027,338
<b>Total Liabilities</b>		<b>49,249,102</b>	49,238,764	<b>46,563,557</b>	46,038,107
<b>Shareholders' Funds</b>					
Share capital		<b>114,500</b>	114,500	<b>114,500</b>	114,500
Reserves		<b>3,424,278</b>	3,313,049	<b>3,376,491</b>	3,289,237
Proposed dividend		<b>200,000</b>	150,000	<b>200,000</b>	150,000
<b>Shareholders' funds</b>		<b>3,738,778</b>	3,577,549	<b>3,690,991</b>	3,553,737
<b>Total Liabilities and Shareholders' Funds</b>		<b>52,987,880</b>	52,816,313	<b>50,254,548</b>	49,591,844
Commitments and Contingencies	27	<b>80,083,018</b>	85,309,889	<b>78,553,406</b>	83,633,914

*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 2008 and the accompanying explanatory notes on page 7 to 42 attached to the unaudited condensed interim financial statements.*

*The financial statements were approved by the Board of Directors on 29 July 2009.*

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

**UNAUDITED CONDENSED INCOME STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2009**

	<i>Group</i>				
	<i>Note</i>	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
		<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
		RM'000	RM'000	RM'000	RM'000
Revenue		<b>739,986</b>	870,878	<b>1,525,774</b>	1,777,598
Interest income	20	<b>427,677</b>	533,340	<b>907,894</b>	1,051,932
Interest expense	21	<b>(180,093)</b>	(243,693)	<b>(395,684)</b>	(481,615)
Net interest income		<b>247,584</b>	289,647	<b>512,210</b>	570,317
Other operating income	22	<b>234,634</b>	243,765	<b>454,648</b>	546,315
Income from Islamic banking operations	29(f)	<b>65,799</b>	62,204	<b>134,167</b>	120,592
Operating income		<b>548,017</b>	595,616	<b>1,101,025</b>	1,237,224
Other operating expenses	23	<b>(267,439)</b>	(238,022)	<b>(514,831)</b>	(482,676)
Profit before allowance		<b>280,578</b>	357,594	<b>586,194</b>	754,548
Allowance for losses on loans and financing	24	<b>(86,353)</b>	(59,801)	<b>(134,763)</b>	(108,712)
Impairment losses on available for sale securities		-	-	<b>(9,637)</b>	-
Profit before taxation and zakat		<b>194,225</b>	297,793	<b>441,794</b>	645,836
Taxation and zakat		<b>(48,627)</b>	(69,379)	<b>(111,906)</b>	(164,433)
Profit attributable to shareholders		<b>145,598</b>	228,414	<b>329,888</b>	481,403
Earnings per RM0.50 ordinary share - basic/diluted		<b>63.6 sen</b>	99.7 sen	<b>144.1 sen</b>	210.2 sen
Dividends per RM0.50 ordinary share (net) - paid in respect of prior year		<b>65.5 sen</b>	65.5 sen	<b>65.5 sen</b>	65.5 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 2008 and the accompanying explanatory notes on page 7 to 42 attached to the unaudited condensed interim financial statements.*

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

**UNAUDITED CONDENSED INCOME STATEMENTS (CONT'D)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2009**

	<i>Note</i>	<i>Bank</i>			
		<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
		<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		<b>688,800</b>	870,878	<b>1,413,647</b>	1,777,598
Interest income	20	<b>433,156</b>	533,340	<b>919,752</b>	1,051,932
Interest expense	21	<b>(180,093)</b>	(243,693)	<b>(395,684)</b>	(481,615)
Net interest income		<b>253,063</b>	289,647	<b>524,068</b>	570,317
Other operating income	22	<b>255,644</b>	243,765	<b>493,895</b>	546,315
Income from Islamic banking operations	29(f)	-	62,204	-	120,592
Operating income		<b>508,707</b>	595,616	<b>1,017,963</b>	1,237,224
Other operating expenses	23	<b>(256,740)</b>	(238,022)	<b>(490,719)</b>	(482,676)
Profit before allowance		<b>251,967</b>	357,594	<b>527,244</b>	754,548
Allowance for losses on loans and financing	24	<b>(72,383)</b>	(59,801)	<b>(108,228)</b>	(108,712)
Impairment losses on available-for-sale securities		-	-	<b>(9,637)</b>	-
Profit before taxation and zakat		<b>179,584</b>	297,793	<b>409,379</b>	645,836
Taxation and zakat		<b>(45,083)</b>	(69,379)	<b>(103,135)</b>	(164,433)
Profit attributable to shareholders		<b>134,501</b>	228,414	<b>306,244</b>	481,403
Earnings per RM0.50 ordinary share - basic/diluted		<b>58.7 sen</b>	99.7 sen	<b>133.7 sen</b>	210.2 sen
Dividends per RM0.50 ordinary share (net) - paid in respect of prior year		<b>65.5 sen</b>	65.5 sen	<b>65.5 sen</b>	65.5 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 2008 and the accompanying explanatory notes on page 7 to 42 attached to the unaudited condensed interim financial statements.*

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2009**

	<i>Group</i>									
	← <i>Non-distributable</i>				<i>Distributable</i> →					
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available- for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>	<i>Proposed dividend</i>	<i>Total Shareholders' funds</i>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2008	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Deferred tax adjustment on revaluation reserve	-	-	-	816	-	-	-	816	-	816
Net unrealised losses on revaluation	-	-	-	-	-	(17,760)	-	(17,760)	-	(17,760)
Transfer to retained profit on realisation of assets	-	-	-	(752)	-	-	752	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(37,548)	-	(37,548)	-	(37,548)
Net gains/(losses) recognised directly in equity	-	-	-	64	-	(55,308)	752	(54,492)	-	(54,492)
Net profit for the period	-	-	-	-	-	-	481,403	481,403	-	481,403
Total recognised income and expense for the period	-	-	-	64	-	(55,308)	482,155	426,911	-	426,911
Dividend paid - 2007 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Proposed dividend - 2008 interim	-	-	-	-	-	-	(150,000)	(150,000)	150,000	-
Balance as at 30 June 2008	114,500	741,375	114,500	122,833	190,000	(13,961)	1,878,915	3,033,662	150,000	3,298,162
Balance as at 1 July 2008	114,500	741,375	114,500	122,833	190,000	(13,961)	1,878,915	3,033,662	150,000	3,298,162
Deferred tax adjustment on revaluation reserve	-	-	-	-	-	-	-	-	-	-
Net unrealised gains on revaluation	-	-	-	-	-	11,148	-	11,148	-	11,148
Transfer to retained profit on realisation of assets	-	-	-	(110)	-	-	110	-	-	-
Net losses transferred to income statement	-	-	-	-	-	285	-	285	-	285
Net gains/(losses) recognised directly in equity	-	-	-	(110)	-	11,433	110	11,433	-	11,433
Net profit for the period	-	-	-	-	-	-	417,954	417,954	-	417,954
Transfer to statutory reserve	-	-	11,361	-	-	-	(11,361)	-	-	-
Total recognised income and expense for the period	-	-	11,361	(110)	-	11,433	406,703	429,387	-	429,387
Dividend paid - 2008 interim	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2008 final	-	-	-	-	-	-	(150,000)	(150,000)	150,000	-
Balance as at 31 December 2008	114,500	741,375	125,861	122,723	190,000	(2,528)	2,135,618	3,313,049	150,000	3,577,549
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
Deferred tax adjustment on revaluation reserve	-	-	-	804	-	-	-	804	-	804
Net unrealised losses on revaluation	-	-	-	-	-	(9,591)	-	(9,591)	-	(9,591)
Impairment charges reclassified to income statement	-	-	-	-	-	7,228	-	7,228	-	7,228
Net gains transferred to income statement	-	-	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Net gains/(losses) recognised directly in equity	-	-	-	804	-	(19,463)	-	(18,659)	-	(18,659)
Net profit for the period	-	-	-	-	-	-	329,888	329,888	-	329,888
Total recognised income and expense for the period	-	-	-	804	-	(19,463)	329,888	311,229	-	311,229
Dividend paid - 2008 final	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2009 interim	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Balance as at 30 June 2009	114,500	741,375	125,861	123,527	190,000	(21,991)	2,265,506	3,424,278	200,000	3,738,778

*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 2008 and the accompanying explanatory notes on page 7 to 42 attached to the unaudited condensed interim financial statements.*

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

**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2009**

	<i>Bank</i>									
	← <i>Non-distributable</i>				→ <i>Distributable</i>				<i>Total Shareholders' funds</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>		<i>Proposed dividend</i>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>		<b>RM'000</b>
Balance as at 1 January 2008	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Deferred tax adjustment on revaluation reserve	-	-	-	816	-	-	-	816	-	816
Net unrealised losses on revaluation	-	-	-	-	-	(17,760)	-	(17,760)	-	(17,760)
Transfer to retained profit on realisation of assets	-	-	-	(752)	-	-	752	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(37,548)	-	(37,548)	-	(37,548)
Net gains/(losses) recognised directly in equity	-	-	-	64	-	(55,308)	752	(54,492)	-	(54,492)
Net profit for the period	-	-	-	-	-	-	481,403	481,403	-	481,403
Total recognised income and expense for the period	-	-	-	64	-	(55,308)	482,155	426,911	-	426,911
Dividend paid - 2007 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Proposed dividend - 2008 interim	-	-	-	-	-	-	(150,000)	(150,000)	150,000	-
Balance as at 30 June 2008	114,500	741,375	114,500	122,833	190,000	(13,961)	1,878,915	3,033,662	150,000	3,298,162
Balance as at 1 July 2008	114,500	741,375	114,500	122,833	190,000	(13,961)	1,878,915	3,033,662	150,000	3,298,162
Deferred tax adjustment on revaluation reserve	-	-	-	-	-	-	-	-	-	-
Net unrealised gains on revaluation	-	-	-	-	-	10,057	-	10,057	-	10,057
Transfer to retained profit on realisation of assets	-	-	-	(110)	-	-	110	-	-	-
Net losses transferred to income statement	-	-	-	-	-	285	-	285	-	285
Net (losses)/gains recognised directly in equity	-	-	-	(110)	-	10,342	110	10,342	-	10,342
Net profit for the period	-	-	-	-	-	-	395,233	395,233	-	395,233
Total recognised income and expense for the period	-	-	-	(110)	-	10,342	395,343	405,575	-	405,575
Dividend paid - 2008 interim	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2008 final	-	-	-	-	-	-	(150,000)	(150,000)	150,000	-
Balance as at 31 December 2008	114,500	741,375	114,500	122,723	190,000	(3,619)	2,124,258	3,289,237	150,000	3,553,737
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
Deferred tax adjustment on revaluation reserve	-	-	-	804	-	-	-	804	-	804
Net unrealised losses on revaluation	-	-	-	-	-	(9,922)	-	(9,922)	-	(9,922)
Impairment charges reclassified to income statement	-	-	-	-	-	7,228	-	7,228	-	7,228
Net gains transferred to income statement	-	-	-	-	-	(17,100)	-	(17,100)	-	(17,100)
Net gains/(losses) recognised directly in equity	-	-	-	804	-	(19,794)	-	(18,990)	-	(18,990)
Net profit for the period	-	-	-	-	-	-	306,244	306,244	-	306,244
Total recognised income and expense for the period	-	-	-	804	-	(19,794)	306,244	287,254	-	287,254
Dividend paid - 2008 final	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2009 interim	-	-	-	-	-	-	(200,000)	(200,000)	200,000	-
Balance as at 30 June 2009	114,500	741,375	114,500	123,527	190,000	(23,413)	2,230,502	3,376,491	200,000	3,690,991

*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 2008 and the accompanying explanatory notes on page 7 to 42 attached to the unaudited condensed interim financial statements.*

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

**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2009**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before taxation and zakat	<b>441,794</b>	645,836	<b>409,379</b>	645,836
Adjustments for non-operating and non-cash items	<b>27,973</b>	22,739	<b>25,784</b>	22,739
Operating profit before working capital changes	<b>469,767</b>	668,575	<b>435,163</b>	668,575
Changes in working capital:				
Net changes in operating assets	<b>743,755</b>	(2,153,017)	<b>314,889</b>	(2,153,017)
Net changes in operating liabilities	<b>55,299</b>	5,409,666	<b>571,367</b>	5,409,666
Taxation and zakat paid	<b>(124,612)</b>	(135,051)	<b>(116,279)</b>	(135,051)
<b>Net cash generated from operations</b>	<b>1,144,209</b>	3,790,173	<b>1,205,140</b>	3,790,173
<b>Net cash (used in)/generated from investing activities</b>	<b>(345,455)</b>	1,445,806	<b>(533,867)</b>	1,445,806
<b>Net cash used in financing activities</b>	<b>(150,000)</b>	(250,000)	<b>(150,000)</b>	(250,000)
	<b>(495,455)</b>	1,195,806	<b>(683,867)</b>	1,195,806
<b>Net changes in cash and cash equivalents</b>	<b>648,754</b>	4,985,979	<b>521,273</b>	4,985,979
<b>Cash and cash equivalents at beginning of the period</b>	<b>8,428,554</b>	11,321,351	<b>7,445,455</b>	11,321,351
<b>Cash and cash equivalents at end of the period</b>	<b>9,077,308</b>	16,307,330	<b>7,966,728</b>	16,307,330
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>9,077,308</b>	16,307,330	<b>7,966,728</b>	16,307,330

*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 2008 and the accompanying explanatory notes on page 7 to 42 attached to the unaudited condensed interim financial statements.*



**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 12776-V)**  
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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2009**

**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 half year ended 30 June 2009 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") as modified by Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

The Group's unaudited interim financial statements include the financial statements of the Bank and its subsidiary companies. The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2008. 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 2008.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2008.

**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 2008 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 half year ended 30 June 2009.

**6 Changes in Estimates**

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There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the half year ended 30 June 2009.

**7 Debt and Equity Securities**

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There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2009.

## **8 Dividend**

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A final dividend of RM0.873 per ordinary share less tax at 25% totalling RM150 million in respect of the financial year ended 31 December 2008 was paid on 14 April 2009.

The directors now recommend an interim dividend of RM1.164 per ordinary share less tax at 25% totalling RM200 million in respect of the current financial year on the fully issued and paid up ordinary shares of the Bank.

## **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. There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the financial period ended 30 June 2009.

## **10 Significant Events**

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As part of an internal re-organisation exercise, the Bank has become a direct wholly owned subsidiary of the Hongkong Shanghai Banking Corporation Limited, Hong Kong with effect from 1 January 2009. Prior to this, the Bank was a direct wholly owned subsidiary of HSBC Holdings BV.

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

## 11 Securities Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>191,844</b>	320,838	<b>172,113</b>	320,838
Bank Negara Malaysia bills and notes	<b>814,037</b>	1,675,565	<b>814,037</b>	1,675,565
Bank Negara Malaysia Islamic bills	<b>184,336</b>	751,625	<b>184,336</b>	590,274
Malaysian Government securities	<b>411,587</b>	617,346	<b>411,587</b>	617,346
Malaysian Government Islamic bonds	<b>139,290</b>	119,681	<b>74,258</b>	13,294
Cagamas bonds and notes	<b>4,606</b>	4,457	<b>4,606</b>	4,457
	<b>1,745,700</b>	3,489,512	<b>1,660,937</b>	3,221,774
Unquoted securities:				
Private debt securities (including commercial paper)	<b>11,773</b>	1,747	<b>11,773</b>	1,747
	<b>1,757,473</b>	3,491,259	<b>1,672,710</b>	3,223,521

## 12 Securities Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>319,199</b>	26,671	<b>220,784</b>	17,353
Bank Negara Malaysia Islamic bills	-	99,702	-	99,702
Malaysian Government securities	<b>2,322,759</b>	1,712,984	<b>2,322,759</b>	1,712,984
Malaysian Government Islamic bonds	<b>365,926</b>	648,681	<b>234,832</b>	293,543
Khazanah bonds	<b>52,319</b>	51,096	-	-
Cagamas bonds and notes	<b>45,872</b>	130,500	<b>45,872</b>	130,500
Negotiable instruments of deposit	<b>320,051</b>	320,233	<b>300,056</b>	290,242
Bankers' acceptance and Islamic accepted bills	<b>637,215</b>	697,485	<b>637,215</b>	697,485
	<b>4,063,341</b>	3,687,352	<b>3,761,518</b>	3,241,809
Quoted securities:				
Shares	<b>21,319</b>	18,338	<b>21,319</b>	18,338
Loan stock	<b>8,534</b>	8,534	<b>8,534</b>	8,534
	<b>29,853</b>	26,872	<b>29,853</b>	26,872
Unquoted securities:				
Shares	<b>16,392</b>	36,857	<b>16,392</b>	36,857
Private debt securities	<b>112,100</b>	175,446	<b>41,479</b>	55,428
	<b>128,492</b>	212,303	<b>57,871</b>	92,285
Impairment loss:				
Quoted securities:				
Shares	<b>(9,638)</b>	(3,082)	<b>(9,638)</b>	(3,082)
Loan stock	<b>(8,534)</b>	(8,534)	<b>(8,534)</b>	(8,534)
	<b>(18,172)</b>	(11,616)	<b>(18,172)</b>	(11,616)
	<b>4,203,514</b>	3,914,911	<b>3,831,070</b>	3,349,350

### 13 Loans, Advances and Financing

#### (i) By type

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Overdrafts	<b>1,965,946</b>	1,641,796	<b>1,962,362</b>	1,640,983
Term loans/ financing				
Housing loans/ financing	<b>9,230,092</b>	9,062,726	<b>9,178,953</b>	9,002,227
Syndicated term loans/ financing	<b>141,996</b>	148,234	<b>141,996</b>	148,234
Hire purchase receivables	<b>262,148</b>	281,575	<b>1,756</b>	1,501
Lease receivables	<b>8,791</b>	13,025	<b>8,518</b>	12,723
Other term loans/ financing	<b>8,914,216</b>	9,087,935	<b>6,933,383</b>	7,130,053
Bills receivable	<b>1,568,006</b>	2,394,848	<b>1,568,006</b>	2,394,848
Trust receipts	<b>259,341</b>	596,460	<b>259,341</b>	596,460
Claims on customers under acceptance credits	<b>2,448,381</b>	2,681,973	<b>1,912,194</b>	1,860,563
Staff loans/ financing	<b>386,500</b>	364,836	<b>383,919</b>	363,538
Credit/ charge cards	<b>2,521,005</b>	2,508,260	<b>2,430,715</b>	2,496,769
Revolving credit	<b>1,865,345</b>	1,805,217	<b>1,865,345</b>	1,805,217
Other loans/ financing	<b>7,572</b>	7,108	<b>7,572</b>	7,108
Less: Unearned interest and income	<b>(112,110)</b>	(135,026)	<b>(1,458)</b>	(2,024)
	<b>29,467,229</b>	30,458,967	<b>26,652,602</b>	27,458,200
Less: Allowance for bad and doubtful debts and financing:				
- General	<b>(447,697)</b>	(462,597)	<b>(395,100)</b>	(410,000)
- Specific	<b>(346,811)</b>	(277,100)	<b>(315,860)</b>	(255,961)
Total net loans, advances and financing	<b>28,672,721</b>	29,719,270	<b>25,941,642</b>	26,792,239

#### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic banking institutions	<b>53,636</b>	25,992	-	-
Domestic non-bank financial institutions				
Stockbroking companies	<b>157,410</b>	153,735	<b>157,410</b>	153,735
Others	<b>59,607</b>	100,232	<b>59,607</b>	100,232
Domestic business enterprises				
Small medium enterprises	<b>3,843,354</b>	3,972,736	<b>3,564,406</b>	3,658,030
Others	<b>9,820,757</b>	10,558,844	<b>8,420,551</b>	8,894,580
Individuals	<b>15,022,164</b>	14,569,770	<b>13,947,851</b>	13,581,205
Other domestic entities	<b>2,859</b>	3,025	<b>2,859</b>	3,025
Foreign entities	<b>507,442</b>	1,074,633	<b>499,918</b>	1,067,393
	<b>29,467,229</b>	30,458,967	<b>26,652,602</b>	27,458,200

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate				
Housing loans/ financing	<b>252,517</b>	255,221	<b>210,812</b>	205,207
Hire purchase receivables	<b>236,114</b>	252,461	<b>1,726</b>	1,454
Other fixed rate loans/ financing	<b>4,461,858</b>	4,818,473	<b>2,096,138</b>	2,179,834
Variable rate				
BLR plus	<b>20,050,082</b>	20,769,719	<b>20,047,867</b>	20,769,719
Cost-plus	<b>1,865,344</b>	1,805,217	<b>1,865,344</b>	1,805,217
Other variable rates	<b>2,601,314</b>	2,557,876	<b>2,430,715</b>	2,496,769
	<b>29,467,229</b>	30,458,967	<b>26,652,602</b>	27,458,200

#### (iv) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>875,907</b>	984,605	<b>771,375</b>	860,284
Mining and quarrying	<b>638,227</b>	351,003	<b>620,508</b>	332,473
Manufacturing	<b>5,571,055</b>	5,929,001	<b>4,871,122</b>	5,214,821
Electricity, gas and water	<b>64,162</b>	77,945	<b>42,717</b>	60,585
Construction	<b>980,539</b>	806,572	<b>912,875</b>	741,333
Real estate	<b>785,938</b>	705,290	<b>684,924</b>	699,428
Purchase of landed property:				
Residential	<b>9,634,581</b>	9,484,962	<b>9,591,261</b>	9,434,932
Non-residential	<b>1,215,803</b>	1,263,006	<b>1,208,916</b>	1,255,367
Wholesale & retail trade and restaurants & hotels	<b>1,892,069</b>	2,647,329	<b>1,647,239</b>	2,143,651
Transport, storage and communication	<b>350,231</b>	473,358	<b>248,031</b>	262,328
Finance, insurance and business services	<b>1,542,747</b>	2,252,730	<b>1,228,318</b>	1,977,605
Purchase of securities	<b>51,623</b>	39,231	<b>50,105</b>	37,555
Purchase of transport vehicles	<b>49,606</b>	46,826	<b>49,606</b>	46,826
Consumption credit	<b>5,174,019</b>	4,963,151	<b>4,138,438</b>	4,020,871
Others	<b>640,722</b>	433,958	<b>587,167</b>	370,141
	<b>29,467,229</b>	30,458,967	<b>26,652,602</b>	27,458,200

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At beginning of period/ year	<b>485,804</b>	438,025	<b>457,328</b>	438,025
Classified as non-performing during the period/ year	<b>330,402</b>	477,390	<b>292,892</b>	455,252
Reclassified as performing	<b>(40,697)</b>	(80,984)	<b>(40,577)</b>	(80,790)
Amount recovered	<b>(67,347)</b>	(177,187)	<b>(63,306)</b>	(173,759)
Amount written off	<b>(121,716)</b>	(187,288)	<b>(98,643)</b>	(174,332)
Disposal of Islamic banking operations to HSBC Amanah	-	-	-	(22,681)
Other movements	<b>12,964</b>	15,848	<b>9,482</b>	15,613
At end of period/ year	<b>599,410</b>	485,804	<b>557,176</b>	457,328
Specific allowance	<b>(346,811)</b>	(277,100)	<b>(315,860)</b>	(255,961)
Net non-performing loans, advances and financing	<b>252,599</b>	208,704	<b>241,316</b>	201,367
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<b>0.9%</b>	0.7%	<b>0.9%</b>	0.8%

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>General allowance</b>				
At beginning of period/ year	<b>462,597</b>	401,700	<b>410,000</b>	401,700
Made during the period/ year	<b>5,800</b>	67,497	<b>5,800</b>	67,497
Amount written back	<b>(20,700)</b>	(6,600)	<b>(20,700)</b>	(6,600)
Disposal of Islamic banking operations to HSBC Amanah	-	-	-	(52,597)
At end of period/ year	<b>447,697</b>	462,597	<b>395,100</b>	410,000
As % of gross loans, advances and financing less specific allowance	<b>1.5%</b>	1.5%	<b>1.5%</b>	1.5%
<b>Specific allowance</b>				
At beginning of period/ year	<b>277,100</b>	218,334	<b>255,961</b>	218,334
Made during the period/ year	<b>192,619</b>	258,569	<b>160,776</b>	240,116
Amount recovered	<b>(21,084)</b>	(37,999)	<b>(18,469)</b>	(36,441)
Amount written off	<b>(114,775)</b>	(177,668)	<b>(91,877)</b>	(164,793)
Other movements	<b>12,951</b>	15,864	<b>9,469</b>	15,629
Disposal of Islamic banking operations to HSBC Amanah	-	-	-	(16,884)
At end of period/ year	<b>346,811</b>	277,100	<b>315,860</b>	255,961

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

##### (iii) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>1,255</b>	1,196	<b>1,255</b>	1,196
Manufacturing	<b>114,093</b>	52,690	<b>108,822</b>	52,292
Construction	<b>4,640</b>	4,986	<b>4,640</b>	4,986
Real estate	<b>14,159</b>	14,171	<b>13,957</b>	13,939
Purchase of landed property:				
Residential	<b>178,120</b>	155,347	<b>177,497</b>	154,237
Non-residential	<b>20,165</b>	25,163	<b>20,165</b>	25,163
Wholesale & retail trade and restaurants & hotels	<b>62,504</b>	66,533	<b>58,470</b>	62,913
Transport, storage and communication	<b>3,511</b>	3,507	<b>3,511</b>	3,507
Finance, insurance and business services	<b>7,408</b>	6,566	<b>7,408</b>	6,566
Purchase of securities	<b>373</b>	369	<b>373</b>	369
Purchase of transport vehicles	<b>265</b>	270	<b>265</b>	270
Consumption credit	<b>190,794</b>	151,561	<b>158,932</b>	130,228
Others	<b>2,123</b>	3,445	<b>1,881</b>	1,662
	<b>599,410</b>	485,804	<b>557,176</b>	457,328

#### 15 Other Assets

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Derivative financial assets (Note 27)	<b>785,434</b>	1,202,998	<b>779,080</b>	1,196,195
Interest/ income receivable	<b>44,339</b>	55,432	<b>42,369</b>	49,698
Other receivables, deposits and prepayments	<b>330,367</b>	158,691	<b>346,576</b>	178,435
	<b>1,160,140</b>	1,417,121	<b>1,168,025</b>	1,424,328

#### 16 Deposits from Customers

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>8,913,230</b>	8,344,255	<b>8,815,633</b>	8,277,081
Savings deposits	<b>6,566,326</b>	5,730,478	<b>6,092,282</b>	5,288,679
Fixed/ investment deposits	<b>21,574,510</b>	22,039,043	<b>19,580,172</b>	19,530,225
Negotiable instruments of deposits	<b>440,379</b>	670,896	<b>440,379</b>	670,896
Wholesale money market deposits	<b>2,811,315</b>	2,243,972	<b>2,811,315</b>	2,243,972
Others	<b>2,304,798</b>	1,924,828	<b>2,084,280</b>	1,698,299
	<b>42,610,558</b>	40,953,472	<b>39,824,061</b>	37,709,152

## 16 Deposits from Customers (Cont'd)

### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>174,986</b>	151,249	<b>39,994</b>	36,974
Business enterprises	<b>15,228,253</b>	15,108,552	<b>14,288,307</b>	13,776,791
Individuals	<b>21,454,471</b>	20,550,413	<b>20,131,266</b>	19,121,629
Others	<b>5,752,848</b>	5,143,258	<b>5,364,494</b>	4,773,758
	<b>42,610,558</b>	40,953,472	<b>39,824,061</b>	37,709,152

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Bank Negara Malaysia	<b>66,366</b>	66,797	<b>66,366</b>	66,797
Other financial institutions	<b>2,878,407</b>	3,464,675	<b>2,878,407</b>	3,464,675
	<b>2,944,773</b>	3,531,472	<b>2,944,773</b>	3,531,472

## 18 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Derivative financial liabilities	<b>680,678</b>	1,037,442	<b>674,324</b>	1,030,639
Interest/ profit payable	<b>182,504</b>	207,900	<b>171,761</b>	193,789
Allowance for commitments and contingencies	<b>2,631</b>	2,014	<b>2,631</b>	2,014
Profit equalisation reserve	<b>6,700</b>	6,700	-	-
Other creditors and accruals	<b>857,742</b>	1,315,663	<b>989,100</b>	1,388,063
	<b>1,730,255</b>	2,569,719	<b>1,837,816</b>	2,614,505

## 19 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Subordinated bonds, at par	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Fair value changes arising from fair value hedge	<b>(200)</b>	27,338	<b>(200)</b>	27,338
	<b>999,800</b>	1,027,338	<b>999,800</b>	1,027,338

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

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

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.



## 20 Interest Income

	<i>Group</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	<b>328,773</b>	376,256	<b>706,067</b>	749,942
- Recoveries from NPLs	<b>10,037</b>	10,003	<b>15,744</b>	17,425
Money at call and deposit placements with financial institutions	<b>64,771</b>	130,153	<b>133,279</b>	246,244
Securities available-for-sale	<b>24,291</b>	16,712	<b>58,341</b>	33,767
Others	<b>12,645</b>	630	<b>13,725</b>	1,043
	<b>440,517</b>	533,754	<b>927,156</b>	1,048,421
Amortisation of premium less accretion of discounts	<b>(6,611)</b>	6,816	<b>(7,778)</b>	16,446
Interest suspended	<b>(6,229)</b>	(7,230)	<b>(11,484)</b>	(12,935)
Total interest income	<b>427,677</b>	533,340	<b>907,894</b>	1,051,932

	<i>Bank</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	<b>328,773</b>	376,256	<b>706,067</b>	749,942
- Recoveries from NPLs	<b>10,037</b>	10,003	<b>15,744</b>	17,425
Money at call and deposit placements with financial institutions	<b>65,444</b>	130,153	<b>134,002</b>	246,244
Securities available-for-sale	<b>24,291</b>	16,712	<b>58,341</b>	33,767
Others	<b>17,451</b>	630	<b>24,860</b>	1,043
	<b>445,996</b>	533,754	<b>939,014</b>	1,048,421
Amortisation of premium less accretion of discounts	<b>(6,611)</b>	6,816	<b>(7,778)</b>	16,446
Interest suspended	<b>(6,229)</b>	(7,230)	<b>(11,484)</b>	(12,935)
Total interest income	<b>433,156</b>	533,340	<b>919,752</b>	1,051,932

## 21 Interest Expense

	<i>Group</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>6,678</b>	22,553	<b>17,682</b>	42,257
Deposits from customers	<b>153,084</b>	200,028	<b>336,923</b>	395,692
Loans sold to Cagamas	<b>7,966</b>	8,904	<b>16,145</b>	17,767
Subordinated bonds	<b>11,718</b>	11,717	<b>23,307</b>	23,435
Others	<b>647</b>	491	<b>1,627</b>	2,464
	<b>180,093</b>	243,693	<b>395,684</b>	481,615

	<i>Bank</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>6,678</b>	22,553	<b>17,682</b>	42,257
Deposits from customers	<b>153,084</b>	200,028	<b>336,923</b>	395,692
Loans sold to Cagamas	<b>7,966</b>	8,904	<b>16,145</b>	17,767
Subordinated bonds	<b>11,718</b>	11,717	<b>23,307</b>	23,435
Others	<b>647</b>	491	<b>1,627</b>	2,464
	<b>180,093</b>	243,693	<b>395,684</b>	481,615

## 22 Other Operating Income

	<i>Group</i>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2009	30 Jun 2008	30 Jun 2009	30 Jun 2008
	RM'000	RM'000	RM'000	RM'000
Fees and commissions	<b>104,006</b>	95,472	<b>191,469</b>	192,537
Net gains/(losses) arising from sale of securities				
- Securities held-for-trading and other financial instruments	<b>7,392</b>	(1,412)	<b>(3,407)</b>	16,353
- Securities available-for-sale	<b>4,697</b>	37,331	<b>27,402</b>	61,472
Net interest income from trading securities	<b>9,528</b>	13,818	<b>33,708</b>	30,556
Net unrealised (losses)/gains on revaluation of trading securities	<b>(675)</b>	1,247	<b>1,138</b>	220
Net gains arising from dealing in foreign currency	<b>146,621</b>	2,665	<b>180,494</b>	104,968
Net unrealised (losses)/gains from dealing in foreign currency	<b>(65,691)</b>	83,604	<b>(16,683)</b>	91,088
Net gains arising from trading in derivatives	<b>18,484</b>	2,080	<b>19,847</b>	6,940
Net unrealised gains on revaluation of derivatives	<b>1,559</b>	207	<b>2,658</b>	24,673
Dividend income from securities available-for-sale				
- Unquoted in Malaysia	<b>475</b>	42	<b>642</b>	162
Rental income	<b>1,732</b>	1,662	<b>3,329</b>	3,150
Net gains on disposal of property and equipment	<b>112</b>	264	<b>213</b>	297
Other operating income	<b>6,394</b>	6,785	<b>13,838</b>	13,899
	<b>234,634</b>	243,765	<b>454,648</b>	546,315

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

Cards	<b>51,586</b>	41,532	<b>91,659</b>	82,782
Service charges and fees	<b>27,869</b>	29,711	<b>51,724</b>	59,729
Agency fees	<b>8,033</b>	9,618	<b>14,609</b>	19,119
Credit facilities	<b>7,159</b>	6,994	<b>14,185</b>	14,008

	<i>Bank</i>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2009	30 Jun 2008	30 Jun 2009	30 Jun 2008
	RM'000	RM'000	RM'000	RM'000
Fees and commissions	<b>104,006</b>	95,472	<b>191,469</b>	192,537
Net gains/(losses) arising from sale of securities				
- Securities held-for-trading and other financial instruments	<b>7,392</b>	(1,412)	<b>(3,407)</b>	16,353
- Securities available-for-sale	<b>4,697</b>	37,331	<b>27,402</b>	61,472
Net interest income from trading securities	<b>9,528</b>	13,818	<b>33,708</b>	30,556
Net unrealised (losses)/gains on revaluation of trading securities	<b>(675)</b>	1,247	<b>1,138</b>	220
Net gains arising from dealing in foreign currency	<b>146,621</b>	2,665	<b>180,494</b>	104,968
Net unrealised (losses)/gains from dealing in foreign currency	<b>(65,691)</b>	83,604	<b>(16,683)</b>	91,088
Net gains arising from trading in derivatives	<b>18,484</b>	2,080	<b>19,847</b>	6,940
Net unrealised gains on revaluation of derivatives	<b>1,559</b>	207	<b>2,658</b>	24,673
Dividend income from securities available-for-sale				
- Unquoted in Malaysia	<b>475</b>	42	<b>642</b>	162
Rental income	<b>1,732</b>	1,662	<b>3,329</b>	3,150
Net gains on disposal of property and equipment	<b>112</b>	264	<b>213</b>	297
Other operating income	<b>27,404</b>	6,785	<b>53,085</b>	13,899
	<b>255,644</b>	243,765	<b>493,895</b>	546,315

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

Cards	<b>51,586</b>	41,532	<b>91,659</b>	82,782
Service charges and fees	<b>27,869</b>	29,711	<b>51,724</b>	59,729
Agency fees	<b>8,033</b>	9,618	<b>14,609</b>	19,119
Credit facilities	<b>7,159</b>	6,994	<b>14,185</b>	14,008

## 23 Other Operating Expenses

	<i>Group</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>138,695</b>	127,460	<b>269,446</b>	256,463
Promotion and marketing related expenses	<b>16,685</b>	12,537	<b>28,886</b>	26,272
Establishment related expenses	<b>29,330</b>	27,541	<b>59,690</b>	54,929
General administrative expenses	<b>82,729</b>	70,484	<b>156,809</b>	145,012
	<b>267,439</b>	238,022	<b>514,831</b>	482,676

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>109,415</b>	95,854	<b>210,072</b>	193,417
Employees Provident Fund contributions	<b>18,317</b>	18,110	<b>34,499</b>	35,172
Promotion and marketing related expenses				
Advertising and promotion	<b>14,154</b>	8,538	<b>22,399</b>	16,768
Establishment related expenses				
Depreciation of property and equipment	<b>8,469</b>	7,310	<b>17,142</b>	14,681
Amortisation of prepaid lease payments	<b>113</b>	118	<b>226</b>	237
Amortisation of intangible assets	<b>5,686</b>	4,249	<b>10,175</b>	8,108
Information technology costs	<b>2,531</b>	4,112	<b>6,940</b>	7,634
Hire of equipment	<b>1,819</b>	2,273	<b>3,289</b>	5,366
Rental of premises	<b>5,709</b>	4,505	<b>10,649</b>	8,566
Property and equipment written off	<b>57</b>	31	<b>57</b>	172
General administrative expenses				
Intercompany expenses	<b>61,653</b>	44,019	<b>115,069</b>	90,107
Auditors' remuneration				
-Statutory audit	<b>75</b>	87	<b>175</b>	175
-Other services	<b>-</b>	-	<b>-</b>	-

**23 Other Operating Expenses (Cont'd)**

	<i>Bank</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>136,378</b>	127,460	<b>261,570</b>	256,463
Promotion and marketing related expenses	<b>13,421</b>	12,537	<b>21,025</b>	26,272
Establishment related expenses	<b>27,708</b>	27,541	<b>56,449</b>	54,929
General administrative expenses	<b>79,233</b>	70,484	<b>151,675</b>	145,012
	<b>256,740</b>	238,022	<b>490,719</b>	482,676

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>105,271</b>	95,854	<b>201,842</b>	193,417
Employees Provident Fund contributions	<b>17,633</b>	18,110	<b>33,130</b>	35,172
Promotion and marketing related expenses				
Advertising and promotion	<b>10,890</b>	8,538	<b>14,538</b>	16,768
Establishment related expenses				
Depreciation of property and equipment	<b>8,075</b>	7,310	<b>16,452</b>	14,681
Amortisation of prepaid lease payments	<b>113</b>	118	<b>226</b>	237
Amortisation of intangible assets	<b>5,529</b>	4,249	<b>9,904</b>	8,108
Information technology costs	<b>2,485</b>	4,112	<b>6,545</b>	7,634
Hire of equipment	<b>1,811</b>	2,273	<b>3,274</b>	5,366
Rental of premises	<b>4,873</b>	4,505	<b>9,205</b>	8,566
Property and equipment written off	<b>57</b>	31	<b>57</b>	172
General administrative expenses				
Intercompany expenses	<b>61,206</b>	44,019	<b>113,788</b>	90,107
Auditors' remuneration				
-Statutory audit	<b>87</b>	87	<b>175</b>	175
-Other services	<b>-</b>	-	<b>-</b>	-

## 24 Allowance for Losses on Loans and Financing

	<i>Group</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
Made during the financial period	<b>110,072</b>	72,330	<b>192,619</b>	132,295
Written back	<b>(14,143)</b>	(12,253)	<b>(21,084)</b>	(18,057)
(b) General allowance				
Made during the financial period	<b>5,800</b>	15,100	<b>5,800</b>	25,600
Written back	<b>(4,200)</b>	-	<b>(20,700)</b>	(1,200)
Bad debts on loans and financing:				
Recovered	<b>(14,858)</b>	(17,529)	<b>(29,432)</b>	(33,779)
Written off	<b>3,976</b>	2,153	<b>6,942</b>	3,853
Allowance for losses on commitments and contingencies:				
Made during the financial period	<b>143</b>	-	<b>1,093</b>	-
Written back	<b>(437)</b>	-	<b>(475)</b>	-
	<b>86,353</b>	59,801	<b>134,763</b>	108,712

  

	<i>Bank</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
Made during the financial period	<b>92,479</b>	72,330	<b>160,776</b>	132,295
Written back	<b>(12,160)</b>	(12,253)	<b>(18,469)</b>	(18,057)
(b) General allowance				
Made during the financial period	<b>5,800</b>	15,100	<b>5,800</b>	25,600
Written back	<b>(4,200)</b>	-	<b>(20,700)</b>	(1,200)
Bad debts on loans and financing:				
Recovered	<b>(13,084)</b>	(17,529)	<b>(26,564)</b>	(33,779)
Written off	<b>3,842</b>	2,153	<b>6,767</b>	3,853
Allowance for losses on commitments and contingencies:				
Made during the financial period	<b>143</b>	-	<b>1,093</b>	-
Written back	<b>(437)</b>	-	<b>(475)</b>	-
	<b>72,383</b>	59,801	<b>108,228</b>	108,712

## 25 Credit exposure to connected parties

The credit exposures of the Group and the Bank to connected parties, as defined by Bank Negara Malaysia's 'Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:-

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Aggregate value of outstanding credit exposures to connected parties	<b>5,698,158</b>	5,182,637	<b>5,698,158</b>	5,182,637
As a percentage of total credit exposures	<b>5%</b>	5%	<b>5%</b>	5%
As a percentage of capital base	<b>113%</b>	105%	<b>133%</b>	124%
Aggregate value of total outstanding credit exposures to connected parties which is non-performing or in default	-	-	-	-
As a percentage of total credit exposures	-	-	-	-
As a percentage of capital base	-	-	-	-

## 26 Capital Adequacy

	<i>Group</i>	
	30 Jun 2009 RM'000	31 Dec 2008 RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits	2,441,862	2,285,618
Statutory reserves	125,861	125,861
	<b>3,613,598</b>	<b>3,457,354</b>
Less: Deferred tax adjustments	(99,350)	(104,705)
Total Tier 1 capital	<b>3,514,248</b>	<b>3,352,649</b>
<b>Tier 2 capital</b>		
Subordinated bonds	999,800	1,027,338
Revaluation reserves	71,952	71,952
General allowance for bad and doubtful debts and financing	447,697	462,597
Total Tier 2 capital	<b>1,519,449</b>	<b>1,561,887</b>
Total capital	<b>5,033,697</b>	<b>4,914,536</b>
Less: Investment in subsidiaries	-	-
<b>Capital base</b>	<b>5,033,697</b>	<b>4,914,536</b>
Core capital ratio	10.6%	9.2%
Risk-weighted capital ratio	15.2%	13.4%
Core capital ratio (net of proposed dividend)	10.0%	8.8%
Risk-weighted capital ratio (net of proposed dividend)	14.6%	13.0%

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>			
	30 Jun 2009		31 Dec 2008	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	60,533,609	27,147,643	59,410,520	30,607,350
Total RWA for market risk	-	1,714,432	-	1,912,233
Total RWA for operational risk	-	4,204,403	-	4,035,680
	<b>60,533,609</b>	<b>33,066,478</b>	<b>59,410,520</b>	<b>36,555,263</b>

## 26 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	30 Jun 2009	31 Dec 2008
	RM'000	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits	2,430,502	2,274,258
Statutory reserves	114,500	114,500
	<u>3,590,877</u>	<u>3,434,633</u>
Less: Deferred tax adjustments	(99,673)	(105,028)
Total Tier 1 capital	<u>3,491,204</u>	<u>3,329,605</u>
<b>Tier 2 capital</b>		
Subordinated bonds	999,800	1,027,338
Revaluation reserves	71,952	71,952
General allowance for bad and doubtful debts and financing	395,100	410,000
Total Tier 2 capital	<u>1,466,852</u>	<u>1,509,290</u>
Total capital	4,958,056	4,838,895
Less: Investment in subsidiaries	(660,021)	(660,021)
<b>Capital base</b>	<u>4,298,035</u>	<u>4,178,874</u>
Core capital ratio	11.3%	9.8%
Risk-weighted capital ratio	13.9%	12.3%
Core capital ratio (net of proposed dividend)	10.7%	9.4%
Risk-weighted capital ratio (net of proposed dividend)	13.3%	11.9%

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>			
	30 Jun 2009		31 Dec 2008	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	56,785,913	25,013,934	55,262,515	27,974,288
Total RWA for market risk	-	1,685,930	-	1,871,762
Total RWA for operational risk	-	4,114,489	-	3,994,726
	<u>56,785,913</u>	<u>30,814,353</u>	<u>55,262,515</u>	<u>33,840,776</u>

26 Capital Adequacy (Cont'd)

30 Jun 2009

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Total RWA after PSIA	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b><u>Credit Risk</u></b>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	18,329,417	18,329,417	-	-	-
Banks, Development Financial Institutions & MDBs	3,421,796	3,421,796	671,401	671,401	53,712
Corporates	11,823,097	11,386,046	10,716,345	10,716,345	857,308
Regulatory Retail	6,333,211	6,131,614	4,576,484	4,576,484	366,119
Residential Mortgages	12,240,045	12,235,430	4,876,393	4,876,393	390,111
Higher Risk Assets	722	722	1,082	1,082	87
Other Assets	767,992	767,992	585,292	585,292	46,823
Equity Exposure	37,712	37,712	37,712	37,712	3,017
Defaulted Exposures	505,875	496,426	611,606	611,606	48,928
<b>Total for On-Balance Sheet Exposures</b>	<b>53,459,867</b>	<b>52,807,155</b>	<b>22,076,315</b>	<b>22,076,315</b>	<b>1,766,105</b>
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,940,512	1,940,511	854,381	854,381	68,350
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,080,856	4,847,004	4,141,338	4,141,338	331,307
Defaulted Exposures	52,374	50,485	75,609	75,609	6,049
<b>Total for Off-Balance Sheet Exposures</b>	<b>7,073,742</b>	<b>6,838,000</b>	<b>5,071,328</b>	<b>5,071,328</b>	<b>405,706</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>60,533,609</b>	<b>59,645,155</b>	<b>27,147,643</b>	<b>27,147,643</b>	<b>2,171,811</b>
<b><u>Large Exposures Risk Requirement</u></b>					
	-	-	-	-	-
<b><u>Market Risk</u></b>					
	<b>Long Position</b>	<b>Short Position</b>			
Interest Rate Risk	49,942,152	48,105,962	1,836,191	1,576,236	126,099
Foreign Currency Risk	43,914	50,596	54,208	54,208	4,337
Option Risk	-	-	-	83,988	6,719
	<b>49,986,066</b>	<b>48,156,558</b>	<b>1,890,399</b>	<b>1,714,432</b>	<b>137,155</b>
<b>Operational Risk</b>	-	-	-	4,204,403	336,352
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>33,066,478</b>	<b>2,645,318</b>

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Group as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

*Note:*

PSIA - Profit Sharing Investment Account

MDBs - Multilateral Development Banks

OTC - Over the counter



26 Capital Adequacy (Cont'd)

30 Jun 2009

Bank

Exposure Class	Gross Exposures (RM'000)	Net Exposures (RM'000)	Risk Weighted Assets (RWA) (RM'000)	Total RWA after PSIA (RM'000)	Capital Requirement (RM'000)
<b><u>Credit Risk</u></b>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	16,566,842	16,566,842	-	-	-
Banks, Development Financial Institutions & MDBs	4,344,206	4,344,206	1,027,137	1,027,137	82,171
Corporates	10,244,589	9,807,673	9,235,020	9,235,020	738,802
Regulatory Retail	5,186,625	4,986,439	3,717,603	3,717,603	297,408
Residential Mortgages	12,188,483	12,183,868	4,837,721	4,837,721	387,018
Higher Risk Assets	722	722	1,082	1,082	87
Other Assets	1,049,007	1,049,007	866,307	866,307	69,305
Equity Exposure	37,712	37,712	37,712	37,712	3,017
Defaulted Exposures	476,303	466,854	568,504	568,504	45,480
<b>Total for On-Balance Sheet Exposures</b>	<b>50,094,489</b>	<b>49,443,323</b>	<b>20,291,086</b>	<b>20,291,086</b>	<b>1,623,288</b>
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,924,839	1,924,838	851,247	851,247	68,100
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,714,400	4,480,548	3,796,275	3,796,275	303,702
Defaulted Exposures	52,185	50,296	75,326	75,326	6,026
<b>Total for Off-Balance Sheet Exposures</b>	<b>6,691,424</b>	<b>6,455,682</b>	<b>4,722,848</b>	<b>4,722,848</b>	<b>377,828</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>56,785,913</b>	<b>55,899,005</b>	<b>25,013,934</b>	<b>25,013,934</b>	<b>2,001,116</b>
<b><u>Large Exposures Risk Requirement</u></b>					
	-	-	-	-	-
<b><u>Market Risk</u></b>					
	<b>Long Position</b>	<b>Short Position</b>			
Interest Rate Risk	49,857,389	48,105,962	1,751,428	1,551,346	124,108
Foreign Currency Risk	40,302	50,596	50,596	50,596	4,048
Option Risk	-	-	-	83,988	6,719
	<b>49,897,691</b>	<b>48,156,558</b>	<b>1,802,024</b>	<b>1,685,930</b>	<b>134,875</b>
<b>Operational Risk</b>	-	-	-	4,114,489	329,159
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>30,814,353</b>	<b>2,465,150</b>

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

*Note:*

*PSIA - Profit Sharing Investment Account*

*MDBs - Multilateral Development Banks*

*OTC - Over the counter*

26 Capital Adequacy (Cont'd)

31 Dec 2008

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Total RWA after PSIA	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b><u>Credit Risk</u></b>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	14,912,505	14,912,505	-	-	-
Banks, Development Financial Institutions & MDBs	2,940,460	2,940,460	591,914	591,914	47,353
Corporates	13,556,322	13,116,802	12,352,950	12,352,950	988,236
Regulatory Retail	6,355,649	6,133,418	4,580,314	4,580,314	366,425
Residential Mortgages	11,560,324	11,553,391	4,542,672	4,542,672	363,414
Higher Risk Assets	819	819	1,228	1,228	98
Other Assets	847,425	847,425	637,698	637,698	51,016
Equity Exposure	66,814	66,814	66,814	66,814	5,345
Defaulted Exposures	521,480	517,438	603,825	603,825	48,306
<b>Total for On-Balance Sheet Exposures</b>	<b>50,761,798</b>	<b>50,089,072</b>	<b>23,377,415</b>	<b>23,377,415</b>	<b>1,870,193</b>
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	2,384,830	2,384,830	1,026,057	1,026,057	82,085
Off balance sheet exposures other than OTC derivatives or credit derivatives	7,114,087	6,857,258	6,084,916	6,084,916	486,793
Defaulted Exposures	79,360	79,360	118,962	118,962	9,517
<b>Total for Off-Balance Sheet Exposures</b>	<b>9,578,277</b>	<b>9,321,448</b>	<b>7,229,935</b>	<b>7,229,935</b>	<b>578,395</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>60,340,075</b>	<b>59,410,520</b>	<b>30,607,350</b>	<b>30,607,350</b>	<b>2,448,588</b>
<b><u>Large Exposures Risk Requirement</u></b>					
	-	-	-	-	-
<b><u>Market Risk</u></b>					
	<u>Long Position</u>	<u>Short Position</u>			
Interest Rate Risk	51,401,202	48,322,106	3,079,096	1,230,931	98,475
Foreign Currency Risk	91,002	7,137	91,002	91,002	7,280
Option Risk	-	-	-	590,300	47,224
	<b>51,492,204</b>	<b>48,329,243</b>	<b>3,170,098</b>	<b>1,912,233</b>	<b>152,979</b>
<b>Operational Risk</b>	-	-	-	<b>4,035,680</b>	<b>322,854</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>36,555,263</b>	<b>2,924,421</b>

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Group as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

*Note:*

PSIA - Profit Sharing Investment Account

MDBs - Multilateral Development Banks

OTC - Over the counter

26 Capital Adequacy (Cont'd)

31 Dec 2008

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Total RWA after PSIA	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b><u>Credit Risk</u></b>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	13,448,678	13,448,678	-	-	-
Banks, Development Financial Institutions & MDBs	3,643,235	3,643,235	933,851	933,851	74,708
Corporates	11,566,556	11,127,535	10,483,632	10,483,632	838,691
Regulatory Retail	5,292,293	5,071,893	3,784,170	3,784,170	302,734
Residential Mortgages	11,500,874	11,493,941	4,498,084	4,498,084	359,847
Higher Risk Assets	819	819	1,228	1,228	98
Other Assets	1,103,841	1,103,841	894,114	894,114	71,529
Equity Exposure	66,814	66,814	66,814	66,814	5,345
Defaulted Exposures	491,346	487,316	559,610	559,610	44,769
<b>Total for On-Balance Sheet Exposures</b>	<b>47,114,456</b>	<b>46,444,072</b>	<b>21,221,503</b>	<b>21,221,503</b>	<b>1,697,721</b>
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	2,367,607	2,367,607	1,022,612	1,022,612	81,809
Off balance sheet exposures other than OTC derivatives or credit derivatives	6,627,839	6,371,479	5,611,214	5,611,214	448,897
Defaulted Exposures	79,357	79,357	118,959	118,959	9,517
<b>Total for Off-Balance Sheet Exposures</b>	<b>9,074,803</b>	<b>8,818,443</b>	<b>6,752,785</b>	<b>6,752,785</b>	<b>540,223</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>56,189,259</b>	<b>55,262,515</b>	<b>27,974,288</b>	<b>27,974,288</b>	<b>2,237,944</b>
<b><u>Large Exposures Risk Requirement</u></b>					
	-	-	-	-	-
<b><u>Market Risk</u></b>					
	Long Position	Short Position			
Interest Rate Risk	51,133,464	48,322,106	2,811,358	1,192,292	95,383
Foreign Currency Risk	89,170	7,137	89,170	89,170	7,134
Option Risk	-	-	-	590,300	47,224
	<b>51,222,634</b>	<b>48,329,243</b>	<b>2,900,528</b>	<b>1,871,762</b>	<b>149,741</b>
<b>Operational Risk</b>	-	-	-	<b>3,994,726</b>	<b>319,578</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>33,840,776</b>	<b>2,707,263</b>

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market risk, large exposures risk and operational risk of the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

*Note:*

PSIA - Profit Sharing Investment Account

MDBs - Multilateral Development Banks

OTC - Over the counter

26 Capital Adequacy (Cont'd)

30 Jun 2009

*Group*

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000		
0%	18,449,934	-	-	-	-	-	182,700	-	18,632,634	-
20%	-	4,262,268	929,480	10,748	-	-	-	-	5,202,496	1,040,498
35%	-	-	-	-	8,913,374	-	-	-	8,913,374	3,119,681
50%	-	461,118	542,807	107,458	2,939,322	-	-	-	4,050,705	2,025,352
75%	-	-	-	7,712,745	424,044	-	-	-	8,136,789	6,102,592
100%	-	-	13,567,083	41,728	176,619	-	585,292	37,712	14,408,434	14,408,434
150%	-	-	125,798	173,928	-	997	-	-	300,723	451,086
Total Risk Weight	-	-	-	-	-	-	-	-	59,645,155	27,147,643
Average Risk Weight	-	-	-	-	-	-	-	-	3,313,620	1,508,202

*Bank*

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000		
0%	16,687,359	-	-	-	-	-	182,700	-	16,870,059	-
20%	-	4,598,158	808,170	10,748	-	-	-	-	5,417,076	1,083,415
35%	-	-	-	-	8,913,374	-	-	-	8,913,374	3,119,681
50%	-	1,031,964	542,807	107,306	2,939,322	-	-	-	4,621,399	2,310,700
75%	-	-	-	6,482,046	372,435	-	-	-	6,854,481	5,140,861
100%	-	-	11,829,135	41,343	174,796	-	866,307	37,712	12,949,293	12,949,292
150%	-	-	125,453	146,873	-	997	-	-	273,323	409,985
Total Risk Weight	-	-	-	-	-	-	-	-	55,899,005	25,013,934
Average Risk Weight	-	-	-	-	-	-	-	-	3,105,500	1,389,663

The above are disclosures on credit risk by risk weights of the Group and the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

*Note:*

*MDBs - Multilateral Development Banks*

*DFIs - Development Financial Institutions*

26 Capital Adequacy (Cont'd)

31 Dec 2008

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000		
0%	15,012,318	-	-	-	-	-	209,726	-	15,222,044	-
20%	-	3,968,494	1,224,300	12,333	-	-	-	-	5,205,127	1,041,025
35%	-	-	-	-	8,652,679	-	-	-	8,652,679	3,028,437
50%	-	575,878	406,136	117,534	2,645,200	-	-	-	3,744,748	1,872,374
75%	-	-	-	8,040,206	284,575	-	-	-	8,324,781	6,243,586
100%	-	29,326	17,002,833	39,864	163,033	-	637,698	66,814	17,939,568	17,939,568
150%	-	-	142,536	177,855	-	1,182	-	-	321,573	482,360
Total Risk Weight	-	-	-	-	-	-	-	-	59,410,520	30,607,350
Average Risk Weight	-	-	-	-	-	-	-	-	3,300,584	1,800,432

Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity RM'000		
0%	13,548,490	-	-	-	-	-	209,726	-	13,758,216	-
20%	-	3,982,774	1,070,524	12,333	-	-	-	-	5,065,631	1,013,126
35%	-	-	-	-	8,652,679	-	-	-	8,652,679	3,028,438
50%	-	1,247,150	406,136	117,249	2,645,200	-	-	-	4,415,735	2,207,868
75%	-	-	-	6,942,658	225,125	-	-	-	7,167,783	5,375,837
100%	-	29,326	14,717,584	39,851	161,682	-	894,114	66,814	15,909,371	15,909,371
150%	-	-	142,047	149,870	-	1,183	-	-	293,100	439,648
Total Risk Weight	-	-	-	-	-	-	-	-	55,262,515	27,974,288
Average Risk Weight	-	-	-	-	-	-	-	-	3,070,140	1,554,127

The above are disclosures on credit risk by risk weights of the Group and the Bank as at balance sheet date. The following disclosure requirement came into effect in 2008 with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

*Note:*

*MDBs - Multilateral Development Banks*

*DFIs - Development Financial Institutions*

## 27 Commitments and Contingencies

30 Jun 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	1,541,144	-	1,541,144	1,336,581
Transaction-related contingent items	2,237,485	-	1,118,743	952,328
Short-term self-liquidating trade-related contingencies	449,758	-	89,952	81,891
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,439,050	-	-	-
- Maturity exceeding one year	1,227,836	-	613,918	459,103
Unutilised credit card lines	7,648,619	-	1,529,724	1,147,293
Foreign exchange related contracts				
- Less than one year	14,743,342	189,744	342,419	236,485
- One year to less than five years	5,139,565	208,818	419,467	150,823
- Five years and above	1,349,880	2,812	37,237	18,619
Interest rate related contracts:				
- Less than one year	10,626,711	34,509	50,038	17,809
- One year to less than five years	19,914,092	244,316	626,936	268,375
- Five years and above	3,932,518	72,607	386,977	146,783
Other commodity contracts:				
- One year to less than five years	106,620	7,927	20,721	4,144
Equity related contracts				
- Less than one year	172,692	8,759	14,804	2,962
- One year to less than five years	313,956	15,942	41,912	8,382
Sell buy back agreement	239,750	-	239,750	239,750
	<b>80,083,018</b>	<b>785,434</b>	<b>7,073,742</b>	<b>5,071,328</b>

Note 15

^ 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 Group's derivative financial instruments as at the balance sheet date. The contractual or 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 amounts are 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".

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

**30 Jun 2009**

	<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	1,537,680	-	1,537,680	1,333,117
Transaction-related contingent items	2,229,344	-	1,114,672	948,262
Short-term self-liquidating trade-related contingencies	438,658	-	87,732	79,829
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	9,796,569	-		
- Maturity exceeding one year	1,162,616	-	581,308	426,496
Unutilised credit card lines	7,225,972	-	1,445,194	1,083,896
Foreign exchange related contracts				
- Less than one year	14,743,342	189,744	342,419	236,485
- One year to less than five years	5,139,565	208,818	419,467	150,823
- Five years and above	1,349,880	2,812	37,237	18,619
Interest rate related contracts:				
- Less than one year	10,626,711	34,509	50,038	17,809
- One year to less than five years	19,914,092	244,316	626,936	268,375
- Five years and above	3,932,518	72,607	386,977	146,783
Other commodity contracts:				
- One year to less than five years	106,620	7,927	20,721	4,144
Equity related contracts				
- Less than one year	91,367	4,792	5,957	1,192
- One year to less than five years	258,472	13,555	35,086	7,017
Sell buy back agreement	-	-	-	-
	<b>78,553,406</b>	<b>779,080</b>	<b>6,691,424</b>	<b>4,722,847</b>

**Note 15**

^ 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 Group's derivative financial instruments as at the balance sheet date. The contractual or 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 amounts are 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".

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

31 Dec 2008

	<b>Group</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	1,443,220	-	1,443,220	1,346,032
Transaction-related contingent items	2,369,435	-	1,184,718	1,028,600
Short-term self-liquidating trade-related contingencies	224,658	-	44,932	39,006
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	11,681,783	-	2,336,357	2,022,457
- Maturity exceeding one year	993,072	-	496,536	447,443
Unutilised credit card lines	7,346,896	-	1,469,379	1,102,034
Foreign exchange related contracts				
- Less than one year	18,372,259	376,129	579,199	392,529
- One year to less than five years	3,579,340	128,125	232,661	86,302
- Five years and above	1,943,361	95,080	156,218	17,712
Interest rate related contracts:				
- Less than one year	11,489,607	24,742	37,957	11,251
- One year to less than five years	18,680,994	310,112	706,558	285,029
- Five years and above	6,184,729	235,147	587,247	216,235
Other commodity contracts:				
- One year to less than five years	72,409	10,041	18,731	3,747
Equity related contracts				
- Less than one year	451,857	13,632	35,632	7,126
- One year to less than five years	257,963	9,990	30,627	6,126
Sell buy back agreement	218,306	-	218,305	218,306
	<b>85,309,889</b>	<b>1,202,998</b>	<b>9,578,277</b>	<b>7,229,935</b>

**Note 15**

^ 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 Group's derivative financial instruments as at the balance sheet date. The contractual or 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 amounts are 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".



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

31 Dec 2008

	<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	1,441,426	-	1,441,426	1,344,281
Transaction-related contingent items	2,361,335	-	1,180,668	1,024,550
Short-term self-liquidating trade-related contingencies	211,749	-	42,350	36,473
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,511,626	-	2,102,325	1,794,509
- Maturity exceeding one year	992,561	-	496,281	447,250
Unutilised credit card lines	7,220,736	-	1,444,147	1,083,110
Foreign exchange related contracts				
- Less than one year	18,372,259	376,129	579,199	392,529
- One year to less than five years	3,579,340	128,125	232,661	86,302
- Five years and above	1,943,361	95,080	156,218	17,712
Interest rate related contracts:				
- Less than one year	11,489,607	24,742	37,957	11,251
- One year to less than five years	18,680,994	310,112	706,558	285,029
- Five years and above	6,184,729	235,147	587,247	216,235
Other commodity contracts:				
- One year to less than five years	72,409	10,041	18,731	3,747
Equity related contracts				
- Less than one year	420,745	12,546	32,680	6,536
- One year to less than five years	151,037	4,273	16,355	3,271
Sell buy back agreement	-	-	-	-
	<b>83,633,914</b>	<b>1,196,195</b>	<b>9,074,803</b>	<b>6,752,785</b>

**Note 15**

^ 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 Group's derivative financial instruments as at the balance sheet date. The contractual or 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 amounts are 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".

## 28 Interest/ Profit Rate Risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The following 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 June 2009	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	8,487,812	36,073	36,445	-	-	516,978	-	9,077,308	1.97
Securities purchased under resale agreements	5,029,280	1,959,021	-	-	-	-	-	6,988,301	1.98
Deposits and placements with banks and other financial institutions	-	510,710	22,038	-	-	-	-	532,748	2.11
Securities held-for-trading	-	-	-	-	-	-	1,757,473	1,757,473	2.42
Securities available-for-sale	587,246	473,081	1,144,101	1,776,691	194,321	28,074	-	4,203,514	2.89
Loans, advances and financing									
- performing	22,554,307	2,312,003	826,027	1,490,026	493,611	744,148	-	28,420,122	5.58
- non-performing *	-	-	-	-	-	252,599	-	252,599	
Others	-	-	-	-	-	744,937	1,010,878	1,755,815	
<b>Total Assets</b>	<b>36,658,645</b>	<b>5,290,888</b>	<b>2,028,611</b>	<b>3,266,717</b>	<b>687,932</b>	<b>2,286,736</b>	<b>2,768,351</b>	<b>52,987,880</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	21,231,801	3,703,223	7,938,392	1,356,049	230,000	8,151,093	-	42,610,558	2.10
Deposits and placements of banks and other financial institutions	2,035,531	414,144	42,224	7,107	3,392	442,375	-	2,944,773	1.59
Bills and acceptances payable	9,988	1,956	-	-	-	254,640	-	266,584	1.66
Recourse obligation on loans sold to Cagamas Berhad	-	-	71,311	602,084	-	-	-	673,395	4.71
Subordinated bonds	-	-	-	-	999,800	-	-	999,800	4.70
Others	-	-	-	-	-	978,646	775,346	1,753,992	
<b>Total Liabilities</b>	<b>23,277,320</b>	<b>4,119,323</b>	<b>8,051,927</b>	<b>1,965,240</b>	<b>1,233,192</b>	<b>9,826,754</b>	<b>775,346</b>	<b>49,249,102</b>	
Shareholders' funds	-	-	-	-	-	3,738,778	-	3,738,778	
<b>Total Liabilities and Shareholders' funds</b>	<b>23,277,320</b>	<b>4,119,323</b>	<b>8,051,927</b>	<b>1,965,240</b>	<b>1,233,192</b>	<b>13,565,532</b>	<b>775,346</b>	<b>52,987,880</b>	
On-balance sheet interest sensitivity gap	13,381,325	1,171,565	(6,023,316)	1,301,477	(545,260)	(11,278,796)	1,993,005	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	550,000	(550,000)	-	-	-	-	-	
- options	110,998	(230,000)	300,000	(180,998)	-	-	-	-	
- swaps	(688,886)	(240,595)	(330,307)	(754,650)	2,008,265	-	-	(6,173)	
<b>Total interest sensitivity gap</b>	<b>12,803,437</b>	<b>1,250,970</b>	<b>(6,603,623)</b>	<b>365,829</b>	<b>1,463,005</b>	<b>(11,278,796)</b>	<b>1,993,005</b>	<b>(6,173)</b>	

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

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

Bank 30 June 2009	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	7,385,553	36,073	36,445	-	-	508,657	-	7,966,728	1.98
Securities purchased under resale agreements	5,029,280	1,959,021	-	-	-	-	-	6,988,301	1.98
Deposits and placements with banks and other financial institutions	49,999	582,881	820,659	22,861	-	-	-	1,476,400	2.11
Securities held-for-trading	-	-	-	-	-	-	1,672,710	1,672,710	2.38
Securities available-for-sale	587,246	448,117	902,889	1,670,423	194,321	28,074	-	3,831,070	2.84
Loans, advances and financing									
- performing	22,152,526	1,972,382	434,315	147,632	285,595	707,876	-	25,700,326	5.31
- non-performing *	-	-	-	-	-	241,316	-	241,316	
Others	-	-	-	-	-	1,348,506	1,029,191	2,377,697	
<b>Total Assets</b>	<b>35,204,604</b>	<b>4,998,474</b>	<b>2,194,308</b>	<b>1,840,916</b>	<b>479,916</b>	<b>2,834,429</b>	<b>2,701,901</b>	<b>50,254,548</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	19,774,635	3,198,416	7,447,535	1,336,108	230,000	7,837,367	-	39,824,061	2.11
Deposits and placements of banks and other financial institutions	2,035,531	414,144	42,224	7,107	3,392	442,375	-	2,944,773	1.59
Bills and acceptances payable	9,988	1,956	-	-	-	249,057	-	261,001	1.66
Recourse obligation on loans sold to Cagamas Berhad	-	-	71,311	602,084	-	-	-	673,395	4.71
Subordinated bonds	-	-	-	-	999,800	-	-	999,800	4.70
Others	-	-	-	-	-	1,091,536	768,991	1,860,527	
<b>Total Liabilities</b>	<b>21,820,154</b>	<b>3,614,516</b>	<b>7,561,070</b>	<b>1,945,299</b>	<b>1,233,192</b>	<b>9,620,335</b>	<b>768,991</b>	<b>46,563,557</b>	
Shareholders' funds	-	-	-	-	-	3,690,991	-	3,690,991	
<b>Total Liabilities and Shareholders' funds</b>	<b>21,820,154</b>	<b>3,614,516</b>	<b>7,561,070</b>	<b>1,945,299</b>	<b>1,233,192</b>	<b>13,311,326</b>	<b>768,991</b>	<b>50,254,548</b>	
On-balance sheet interest sensitivity gap	13,384,450	1,383,958	(5,366,762)	(104,383)	(753,276)	(10,476,897)	1,932,910	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	550,000	(550,000)	-	-	-	-	-	
- options	110,998	(230,000)	300,000	(180,998)	-	-	-	-	
- swaps	(688,886)	(240,595)	(330,307)	(754,650)	2,008,265	-	-	(6,173)	
<b>Total interest sensitivity gap</b>	<b>12,806,562</b>	<b>1,463,363</b>	<b>(5,947,069)</b>	<b>(1,040,031)</b>	<b>1,254,989</b>	<b>(10,476,897)</b>	<b>1,932,910</b>	<b>(6,173)</b>	

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

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

Group 31 Dec 2008	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	7,876,244	-	-	-	-	552,310	-	8,428,554	3.13
Securities purchased under resale agreements	3,678,816	99,977	-	-	-	-	-	3,778,793	2.98
Deposits and placements with banks and other financial institutions	-	902,684	95,130	-	-	-	-	997,814	3.43
Securities held-for-trading	-	-	-	-	-	-	3,491,259	3,491,259	3.06
Securities available-for-sale	299,301	867,429	1,250,900	1,214,066	231,101	52,114	-	3,914,911	3.72
Loans, advances and financing									
- performing	23,419,293	2,463,992	867,313	1,487,470	557,231	715,267	-	29,510,566	6.39
- non-performing *	-	-	-	-	-	208,704	-	208,704	
Others	-	-	-	-	-	1,256,603	1,229,109	2,485,712	
<b>Total Assets</b>	<b>35,273,654</b>	<b>4,334,082</b>	<b>2,213,343</b>	<b>2,701,536</b>	<b>788,332</b>	<b>2,784,998</b>	<b>4,720,368</b>	<b>52,816,313</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	20,624,290	3,638,901	7,824,006	1,212,822	180,000	7,473,453	-	40,953,472	2.80
Deposits and placements of banks and other financial institutions	2,120,477	487,761	303,414	6,423	2,413	610,984	-	3,531,472	2.43
Bills and acceptances payable	15,352	94,701	-	-	-	304,180	-	414,233	3.08
Recourse obligation on loans sold to Cagamas Berhad	-	-	74,210	627,160	-	-	-	701,370	4.71
Subordinated bonds	-	-	-	-	1,027,338	-	-	1,027,338	4.70
Others	-	-	-	-	-	1,185,034	1,425,845	2,610,879	
<b>Total Liabilities</b>	<b>22,760,119</b>	<b>4,221,363</b>	<b>8,201,630</b>	<b>1,846,405</b>	<b>1,209,751</b>	<b>9,573,651</b>	<b>1,425,845</b>	<b>49,238,764</b>	
Shareholders' funds	-	-	-	-	-	3,577,549	-	3,577,549	
<b>Total Liabilities and Shareholders' funds</b>	<b>22,760,119</b>	<b>4,221,363</b>	<b>8,201,630</b>	<b>1,846,405</b>	<b>1,209,751</b>	<b>13,151,200</b>	<b>1,425,845</b>	<b>52,816,313</b>	
On-balance sheet interest sensitivity gap	12,513,535	112,719	(5,988,287)	855,131	(421,419)	(10,366,202)	3,294,523	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	296,450	(246,450)	(50,000)	-	-	-	-	
- options	119,200	(230,000)	(50,000)	160,800	-	-	-	-	
- swaps	(876,624)	40,972	55,955	(806,317)	1,506,536	-	-	(79,478)	
<b>Total interest sensitivity gap</b>	<b>11,756,111</b>	<b>220,141</b>	<b>(6,228,782)</b>	<b>159,614</b>	<b>1,085,117</b>	<b>(10,366,202)</b>	<b>3,294,523</b>	<b>(79,478)</b>	

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

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

Bank 31 Dec 2008	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>									
Cash and short term funds	6,930,255	-	-	-	-	515,200	-	7,445,455	3.11
Securities purchased under resale agreements	3,678,816	99,977	-	-	-	-	-	3,778,793	2.98
Deposits and placements with banks and other financial institutions	5,564	973,125	816,543	145,893	-	-	-	1,941,125	3.43
Securities held-for-trading	-	-	-	-	-	-	3,223,521	3,223,521	3.06
Securities available-for-sale	289,300	847,383	831,334	1,098,118	231,101	52,114	-	3,349,350	3.66
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	23,079,409	1,905,752	441,082	151,424	307,483	705,722	-	26,590,872	6.23
- non-performing *	-	-	-	-	-	201,367	-	201,367	-
Others	-	-	-	-	-	1,839,256	1,222,105	3,061,361	-
<b>Total Assets</b>	<b>33,983,344</b>	<b>3,826,237</b>	<b>2,088,959</b>	<b>1,395,435</b>	<b>538,584</b>	<b>3,313,659</b>	<b>4,445,626</b>	<b>49,591,844</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	18,790,700	3,006,761	7,358,060	1,189,538	180,000	7,184,093	-	37,709,152	2.79
Deposits and placements of banks and other financial institutions	2,223,526	487,761	303,414	6,423	2,413	507,935	-	3,531,472	2.43
Bills and acceptances payable	15,352	94,701	-	-	-	303,127	-	413,180	3.08
Recourse obligation on loans sold to Cagamas Berhad	-	-	74,210	627,160	-	-	-	701,370	4.71
Subordinated bonds	-	-	-	-	1,027,338	-	-	1,027,338	4.70
Others	-	-	-	-	-	1,236,553	1,419,042	2,655,595	-
<b>Total Liabilities</b>	<b>21,029,578</b>	<b>3,589,223</b>	<b>7,735,684</b>	<b>1,823,121</b>	<b>1,209,751</b>	<b>9,231,708</b>	<b>1,419,042</b>	<b>46,038,107</b>	
Shareholders' funds	-	-	-	-	-	3,553,737	-	3,553,737	-
<b>Total Liabilities and Shareholders' funds</b>	<b>21,029,578</b>	<b>3,589,223</b>	<b>7,735,684</b>	<b>1,823,121</b>	<b>1,209,751</b>	<b>12,785,445</b>	<b>1,419,042</b>	<b>49,591,844</b>	
On-balance sheet interest sensitivity gap	12,953,766	237,014	(5,646,725)	(427,686)	(671,167)	(9,471,786)	3,026,584	-	-
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-
Interest rate contracts	-	-	-	-	-	-	-	-	-
- futures	-	296,450	(246,450)	(50,000)	-	-	-	-	-
- options	119,200	(230,000)	(50,000)	160,800	-	-	-	-	-
- swaps	(876,624)	40,972	55,955	(806,317)	1,506,536	-	-	(79,478)	-
<b>Total interest sensitivity gap</b>	<b>12,196,342</b>	<b>344,436</b>	<b>(5,887,220)</b>	<b>(1,123,203)</b>	<b>835,369</b>	<b>(9,471,786)</b>	<b>3,026,584</b>	<b>(79,478)</b>	

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

## 29 Operations of Islamic Banking

### Unaudited Condensed Balance Sheets as at 30 June 2009

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Assets</b>					
Cash and short term funds		<b>1,463,335</b>	1,009,083	-	-
Securities held-for-trading		<b>84,763</b>	267,738	-	-
Securities available-for-sale		<b>372,444</b>	565,561	-	-
Financing and advances	(a)	<b>2,731,079</b>	2,927,031	-	-
Other assets	(c)	<b>173,844</b>	122,416	-	-
Statutory deposits with Bank Negara Malaysia		<b>24,829</b>	72,529	-	-
Equipment		<b>5,062</b>	2,483	-	-
Intangible assets		<b>1,723</b>	1,364	-	-
Deferred tax asset		<b>14,410</b>	15,203	-	-
<b>Total Assets</b>		<b>4,871,489</b>	4,983,408	-	-
<b>Liabilities</b>					
Deposits from customers	(d)	<b>2,786,518</b>	3,244,341	-	-
Deposits and placements of banks and other financial institutions		<b>1,296,407</b>	969,295	-	-
Bills and acceptances payable		<b>5,583</b>	1,053	-	-
Other liabilities	(e)	<b>74,168</b>	84,837	-	-
Provision for taxation and zakat		<b>1,026</b>	70	-	-
<b>Total Liabilities</b>		<b>4,163,702</b>	4,299,596	-	-
<b>Shareholder's Equity</b>					
Share capital		<b>50,000</b>	50,000	-	-
Reserves		<b>657,787</b>	633,812	-	-
		<b>707,787</b>	683,812	-	-
<b>Total Liabilities and Shareholder's Equity</b>		<b>4,871,489</b>	4,983,408	-	-
<b>Commitments and Contingencies</b>		<b>1,729,614</b>	1,675,975	-	-

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

**Unaudited Condensed Income Statements  
for the half year ended 30 June 2009**

	<i>Group</i>			
	2nd quarter ended		Year-To-Date ended	
	30 Jun 2009 RM'000	30 Jun 2008 RM'000	30 Jun 2009 RM'000	30 Jun 2008 RM'000
Income derived from investment of depositor's funds and others	61,801	73,662	130,330	151,280
Income derived from investment of shareholders' funds	17,046	-	34,526	-
Allowance for losses on financing	(13,970)	(16,685)	(26,535)	(27,184)
Profit equalisation reserve	-	-	-	(1,000)
Total distributable income	<b>64,877</b>	56,977	<b>138,321</b>	123,096
Income attributable to depositors	<b>(17,941)</b>	(39,711)	<b>(41,735)</b>	(73,984)
Income attributable to the Bank	<b>46,936</b>	17,266	<b>96,586</b>	49,112
Income derived from investment of Islamic banking capital funds	-	20,111	-	28,071
Total net income	<b>46,936</b>	37,377	<b>96,586</b>	77,183
Other operating expenses	<b>(32,295)</b>	(19,514)	<b>(64,171)</b>	(36,081)
Profit before taxation and zakat	<b>14,641</b>	17,863	<b>32,415</b>	41,102
Taxation and zakat	<b>(3,544)</b>	(5,046)	<b>(8,771)</b>	(11,792)
Profit after taxation and zakat	<b>11,097</b>	12,817	<b>23,644</b>	29,310

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

**Unaudited Condensed Income Statements  
for the half year ended 30 June 2009**

	<i>Bank</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositor's funds and others	-	73,662	-	151,280
Allowance for losses on financing	-	(16,685)	-	(27,184)
Profit equalisation reserve	-	-	-	(1,000)
Total distributable income	-	56,977	-	123,096
Income attributable to depositors	-	(39,711)	-	(73,984)
Income attributable to the Bank	-	17,266	-	49,112
Income derived from investment of Islamic banking capital funds	-	20,111	-	28,071
Total net income	-	37,377	-	77,183
Other operating expenses	-	(19,514)	-	(36,081)
Profit before taxation and zakat	-	17,863	-	41,102
Taxation and zakat	-	(5,046)	-	(11,792)
Profit after taxation and zakat	-	12,817	-	29,310



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

### (a) Financing and advances

#### By type

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash Line	<b>3,584</b>	813	-	-
Term financing				
House financing	<b>51,139</b>	60,499	-	-
Hire purchase receivables	<b>260,392</b>	280,074	-	-
Lease receivables	<b>273</b>	302	-	-
Other term financing	<b>1,980,833</b>	1,957,882	-	-
Claims on customers under acceptance credits	<b>536,187</b>	821,410	-	-
Staff financing	<b>2,581</b>	1,298	-	-
Credit/ charge cards	<b>90,290</b>	11,491	-	-
Less: Unearned income	<b>(110,652)</b>	(133,002)	-	-
	<b>2,814,627</b>	3,000,767	-	-
Less: Allowance for bad and doubtful financing :				
General	<b>(52,597)</b>	(52,597)	-	-
Specific	<b>(30,951)</b>	(21,139)	-	-
Total net financing and advances	<b>2,731,079</b>	2,927,031	-	-

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At beginning of period/ year	<b>28,476</b>	24,321	-	24,321
Classified as non-performing during the period/ year	<b>37,510</b>	70,737	-	48,599
Reclassified as performing	<b>(120)</b>	(372)	-	(178)
Amount recovered	<b>(4,041)</b>	(24,220)	-	(20,792)
Amount written off	<b>(23,073)</b>	(39,280)	-	(26,324)
Others	<b>3,482</b>	(2,710)	-	(2,945)
Amount vested to HSBC Amanah Malaysia Bhd	-	-	-	(22,681)
At end of period/ year	<b>42,234</b>	28,476	-	-
Specific allowance	<b>(30,951)</b>	(21,139)	-	-
Net non-performing financing and advances	<b>11,283</b>	7,337	-	-
Ratio of net non-performing financing and advances to net financing and advances	<b>0.4%</b>	0.3%	-	-

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>General allowance</b>				
At beginning of period/ year	<b>52,597</b>	45,525	-	45,525
Made during the period/ year	-	9,072	-	9,072
Allowance written back during the period/ year	-	(2,000)	-	(2,000)
Amount vested to HSBC Amanah Malaysia Bhd	-	-	-	(52,597)
At end of period/year	<b>52,597</b>	52,597	-	-
As % of gross financing, advances and other loans less specific allowance	<b>1.9%</b>	1.8%	-	-
<b>Specific allowance</b>				
At beginning of period/ year	<b>21,139</b>	18,938	-	18,938
Allowance made during the period/ year	<b>31,843</b>	49,522	-	31,069
Amount recovered	<b>(2,615)</b>	(5,863)	-	(4,305)
Amount written off	<b>(22,898)</b>	(39,199)	-	(26,324)
Other movements	<b>3,482</b>	(2,259)	-	(2,494)
Amount vested to HSBC Amanah Malaysia Bhd	-	-	-	(16,884)
At end of period/ year	<b>30,951</b>	21,139	-	-

### (c) Other Assets

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revaluation gain on equity related contract	<b>6,354</b>	6,803	-	-
Income receivable	<b>2,524</b>	5,735	-	-
Other receivables, deposits and prepayments	<b>164,966</b>	109,878	-	-
	<b>173,844</b>	122,416	-	-

### (d) Deposits from Customers

#### (i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Non-Mudharabah Fund</b>				
Demand deposits	<b>97,618</b>	67,195	-	-
Savings deposits	<b>474,044</b>	441,799	-	-
	<b>571,662</b>	508,994	-	-
<b>Mudharabah Fund</b>				
General investment deposits	<b>1,994,338</b>	2,508,818	-	-
Others	<b>220,518</b>	226,529	-	-
	<b>2,786,518</b>	3,244,341	-	-

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

### (e) Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2009</b>	31 Dec 2008	<b>30 Jun 2009</b>	31 Dec 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revaluation loss on equity related contracts	<b>6,354</b>	6,803	-	-
Profit equalisation reserve	<b>6,700</b>	6,700	-	-
Profit payable	<b>10,743</b>	14,111	-	-
Other creditors and accruals	<b>50,371</b>	57,223	-	-
	<b>74,168</b>	84,837	-	-

### (f) Income from Islamic Banking Operations

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

	<i>Group</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	<b>61,801</b>	73,662	<b>130,330</b>	151,280
Income derived from investment of shareholders' funds	<b>16,460</b>	-	<b>33,714</b>	-
Profit equalisation reserve	-	-	-	(1,000)
Income attributable to the depositors	<b>(12,462)</b>	(39,711)	<b>(29,877)</b>	(73,984)
Income attributable to special placement deposits by Head Office	-	8,142	-	16,225
	<b>65,799</b>	42,093	<b>134,167</b>	92,521
Income derived from investment of Islamic banking capital funds	-	20,111	-	28,071
	<b>65,799</b>	62,204	<b>134,167</b>	120,592

  

	<i>Bank</i>			
	<b>2nd quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>30 Jun 2009</b>	30 Jun 2008	<b>30 Jun 2009</b>	30 Jun 2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	-	73,662	-	151,280
Profit equalisation reserve	-	-	-	(1,000)
Income attributable to the depositors	-	(39,711)	-	(73,984)
Income attributable to special placement deposits by Head Office	-	8,142	-	16,225
	-	42,093	-	92,521
Income derived from investment of Islamic Banking capital funds	-	20,111	-	28,071
	-	62,204	-	120,592

### **30 Review of Performance**

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The Group recorded profit before tax of RM442 million for the half year ended 30 June 2009, a decrease of 31.6% or RM204 million compared against history. Operating income decreased by RM136 million or 11.0% against the corresponding period in 2008, mainly on trading profits due to lower transaction volume in the foreign exchange market, coupled with lower gains on sale of securities and lower net interest income due to the reduction in the Overnight Policy Rate. This resulted in a deterioration in the cost income ratio to 46.8% from 39.01% in the corresponding period last year.

Net non-performing loans ("NPL") ratio increased marginally from 0.7% at 30 June 2008 to 0.9% currently due to the deteriorating economic conditions in the first half of the year.

Total assets remained fairly stable at RM53.0 billion but net loans, advances and financing at RM28.7 billion as at 30 June 2009 saw a downwards trend as it fell by RM1.0 billion or 3.4% against 31 December 2008 due to lower trade financing activities. Meanwhile, securities purchased under resale agreements was up by RM3.2 billion or 84.2% to RM7 billion, partly due to the increase in customer deposits by RM1.7 billion or 4.2% to RM42.6 billion as well as the redeployment of funds from loans, advances and financing.

### **31 Business Prospects**

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The global economic downturn that started last year has shown some signs of easing with the stabilisation of the financial markets in a number of developed countries. However, the pace of recovery remains uncertain. To revive the Malaysian economy, certain measures have been taken by the Government, and this includes the easing of investment rules as well as the liberalisation of the financial sector in order to attract more foreign investment. Further, the introduction of the two stimulus packages by the Government are expected to drive economic activities in the country. With these measures in place, the underlying fundamentals of the Malaysian economy are expected to improve over time. However, the local banking sector is expected to remain resilient with ample liquidity and strong capital ratios during the year.

In the area of Islamic finance, the financial liberalisation plan will help reinforce Malaysia's position as an international Islamic financial hub. The Group intends to capitalise on this by expanding its range of Islamic products and services.

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