

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

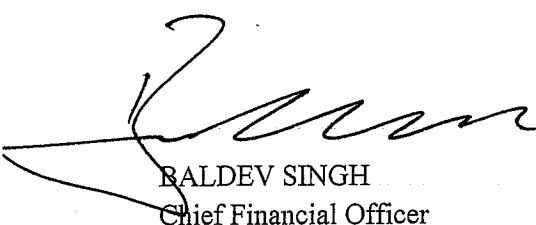
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2011

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 30 June 2011 have been prepared from the Group and the Bank's accounting and other records and that they are in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia in 2010.



BALDEV SINGH
Chief Financial Officer

Date : 28 July 2011

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

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2011

| | Note | <i>Group</i> | | <i>Bank</i> | |
|--|------|---------------------------|-------------------|---------------------------|-------------------|
| | | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets | | | | | |
| Cash and short term funds | 11 | 17,312,045 | 11,815,604 | 15,672,272 | 10,658,860 |
| Securities purchased under resale agreements | | 5,743,126 | 6,467,863 | 5,743,126 | 6,467,863 |
| Deposits and placements with banks and other financial institutions | 12 | 74,624 | 330,981 | 1,923,482 | 1,471,815 |
| Financial Assets Held-for-Trading | 13 | 2,431,647 | 4,895,060 | 2,295,197 | 4,747,054 |
| Financial Investments Available-for-Sale | 14 | 2,237,975 | 3,400,090 | 1,899,640 | 3,069,425 |
| Loans, advances and financing | 15 | 38,085,877 | 34,076,044 | 32,620,424 | 29,439,768 |
| Other assets | 17 | 1,899,593 | 2,023,553 | 1,865,306 | 1,978,890 |
| Statutory deposits with Bank Negara Malaysia | 18 | 761,460 | 221,827 | 625,398 | 187,098 |
| Investments in subsidiary companies | | - | - | 660,021 | 660,021 |
| Property and equipment | | 333,144 | 318,481 | 318,154 | 302,056 |
| Intangible assets | | 54,156 | 60,621 | 53,421 | 59,122 |
| Deferred tax assets | | 183,190 | 168,344 | 161,922 | 150,342 |
| Total assets | | <u>69,116,837</u> | <u>63,778,468</u> | <u>63,838,363</u> | <u>59,192,314</u> |
| Liabilities | | | | | |
| Deposits from customers | 19 | 53,455,801 | 48,339,424 | 49,138,154 | 44,556,909 |
| Deposits and placements of banks and other financial institutions | 20 | 6,734,607 | 6,853,048 | 5,922,619 | 6,261,536 |
| Bills and acceptances payable | | 167,689 | 429,229 | 161,973 | 423,698 |
| Other liabilities | 21 | 3,051,735 | 2,354,493 | 3,085,559 | 2,277,196 |
| Recourse obligation on loans sold to Cagamas Berhad | | 68,699 | 374,991 | 68,699 | 374,991 |
| Provision for taxation and zakat | 22 | 105,159 | 103,158 | 95,481 | 98,710 |
| Subordinated bonds | 23 | 1,004,509 | 1,003,039 | 1,004,509 | 1,003,039 |
| Total liabilities | | <u>64,588,199</u> | <u>59,457,382</u> | <u>59,476,994</u> | <u>54,996,079</u> |
| Equity | | | | | |
| Share capital | | 114,500 | 114,500 | 114,500 | 114,500 |
| Reserves | | 4,214,138 | 3,956,586 | 4,046,869 | 3,831,735 |
| Proposed dividend | | 200,000 | 250,000 | 200,000 | 250,000 |
| Total equity attributable to shareholder of the Bank | | <u>4,528,638</u> | <u>4,321,086</u> | <u>4,361,369</u> | <u>4,196,235</u> |
| Total liabilities and equity | | <u>69,116,837</u> | <u>63,778,468</u> | <u>63,838,363</u> | <u>59,192,314</u> |
| Commitments and Contingencies | 33 | <u>109,932,650</u> | <u>87,503,362</u> | <u>106,879,508</u> | <u>85,680,212</u> |

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 2010 and the accompanying explanatory notes on pages 7 to 38 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 28 July 2011.

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

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2011

| | <i>Note</i> | <i>Group</i> | | | |
|---|-------------|--------------------------|-------------|---------------------------|-------------|
| | | 2nd quarter ended | | Year-To-Date ended | |
| | | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 993,807 | 809,668 | 1,899,895 | 1,594,874 |
| Interest income | 24 | 557,427 | 464,014 | 1,075,636 | 902,831 |
| Interest expense | 24 | (255,302) | (202,092) | (494,499) | (372,807) |
| Net interest income | 24 | 302,125 | 261,922 | 581,137 | 530,024 |
| Fee and commission income | 25 | 129,326 | 118,376 | 247,723 | 231,399 |
| Fee and commission expense | 25 | (7,851) | (7,986) | (12,034) | (14,825) |
| Net fee and commission income | 25 | 121,475 | 110,390 | 235,689 | 216,574 |
| Net trading income | 26 | 165,711 | 131,067 | 315,105 | 265,172 |
| Income from Islamic banking operations | 27 | 104,099 | 73,588 | 198,879 | 150,412 |
| Other operating income | 28 | 11,789 | 9,667 | 15,368 | 21,912 |
| Operating income before impairment losses | | 705,199 | 586,634 | 1,346,178 | 1,184,094 |
| Loans / financing impairment charges and other credit risk provisions | 29 | (82,706) | (93,166) | (132,191) | (123,329) |
| Impairment losses on intangible assets | | (4,900) | - | (4,900) | - |
| Net operating income | | 617,593 | 493,468 | 1,209,087 | 1,060,765 |
| Other operating expenses | 30 | (308,173) | (294,368) | (604,758) | (564,999) |
| Profit before income tax expense and zakat | | 309,420 | 199,100 | 604,329 | 495,766 |
| Income tax expense and zakat | | (78,195) | (57,577) | (153,047) | (132,802) |
| Profit for the period | | 231,225 | 141,523 | 451,282 | 362,964 |
| Other comprehensive income | | | | | |
| Fair value reserve | | | | | |
| Change in fair value | | 6,975 | 5,854 | (1,652) | 1,033 |
| Amount transferred to profit or loss | | (1,155) | (1,515) | (1,411) | (6,129) |
| Income tax relating to components of other comprehensive income | | (1,435) | (1,040) | 777 | 920 |
| Other comprehensive income for the period, net of income tax | | 4,385 | 3,299 | (2,286) | (4,176) |
| Total comprehensive income for the period | | 235,610 | 144,822 | 448,996 | 358,788 |
| Profit attributable to shareholder of the Bank | | 231,225 | 141,523 | 451,282 | 362,964 |
| Total comprehensive income attributable to shareholder of the Bank | | 235,610 | 144,822 | 448,996 | 358,788 |
| Basic earnings per RM0.50 ordinary share | | 101.0 sen | 61.8 sen | 197.1 sen | 158.5 sen |
| Dividends per RM0.50 ordinary share (net) | | | | | |
| - paid in respect of prior year | | - | - | 109.2 sen | 109.2 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 2010 and the accompanying explanatory notes on pages 7 to 38 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 28 July 2011.

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

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)
FOR THE HALF YEAR ENDED 30 JUNE 2011

| | | <i>Bank</i> | | | |
|-------------|---|--------------------------|-------------|---------------------------|-------------|
| | | 2nd quarter ended | | Year-To-Date ended | |
| | | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| <i>Note</i> | | RM'000 | RM'000 | RM'000 | RM'000 |
| | Revenue | 903,404 | 756,141 | 1,725,087 | 1,484,295 |
| | Interest income | 24 569,420 | 471,997 | 1,097,255 | 917,959 |
| | Interest expense | 24 (255,302) | (202,092) | (494,499) | (372,807) |
| | Net interest income | 24 314,118 | 269,905 | 602,756 | 545,152 |
| | Fee and commission income | 25 129,326 | 118,376 | 247,723 | 231,399 |
| | Fee and commission expense | 25 (7,851) | (7,986) | (12,034) | (14,825) |
| | Net fee and commission income | 25 121,475 | 110,390 | 235,689 | 216,574 |
| | Net trading income | 26 165,711 | 131,067 | 315,105 | 265,172 |
| | Other operating income | 28 38,947 | 34,701 | 65,004 | 69,765 |
| | Operating income before impairment losses | 640,251 | 546,063 | 1,218,554 | 1,096,663 |
| | Loans / financing impairment charges and other credit risk provisions | 29 (55,967) | (68,953) | (84,237) | (87,921) |
| | Impairment losses on intangible assets | (4,900) | - | (4,900) | - |
| | Net operating income | 579,384 | 477,110 | 1,129,417 | 1,008,742 |
| | Other operating expenses | 30 (293,602) | (276,987) | (577,489) | (533,632) |
| | Profit before income tax expense | 285,782 | 200,123 | 551,928 | 475,110 |
| | Income tax expense | (74,598) | (56,220) | (143,037) | (127,030) |
| | Profit for the period | 211,184 | 143,903 | 408,891 | 348,080 |
| | Other comprehensive income | | | | |
| | Fair value reserve | | | | |
| | Change in fair value | 6,790 | 5,442 | (1,466) | 1,866 |
| | Amount transferred to profit or loss | (1,155) | (1,515) | (1,411) | (6,129) |
| | Income tax relating to components of other comprehensive income | (1,389) | (982) | 731 | 1,069 |
| | Other comprehensive income for the period, net of income tax | 4,246 | 2,945 | (2,146) | (3,194) |
| | Total comprehensive income for the period | 215,430 | 146,848 | 406,745 | 344,886 |
| | Profit attributable to shareholder of the Bank | 211,184 | 143,903 | 408,891 | 348,080 |
| | Total comprehensive income attributable to shareholder of the Bank | 215,430 | 146,848 | 406,745 | 344,886 |
| | Basic earnings per RM0.50 ordinary share | 92.2 sen | 62.8 sen | 178.6 sen | 152.0 sen |
| | Dividends per RM0.50 ordinary share (net) | | | | |
| | - paid in respect of prior year | - | - | 109.2 sen | 109.2 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 2010 and the accompanying explanatory notes on pages 7 to 38 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 28 July 2011.

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 2011

| | Group | | | | | | | | | | | |
|--|---------------------|---------------|-------------------|---------------------|----------------------------|----------------------------|-------------------------|------------------------------|-----------------|----------------|----------------------------|--------------------|
| | ← Non-distributable | | | | | → Distributable | | | | | Total shareholder's equity | |
| | Share capital | Share premium | Statutory reserve | Revaluation reserve | Capital redemption reserve | Available-for-sale reserve | Cash flow hedge reserve | Capital contribution reserve | Retained profit | Total reserves | | Proposed dividends |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January 2010 | 114,500 | 741,375 | 154,604 | 133,216 | 190,000 | (11,406) | - | 74,703 * | 2,312,009 | 3,594,501 | 250,000 | 3,959,001 |
| -effect of adopting FRS 139 | - | - | - | - | - | - | - | - | 9,284 | 9,284 | - | 9,284 |
| Balance as at 1 January 2010, as restated | 114,500 | 741,375 | 154,604 | 133,216 | 190,000 | (11,406) | - | 74,703 | 2,321,293 | 3,603,785 | 250,000 | 3,968,285 |
| Total comprehensive income for the period | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 362,964 | 362,964 | - | 362,964 |
| Other comprehensive income, net of income tax | | | | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | | | | |
| Transfer to retained profit upon realisation of depreciation | - | - | - | (1,534) | - | - | - | - | 1,534 | - | - | - |
| Fair value reserve: | | | | | | | | | | | | |
| Net change in fair value | - | - | - | - | - | 421 | - | - | - | 421 | - | 421 |
| Net amount transferred to profit or loss on disposal | - | - | - | - | - | (4,597) | - | - | - | (4,597) | - | (4,597) |
| Total other comprehensive income | - | - | - | (1,534) | - | (4,176) | - | - | 1,534 | (4,176) | - | (4,176) |
| Total comprehensive income for the period | - | - | - | (1,534) | - | (4,176) | - | - | 364,498 | 358,788 | - | 358,788 |
| Transactions with ultimate holding company, recorded directly in equity | | | | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | - | - | 3,142 | 1,864 | 5,006 | - | 5,006 |
| Dividends paid to shareholder - 2009 final | - | - | - | - | - | - | - | - | - | - | (250,000) | (250,000) |
| Proposed dividend - 2010 interim | - | - | - | - | - | - | - | - | (200,000) | (200,000) | 200,000 | - |
| Balance as at 30 June 2010 | 114,500 | 741,375 | 154,604 | 131,682 | 190,000 | (15,582) | - | 77,845 | 2,487,655 | 3,767,579 | 200,000 | 4,082,079 |
| Balance as at 1 January 2011 | 114,500 | 741,375 | 164,500 | 139,110 | 190,000 | 4,512 | - | 81,169 * | 2,635,920 | 3,956,586 | 250,000 | 4,321,086 |
| Total comprehensive income for the period | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 451,282 | 451,282 | - | 451,282 |
| Other comprehensive income, net of income tax | | | | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | | | | |
| Transfer to retained profit upon realisation of depreciation | - | - | - | (774) | - | - | - | - | 774 | - | - | - |
| Fair value reserve: | | | | | | | | | | | | |
| Net change in fair value | - | - | - | - | - | (1,273) | 45 | - | - | (1,228) | - | (1,228) |
| Net amount transferred to profit or loss on disposal | - | - | - | - | - | (1,058) | - | - | - | (1,058) | - | (1,058) |
| Total other comprehensive income | - | - | - | (774) | - | (2,331) | 45 | - | 774 | (2,286) | - | (2,286) |
| Total comprehensive income for the period | - | - | - | (774) | - | (2,331) | 45 | - | 452,056 | 448,996 | - | 448,996 |
| Transactions with ultimate holding company, recorded directly in equity | | | | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | - | - | 2,608 | 5,948 | 8,556 | - | 8,556 |
| Dividends paid to shareholder - 2010 final | - | - | - | - | - | - | - | - | - | - | (250,000) | (250,000) |
| Proposed dividend - 2011 interim | - | - | - | - | - | - | - | - | (200,000) | (200,000) | 200,000 | - |
| Balance as at 30 June 2011 | 114,500 | 741,375 | 164,500 | 138,336 | 190,000 | 2,181 | 45 | 83,777 | 2,893,924 | 4,214,138 | 200,000 | 4,528,638 |

* This balance has been reclassified to conform to current year's presentation, please refer to Note 36 for further details.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2010 and the accompanying explanatory notes on pages 7 to 38 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 28 July 2011.

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 2011 (CONT'D)

| | Bank | | | | | | | | Retained profit | Total reserves | Proposed dividends | Total shareholder's equity |
|--|-------------------|---------------|-------------------|---------------------|----------------------------|----------------------------|-------------------------|------------------------------|-----------------|----------------|--------------------|----------------------------|
| | Non-distributable | | | | Distributable | | | | | | | |
| | Share capital | Share premium | Statutory reserve | Revaluation reserve | Capital redemption reserve | Available-for-sale reserve | Cash flow hedge reserve | Capital contribution reserve | | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January 2010 | 114,500 | 741,375 | 114,500 | 133,216 | 190,000 | (11,843) | - | 74,560* | 2,271,906 | 3,513,714 | 250,000 | 3,878,214 |
| -effect of adopting FRS 139 | - | - | - | - | - | - | - | - | 9,252 | 9,252 | - | 9,252 |
| Balance as at 1 January 2010, as restated | 114,500 | 741,375 | 114,500 | 133,216 | 190,000 | (11,843) | - | 74,560 | 2,281,158 | 3,522,966 | 250,000 | 3,887,466 |
| Total comprehensive income for the period | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 348,080 | 348,080 | - | 348,080 |
| Other comprehensive income, net of income tax | | | | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | | | | |
| Transfer to retained profit upon realisation of depreciation | - | - | - | (1,534) | - | - | - | - | 1,534 | - | - | - |
| Fair value reserve : | | | | | | | | | | | | |
| Net change in fair value | - | - | - | - | - | 1,403 | - | - | - | 1,403 | - | 1,403 |
| Net amount transferred to profit or loss on disposal | - | - | - | - | - | (4,597) | - | - | - | (4,597) | - | (4,597) |
| Total other comprehensive income | - | - | - | (1,534) | - | (3,194) | - | - | 1,534 | (3,194) | - | (3,194) |
| Total comprehensive income for the period | - | - | - | (1,534) | - | (3,194) | - | - | 349,614 | 344,886 | - | 344,886 |
| Transactions with ultimate holding company, recorded directly in equity | | | | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | - | - | 3,055 | 1,864 | 4,919 | - | 4,919 |
| Dividends paid to shareholder - 2009 final | - | - | - | - | - | - | - | - | - | - | (250,000) | (250,000) |
| Proposed dividend - 2010 interim | - | - | - | - | - | - | - | - | (200,000) | (200,000) | 200,000 | - |
| Balance as at 30 June 2010 | 114,500 | 741,375 | 114,500 | 131,682 | 190,000 | (15,037) | - | 77,615 | 2,432,636 | 3,672,771 | 200,000 | 3,987,271 |
| Balance as at 1 January 2011 | 114,500 | 741,375 | 114,500 | 139,110 | 190,000 | 4,648 | - | 80,834 [†] | 2,561,268 | 3,831,735 | 250,000 | 4,196,235 |
| Total comprehensive income for the period | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 408,891 | 408,891 | - | 408,891 |
| Other comprehensive income, net of income tax | | | | | | | | | | | | |
| Revaluation reserve: | | | | | | | | | | | | |
| Transfer to retained profit upon realisation of depreciation | - | - | - | (774) | - | - | - | - | 774 | - | - | - |
| Fair value reserve: | | | | | | | | | | | | |
| Net change in fair value | - | - | - | - | - | (1,133) | 45 | - | - | (1,088) | - | (1,088) |
| Net amount transferred to profit or loss on disposal | - | - | - | - | - | (1,058) | - | - | - | (1,058) | - | (1,058) |
| Total other comprehensive income | - | - | - | (774) | - | (2,191) | 45 | - | 774 | (2,146) | - | (2,146) |
| Total comprehensive income for the period | - | - | - | (774) | - | (2,191) | 45 | - | 409,665 | 406,745 | - | 406,745 |
| Transactions with ultimate holding company, recorded directly in equity | | | | | | | | | | | | |
| Share based payment transactions | - | - | - | - | - | - | - | 2,441 | 5,948 | 8,389 | - | 8,389 |
| Dividends paid to shareholder - 2010 final | - | - | - | - | - | - | - | - | - | - | (250,000) | (250,000) |
| Proposed dividend - 2011 interim | - | - | - | - | - | - | - | - | (200,000) | (200,000) | 200,000 | - |
| Balance as at 30 June 2011 | 114,500 | 741,375 | 114,500 | 138,336 | 190,000 | 2,457 | 45 | 83,275 | 2,776,881 | 4,046,869 | 200,000 | 4,361,369 |

* This balance has been reclassified to conform to current year's presentation, please refer to Note 36 for further details.

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2011

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before income tax expense and zakat | 604,329 | 495,766 | 551,928 | 475,110 |
| Adjustments for non-operating and non-cash items | 42,500 | 45,533 | 39,804 | 43,524 |
| Operating profit before working capital changes | 646,829 | 541,299 | 591,732 | 518,634 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (979,484) | (8,006,483) | (778,930) | (7,359,361) |
| Net changes in operating liabilities | 5,129,954 | 3,840,722 | 4,485,115 | 2,778,779 |
| Income tax paid | (165,129) | (117,416) | (157,129) | (108,750) |
| Net cash generated from/(used in) operations | 4,632,170 | (3,741,878) | 4,140,788 | (4,170,698) |
| Net cash generated from investing activities | 1,114,271 | 2,395,769 | 1,122,624 | 2,338,016 |
| Net cash used in financing activity | (250,000) | (250,000) | (250,000) | (250,000) |
| | 864,271 | 2,145,769 | 872,624 | 2,088,016 |
| Net changes in cash and cash equivalents | 5,496,441 | (1,596,109) | 5,013,412 | (2,082,682) |
| Cash and cash equivalents at beginning of the period | 11,815,604 | 11,709,558 | 10,658,860 | 11,480,483 |
| Cash and cash equivalents at end of the period | 17,312,045 | 10,113,449 | 15,672,272 | 9,397,801 |
| Analysis of cash and cash equivalents | | | | |
| Cash and short-term funds | 17,312,045 | 10,113,449 | 15,672,272 | 9,397,801 |

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 2010 and the accompanying explanatory notes on pages 7 to 38 attached to the unaudited condensed interim financial statements.

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

Explanatory notes to the Unaudited Condensed Interim Financial Statements as at 30 June 2011

1 General Information

HSBC Bank Malaysia Berhad ("the Bank") is principally engaged in the provision of banking and other related financial services while its subsidiaries ("the Group") 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

The unaudited condensed interim financial statements for the half year ended 30 June 2011 have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") as modified by Bank Negara Malaysia's ("BNM") guidelines.

The Group's unaudited condensed interim financial statements include the financial statements of the Bank and its subsidiary companies. The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group as at and for the financial year ended 31 December 2010. 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 2010.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2010, except for the adoption of the following FRSs, amendments to FRSs and Issues Committee ("IC") Interpretations.

| FRS/Interpretations | Effective date |
|---|-----------------------|
| - FRS 1, First-time Adoption of Financial Reporting Standards | 1 Jul 2010 |
| - FRS 3, Business Combinations | 1 Jul 2010 |
| - FRS 127, Consolidated and Separate Financial Statements | 1 Jul 2010 |
| - IC Interpretation 4, Determining whether an Arrangement contains a Lease | 1 Jan 2011 |
| - IC Interpretation 12, Service Concession Arrangements | 1 Jul 2010 |
| - IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation | 1 Jul 2010 |
| - IC Interpretation 17, Distribution of Non-cash Assets to Owners | 1 Jul 2010 |
| - IC Interpretation 18, Transfers of Assets from Customers | 1 Jan 2011 |
| - Amendments to FRS 1, First Time Adoption of Financial Reporting Standards- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters | 1 Jan 2011 |
| - Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues | 1 Mar 2010 |
| - Amendments to FRS 2, Share-based Payment | 1 Jul 2010 |
| - Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions | 1 Jan 2011 |
| - Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations | 1 Jul 2010 |
| - Amendments to FRS 7, Financial Instruments: Disclosures- Improving Disclosures about Financial Instruments | 1 Jan 2011 |
| - Amendments to FRS 138, Intangible Assets | 1 Jul 2010 |
| - Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives | 1 Jul 2010 |
| - Improvements to FRSs (2010) | 1 Jan 2011 |

2 Basis of Preparation (Cont'd)

IC Interpretations 12, 16 and 17 are not expected to have any impact on the financial statements of the Group and the Bank as they are not relevant to the operations of the Group and the Bank. The adoption of the remaining FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial results of the Group and the Bank.

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

| FRS/Interpretations | Effective date |
|---|-----------------------|
| - FRS 124, Related Party Disclosures (revised) | 1 Jan 2012 |
| - IC Interpretation 15, Agreements for the Construction of Real Estate | 1 Jan 2012 |
| - IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments | 1 Jul 2011 |
| - Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement | 1 Jul 2011 |

The new requirements above take effect for the annual periods beginning on or after 1 July 2011, except for FRS 124, and IC Interpretation 15, which apply for the annual period beginning on or after 1 January 2012. IC Interpretation 15 is not expected to have any impact on the financial statements of the Group and the Bank as it is not relevant to the operations of the Group and the Bank. The adoption of the other revised FRSs, amendments to FRSs and IC Interpretations is not expected to have a significant financial impact on the Group and the Bank.

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2010 was not subject to any qualification.

4 Seasonality or Cyclical Factors

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

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 2011.

6 Changes in Estimates

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

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the half year ended 30 June 2011.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the half year ended 30 June 2011.

8 Dividend

A final dividend of RM1.456 per ordinary share less tax at 25% amounting to RM250 million in respect of the financial year ended 31 December 2010 was paid on 29 March 2011.

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 period on the fully issued and paid up ordinary shares of the Bank.

9 Carrying Amount of Revalued Assets

Property and equipment are stated at cost/valuation less accumulated depreciation and impairment losses except for freehold land which is stated at professional valuation. There was no change in the valuation of property and equipment that was brought forward from the previous audited financial statements for the half year ended 30 June 2011.

10 Significant Events

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

11 Cash and Short Term Funds

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 768,806 | 1,998,438 | 700,663 | 1,970,221 |
| Money at call and deposit placements maturing within one month | 16,543,239 | 9,817,166 | 14,971,609 | 8,688,639 |
| | 17,312,045 | 11,815,604 | 15,672,272 | 10,658,860 |

12 Deposits and Placements with Banks and Other Financial Institutions

| | <i>Group</i> | | <i>Bank</i> | |
|------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Licensed banks | - | - | 1,848,858 | 1,140,834 |
| Bank Negara Malaysia | - | 200,000 | - | 200,000 |
| Other financial institutions | 74,624 | 130,981 | 74,624 | 130,981 |
| | 74,624 | 330,981 | 1,923,482 | 1,471,815 |

13 Financial Assets Held-for-Trading

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At fair value | | | | |
| Money market instruments: | | | | |
| Malaysian Government treasury bills | 340,634 | 667,045 | 260,796 | 602,685 |
| Bank Negara Malaysia bills and notes | 553,911 | 1,918,290 | 553,911 | 1,918,290 |
| Bank Negara Malaysia Islamic bills | 7,967 | 587,127 | 7,967 | 587,127 |
| Bank Negara Malaysia Islamic bonds | 64,824 | - | 64,824 | - |
| Malaysian Government securities | 1,027,356 | 1,178,902 | 1,027,356 | 1,178,902 |
| Malaysian Government Islamic bonds | 172,812 | 131,110 | 116,200 | 72,558 |
| Cagamas bonds and notes | 8,451 | 3,332 | 8,451 | 3,332 |
| | 2,175,955 | 4,485,806 | 2,039,505 | 4,362,894 |
| Unquoted securities: | | | | |
| Private debt securities (including commercial paper) | 255,692 | 409,254 | 255,692 | 384,160 |
| | 2,431,647 | 4,895,060 | 2,295,197 | 4,747,054 |

14 Financial Investments Available-for-Sale

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| At fair value | RM'000 | RM'000 | RM'000 | RM'000 |
| Money market instruments: | | | | |
| Malaysian Government treasury bills | 40,000 | 98,704 | 40,000 | 98,704 |
| Malaysian Government securities | 615,273 | 933,468 | 615,273 | 933,468 |
| Malaysian Government Islamic bonds | 547,898 | 664,725 | 252,043 | 368,564 |
| Cagamas bonds and notes | 65,541 | 65,844 | 65,541 | 65,844 |
| Negotiable instruments of deposit | 25,001 | 375,029 | - | 345,027 |
| Bankers' acceptance and Islamic accepted bills | 921,869 | 1,233,033 | 904,390 | 1,228,531 |
| | 2,215,582 | 3,370,803 | 1,877,247 | 3,040,138 |
| Quoted securities: | | | | |
| Shares | - | 10,696 | - | 10,696 |
| Unquoted securities: | | | | |
| Shares* | 16,907 | 16,907 | 16,907 | 16,907 |
| Private and Islamic debt securities | 5,486 | 5,499 | 5,486 | 5,499 |
| | 22,393 | 22,406 | 22,393 | 22,406 |
| Impairment loss: Quoted securities: | | | | |
| Shares | - | (3,815) | - | (3,815) |
| | 2,237,975 | 3,400,090 | 1,899,640 | 3,069,425 |

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

The maturity structure of money market instruments held as financial investments available-for-sale is as follows:

| | <i>Group</i> | | <i>Bank</i> | |
|-------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Maturing within one year | 1,188,009 | 2,068,706 | 974,545 | 2,034,202 |
| More than one year to three years | 438,385 | 607,366 | 313,514 | 311,205 |
| More than three years to five years | 382,217 | 487,064 | 382,217 | 487,064 |
| Over five years | 206,971 | 207,667 | 206,971 | 207,667 |
| | 2,215,582 | 3,370,803 | 1,877,247 | 3,040,138 |

15 Loans, Advances and Financing

(i) By type

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At amortised cost | | | | |
| Overdrafts | 1,218,055 | 1,196,751 | 1,183,230 | 1,182,249 |
| Term loans/ financing | | | | |
| Housing loans/ financing | 12,139,355 | 11,394,601 | 11,494,198 | 10,934,428 |
| Syndicated term loans/ financing | 81,407 | 83,345 | 81,407 | 83,345 |
| Factoring receivables | 79,382 | 68,903 | 79,382 | 68,903 |
| Hire purchase receivables | 206,647 | 177,462 | 183 | 1,081 |
| Lease receivables | 2,280 | 2,807 | 2,121 | 2,620 |
| Other term loans/ financing | 10,370,315 | 9,416,156 | 6,837,035 | 6,281,513 |
| Bills receivable | 3,885,199 | 2,691,106 | 3,885,199 | 2,691,106 |
| Trust receipts | 1,486,157 | 984,483 | 1,475,916 | 983,779 |
| Claims on customers under acceptance credits | 3,430,930 | 3,125,331 | 2,626,244 | 2,367,254 |
| Staff loans/ financing | 409,300 | 398,694 | 395,019 | 389,362 |
| Credit/ charge cards | 2,777,194 | 2,838,223 | 2,483,631 | 2,576,706 |
| Revolving credit | 3,025,903 | 2,654,619 | 2,894,687 | 2,654,619 |
| Other loans/ financing | 9,700 | 8,703 | 9,700 | 8,703 |
| Less: Unearned income | (72,760) | (66,727) | - | - |
| Gross loans, advances and financing | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |
| Less: Allowances for impaired loans, advances and financing | | | | |
| - Collective allowances for impairment | (580,036) | (519,055) | (496,800) | (448,400) |
| - Individual allowances for impairment | (383,151) | (379,358) | (330,728) | (337,500) |
| Total net loans, advances and financing | 38,085,877 | 34,076,044 | 32,620,424 | 29,439,768 |

(ii) By type of customer

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Domestic non-bank financial institutions | | | | |
| Stockbroking companies | 155,835 | 152,941 | 155,835 | 152,941 |
| Others | 269 | 355 | 269 | 277 |
| Domestic business enterprises | | | | |
| Small medium enterprises | 6,656,685 | 5,946,355 | 5,533,579 | 5,003,898 |
| Others | 11,662,487 | 9,531,400 | 9,834,691 | 7,969,106 |
| Government and statutory bodies | 25,606 | 25,443 | - | - |
| Individuals | 17,946,153 | 17,187,695 | 15,636,786 | 15,218,354 |
| Other domestic entities | 10,260 | 10,253 | 6,989 | 6,639 |
| Foreign entities | 2,591,769 | 2,120,015 | 2,279,803 | 1,874,453 |
| | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |

(iii) By residual contractual maturity

| | <i>Group</i> | | <i>Bank</i> | |
|-------------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Maturity within one year | 20,368,726 | 17,682,717 | 17,378,146 | 15,199,183 |
| More than one year to three years | 1,727,819 | 1,837,382 | 1,121,736 | 1,198,346 |
| More than three years to five years | 2,656,205 | 1,965,029 | 1,677,086 | 1,029,074 |
| More than five years | 14,296,314 | 13,489,329 | 13,270,984 | 12,799,065 |
| | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |

15 Loans, Advances and Financing (Cont'd)

(iv) By interest/ profit rate sensitivity

| | <i>Group</i> | | <i>Bank</i> | |
|-----------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed rate | | | | |
| Housing loans/ financing | 208,021 | 218,546 | 190,497 | 197,028 |
| Hire purchase receivables | 188,648 | 162,816 | 183 | 1,081 |
| Other fixed rate loans/ financing | 5,495,365 | 5,241,626 | 2,772,263 | 2,524,123 |
| Variable rate | | | | |
| BLR plus | 25,766,511 | 22,720,874 | 25,106,691 | 22,272,111 |
| Cost-plus | 2,894,687 | 2,654,619 | 2,894,687 | 2,654,619 |
| Other variable rates | 4,495,832 | 3,975,976 | 2,483,631 | 2,576,706 |
| | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |

(v) By sector

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Agricultural, hunting, forestry and fishing | 1,261,132 | 1,091,735 | 1,135,416 | 993,947 |
| Mining and quarrying | 398,152 | 374,731 | 256,873 | 236,627 |
| Manufacturing | 7,963,428 | 7,121,615 | 6,666,830 | 6,030,757 |
| Electricity, gas and water | 340,712 | 193,672 | 330,066 | 181,399 |
| Construction | 959,919 | 852,605 | 774,893 | 771,815 |
| Real estate | 1,365,929 | 1,257,425 | 997,930 | 933,687 |
| Wholesale & retail trade and restaurants & hotels | 2,311,317 | 2,050,233 | 2,073,618 | 1,819,014 |
| Transport, storage and communication | 582,488 | 446,622 | 189,026 | 213,563 |
| Finance, insurance and business services | 1,313,187 | 1,454,107 | 1,163,259 | 1,220,693 |
| Household-retail | 19,066,048 | 18,230,265 | 16,708,033 | 16,229,546 |
| Others | 3,486,752 | 1,901,447 | 3,152,008 | 1,594,620 |
| | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |

(vi) By purpose

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of landed property: | | | | |
| -Residential | 12,517,610 | 11,771,923 | 11,875,789 | 11,316,312 |
| -Non residential | 1,488,884 | 1,399,753 | 1,432,639 | 1,374,284 |
| Purchase of securities | 20,332 | 31,626 | 19,448 | 30,607 |
| Purchase of transport vehicles | 47,944 | 46,757 | 46,152 | 45,293 |
| Purchase of fixed assets excluding land & building | 67,926 | 76,779 | - | - |
| Consumption credit | 5,958,528 | 5,895,473 | 4,247,245 | 4,353,929 |
| Construction | 959,919 | 852,605 | 774,893 | 771,815 |
| Working capital | 16,456,305 | 13,779,292 | 13,812,252 | 11,456,267 |
| Other purpose | 1,531,616 | 1,120,249 | 1,239,534 | 877,161 |
| | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |

15 Loans, Advances and Financing (Cont'd)

(vii) By geographical distribution

| | <i>Group</i> | | <i>Bank</i> | |
|-----------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Northern region | 7,185,550 | 6,702,818 | 5,996,915 | 5,748,276 |
| Southern region | 4,832,322 | 4,496,785 | 4,231,752 | 3,979,936 |
| Central region | 22,460,350 | 19,649,521 | 19,268,206 | 16,788,288 |
| Eastern region | 4,570,842 | 4,125,333 | 3,951,079 | 3,709,168 |
| | 39,049,064 | 34,974,457 | 33,447,952 | 30,225,668 |

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

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

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

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

Concentration by location for loans, advances and financing is based on the location of the borrower.

16 Impaired Loans, Advances and Financing

(i) Movements in impaired loans, advances and financing

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At beginning of period/year | 692,481 | 667,236 | 621,671 | 611,783 |
| Classified as impaired during the period/year | 361,998 | 623,462 | 292,037 | 527,129 |
| Reclassified as performing | (83,382) | (158,638) | (82,985) | (157,182) |
| Amount recovered | (93,664) | (194,622) | (82,865) | (175,838) |
| Amount written off | (132,162) | (263,127) | (92,387) | (196,877) |
| Other movements | 13,897 | 18,170 | 9,474 | 12,656 |
| At end of period/year | 759,168 | 692,481 | 664,945 | 621,671 |
| Individual allowance for impairment | (383,151) | (379,358) | (330,728) | (337,500) |
| Net impaired loans, advances and financing | 376,017 | 313,123 | 334,217 | 284,171 |

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

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Collective allowance for impairment | | | | |
| At beginning of period/year | 519,055 | 440,297 | 448,400 | 387,700 |
| Made during the period/year | 61,838 | 90,588 | 48,400 | 71,600 |
| Amount written back | (857) | (11,830) | - | (10,900) |
| At end of period/year | 580,036 | 519,055 | 496,800 | 448,400 |
| Individual allowance for impairment | | | | |
| At beginning of period/year, as previously stated | 379,358 | 390,789 | 337,500 | 355,406 |
| -effect of adopting FRS 139 | - | (12,379) | - | (12,336) |
| At beginning of period/year, as restated | 379,358 | 378,410 | 337,500 | 343,070 |
| Made during the period/year | 122,433 | 274,172 | 80,579 | 205,403 |
| Amount recovered | (20,625) | (57,488) | (19,351) | (51,820) |
| Amount written off | (110,259) | (228,961) | (75,375) | (167,416) |
| Other movements | 12,244 | 13,225 | 7,375 | 8,263 |
| At end of period/year | 383,151 | 379,358 | 330,728 | 337,500 |

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

(iii) By sector

| | <i>Group</i> | | <i>Bank</i> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Agricultural, hunting, forestry and fishing | 1,228 | 1,185 | 1,228 | 1,185 |
| Manufacturing | 118,964 | 122,760 | 114,413 | 119,831 |
| Construction | 3,626 | 4,703 | 3,626 | 4,703 |
| Real estate | 7,950 | 8,590 | 7,950 | 8,590 |
| Wholesale & retail trade, restaurants & hotels | 60,948 | 67,537 | 55,742 | 62,291 |
| Transport, storage and communication | 10,209 | 10,940 | 10,209 | 10,860 |
| Finance, insurance and business services | 5,227 | 3,635 | 4,563 | 2,950 |
| Household-retail | 550,752 | 472,908 | 466,950 | 411,038 |
| Others | 264 | 223 | 264 | 223 |
| | 759,168 | 692,481 | 664,945 | 621,671 |

(iv) By purpose

| | <i>Group</i> | | <i>Bank</i> | |
|--------------------------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of landed property: | | | | |
| -Residential | 260,137 | 222,778 | 253,616 | 220,560 |
| -Non residential | 36,761 | 35,713 | 36,650 | 35,602 |
| Purchase of securities | 32 | 29 | 32 | 29 |
| Purchase of transport vehicles | 90 | 166 | 90 | 166 |
| Consumption credit | 277,753 | 239,632 | 200,473 | 179,980 |
| Construction | 3,626 | 4,703 | 3,626 | 4,703 |
| Working capital | 180,769 | 189,460 | 170,458 | 180,631 |
| | 759,168 | 692,481 | 664,945 | 621,671 |

(v) By geographical distribution

| | <i>Group</i> | | <i>Bank</i> | |
|-----------------|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Northern region | 180,179 | 150,506 | 153,441 | 131,287 |
| Southern region | 188,101 | 176,563 | 170,900 | 163,698 |
| Central region | 292,589 | 270,384 | 249,404 | 238,703 |
| Eastern region | 98,299 | 95,028 | 91,200 | 87,983 |
| | 759,168 | 692,481 | 664,945 | 621,671 |

17 Other Assets

| | <i>Group</i> | | <i>Bank</i> | |
|---|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Derivative financial assets (Note 33) | 1,216,427 | 1,133,709 | 1,189,618 | 1,122,554 |
| Interest/ income receivable | 57,633 | 45,932 | 57,867 | 44,881 |
| Other receivables, deposits and prepayments | 625,533 | 843,912 | 617,821 | 811,455 |
| | 1,899,593 | 2,023,553 | 1,865,306 | 1,978,890 |

18 Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)c and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities.

19 Deposits from Customers

| (i) By type of deposit | <i>Group</i> | | <i>Bank</i> | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Demand deposits | 11,890,266 | 10,452,840 | 11,476,582 | 9,939,130 |
| Savings deposits | 8,461,561 | 8,225,387 | 7,754,730 | 7,570,037 |
| Fixed / Investment deposits | 26,565,485 | 23,847,727 | 23,560,832 | 21,363,980 |
| Negotiable instruments of deposit | 1,048,139 | 860,786 | 1,048,139 | 860,786 |
| Wholesale money market deposits | 2,306,226 | 2,379,524 | 2,306,226 | 2,379,524 |
| Others | 3,184,124 | 2,573,160 | 2,991,645 | 2,443,452 |
| | 53,455,801 | 48,339,424 | 49,138,154 | 44,556,909 |

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

| | <i>Group</i> | | <i>Bank</i> | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Due within six months | 22,169,561 | 19,308,201 | 19,473,475 | 17,143,088 |
| More than six months to one year | 4,178,866 | 4,311,527 | 3,893,718 | 4,016,246 |
| More than one year to three years | 857,689 | 689,572 | 835,284 | 670,836 |
| More than three years to five years | 406,979 | 399,076 | 405,965 | 394,459 |
| Over 5 years | 529 | 137 | 529 | 137 |
| | 27,613,624 | 24,708,513 | 24,608,971 | 22,224,766 |

(ii) By type of customer

| | <i>Group</i> | | <i>Bank</i> | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Government and statutory bodies | 170,828 | 152,207 | 28,022 | 17,688 |
| Business enterprises | 21,254,722 | 17,364,412 | 19,791,597 | 15,792,441 |
| Individuals | 24,465,842 | 23,637,923 | 22,175,171 | 21,937,928 |
| Others | 7,564,409 | 7,184,882 | 7,143,364 | 6,808,852 |
| | 53,455,801 | 48,339,424 | 49,138,154 | 44,556,909 |

20 Deposits and Placements of Banks and Other Financial Institutions

| | <i>Group</i> | | <i>Bank</i> | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Licensed banks | 49,590 | - | 36,000 | - |
| Bank Negara Malaysia | 163,485 | 68,133 | 120,466 | 68,133 |
| Other financial institutions | 6,521,532 | 6,784,915 | 5,766,153 | 6,193,403 |
| | 6,734,607 | 6,853,048 | 5,922,619 | 6,261,536 |

21 Other Liabilities

| | <i>Group</i> | | <i>Bank</i> | |
|---|------------------|------------------|------------------|------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Derivative financial liabilities | 1,045,953 | 970,123 | 1,033,462 | 958,968 |
| Interest/ profit payable | 197,324 | 176,702 | 180,894 | 161,520 |
| Allowance for commitments and contingencies | 30 | 1,980 | 30 | 1,980 |
| Profit equalisation reserve | 6,700 | 6,700 | - | - |
| Other creditors and accruals | 1,801,728 | 1,198,988 | 1,871,173 | 1,154,728 |
| | 3,051,735 | 2,354,493 | 3,085,559 | 2,277,196 |

Movement in allowance for commitments and contingencies is as follows:

| | <i>Group</i> | | <i>Bank</i> | |
|---------------------------------------|----------------|--------------|----------------|--------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At beginning of period/year | 1,980 | 2,440 | 1,980 | 2,440 |
| Allowance made during the period/year | - | 32 | - | 32 |
| Amount released | (1,950) | (492) | (1,950) | (492) |
| | (1,950) | (460) | (1,950) | (460) |
| At end of period/year | 30 | 1,980 | 30 | 1,980 |

22 Provision for Taxation and Zakat

| | <i>Group</i> | | <i>Bank</i> | |
|----------|----------------|----------------|---------------|---------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation | 105,059 | 103,058 | 95,481 | 98,710 |
| Zakat | 100 | 100 | - | - |
| | 105,159 | 103,158 | 95,481 | 98,710 |

23 Subordinated Bonds

| | <i>Group</i> | | <i>Bank</i> | |
|--|------------------|------------------|------------------|------------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Subordinated bonds, at par | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Fair value changes arising from fair value hedge | 4,509 | 3,039 | 4,509 | 3,039 |
| | 1,004,509 | 1,003,039 | 1,004,509 | 1,003,039 |

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

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

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

The first tranche of RM 500 million subordinated bonds maturing on 28 June 2022, may be called and redeemed by the Bank, in whole or in part at any anniversary date, on or after 28 June 2017, subject to prior consent of Bank Negara Malaysia (BNM). If the subordinated bonds are not redeemed on 28 June 2017, coupon payable is stepped up by 100 basis point to 5.35% p.a.

The second tranche of RM 500 million subordinated bonds maturing on 2 November 2027, may be called and redeemed by the Bank, in whole or in part at any anniversary date, on or after 2 November 2022, subject to prior consent of BNM. If the subordinated bonds are not redeemed on 2 November 2022, coupon payable is stepped up by 100 basis point to 6.05% p.a.

Both tranches of subordinated bonds are repayable at par on maturity.

The subordinated bonds qualify as a component of Tier 2 capital of the Bank. However, it is a BNM's requirement to amortise the subordinated bonds on a straight-line basis for regulatory capital base purpose, in their final 5 years of maturity.

24 Net Interest Income

| | <i>Group</i> | | | |
|---|--------------------------|-------------|---------------------------|-------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | | | | |
| Loans and advances | | | | |
| - Interest income other than from impaired loans | 381,110 | 325,476 | 744,010 | 636,228 |
| - Interest income recognised from impaired loans | 11,966 | 8,166 | 22,807 | 15,514 |
| Money at call and deposit placements with financial institutions | 141,129 | 112,739 | 258,417 | 204,481 |
| Financial investments available-for-sale | 21,985 | 15,541 | 47,905 | 42,412 |
| Fair value hedge derivative assets | 1,237 | 2,092 | 2,497 | 4,196 |
| | 557,427 | 464,014 | 1,075,636 | 902,831 |
| Interest expense | | | | |
| Deposits and placements of banks and other financial institutions | (22,712) | (9,967) | (42,332) | (18,090) |
| Deposits from customers | (216,546) | (172,241) | (418,122) | (315,381) |
| Loans sold to Cagamas | (2,029) | (6,568) | (5,770) | (13,288) |
| Subordinated bonds | (11,718) | (11,718) | (23,307) | (23,307) |
| Others | (2,297) | (1,598) | (4,968) | (2,741) |
| | (255,302) | (202,092) | (494,499) | (372,807) |
| Net interest income | 302,125 | 261,922 | 581,137 | 530,024 |
| | | | | |
| | <i>Bank</i> | | | |
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | | | | |
| Loans and advances | | | | |
| - Interest income other than from impaired loans | 381,110 | 325,476 | 744,010 | 636,228 |
| - Interest income recognised from impaired loans | 11,966 | 8,166 | 22,807 | 15,514 |
| Money at call and deposit placements with financial institutions | 153,122 | 120,722 | 280,036 | 219,609 |
| Financial investments available-for-sale | 21,985 | 15,541 | 47,905 | 42,412 |
| Fair value hedge derivative assets | 1,237 | 2,092 | 2,497 | 4,196 |
| | 569,420 | 471,997 | 1,097,255 | 917,959 |
| Interest expense | | | | |
| Deposits and placements of banks and other financial institutions | (22,712) | (9,967) | (42,332) | (18,090) |
| Deposits from customers | (216,546) | (172,241) | (418,122) | (315,381) |
| Loans sold to Cagamas | (2,029) | (6,568) | (5,770) | (13,288) |
| Subordinated bonds | (11,718) | (11,718) | (23,307) | (23,307) |
| Others | (2,297) | (1,598) | (4,968) | (2,741) |
| | (255,302) | (202,092) | (494,499) | (372,807) |
| Net interest income | 314,118 | 269,905 | 602,756 | 545,152 |

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

25 Net Fee and Commission Income

| | <i>Group and Bank</i> | | | |
|--------------------------------------|--------------------------|-------------|---------------------------|-------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee and commission income | | | | |
| Credit cards | 44,074 | 44,752 | 87,708 | 89,829 |
| Service charges and fees | 38,481 | 40,295 | 74,277 | 72,255 |
| Fees on credit facilities | 8,282 | 7,641 | 15,915 | 17,900 |
| Agency fee | 24,443 | 15,655 | 44,578 | 27,400 |
| Others | 14,046 | 10,033 | 25,245 | 24,015 |
| | 129,326 | 118,376 | 247,723 | 231,399 |
| Fee and commission expense | | | | |
| Interbank and clearing fees | (268) | (232) | (546) | (459) |
| Brokerage | (789) | (676) | (1,347) | (1,210) |
| Others | (6,794) | (7,078) | (10,141) | (13,156) |
| | (7,851) | (7,986) | (12,034) | (14,825) |
| Net fee and commission income | 121,475 | 110,390 | 235,689 | 216,574 |

26 Net Trading Income

| | <i>Group and Bank</i> | | | |
|---|--------------------------|-------------|---------------------------|-------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets held-for-trading and other financial instruments | 20,337 | 21,400 | 44,095 | 29,728 |
| Net interest income from financial assets held-for-trading | 10,380 | 18,187 | 35,642 | 24,744 |
| Net unrealised (losses)/gains on revaluation of financial assets held-for-trading | (187) | (7,870) | 449 | 2,873 |
| Net gains arising from dealing in foreign currency | 123,836 | 77,258 | 199,617 | 114,668 |
| Net unrealised (losses)/gains from dealing in foreign currency | (11,406) | 9,432 | 1,489 | 45,608 |
| Net (losses)/gains arising from trading in derivatives | (17,978) | (5,863) | 56,904 | 23,936 |
| Net unrealised gains/(losses) on revaluation of derivatives | 40,781 | 18,918 | (23,166) | 23,447 |
| (Losses)/gains arising from fair value hedges | (52) | (395) | 75 | 168 |
| | 165,711 | 131,067 | 315,105 | 265,172 |

27 Income from Islamic Banking operations

| | <i>Group</i> | | | |
|--|--------------------------|-------------|---------------------------|-------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of depositor funds and others | 107,476 | 66,115 | 201,156 | 133,431 |
| Income derived from investment of shareholders funds | 22,078 | 20,429 | 44,907 | 40,129 |
| Income attributable to the depositors | (25,455) | (12,956) | (47,184) | (23,148) |
| Income from Islamic Banking operations | 104,099 | 73,588 | 198,879 | 150,412 |

28 Other Operating Income

| | <i>Group</i> | | | |
|---|-------------------|--------------|--------------------|---------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Disposal of financial investments available-for-sale | 3,589 | 1,059 | 239 | 4,499 |
| Dividend income from financial investments available-for-sale | | | | |
| - Unquoted in Malaysia | 698 | 780 | 818 | 900 |
| - Quoted outside Malaysia | - | 74 | 57 | 182 |
| Rental income | 1,674 | 1,710 | 3,287 | 3,342 |
| Net gains on disposal of property and equipment | 66 | 1 | 76 | 6 |
| Other operating income | 5,762 | 6,043 | 10,891 | 12,983 |
| | 11,789 | 9,667 | 15,368 | 21,912 |

| | <i>Bank</i> | | | |
|---|-------------------|---------------|--------------------|---------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Disposal of financial investments available-for-sale | 3,589 | 1,059 | 239 | 4,499 |
| Dividend income from financial investments available-for-sale | | | | |
| - Unquoted in Malaysia | 698 | 780 | 818 | 900 |
| - Quoted outside Malaysia | - | 74 | 57 | 182 |
| Rental income | 1,674 | 1,710 | 3,287 | 3,342 |
| Net gains on disposal of property and equipment | 66 | 1 | 76 | 6 |
| Other operating income | 32,920 | 31,077 | 60,527 | 60,836 |
| | 38,947 | 34,701 | 65,004 | 69,765 |

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

| | <i>Group</i> | | | |
|--|-------------------|---------------|--------------------|----------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impairment charges on loans and financing: | | | | |
| (a) Individual impairment | | | | |
| Made during the financial period | 64,861 | 65,003 | 122,433 | 121,745 |
| Written back | (15,624) | (7,152) | (20,625) | (17,445) |
| (b) Collective impairment | | | | |
| Made during the financial period | 44,044 | 47,842 | 61,838 | 52,942 |
| Written back | (857) | - | (857) | (3,800) |
| Impaired loans | | | | |
| Recovered during the financial period | (22,031) | (21,572) | (50,551) | (44,666) |
| Written off | 12,313 | 9,174 | 21,903 | 14,952 |
| Impairment charges on commitments and contingencies: | | | | |
| Written back | - | (155) | (1,950) | (425) |
| Impairment charges on other credit related items | | | | |
| Made during the financial period | - | 26 | - | 26 |
| | 82,706 | 93,166 | 132,191 | 123,329 |

29 Loans/ Financing Impairment Charges and other Credit Risk Provisions (Cont'd)

| | <i>Bank</i> | | | |
|--|-------------------|---------------|--------------------|---------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impairment charges on loans and financing: | | | | |
| (a) Individual impairment | | | | |
| Made during the financial period | 42,966 | 42,468 | 80,579 | 83,834 |
| Written back | (14,795) | (6,757) | (19,351) | (14,990) |
| (b) Collective impairment | | | | |
| Made during the financial period | 35,000 | 42,900 | 48,400 | 48,000 |
| Written back | - | - | - | (3,800) |
| Impaired loans | | | | |
| Recovered during the financial period | (16,777) | (17,910) | (40,453) | (38,055) |
| Written off | 9,573 | 8,381 | 17,012 | 13,331 |
| Impairment charges on commitments and contingencies: | | | | |
| Written back | - | (155) | (1,950) | (425) |
| Impairment charges on other credit related items | | | | |
| Made during the financial period | - | 26 | - | 26 |
| | 55,967 | 68,953 | 84,237 | 87,921 |

30 Other Operating Expenses

| | <i>Group</i> | | | |
|--|-------------------|----------------|--------------------|----------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 155,617 | 154,167 | 304,905 | 291,338 |
| Promotion and marketing related expenses | 23,274 | 24,777 | 35,662 | 44,552 |
| Establishment related expenses | 35,988 | 33,549 | 72,326 | 64,843 |
| General administrative expenses | 93,294 | 81,875 | 191,865 | 164,266 |
| | 308,173 | 294,368 | 604,758 | 564,999 |
| The above expenditure includes the following major items : | | | | |
| Personnel expenses | | | | |
| Salaries, allowances and bonuses | 119,239 | 116,443 | 232,836 | 222,902 |
| Employees Provident Fund contributions | 19,401 | 19,621 | 39,352 | 35,787 |
| Promotion and marketing related expenses | | | | |
| Advertising and promotion | 15,436 | 18,129 | 26,229 | 32,671 |
| Establishment related expenses | | | | |
| Depreciation of property and equipment | 10,530 | 8,517 | 19,470 | 16,902 |
| Amortisation of intangible assets | 6,684 | 6,372 | 12,323 | 12,279 |
| Information technology costs | 2,047 | 2,718 | 6,351 | 5,927 |
| Hire of equipment | 2,024 | 2,186 | 3,743 | 3,829 |
| Rental of premises | 8,464 | 7,781 | 17,741 | 14,100 |
| Property and equipment written off | 1 | 46 | 1 | 54 |
| General administrative expenses | | | | |
| Intercompany expenses | 66,872 | 57,463 | 137,547 | 117,346 |
| Auditors' remuneration | | | | |
| -Statutory audit | 120 | 114 | 240 | 225 |
| -Other services | 109 | 86 | 220 | 239 |

30 Other Operating Expenses (Cont'd)

| | <i>Bank</i> | | | |
|--|--------------------------|-------------|---------------------------|-------------|
| | 2nd quarter ended | | Year-To-Date ended | |
| | 30 Jun 2011 | 30 Jun 2010 | 30 Jun 2011 | 30 Jun 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel expenses | 150,295 | 147,128 | 291,554 | 278,659 |
| Promotion and marketing related expenses | 20,606 | 21,470 | 33,517 | 39,030 |
| Establishment related expenses | 32,855 | 30,907 | 66,441 | 59,655 |
| General administrative expenses | 89,846 | 77,482 | 185,977 | 156,288 |
| | 293,602 | 276,987 | 577,489 | 533,632 |

The above expenditure includes the following major items :

| | | | | |
|--|----------------|---------|----------------|---------|
| Personnel expenses | | | | |
| Salaries, allowances and bonuses | 115,177 | 111,067 | 222,024 | 212,837 |
| Employees Provident Fund contributions | 18,708 | 18,705 | 37,640 | 34,129 |
| Promotion and marketing related expenses | | | | |
| Advertising and promotion | 13,550 | 14,822 | 24,084 | 27,149 |
| Establishment related expenses | | | | |
| Depreciation of property and equipment | 9,207 | 7,681 | 16,837 | 15,402 |
| Amortisation of intangible assets | 6,544 | 6,184 | 12,368 | 11,902 |
| Information technology costs | 1,963 | 2,617 | 6,117 | 5,753 |
| Hire of equipment | 2,004 | 2,118 | 3,711 | 3,672 |
| Rental of premises | 7,189 | 6,883 | 15,240 | 12,102 |
| Property and equipment written off | 1 | 45 | 1 | 53 |
| General administrative expenses | | | | |
| Intercompany expenses | 63,510 | 54,239 | 133,481 | 110,843 |
| Auditors' remuneration | | | | |
| -Statutory audit | 95 | 94 | 190 | 185 |
| -Other services | 62 | 78 | 160 | 156 |

31 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> | |
|--|--------------------|-------------|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Aggregate value of outstanding credit exposures to connected parties | 1,534,956 | 1,275,736 | 2,544,307 | 2,384,405 |
| As a percentage of total credit exposures | 3.1% | 3.0% | 5.9% | 6.4% |
| Aggregate value of total outstanding credit exposures to connected parties which is impaired or in default | - | - | - | - |
| As a percentage of total credit exposures | - | - | - | - |

32 Capital Adequacy

| | <i>Group</i> | |
|--|--------------------|-------------|
| | 30 Jun 2011 | 31 Dec 2010 |
| | RM'000 | RM'000 |
| Tier 1 capital | | |
| Paid-up ordinary share capital | 114,500 | 114,500 |
| Share premium | 741,375 | 741,375 |
| Capital redemption reserve | 190,000 | 190,000 |
| Retained profits (including proposed dividend/dividend paid) | 3,093,924 | 2,885,920 |
| Statutory reserve | 164,500 | 164,500 |
| | 4,304,299 | 4,096,295 |
| Less: Deferred tax adjustments | (202,907) | (189,082) |
| Total Tier 1 capital | 4,101,392 | 3,907,213 |
| Tier 2 capital | | |
| Subordinated bonds | 1,004,509 | 1,003,039 |
| Revaluation reserves | 80,192 | 80,726 |
| Collective impairment allowance | 580,036 | 508,539 |
| Total Tier 2 capital | 1,664,737 | 1,592,304 |
| Total capital | 5,766,129 | 5,499,517 |
| Capital base | 5,766,129 | 5,499,517 |
| Core capital ratio | 9.6% | 10.2% |
| Risk-weighted capital ratio | 13.6% | 14.4% |
| Core capital ratio (net of proposed dividend/dividend paid) | 9.2% | 9.6% |
| Risk-weighted capital ratio (net of proposed dividend/dividend paid) | 13.1% | 13.7% |

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

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

| | <i>Group</i> | | | |
|--------------------------------|-----------------------------|---------------------------------|---------------------|-------------------------|
| | 30 Jun 2011 | | 31 Dec 2010 | |
| | Principal RM'000 | Risk-weighted RM'000 | Principal RM'000 | Risk-weighted RM'000 |
| Total RWA for credit risk | 80,355,278 | 36,067,436 | 69,088,318 | 31,677,595 |
| Total RWA for market risk | - | 1,915,879 | - | 2,069,218 |
| Total RWA for operational risk | - | 4,531,268 | - | 4,458,252 |
| | 80,355,278 | 42,514,583 | 69,088,318 | 38,205,065 |

32 Capital Adequacy (Cont'd)

| | <i>Bank</i> | |
|--|-----------------------|-----------------------|
| | 30 Jun 2011 RM'000 | 31 Dec 2010 RM'000 |
| Tier 1 capital | | |
| Paid-up ordinary share capital | 114,500 | 114,500 |
| Share premium | 741,375 | 741,375 |
| Capital redemption reserve | 190,000 | 190,000 |
| Retained profits (including proposed dividend/dividend paid) | 2,976,881 | 2,811,268 |
| Statutory reserve | 114,500 | 114,500 |
| | <u>4,137,256</u> | <u>3,971,643</u> |
| Less: Deferred tax adjustments | <u>(197,640)</u> | <u>(187,035)</u> |
| Total Tier 1 capital | <u>3,939,616</u> | <u>3,784,608</u> |
| Tier 2 capital | | |
| Subordinated bonds | 1,004,509 | 1,003,039 |
| Revaluation reserves | 80,192 | 80,726 |
| Collective impairment allowance | 496,800 | 438,997 |
| Total Tier 2 capital | <u>1,581,501</u> | <u>1,522,762</u> |
| Total capital | 5,521,117 | 5,307,370 |
| Less: Investment in subsidiaries | <u>(660,021)</u> | <u>(660,021)</u> |
| Capital base | <u>4,861,096</u> | <u>4,647,349</u> |
| Core capital ratio | 10.5% | 11.0% |
| Risk-weighted capital ratio | 12.9% | 13.6% |
| Core capital ratio (net of proposed dividend/dividend paid) | 10.0% | 10.3% |
| Risk-weighted capital ratio (net of proposed dividend/dividend paid) | 12.4% | 12.8% |

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 2011 | | 31 Dec 2010 | |
| | Principal RM'000 | Risk-weighted RM'000 | Principal RM'000 | Risk-weighted RM'000 |
| Total RWA for credit risk | 73,517,309 | 31,497,442 | 63,519,386 | 28,018,139 |
| Total RWA for market risk | - | 1,864,211 | - | 2,039,942 |
| Total RWA for operational risk | - | 4,202,465 | - | 4,206,057 |
| | <u>73,517,309</u> | <u>37,564,118</u> | <u>63,519,386</u> | <u>34,264,138</u> |

32 Capital Adequacy (Cont'd)

30 Jun 2011

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) |
| <u>Credit Risk</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns/Central Banks | 23,589,047 | 23,589,047 | - | - | - |
| Banks, Development Financial Institutions & MDBs | 5,614,382 | 5,614,382 | 1,390,580 | 1,390,580 | 111,246 |
| Corporates | 15,152,212 | 14,618,748 | 13,641,835 | 13,641,835 | 1,091,346 |
| Regulatory Retail | 7,050,379 | 6,877,043 | 5,144,132 | 5,144,132 | 411,531 |
| Residential Mortgages | 16,629,623 | 16,604,731 | 7,011,496 | 7,011,496 | 560,920 |
| Higher Risk Assets | 1,608 | 1,608 | 2,412 | 2,412 | 193 |
| Other Assets | 1,132,571 | 1,132,571 | 814,462 | 814,462 | 65,157 |
| Equity Exposure | 16,908 | 16,908 | 16,908 | 16,908 | 1,353 |
| Defaulted Exposures | 511,351 | 505,936 | 603,739 | 603,739 | 48,299 |
| Total for On-Balance Sheet Exposures | 69,698,081 | 68,960,974 | 28,625,564 | 28,625,564 | 2,290,045 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| OTC Derivatives | 3,270,425 | 3,270,425 | 1,743,018 | 1,743,018 | 139,441 |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 7,320,919 | 7,156,102 | 5,604,858 | 5,604,858 | 448,389 |
| Defaulted Exposures | 65,853 | 63,458 | 93,996 | 93,996 | 7,520 |
| Total for Off-Balance Sheet Exposures | 10,657,197 | 10,489,985 | 7,441,872 | 7,441,872 | 595,350 |
| Total On and Off-Balance Sheet Exposures | 80,355,278 | 79,450,959 | 36,067,436 | 36,067,436 | 2,885,395 |
| <u>Large Exposures Risk Requirement</u> | | | | | |
| | - | - | - | - | - |
| <u>Market Risk</u> | | | | | |
| | Long Position | Short Position | | | |
| Interest Rate Risk | 58,618,295 | 55,987,330 | 2,630,967 | 1,617,455 | 129,396 |
| Foreign Currency Risk | 24,372 | 229,020 | 210,688 | 229,024 | 18,322 |
| Option Risk | - | - | - | 69,400 | 5,552 |
| | 58,642,667 | 56,216,350 | 2,841,655 | 1,915,879 | 153,270 |
| Operational Risk | - | - | - | 4,531,268 | 362,501 |
| Total RWA and Capital Requirement | - | - | - | 42,514,583 | 3,401,166 |

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

32 Capital Adequacy (Cont'd)

30 Jun 2011

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) |
| <u>Credit Risk</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns/Central Banks | 21,610,662 | 21,610,662 | - | - | - |
| Banks, Development Financial Institutions & MDBs | 6,754,563 | 6,754,563 | 1,768,992 | 1,768,992 | 141,519 |
| Corporates | 12,470,674 | 11,992,906 | 11,018,296 | 11,018,296 | 881,464 |
| Regulatory Retail | 5,127,848 | 4,980,151 | 3,720,945 | 3,720,945 | 297,676 |
| Residential Mortgages | 15,915,531 | 15,890,826 | 6,648,630 | 6,648,630 | 531,890 |
| Higher Risk Assets | 1,608 | 1,608 | 2,412 | 2,412 | 193 |
| Other Assets | 1,402,194 | 1,402,194 | 1,128,442 | 1,128,442 | 90,275 |
| Equity Exposure | 16,908 | 16,908 | 16,908 | 16,908 | 1,353 |
| Defaulted Exposures | 465,272 | 460,457 | 543,490 | 543,490 | 43,479 |
| Total for On-Balance Sheet Exposures | 63,765,260 | 63,110,275 | 24,848,115 | 24,848,115 | 1,987,849 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| OTC Derivatives | 3,216,070 | 3,216,070 | 1,718,712 | 1,718,712 | 137,497 |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 6,470,415 | 6,313,863 | 4,837,051 | 4,837,051 | 386,964 |
| Defaulted Exposures | 65,564 | 63,169 | 93,564 | 93,564 | 7,485 |
| Total for Off-Balance Sheet Exposures | 9,752,049 | 9,593,102 | 6,649,327 | 6,649,327 | 531,946 |
| Total On and Off-Balance Sheet Exposures | 73,517,309 | 72,703,377 | 31,497,442 | 31,497,442 | 2,519,795 |
| <u>Large Exposures Risk Requirement</u> | | | | | |
| | - | - | - | - | - |
| <u>Market Risk</u> | | | | | |
| | Long Position | Short Position | | | |
| Interest Rate Risk | 57,752,846 | 55,272,753 | 2,480,094 | 1,585,276 | 126,822 |
| Foreign Currency Risk | 23,219 | 209,535 | 209,535 | 209,535 | 16,763 |
| Option Risk | - | - | - | 69,400 | 5,552 |
| | 57,776,065 | 55,482,288 | 2,689,629 | 1,864,211 | 149,137 |
| Operational Risk | - | - | - | 4,202,465 | 336,197 |
| Total RWA and Capital Requirement | - | - | - | 37,564,118 | 3,005,129 |

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

32 Capital Adequacy (Cont'd)

31 Dec 2010

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) |
| <i>Credit Risk</i> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns/Central Banks | 17,746,419 | 17,746,419 | - | - | - |
| Banks, Development Financial Institutions & MDBs | 6,656,772 | 6,656,772 | 1,374,660 | 1,374,660 | 109,973 |
| Corporates | 13,387,801 | 12,777,471 | 12,073,825 | 12,073,825 | 965,906 |
| Regulatory Retail | 6,845,700 | 6,682,619 | 4,983,714 | 4,983,714 | 398,697 |
| Residential Mortgages | 15,588,458 | 15,563,175 | 6,631,049 | 6,631,049 | 530,484 |
| Higher Risk Assets | 1,417 | 1,417 | 2,125 | 2,125 | 170 |
| Other Assets | 911,335 | 911,335 | 701,615 | 701,615 | 56,129 |
| Equity Exposure | 27,604 | 27,604 | 27,604 | 27,604 | 2,208 |
| Defaulted Exposures | 459,704 | 452,405 | 541,028 | 541,028 | 43,282 |
| Total for On-Balance Sheet Exposures | 61,625,210 | 60,819,217 | 26,335,620 | 26,335,620 | 2,106,849 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| OTC Derivatives | 2,865,041 | 2,865,041 | 1,480,217 | 1,480,217 | 118,417 |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 4,507,094 | 4,392,275 | 3,736,124 | 3,736,124 | 298,890 |
| Defaulted Exposures | 90,973 | 84,099 | 125,634 | 125,634 | 10,051 |
| Total for Off-Balance Sheet Exposures | 7,463,108 | 7,341,415 | 5,341,975 | 5,341,975 | 427,358 |
| Total On and Off-Balance Sheet Exposures | 69,088,318 | 68,160,632 | 31,677,595 | 31,677,595 | 2,534,207 |
| <i>Large Exposures Risk Requirement</i> | - | - | - | - | - |
| <i>Market Risk</i> | | | | | |
| | <u>Long Position</u> | <u>Short Position</u> | | | |
| Interest Rate Risk | 52,380,571 | 47,672,088 | 4,708,483 | 1,733,079 | 138,646 |
| Foreign Currency Risk | 97,001 | 301,983 | 302,376 | 302,376 | 24,190 |
| Option Risk | - | - | - | 33,763 | 2,701 |
| | 52,477,572 | 47,974,071 | 5,010,859 | 2,069,218 | 165,537 |
| Operational Risk | - | - | - | 4,458,252 | 356,660 |
| Total RWA and Capital Requirement | - | - | - | 38,205,065 | 3,056,404 |

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

32 Capital Adequacy (Cont'd)

31 Dec 2010

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) |
|--|-----------------------------|---------------------------|--|----------------------------------|---------------------------------|
| <u>Credit Risk</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns/Central Banks | 15,959,872 | 15,959,872 | - | - | - |
| Banks, Development Financial Institutions & MDBs | 7,686,319 | 7,686,319 | 1,743,182 | 1,743,182 | 139,455 |
| Corporates | 10,960,822 | 10,405,592 | 9,713,028 | 9,713,028 | 777,042 |
| Regulatory Retail | 5,136,868 | 4,990,892 | 3,715,971 | 3,715,971 | 297,278 |
| Residential Mortgages | 15,088,642 | 15,063,483 | 6,364,538 | 6,364,538 | 509,163 |
| Higher Risk Assets | 1,417 | 1,417 | 2,125 | 2,125 | 170 |
| Other Assets | 1,221,020 | 1,221,020 | 1,011,300 | 1,011,300 | 80,904 |
| Equity Exposure | 27,604 | 27,604 | 27,604 | 27,604 | 2,208 |
| Defaulted Exposures | 402,838 | 396,258 | 461,246 | 461,246 | 36,900 |
| Total for On-Balance Sheet Exposures | 56,485,402 | 55,752,457 | 23,038,994 | 23,038,994 | 1,843,120 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| OTC Derivatives | 2,844,574 | 2,844,574 | 1,476,124 | 1,476,124 | 118,090 |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 4,098,706 | 3,995,812 | 3,377,787 | 3,377,787 | 270,223 |
| Defaulted Exposures | 90,704 | 83,830 | 125,234 | 125,234 | 10,019 |
| Total for Off-Balance Sheet Exposures | 7,033,984 | 6,924,216 | 4,979,145 | 4,979,145 | 398,332 |
| Total On and Off-Balance Sheet Exposures | 63,519,386 | 62,676,673 | 28,018,139 | 28,018,139 | 2,241,452 |
| <u>Large Exposures Risk Requirement</u> | - | - | - | - | - |
| <u>Market Risk</u> | | | | | |
| | Long Position | Short Position | | | |
| Interest Rate Risk | 52,205,910 | 47,647,014 | 4,558,896 | 1,706,496 | 136,520 |
| Foreign Currency Risk | 94,308 | 299,683 | 299,683 | 299,683 | 23,975 |
| Option Risk | - | - | - | 33,763 | 2,701 |
| | 52,300,218 | 47,946,697 | 4,858,579 | 2,039,942 | 163,196 |
| Operational Risk | - | - | - | 4,206,057 | 336,485 |
| Total RWA and Capital Requirement | - | - | - | 34,264,138 | 2,741,133 |

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

32 Capital Adequacy (Cont'd)

30 Jun 2011

Group

| Risk Weights | Exposures after Netting and Credit Risk Mitigation | | | | | | | | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------|--|----------------------|------------|-------------------|-----------------------|--------------------|--------------|--------|--|----------------------------|
| | Sovereigns & Central Banks | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| 0% | 23,658,606 | - | 4,753 | 10,421 | - | - | 318,109 | - | 23,991,889 | - |
| 20% | - | 6,760,475 | 1,261,694 | 40,341 | - | - | - | - | 8,062,510 | 1,612,501 |
| 35% | - | - | - | - | 12,443,186 | - | - | - | 12,443,186 | 4,355,115 |
| 50% | - | 1,898,303 | 632,963 | 31,337 | 1,859,461 | - | - | - | 4,422,064 | 2,211,033 |
| 75% | - | - | 132 | 8,752,032 | 2,353,270 | - | - | - | 11,105,434 | 8,329,076 |
| 100% | - | 464 | 17,991,225 | 145,007 | 190,136 | - | 814,462 | 16,908 | 19,158,202 | 19,158,203 |
| 150% | - | 22,163 | 82,835 | 161,012 | - | 1,664 | - | - | 267,674 | 401,508 |
| Total Risk Weight | - | - | - | - | - | - | - | - | 79,450,959 | 36,067,436 |
| Average Risk Weight | - | - | - | - | - | - | - | - | 4,413,942 | 2,003,746 |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - |

30 Jun 2011

Bank

| Risk Weights | Exposures after Netting and Credit Risk Mitigation | | | | | | | | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------|--|----------------------|------------|-------------------|-----------------------|--------------------|--------------|--------|--|----------------------------|
| | Sovereigns & Central Banks | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| 0% | 21,680,221 | - | 3,253 | 9,869 | - | - | 273,752 | - | 21,967,095 | - |
| 20% | - | 7,373,729 | 1,260,406 | 39,631 | - | - | - | - | 8,673,766 | 1,734,753 |
| 35% | - | - | - | - | 12,142,771 | - | - | - | 12,142,771 | 4,249,970 |
| 50% | - | 2,380,532 | 569,559 | 30,843 | 1,649,873 | - | - | - | 4,630,807 | 2,315,404 |
| 75% | - | - | 132 | 6,691,875 | 2,149,186 | - | - | - | 8,841,193 | 6,630,895 |
| 100% | - | 464 | 14,749,345 | 131,618 | 183,613 | - | 1,128,442 | 16,908 | 16,210,390 | 16,210,390 |
| 150% | - | 22,163 | 82,835 | 130,693 | - | 1,664 | - | - | 237,355 | 356,030 |
| Total Risk Weight | - | - | - | - | - | - | - | - | 72,703,377 | 31,497,442 |
| Average Risk Weight | - | - | - | - | - | - | - | - | 4,039,077 | 1,749,858 |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - |

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

32 Capital Adequacy (Cont'd)

31 Dec 2010

Group

| Risk Weights | Exposures after Netting and Credit Risk Mitigation | | | | | | | | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------|--|----------------------|------------|-------------------|-----------------------|--------------------|--------------|--------|--|----------------------------|
| | Sovereigns & Central Banks | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| 0% | 17,816,770 | - | 2,441 | 28,588 | - | - | 209,722 | - | 18,057,521 | - |
| 20% | - | 7,915,005 | 686,075 | 9,844 | - | - | - | - | 8,610,924 | 1,722,184 |
| 35% | - | - | - | - | 10,689,289 | - | - | - | 10,689,289 | 3,741,251 |
| 50% | - | 758,417 | 520,503 | 41,323 | 3,062,461 | - | - | - | 4,382,704 | 2,191,352 |
| 75% | - | - | 167 | 8,194,746 | 1,926,661 | - | - | - | 10,121,574 | 7,591,181 |
| 100% | - | 1,060 | 15,043,656 | 87,445 | 171,226 | - | 701,615 | 27,604 | 16,032,606 | 16,032,606 |
| 150% | - | 33,932 | 99,316 | 131,217 | - | 1,549 | - | - | 266,014 | 399,021 |
| Total Risk Weight | - | - | - | - | - | - | - | - | 68,160,632 | 31,677,595 |
| Average Risk Weight | - | - | - | - | - | - | - | - | 3,786,702 | 1,759,866 |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - |

31 Dec 2010

Bank

| Risk Weights | Exposures after Netting and Credit Risk Mitigation | | | | | | | | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------|--|----------------------|------------|-------------------|-----------------------|--------------------|--------------|--------|--|----------------------------|
| | Sovereigns & Central Banks | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| 0% | 16,030,223 | - | 2,441 | 27,186 | - | - | 209,721 | - | 16,269,571 | - |
| 20% | - | 8,382,039 | 685,998 | 9,844 | - | - | - | - | 9,077,881 | 1,815,577 |
| 35% | - | - | - | - | 10,544,140 | - | - | - | 10,544,140 | 3,690,449 |
| 50% | - | 1,300,459 | 498,442 | 41,136 | 2,861,668 | - | - | - | 4,701,705 | 2,350,852 |
| 75% | - | - | 167 | 6,385,989 | 1,738,891 | - | - | - | 8,125,047 | 6,093,786 |
| 100% | - | 1,060 | 12,449,907 | 81,162 | 169,000 | - | 1,011,300 | 27,604 | 13,740,033 | 13,740,033 |
| 150% | - | 33,932 | 73,535 | 109,280 | - | 1,549 | - | - | 218,296 | 327,442 |
| Total Risk Weight | - | - | - | - | - | - | - | - | 62,676,673 | 28,018,139 |
| Average Risk Weight | - | - | - | - | - | - | - | - | 3,482,037 | 1,556,563 |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - |

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

33 Commitments and Contingencies

30 Jun 2011

| | 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 | 1,252,347 | - | 1,252,347 | 1,051,584 |
| Transaction-related contingent items | 3,678,641 | - | 1,839,321 | 1,082,647 |
| Short-term self-liquidating trade-related contingencies | 672,803 | - | 134,561 | 101,906 |
| Irrevocable commitments to extend credit: | | | | |
| - Maturity not exceeding one year | 10,938,220 | - | 2,187,644 | 1,895,131 |
| - Maturity exceeding one year | 1,307,390 | - | 261,478 | 239,081 |
| Unutilised credit card lines | 7,658,352 | - | 1,531,670 | 1,148,753 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 34,606,566 | 309,957 | 564,057 | 255,446 |
| - Over one year to less than five years | 6,867,842 | 327,777 | 886,953 | 612,455 |
| - Over five years | 2,721,036 | 157,719 | 471,513 | 420,342 |
| Interest/profit rate related contracts: | | | | |
| - Less than one year | 6,653,422 | 13,894 | 21,766 | 8,177 |
| - Over one year to less than five years | 29,423,611 | 250,124 | 864,594 | 332,219 |
| - Over five years | 2,227,052 | 74,865 | 242,051 | 70,481 |
| Gold and other precious metals contracts | | | | |
| - Less than one year | 55,553 | 6,503 | 7,711 | 1,542 |
| - Over one year to less than five years | 57,952 | 3,616 | 6,623 | 1,325 |
| Other commodity contracts: | | | | |
| - Over one year to less than five years | 29,662 | 157 | 3,717 | 743 |
| Equity related contracts | | | | |
| - Less than one year | 79,996 | 7,812 | 12,585 | 2,517 |
| - Over one year to less than five years | 1,304,732 | 57,730 | 161,208 | 32,242 |
| - Over five years | 217,721 | 6,273 | 27,646 | 5,529 |
| Sell buy back agreement | 179,752 | - | 179,752 | 179,752 |
| | 109,932,650 | 1,216,427 | 10,657,197 | 7,441,872 |

Note 17

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

* The credit equivalent and risk weighted 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" including a refined temporary (until 31 December 2011) measure relating to credit conversion factor for undrawn facilities.

33 Commitments and Contingencies (Cont'd)

30 Jun 2011

| | Bank | | | |
|---|---|---|---|---------------------------------------|
| | Credit Principal amount RM'000 | Positive fair value of derivative contracts^ RM'000 | Credit equivalent amount* RM'000 | Risk weighted amount* RM'000 |
| Direct credit substitutes | 1,010,771 | - | 1,010,771 | 811,339 |
| Transaction-related contingent items | 3,463,830 | - | 1,731,915 | 1,008,039 |
| Short-term self-liquidating trade-related contingencies | 641,667 | - | 128,333 | 97,885 |
| Irrevocable commitments to extend credit: | | | | |
| - Maturity not exceeding one year | 10,107,086 | - | 2,021,417 | 1,738,429 |
| - Maturity exceeding one year | 1,292,160 | - | 258,432 | 236,090 |
| Unutilised credit card lines | 6,925,553 | - | 1,385,111 | 1,038,833 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 34,606,566 | 309,957 | 564,057 | 255,446 |
| - Over one year to less than five years | 6,843,722 | 327,777 | 885,747 | 611,852 |
| - Over five years | 2,721,036 | 157,719 | 471,513 | 420,342 |
| Interest rate related contracts: | | | | |
| - Less than one year | 6,653,422 | 13,894 | 21,766 | 8,177 |
| - Over one year to less than five years | 28,822,482 | 234,721 | 837,118 | 313,650 |
| - Over five years | 2,227,052 | 74,865 | 242,051 | 70,481 |
| Gold and other precious metals contracts | | | | |
| - Less than one year | 55,553 | 6,503 | 7,711 | 1,542 |
| - Over one year to less than five years | 57,952 | 3,616 | 6,623 | 1,325 |
| Other commodity contracts: | | | | |
| - Over one year to less than five years | 29,662 | 157 | 3,717 | 743 |
| Equity related contracts | | | | |
| - Less than one year | 68,260 | 3,557 | 7,653 | 1,531 |
| - Over one year to less than five years | 1,135,013 | 50,579 | 140,468 | 28,094 |
| - Over five years | 217,721 | 6,273 | 27,646 | 5,529 |
| | 106,879,508 | 1,189,618 | 9,752,049 | 6,649,327 |

Note 17

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

* The credit equivalent and risk weighted 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" including a refined temporary (until 31 December 2011) measure relating to credit conversion factor for undrawn facilities.

33 Commitments and Contingencies (Cont'd)

31 Dec 2010

| | Group | | | |
|---|---|---|---|---------------------------------------|
| | Credit Principal amount RM'000 | Positive fair value of derivative contracts^ RM'000 | Credit equivalent amount* RM'000 | Risk weighted amount* RM'000 |
| Direct credit substitutes | 1,373,274 | - | 1,373,274 | 1,243,087 |
| Transaction-related contingent items | 2,198,080 | - | 1,099,040 | 910,741 |
| Short-term self-liquidating trade-related contingencies | 409,577 | - | 81,915 | 65,187 |
| Irrevocable commitments to extend credit: | | | | |
| - Maturity not exceeding one year | 9,971,490 | - | - | - |
| - Maturity exceeding one year | 970,034 | - | 485,017 | 436,744 |
| Unutilised credit card lines | 7,056,438 | - | 1,411,288 | 1,058,466 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 21,304,763 | 249,369 | 420,594 | 248,292 |
| - Over one year to less than five years | 7,035,957 | 364,513 | 877,709 | 522,640 |
| - Over five years | 2,021,628 | 134,092 | 362,855 | 321,171 |
| Interest/profit rate related contracts: | | | | |
| - Less than one year | 6,342,043 | 17,570 | 26,361 | 10,043 |
| - Over one year to less than five years | 25,048,291 | 226,900 | 770,220 | 281,764 |
| - Over five years | 2,049,452 | 46,107 | 191,620 | 53,171 |
| Gold and other precious metals contracts | | | | |
| - Less than one year | 49,303 | 4,707 | 5,238 | 1,047 |
| - Over one year to less than five years | 76,330 | 4,148 | 7,968 | 1,594 |
| Other commodity contracts: | | | | |
| - Less than one year | 1,761 | 93 | 269 | 54 |
| - Over one year to less than five years | 30,523 | 275 | 3,937 | 787 |
| Equity related contracts | | | | |
| - Less than one year | 128,418 | 10,595 | 16,925 | 3,384 |
| - Over one year to less than five years | 1,143,390 | 71,058 | 162,555 | 32,512 |
| - Over five years | 145,076 | 4,282 | 18,790 | 3,758 |
| Sell buy back agreement | 147,534 | - | 147,533 | 147,533 |
| | <u>87,503,362</u> | <u>1,133,709</u> | <u>7,463,108</u> | <u>5,341,975</u> |

Note 17

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

* The credit equivalent and risk weighted 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" and the temporary (until 31 December 2010) measure relating to credit conversion factor for undrawn facilities.

33 Commitments and Contingencies (Cont'd)

| 31 Dec 2010 | Bank | | | |
|---|---|---|---|---------------------------------------|
| | Credit Principal amount RM'000 | Positive fair value of derivative contracts^ RM'000 | Credit equivalent amount* RM'000 | Risk weighted amount* RM'000 |
| Direct credit substitutes | 1,283,050 | - | 1,283,050 | 1,162,259 |
| Transaction-related contingent items | 2,175,732 | - | 1,087,866 | 900,940 |
| Short-term self-liquidating trade-related contingencies | 395,150 | - | 79,030 | 63,781 |
| Irrevocable commitments to extend credit: | | | | |
| - Maturity not exceeding one year | 9,204,534 | - | - | - |
| - Maturity exceeding one year | 888,816 | - | 444,408 | 404,749 |
| Unutilised credit card lines | 6,475,280 | - | 1,295,056 | 971,292 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 21,304,763 | 249,369 | 420,594 | 248,292 |
| - Over one year to less than five years | 7,035,957 | 364,513 | 877,709 | 522,640 |
| - Over five years | 2,021,628 | 134,092 | 362,855 | 321,171 |
| Interest rate related contracts: | | | | |
| - Less than one year | 6,342,043 | 17,570 | 26,361 | 10,043 |
| - Over one year to less than five years | 25,048,291 | 226,900 | 770,220 | 281,764 |
| - Over five years | 2,049,452 | 46,107 | 191,620 | 53,171 |
| Gold and other precious metals contracts | | | | |
| - Less than one year | 49,303 | 4,707 | 5,238 | 1,047 |
| - Over one year to less than five years | 76,330 | 4,148 | 7,968 | 1,594 |
| Other commodity contracts: | | | | |
| - Less than one year | 1,761 | 93 | 269 | 54 |
| - Over one year to less than five years | 30,523 | 275 | 3,937 | 787 |
| Equity related contracts | | | | |
| - Less than one year | 115,241 | 5,953 | 11,486 | 2,297 |
| - Over one year to less than five years | 1,037,282 | 64,545 | 147,527 | 29,506 |
| - Over five years | 145,076 | 4,282 | 18,790 | 3,758 |
| | 85,680,212 | 1,122,554 | 7,033,984 | 4,979,145 |

Note 17

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

* The credit equivalent and risk weighted 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" and the temporary (until 31 December 2010) measure relating to credit conversion factor for undrawn facilities.

34 Review of Performance

The Group recorded profit before tax ("PBT") of RM604 million for the half year ended 30 June 2011, an increase of 21.9% or RM108 million compared against history. Operating income increased by RM162 million or 13.7% to RM1.346 billion (30 June 2010: RM1.184 billion), primarily on higher net interest income (+RM51 million or 9.6%), trading profits (+RM50 million or 18.8%) and income from Islamic Banking operations (+RM50 million or 32.2%). Net interest income increased to RM581 million on higher average customer loan balances coupled with higher Base Lending Rate while the improvement in trading profits to RM315 million was mainly on higher foreign exchange gains. Income from Islamic Banking Operations grew to RM199 million; the greatest improvement in terms of percentage, in line with the Group's expansion in the Islamic banking business via wider geographical reach and range of services/products offered. In tandem, operating expenses grew to RM604 million (+RM40 million or 7.0%), mainly on higher general administrative expenses and personnel costs.

Gross impaired loans ratio improved slightly to 1.9% in June 2011 (31 Dec 2010: 2.0%) reflecting the improving economic environment and growth in loans, advances and financing. Gross loans, advances and financing as at 30 June 2011 stood at RM39.0 billion, RM4.0 billion or 11.4% higher than the RM35.0 billion recorded as at 31 Dec 2010 (30 June 2010: RM33.0 billion), mainly funded by the increase in deposits from customers (+RM5.1 billion to RM53.5 billion as at 30 June 2011). Total assets as at 30 June 2011 were RM69.1 billion, RM5.3 billion or 8.4% up against 31 December 2010 (RM63.8 billion).

35 Business Prospects

The Malaysian economy is expected to expand 5%-6% this year, sustained mainly by public sector expenditure and domestic private consumption. Capital expenditure of Government-linked companies (GLCs), as well as private investment growth is forecasted to grow with the execution of projects outlined in the Economic Transformation Programme and Tenth Malaysia Plan (10MP).

The projected growth is slower compared to the 7.2 % GDP in 2010 due to the moderation in external demand from the larger emerging markets over concerns on rising inflation, the Euro zone debt crisis and geopolitical tensions in the Middle East and North Africa.

This year, growth in the local financial and insurance sector is expected to remain robust from lending and financing activities on government infrastructure development projects and resilient consumer spending. Fund raising activities by companies is expected to pick up as some key projects under the 10MP have commenced during the year and funding for such projects may need to be sourced from the market, either via business loans/financing or fund raising in the capital market.

In 2011, focus on corporate banking will be to fully participate in the funding activities of the various projects under the Economic Transformation Programme and 10MP. In the retail sector, emphasis will be on growing the Premier proposition for both the conventional and Islamic banks, with wealth management services being a key area of attention. The Group intends to increase its current share of high quality assets via the relationship-based approach, and build on cross referrals and cross selling of various banking products to the Group's existing customers by leveraging on the HSBC brand name, global reach and connectivity.

With the opening of the ninth branch for HSBC Amanah in Gunung Rapat in Perak on 11 July 2011, the Group now has a total of 51 branches [42 conventional and 9 Islamic branches]. The Group will continue to expand its geographical reach and market share over the next few years.

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

36 Comparative Figures

Restatement of Comparative Figures

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

- (i) Reclassification/restatement to conform to current year's presentation due to a change in the internal classification of states making up the geographical regions.

Statement of Financial Position as at 31 December 2010

a) Loans, advances and financing

| | Group | | Bank | |
|-------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | RM'000 As restated | RM'000 As previously stated | RM'000 As restated | RM'000 As previously stated |
| By geographical region | | | | |
| Northern region | 6,702,818 | 5,627,466 | 5,748,276 | 4,833,290 |
| Southern region | 4,496,785 | 5,238,476 | 3,979,936 | 4,596,318 |
| Central region | 19,649,521 | 19,983,182 | 16,788,288 | 17,086,892 |
| Eastern region | 4,125,333 | 4,125,333 | 3,709,168 | 3,709,168 |
| | <u>34,974,457</u> | <u>34,974,457</u> | <u>30,225,668</u> | <u>30,225,668</u> |

b) Impaired Loans, advances and financing

| | Group | | Bank | |
|-------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | RM'000 As restated | RM'000 As previously stated | RM'000 As restated | RM'000 As previously stated |
| By geographical region | | | | |
| Northern region | 150,506 | 117,512 | 131,287 | 101,069 |
| Southern region | 176,563 | 198,763 | 163,698 | 184,364 |
| Central region | 270,384 | 281,178 | 238,703 | 248,255 |
| Eastern region | 95,028 | 95,028 | 87,983 | 87,983 |
| | <u>692,481</u> | <u>692,481</u> | <u>621,671</u> | <u>621,671</u> |

Statement of Financial Position as at 1 January 2010

a) Loans, advances and financing

| | Group | | Bank | |
|-------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | RM'000 As restated | RM'000 As previously stated | RM'000 As restated | RM'000 As previously stated |
| By geographical region | | | | |
| Northern region | 5,263,420 | 4,275,120 | 4,844,452 | 3,953,177 |
| Southern region | 3,468,043 | 4,162,901 | 3,138,466 | 3,760,714 |
| Central region | 16,999,092 | 17,292,534 | 14,862,817 | 15,131,844 |
| Eastern region | 3,724,323 | 3,724,323 | 3,356,190 | 3,356,190 |
| | <u>29,454,878</u> | <u>29,454,878</u> | <u>26,201,925</u> | <u>26,201,925</u> |

b) Impaired Loans, advances and financing

| | Group | | Bank | |
|-------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | RM'000 As restated | RM'000 As previously stated | RM'000 As restated | RM'000 As previously stated |
| By geographical region | | | | |
| Northern region | 150,217 | 118,610 | 137,041 | 107,635 |
| Southern region | 156,119 | 176,101 | 148,784 | 167,567 |
| Central region | 292,106 | 303,731 | 265,460 | 276,083 |
| Eastern region | 68,794 | 68,794 | 60,498 | 60,498 |
| | <u>667,236</u> | <u>667,236</u> | <u>611,783</u> | <u>611,783</u> |

36 Comparative Figures (Cont'd)

Restatement of Comparative Figures (Cont'd)

(ii) Reclassification to conform to current year's presentation upon adoption of Amendment to FRS 2, Share Based Payment.

Statement of Financial Position as at 31 December 2010

| | Group | | Bank | |
|--|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | RM'000 As restated | RM'000 As previously stated | RM'000 As restated | RM'000 As previously stated |
| a) <u>Other assets</u> | | | | |
| Derivative financial assets | 1,133,709 | 1,133,709 | 1,122,554 | 1,122,554 |
| Interest/ income receivable | 45,932 | 45,932 | 44,881 | 44,881 |
| Other receivables, deposits and prepayments* | 843,912 | 844,378 | 811,455 | 811,921 |
| | <u>2,023,553</u> | <u>2,024,019</u> | <u>1,978,890</u> | <u>1,979,356</u> |
| b) <u>Other liabilities</u> | | | | |
| Derivative financial liabilities | 970,123 | 970,123 | 958,968 | 958,968 |
| Interest/ profit payable | 176,702 | 176,702 | 161,520 | 161,520 |
| Allowance for commitments and contingencies | 1,980 | 1,980 | 1,980 | 1,980 |
| Profit equalisation reserve | 6,700 | 6,700 | - | - |
| Other creditors and accruals** | 1,198,988 | 1,280,623 | 1,154,728 | 1,236,028 |
| | <u>2,354,493</u> | <u>2,436,128</u> | <u>2,277,196</u> | <u>2,358,496</u> |
| c) <u>Reserves [see unaudited condensed statements of changes in equity]</u> | | | | |
| Capital contribution reserves | 81,169 | - | 80,834 | - |

* Reclassification of capital contribution for share awards of RM466k to capital contribution reserves.

** Reclassification of capital contribution on share options of RM81,635k and 81,300k respectively to capital contribution reserves.

Statement of Financial Position as at 1 January 2010

| | Group | | Bank | |
|--|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | RM'000 As restated | RM'000 As previously stated | RM'000 As restated | RM'000 As previously stated |
| a) <u>Other liabilities</u> | | | | |
| Derivative financial liabilities | 618,732 | 618,732 | 608,495 | 608,495 |
| Interest/ profit payable | 152,594 | 152,594 | 144,551 | 144,551 |
| Allowance for commitments and contingencies | 2,440 | 2,440 | 2,440 | 2,440 |
| Profit equalisation reserve | 6,700 | 6,700 | - | - |
| Other creditors and accruals* | 966,761 | 1,041,464 | 1,288,604 | 1,363,164 |
| | <u>1,747,227</u> | <u>1,821,930</u> | <u>2,044,090</u> | <u>2,118,650</u> |
| b) <u>Reserves [see unaudited condensed statements of changes in equity]</u> | | | | |
| Capital contribution reserves | 74,703 | - | 74,560 | - |

* Reclassification of capital contribution on share options of RM74,703k and 74,560k respectively to capital contribution reserves.