

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


**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 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 financial period ended 31 March 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 : 21 April 2011

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

**UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2011**

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
<b>Assets</b>					
Cash and short term funds	11	14,926,152	11,815,604	13,385,581	10,658,860
Securities purchased under resale agreements		5,403,612	6,467,863	5,403,612	6,467,863
Deposits and placements with banks and other financial institutions	12	732,932	330,981	2,123,394	1,471,815
Financial Assets Held-for-Trading	13	3,027,650	4,895,060	2,885,058	4,747,054
Financial Investments Available-for-Sale	14	4,142,084	3,400,090	3,816,353	3,069,425
Loans, advances and financing	15	35,245,717	34,076,044	30,322,741	29,439,768
Other assets	17	2,181,692	2,024,019	2,157,633	1,979,356
Statutory deposits with Bank Negara Malaysia	18	249,627	221,827	210,098	187,098
Investments in subsidiary companies		-	-	660,021	660,021
Property and equipment		315,681	318,481	299,722	302,056
Intangible assets		59,824	60,621	58,947	59,122
Deferred tax assets		166,233	168,344	146,923	150,342
<b>Total assets</b>		<b>66,451,204</b>	<b>63,778,934</b>	<b>61,470,083</b>	<b>59,192,780</b>
<b>Liabilities</b>					
Deposits from customers	19	51,373,563	48,339,424	47,297,558	44,556,909
Deposits and placements of banks and other financial institutions	20	5,960,835	6,853,048	5,265,380	6,261,536
Bills and acceptances payable		355,395	429,229	350,052	423,698
Other liabilities	21	3,241,127	2,436,128	3,191,473	2,358,496
Recourse obligation on loans sold to Cagamas Berhad		236,339	374,991	236,339	374,991
Provision for taxation and zakat	22	75,058	103,158	66,981	98,710
Subordinated bonds	23	999,636	1,003,039	999,636	1,003,039
<b>Total liabilities</b>		<b>62,241,953</b>	<b>59,539,017</b>	<b>57,407,419</b>	<b>55,077,379</b>
<b>Equity</b>					
Share capital		114,500	114,500	114,500	114,500
Reserves		4,094,751	3,875,417	3,948,164	3,750,901
Proposed dividend		-	250,000	-	250,000
<b>Total equity attributable to shareholder of the Bank</b>		<b>4,209,251</b>	<b>4,239,917</b>	<b>4,062,664</b>	<b>4,115,401</b>
<b>Total liabilities and equity</b>		<b>66,451,204</b>	<b>63,778,934</b>	<b>61,470,083</b>	<b>59,192,780</b>
<b>Commitments and Contingencies</b>	32	<b>104,288,703</b>	<b>87,503,362</b>	<b>102,086,802</b>	<b>85,680,212</b>

*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 6 to 27 attached to the unaudited condensed interim financial statements.*

*The financial statements were approved by the Board of Directors on 21 April 2011.*

**HSBC BANK MALAYSIA BERHAD**  
**(Company No. 127776-V)**  
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**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		<b>906,088</b>	785,206	<b>821,683</b>	728,154
Interest income	24	<b>518,209</b>	438,817	<b>527,835</b>	445,962
Interest expense	24	<b>(239,197)</b>	(170,715)	<b>(239,197)</b>	(170,715)
Net interest income	24	<b>279,012</b>	268,102	<b>288,638</b>	275,247
Fee and commission income	25	<b>118,397</b>	113,023	<b>118,397</b>	113,023
Fee and commission expense	25	<b>(4,183)</b>	(6,839)	<b>(4,183)</b>	(6,839)
Net fee and commission income	25	<b>114,214</b>	106,184	<b>114,214</b>	106,184
Net trading income	26	<b>149,394</b>	134,105	<b>149,394</b>	134,105
Income from Islamic banking operations	27	<b>94,780</b>	76,824	-	-
Other operating income	28	<b>3,579</b>	12,245	<b>26,057</b>	35,064
Operating income before impairment losses		<b>640,979</b>	597,460	<b>578,303</b>	550,600
Loans / financing impairment charges and other credit risk provisions	29	<b>(49,485)</b>	(30,163)	<b>(28,270)</b>	(18,968)
Net operating income		<b>591,494</b>	567,297	<b>550,033</b>	531,632
Other operating expenses	30	<b>(296,585)</b>	(270,631)	<b>(283,887)</b>	(256,645)
Profit before income tax expense and zakat		<b>294,909</b>	296,666	<b>266,146</b>	274,987
Income tax expense and zakat		<b>(74,852)</b>	(75,225)	<b>(68,439)</b>	(70,810)
<b>Profit for the period</b>		<b>220,057</b>	221,441	<b>197,707</b>	204,177
<b>Other comprehensive income</b>					
Fair value reserve					
Change in fair value		<b>(8,627)</b>	(4,821)	<b>(8,256)</b>	(3,576)
Amount transferred to profit or loss		<b>(256)</b>	(4,614)	<b>(256)</b>	(4,614)
Income tax relating to components of other comprehensive income		<b>2,212</b>	1,960	<b>2,120</b>	2,051
<b>Other comprehensive income for the period, net of income tax</b>		<b>(6,671)</b>	(7,475)	<b>(6,392)</b>	(6,139)
<b>Total comprehensive income for the period</b>		<b>213,386</b>	213,966	<b>191,315</b>	198,038
Profit attributable to shareholder of the Bank		<b>220,057</b>	221,441	<b>197,707</b>	204,177
Total comprehensive income attributable to shareholder of the Bank		<b>213,386</b>	213,966	<b>191,315</b>	198,038
Basic earnings per RM0.50 ordinary share		<b>96.1 sen</b>	96.7 sen	<b>86.3 sen</b>	89.2 sen
Dividends per RM0.50 ordinary share (net)					
- paid in respect of prior year		<b>109.2 sen</b>	109.2 sen	<b>109.2 sen</b>	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 6 to 27 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
(Company No. 127776-V)  
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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	← Non-distributable						Group		Distributable		Total shareholder's equity
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge 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
Balance as at 1 January 2010	114,500	741,375	154,604	133,216	190,000	(11,406)	-	2,312,009	3,519,798	250,000	3,884,298
-effect of adopting FRS 139	-	-	-	-	-	-	-	12,379	12,379	-	12,379
Balance as at 1 January 2010, as restated	114,500	741,375	154,604	133,216	190,000	(11,406)	-	2,324,388	3,532,177	250,000	3,896,677
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	221,441	221,441	-	221,441
<b>Other comprehensive income, net of income tax</b>											
Revaluation reserve:											
Transfer to retained profit upon realisation of depreciation	-	-	-	(767)	-	-	-	767	-	-	-
Fair value reserve:											
Net change in fair value	-	-	-	-	-	(4,018)	-	-	(4,018)	-	(4,018)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(3,457)	-	-	(3,457)	-	(3,457)
Total other comprehensive income	-	-	-	(767)	-	(7,475)	-	767	(7,475)	-	(7,475)
Total comprehensive income for the period	-	-	-	(767)	-	(7,475)	-	222,208	213,966	-	213,966
<b>Transactions with shareholder, recorded directly in equity</b>											
Share based payment transactions	-	-	-	-	-	-	-	135	135	-	135
Dividends paid to shareholder - 2009 final	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance as at 31 March 2010	114,500	741,375	154,604	132,449	190,000	(18,881)	-	2,546,731	3,746,278	-	3,860,778
Balance as at 1 January 2011	114,500	741,375	164,500	139,110	190,000	4,512	-	2,635,920	3,875,417	250,000	4,239,917
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	220,057	220,057	-	220,057
<b>Other comprehensive income, net of income tax</b>											
Revaluation reserve:											
Transfer to retained profit upon realisation of depreciation	-	-	-	(387)	-	-	-	387	-	-	-
Fair value reserve:											
Net change in fair value	-	-	-	-	-	(6,446)	(34)	-	(6,480)	-	(6,480)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(191)	-	-	(191)	-	(191)
Total other comprehensive income	-	-	-	(387)	-	(6,637)	(34)	387	(6,671)	-	(6,671)
Total comprehensive income for the period	-	-	-	(387)	-	(6,637)	(34)	220,444	213,386	-	213,386
<b>Transactions with shareholder, recorded directly in equity</b>											
Share based payment transactions	-	-	-	-	-	-	-	5,948	5,948	-	5,948
Dividends paid to shareholder - 2010 final	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance as at 31 March 2011	114,500	741,375	164,500	138,723	190,000	(2,125)	(34)	2,862,312	4,094,751	-	4,209,251

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011 (CONT'D)**

	← Non-distributable						Bank		Distributable		Total shareholder's equity
	Share capital	Share premium	Statutory reserve	Revaluation reserve	Capital redemption reserve	Available-for-sale reserve	Cash flow hedge 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
Balance as at 1 January 2010	114,500	741,375	114,500	133,216	190,000	(11,843)	-	2,271,906	3,439,154	250,000	3,803,654
-effect of adopting FRS 139	-	-	-	-	-	-	-	12,336	12,336	-	12,336
Balance as at 1 January 2010, as restated	114,500	741,375	114,500	133,216	190,000	(11,843)	-	2,284,242	3,451,490	250,000	3,815,990
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	204,177	204,177	-	204,177
<b>Other comprehensive income, net of income tax</b>											
Revaluation reserve:											
Transfer to retained profit upon realisation of depreciation	-	-	-	(767)	-	-	-	767	-	-	-
Fair value reserve :											
Net change in fair value	-	-	-	-	-	(2,682)	-	-	(2,682)	-	(2,682)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(3,457)	-	-	(3,457)	-	(3,457)
Total other comprehensive income	-	-	-	(767)	-	(6,139)	-	767	(6,139)	-	(6,139)
Total comprehensive income for the period	-	-	-	(767)	-	(6,139)	-	204,944	198,038	-	198,038
<b>Transactions with shareholder, recorded directly in equity</b>											
Share based payment transactions	-	-	-	-	-	-	-	135	135	-	135
Dividends paid to shareholder - 2009 final	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance as at 31 March 2010	114,500	741,375	114,500	132,449	190,000	(17,982)	-	2,489,321	3,649,663	-	3,764,163
Balance as at 1 January 2011	114,500	741,375	114,500	139,110	190,000	4,648	-	2,561,268	3,750,901	250,000	4,115,401
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	197,707	197,707	-	197,707
<b>Other comprehensive income, net of income tax</b>											
Revaluation reserve:											
Transfer to retained profit upon realisation of depreciation	-	-	-	(387)	-	-	-	387	-	-	-
Fair value reserve:											
Net change in fair value	-	-	-	-	-	(6,167)	(34)	-	(6,201)	-	(6,201)
Net amount transferred to profit or loss on disposal	-	-	-	-	-	(191)	-	-	(191)	-	(191)
Total other comprehensive income	-	-	-	(387)	-	(6,358)	(34)	387	(6,392)	-	(6,392)
Total comprehensive income for the period	-	-	-	(387)	-	(6,358)	(34)	198,094	191,315	-	191,315
<b>Transactions with shareholder, recorded directly in equity</b>											
Share based payment transactions	-	-	-	-	-	-	-	5,948	5,948	-	5,948
Dividends paid to shareholder - 2010 final	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance as at 31 March 2011	114,500	741,375	114,500	138,723	190,000	(1,710)	(34)	2,765,310	3,948,164	-	4,062,664

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 page 6 to 27 attached to the unaudited condensed interim financial statements.

**HSBC BANK MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Profit before income tax expense and zakat	<b>294,909</b>	296,666	<b>266,146</b>	274,987
Adjustments for non-operating and non-cash items	<b>21,422</b>	26,582	<b>19,487</b>	25,685
Operating profit before working capital changes	<b>316,331</b>	323,248	<b>285,633</b>	300,672
Changes in working capital:				
Net changes in operating assets	<b>1,171,127</b>	(2,795,954)	<b>1,186,981</b>	(2,670,838)
Net changes in operating liabilities	<b>2,734,439</b>	2,924,750	<b>2,365,172</b>	2,687,231
Income tax paid	<b>(98,629)</b>	(63,416)	<b>(94,629)</b>	(58,750)
<b>Net cash generated from operations</b>	<b>4,123,268</b>	388,628	<b>3,743,157</b>	258,315
<b>Net cash (used in)/generated from investing activities</b>	<b>(762,720)</b>	1,749,471	<b>(766,436)</b>	1,690,002
<b>Net cash used in financing activities</b>	<b>(250,000)</b>	(250,000)	<b>(250,000)</b>	(250,000)
	<b>(1,012,720)</b>	1,499,471	<b>(1,016,436)</b>	1,440,002
<b>Net changes in cash and cash equivalents</b>	<b>3,110,548</b>	1,888,099	<b>2,726,721</b>	1,698,317
<b>Cash and cash equivalents at beginning of the period</b>	<b>11,815,604</b>	11,709,558	<b>10,658,860</b>	11,480,483
<b>Cash and cash equivalents at end of the period</b>	<b>14,926,152</b>	13,597,657	<b>13,385,581</b>	13,178,800
<b>Analysis of cash and cash equivalents</b>				
Cash and short-term funds	<b>14,926,152</b>	13,597,657	<b>13,385,581</b>	13,178,800

*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 6 to 27 attached to the unaudited condensed interim financial statements.*

**HSBC BANK MALAYSIA BERHAD**  
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**Explanatory notes to the Interim Financial Statements as at 31 March 2011**

**1 General Information**

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

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The unaudited condensed interim financial statements for the financial period ended 31 March 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.

<b>FRS/Interpretations</b>	<b>Effective date</b>
- 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)**

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

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

<b>FRS/Interpretations</b>	<b>Effective date</b>
- FRS 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 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**

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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**

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

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

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and Bank for the financial period ended 31 March 2011.

## **6 Changes in Estimates**

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

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and Bank for the financial period ended 31 March 2011.

## **7 Debt and Equity Securities**

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There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2011.

## **8 Dividend**

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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.

**9 Carrying Amount of Revalued Assets**

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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 financial period ended 31 March 2011.

**10 Significant Events**

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

## 11 Cash and Short Term Funds

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>820,081</b>	1,998,438	<b>750,564</b>	1,970,221
Money at call and deposit placements maturing within one month	<b>14,106,071</b>	9,817,166	<b>12,635,017</b>	8,688,639
	<b>14,926,152</b>	11,815,604	<b>13,385,581</b>	10,658,860

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	-	-	<b>1,390,462</b>	1,140,834
Bank Negara Malaysia	<b>400,000</b>	200,000	<b>400,000</b>	200,000
Other financial institutions	<b>332,932</b>	130,981	<b>332,932</b>	130,981
	<b>732,932</b>	330,981	<b>2,123,394</b>	1,471,815

## 13 Financial Assets Held-for-Trading

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
<b>At fair value</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Money market instruments:				
Malaysian Government treasury bills	<b>483,630</b>	667,045	<b>364,567</b>	602,685
Bank Negara Malaysia bills and notes	<b>214,346</b>	1,918,290	<b>214,346</b>	1,918,290
Bank Negara Malaysia Islamic bills	<b>49,424</b>	587,127	<b>49,424</b>	587,127
Bank Negara Malaysia Islamic bonds	<b>99,848</b>	-	<b>99,848</b>	-
Malaysian Government securities	<b>1,792,547</b>	1,178,902	<b>1,792,547</b>	1,178,902
Malaysian Government Islamic bonds	<b>118,029</b>	131,110	<b>94,500</b>	72,558
Cagamas bonds and notes	<b>3,395</b>	3,332	<b>3,395</b>	3,332
	<b>2,761,219</b>	4,485,806	<b>2,618,627</b>	4,362,894
Unquoted securities:				
Private debt securities (including commercial paper)	<b>266,431</b>	409,254	<b>266,431</b>	384,160
	<b>3,027,650</b>	4,895,060	<b>2,885,058</b>	4,747,054

#### 14 Financial Investments Available-for-Sale

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
<b>At fair value</b>	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Money market instruments:</b>				
Malaysian Government treasury bills	<b>99,430</b>	98,704	<b>99,430</b>	98,704
Malaysian Government securities	<b>1,765,617</b>	933,468	<b>1,765,617</b>	933,468
Malaysian Government Islamic bonds	<b>662,887</b>	664,725	<b>367,157</b>	368,564
Cagamas bonds and notes	<b>65,617</b>	65,844	<b>65,617</b>	65,844
Negotiable instruments of deposit	<b>350,006</b>	375,029	<b>320,005</b>	345,027
Bankers' acceptance and Islamic accepted bills	<b>1,176,128</b>	1,233,033	<b>1,176,128</b>	1,228,531
	<b>4,119,685</b>	3,370,803	<b>3,793,954</b>	3,040,138
<b>Quoted securities:</b>				
Shares	-	10,696	-	10,696
<b>Unquoted securities:</b>				
Shares*	<b>16,907</b>	16,907	<b>16,907</b>	16,907
Private and Islamic debt securities	<b>5,492</b>	5,499	<b>5,492</b>	5,499
	<b>22,399</b>	22,406	<b>22,399</b>	22,406
<b>Impairment loss: Quoted securities:</b>				
Shares	-	(3,815)	-	(3,815)
	<b>4,142,084</b>	3,400,090	<b>3,816,353</b>	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>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturing within one year	<b>2,811,637</b>	2,068,706	<b>2,781,636</b>	2,034,202
One year to three years	<b>552,089</b>	607,366	<b>256,359</b>	311,205
Three years to five years	<b>554,692</b>	487,064	<b>554,692</b>	487,064
Over five years	<b>201,267</b>	207,667	<b>201,267</b>	207,667
	<b>4,119,685</b>	3,370,803	<b>3,793,954</b>	3,040,138

## 15 Loans, Advances and Financing

### (i) By type

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>At amortised cost</b>				
Overdrafts	<b>1,195,108</b>	1,196,751	<b>1,170,900</b>	1,182,249
Term loans/ financing				
Housing loans/ financing	<b>11,677,664</b>	11,394,601	<b>11,134,303</b>	10,934,428
Syndicated term loans/ financing	<b>81,668</b>	83,345	<b>81,668</b>	83,345
Factoring receivables	<b>63,858</b>	68,903	<b>63,858</b>	68,903
Hire purchase receivables	<b>194,010</b>	177,462	<b>1,035</b>	1,081
Lease receivables	<b>2,404</b>	2,807	<b>2,231</b>	2,620
Other term loans/ financing	<b>9,445,542</b>	9,416,156	<b>6,240,868</b>	6,281,513
Bills receivable	<b>2,935,445</b>	2,691,106	<b>2,935,445</b>	2,691,106
Trust receipts	<b>1,291,555</b>	984,483	<b>1,285,304</b>	983,779
Claims on customers under acceptance credits	<b>3,349,931</b>	3,125,331	<b>2,546,608</b>	2,367,254
Staff loans/ financing	<b>403,059</b>	398,694	<b>392,225</b>	389,362
Credit/ charge cards	<b>2,721,793</b>	2,838,223	<b>2,450,313</b>	2,576,706
Revolving credit	<b>2,859,084</b>	2,654,619	<b>2,808,606</b>	2,654,619
Other loans/ financing	<b>7,967</b>	8,703	<b>7,967</b>	8,703
Less: Unearned income	<b>(63,880)</b>	(66,727)	-	-
Gross loans, advances and financing	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	30,225,668
Less: Allowances for impaired loans, advances and financing				
- Collective allowances for impairment	<b>(536,849)</b>	(519,055)	<b>(461,800)</b>	(448,400)
- Individual allowances for impairment	<b>(382,642)</b>	(379,358)	<b>(336,790)</b>	(337,500)
Total net loans, advances and financing	<b>35,245,717</b>	34,076,044	<b>30,322,741</b>	29,439,768

### (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions				
Stockbroking companies	<b>154,380</b>	152,941	<b>154,380</b>	152,941
Others	<b>272</b>	355	<b>272</b>	277
Domestic business enterprises				
Small medium enterprises	<b>6,066,803</b>	5,946,355	<b>5,103,373</b>	5,003,898
Others	<b>10,106,490</b>	9,531,400	<b>8,423,244</b>	7,969,106
Government and statutory bodies	<b>26,295</b>	25,443	-	-
Individuals	<b>17,425,074</b>	17,187,695	<b>15,321,608</b>	15,218,354
Other domestic entities	<b>10,618</b>	10,253	<b>7,186</b>	6,639
Foreign entities	<b>2,375,276</b>	2,120,015	<b>2,111,268</b>	1,874,453
	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	30,225,668

### (iii) By residual contractual maturity

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Maturity within one year	<b>18,592,103</b>	17,682,717	<b>15,969,075</b>	15,199,183
More than one year to three years	<b>1,775,118</b>	1,837,382	<b>1,116,617</b>	1,198,346
More than three years to five years	<b>1,918,766</b>	1,965,029	<b>996,159</b>	1,029,074
More than five years	<b>13,879,221</b>	13,489,329	<b>13,039,480</b>	12,799,065
	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	30,225,668

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

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fixed rate				
Housing loans/ financing	<b>212,510</b>	218,546	<b>193,628</b>	197,028
Hire purchase receivables	<b>177,129</b>	162,816	<b>1,035</b>	1,081
Other fixed rate loans/ financing	<b>5,471,202</b>	5,241,626	<b>2,697,363</b>	2,524,123
Variable rate				
BLR plus	<b>23,512,760</b>	22,720,874	<b>22,970,386</b>	22,272,111
Cost-plus	<b>2,808,606</b>	2,654,619	<b>2,808,606</b>	2,654,619
Other variable rates	<b>3,983,001</b>	3,975,976	<b>2,450,313</b>	2,576,706
	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	30,225,668

### (v) By sector

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>1,071,713</b>	1,091,735	<b>984,186</b>	993,947
Mining and quarrying	<b>454,689</b>	374,731	<b>311,923</b>	236,627
Manufacturing	<b>7,073,216</b>	7,121,615	<b>5,899,951</b>	6,030,757
Electricity, gas and water	<b>344,644</b>	193,672	<b>336,144</b>	181,399
Construction	<b>923,362</b>	852,605	<b>770,038</b>	771,815
Real estate	<b>1,335,746</b>	1,257,425	<b>959,548</b>	933,687
Wholesale & retail trade and restaurants & hotels	<b>2,108,408</b>	2,050,233	<b>1,931,077</b>	1,819,014
Transport, storage and communication	<b>445,144</b>	446,622	<b>198,304</b>	213,563
Finance, insurance and business services	<b>1,440,941</b>	1,454,107	<b>1,194,999</b>	1,220,693
Household-retail	<b>18,485,625</b>	18,230,265	<b>16,341,876</b>	16,229,546
Others	<b>2,481,720</b>	1,901,447	<b>2,193,285</b>	1,594,620
	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	30,225,668

### (vi) By purpose

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Purchase of landed property:				
-Residential	<b>12,060,482</b>	11,771,923	<b>11,521,104</b>	11,316,312
-Non residential	<b>1,438,711</b>	1,399,753	<b>1,410,672</b>	1,374,284
Purchase of securities	<b>24,391</b>	31,626	<b>23,400</b>	30,607
Purchase of transport vehicles	<b>47,261</b>	46,757	<b>45,500</b>	45,293
Purchase of fixed assets excluding land & building	<b>81,709</b>	76,779	-	-
Consumption credit	<b>5,845,752</b>	5,895,473	<b>4,245,625</b>	4,353,929
Construction	<b>923,362</b>	852,605	<b>770,038</b>	771,815
Working capital	<b>14,374,555</b>	13,779,292	<b>11,989,337</b>	11,456,267
Other purpose	<b>1,368,985</b>	1,120,249	<b>1,115,655</b>	877,161
	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	30,225,668

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

### (vii) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Northern region	<b>6,947,210</b>	6,237,342	<b>5,903,781</b>	5,282,800
Southern region	<b>4,534,690</b>	4,123,721	<b>3,990,636</b>	3,606,872
Central region	<b>20,549,736</b>	20,781,396	<b>17,485,380</b>	17,920,163
Eastern region	<b>4,133,572</b>	3,831,998	<b>3,741,534</b>	3,415,833
	<b>36,165,208</b>	34,974,457	<b>31,121,331</b>	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>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At beginning of period/year	<b>692,481</b>	667,236	<b>621,671</b>	611,783
Classified as impaired during the period/year	<b>162,383</b>	623,462	<b>133,125</b>	527,129
Reclassified as performing	<b>(33,521)</b>	(158,638)	<b>(33,462)</b>	(157,182)
Amount recovered	<b>(42,153)</b>	(194,622)	<b>(37,073)</b>	(175,838)
Amount written off	<b>(63,184)</b>	(263,127)	<b>(44,008)</b>	(196,877)
Other movements	<b>5,282</b>	18,170	<b>3,767</b>	12,656
At end of period/year	<b>721,288</b>	692,481	<b>644,020</b>	621,671
Individual allowance for impairment	<b>(382,642)</b>	(379,358)	<b>(336,790)</b>	(337,500)
Net impaired loans, advances and financing	<b>338,646</b>	313,123	<b>307,230</b>	284,171

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

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Dec 2010	<b>31 Mar 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Collective allowance for impairment</b>				
At beginning of period/year	<b>519,055</b>	440,297	<b>448,400</b>	387,700
Made during the period/year	<b>17,794</b>	90,588	<b>13,400</b>	71,600
Amount written back	<b>-</b>	(11,830)	<b>-</b>	(10,900)
At end of period/year	<b>536,849</b>	519,055	<b>461,800</b>	448,400
<b>Individual allowance for impairment</b>				
At beginning of period/year, as previously stated	<b>379,358</b>	390,789	<b>337,500</b>	355,406
-effect of adopting FRS 139	<b>-</b>	(12,379)	<b>-</b>	(12,336)
At beginning of period/year, as restated	<b>379,358</b>	378,410	<b>337,500</b>	343,070
Made during the period/year	<b>57,572</b>	274,172	<b>37,613</b>	205,403
Amount recovered	<b>(5,001)</b>	(57,488)	<b>(4,556)</b>	(51,820)
Amount written off	<b>(53,594)</b>	(228,961)	<b>(36,569)</b>	(167,416)
Other movements	<b>4,307</b>	13,225	<b>2,802</b>	8,263
At end of period/year	<b>382,642</b>	379,358	<b>336,790</b>	337,500

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

### (iii) By sector

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,180	1,185	1,180	1,185
Manufacturing	119,205	122,760	116,385	119,831
Construction	3,787	4,703	3,787	4,703
Real estate	8,146	8,590	8,146	8,590
Wholesale & retail trade, restaurants & hotels	63,174	67,537	57,969	62,291
Transport, storage and communication	10,826	10,940	10,776	10,860
Finance, insurance and business services	3,481	3,635	2,817	2,950
Household-retail	511,263	472,908	442,734	411,038
Others	226	223	226	223
	<b>721,288</b>	<b>692,481</b>	<b>644,020</b>	<b>621,671</b>

### (iv) By purpose

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property:				
-Residential	245,626	222,778	241,637	220,560
-Non residential	34,764	35,713	34,653	35,602
Purchase of securities	30	29	30	29
Purchase of transport vehicles	235	166	235	166
Consumption credit	254,635	239,632	190,095	179,980
Construction	3,787	4,703	3,787	4,703
Working capital	182,211	189,460	173,583	180,631
	<b>721,288</b>	<b>692,481</b>	<b>644,020</b>	<b>621,671</b>

### (v) By geographical distribution

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Northern region	168,530	140,668	147,061	121,449
Southern region	180,281	168,691	165,957	155,826
Central region	277,658	294,475	242,668	262,794
Eastern region	94,819	88,647	88,334	81,602
	<b>721,288</b>	<b>692,481</b>	<b>644,020</b>	<b>621,671</b>

## 17 Other Assets

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets (Note 32)	1,216,915	1,133,709	1,205,687	1,122,554
Interest/ income receivable	69,496	45,932	68,131	44,881
Other receivables, deposits and prepayments	895,281	844,378	883,815	811,921
	<b>2,181,692</b>	<b>2,024,019</b>	<b>2,157,633</b>	<b>1,979,356</b>

## 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>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Demand deposits	10,801,747	10,452,840	10,430,240	9,939,130
Savings deposits	8,246,217	8,225,387	7,570,141	7,570,037
Fixed / Investment deposits	25,717,744	23,847,727	22,829,353	21,363,980
Negotiable instruments of deposit	973,273	860,786	973,273	860,786
Wholesale money market deposits	2,512,085	2,379,524	2,512,085	2,379,524
Others	3,122,497	2,573,160	2,982,466	2,443,452
	<b>51,373,563</b>	<b>48,339,424</b>	<b>47,297,558</b>	<b>44,556,909</b>

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Due within six months	20,559,129	19,308,201	18,031,957	17,143,088
More than six months to one year	4,902,706	4,311,527	4,566,150	4,016,246
More than one year to three years	821,328	689,572	797,858	670,836
More than three years to five years	407,186	399,076	405,993	394,459
Over 5 years	668	137	668	137
	<b>26,691,017</b>	<b>24,708,513</b>	<b>23,802,626</b>	<b>22,224,766</b>

## (ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	173,235	152,207	15,565	17,688
Business enterprises	20,098,268	17,364,412	18,493,050	15,792,441
Individuals	24,010,965	23,637,923	22,053,334	21,937,928
Others	7,091,095	7,184,882	6,735,609	6,808,852
	<b>51,373,563</b>	<b>48,339,424</b>	<b>47,297,558</b>	<b>44,556,909</b>

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

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Licensed banks	62,000	-	62,000	-
Bank Negara Malaysia	65,523	68,133	62,843	68,133
Other financial institutions	5,833,312	6,784,915	5,140,537	6,193,403
	<b>5,960,835</b>	<b>6,853,048</b>	<b>5,265,380</b>	<b>6,261,536</b>

## 21 Other Liabilities

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities	1,112,163	970,123	1,101,171	958,968
Interest/ profit payable	197,741	176,702	183,628	161,520
Allowance for commitments and contingencies	30	1,980	30	1,980
Profit equalisation reserve	6,700	6,700	-	-
Other creditors and accruals	1,924,493	1,280,623	1,906,644	1,236,028
	<b>3,241,127</b>	<b>2,436,128</b>	<b>3,191,473</b>	<b>2,358,496</b>

Movement in allowance for commitments and contingencies is as follows:

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 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)
	<b>(1,950)</b>	<b>(460)</b>	<b>(1,950)</b>	<b>(460)</b>
At end of period/year	<b>30</b>	<b>1,980</b>	<b>30</b>	<b>1,980</b>

## 22 Provision for Taxation and Zakat

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000
Taxation	74,958	103,058	66,981	98,710
Zakat	100	100	-	-
	<b>75,058</b>	<b>103,158</b>	<b>66,981</b>	<b>98,710</b>

## 23 Subordinated Bonds

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2011	31 Dec 2010	31 Mar 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	(364)	3,039	(364)	3,039
	<b>999,636</b>	<b>1,003,039</b>	<b>999,636</b>	<b>1,003,039</b>

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

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

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

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>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Interest income</b>				
Loans and advances				
- Interest income other than from impaired loans	<b>362,900</b>	310,752	<b>362,900</b>	310,752
- Interest income recognised from impaired loans	<b>10,841</b>	7,348	<b>10,841</b>	7,348
Money at call and deposit placements with financial institutions	<b>117,288</b>	91,742	<b>126,914</b>	98,887
Financial investments available-for-sale	<b>25,920</b>	26,871	<b>25,920</b>	26,871
Fair value hedge derivative assets	<b>1,260</b>	2,104	<b>1,260</b>	2,104
	<b>518,209</b>	438,817	<b>527,835</b>	445,962
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	<b>(19,620)</b>	(8,123)	<b>(19,620)</b>	(8,123)
Deposits from customers	<b>(201,576)</b>	(143,140)	<b>(201,576)</b>	(143,140)
Loans sold to Cagamas	<b>(3,741)</b>	(6,720)	<b>(3,741)</b>	(6,720)
Subordinated bonds	<b>(11,589)</b>	(11,589)	<b>(11,589)</b>	(11,589)
Others	<b>(2,671)</b>	(1,143)	<b>(2,671)</b>	(1,143)
	<b>(239,197)</b>	(170,715)	<b>(239,197)</b>	(170,715)
<b>Net interest income</b>	<b>279,012</b>	268,102	<b>288,638</b>	275,247

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

## 25 Net Fee and Commission Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Fee and commission income</b>				
Credit cards	<b>43,634</b>	45,077	<b>43,634</b>	45,077
Service charges and fees	<b>35,796</b>	31,960	<b>35,796</b>	31,960
Fees on credit facilities	<b>7,633</b>	10,259	<b>7,633</b>	10,259
Agency fee	<b>20,135</b>	11,745	<b>20,135</b>	11,745
Others	<b>11,199</b>	13,982	<b>11,199</b>	13,982
	<b>118,397</b>	113,023	<b>118,397</b>	113,023
<b>Fee and commission expense</b>				
Interbank and clearing fees	<b>(278)</b>	(227)	<b>(278)</b>	(227)
Brokerage	<b>(558)</b>	(534)	<b>(558)</b>	(534)
Others	<b>(3,347)</b>	(6,078)	<b>(3,347)</b>	(6,078)
	<b>(4,183)</b>	(6,839)	<b>(4,183)</b>	(6,839)
<b>Net fee and commission income</b>	<b>114,214</b>	106,184	<b>114,214</b>	106,184

## 26 Net Trading Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Financial assets held-for-trading and other financial instruments	<b>23,758</b>	8,328	<b>23,758</b>	8,328
Net interest income from financial assets held-for-trading	<b>25,262</b>	6,557	<b>25,262</b>	6,557
Net unrealised gains on revaluation of financial assets held-for-trading	<b>636</b>	10,743	<b>636</b>	10,743
Net gains arising from dealing in foreign currency	<b>75,781</b>	37,410	<b>75,781</b>	37,410
Net unrealised gains from dealing in foreign currency	<b>12,895</b>	36,176	<b>12,895</b>	36,176
Net gains arising from trading in derivatives	<b>74,882</b>	29,799	<b>74,882</b>	29,799
Net unrealised (losses)/gains on revaluation of derivatives	<b>(63,947)</b>	4,529	<b>(63,947)</b>	4,529
Gains arising from fair value hedges	<b>127</b>	563	<b>127</b>	563
	<b>149,394</b>	134,105	<b>149,394</b>	134,105

## 27 Income from Islamic Banking operations

	<i>Group</i>	
	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000
Income derived from investment of depositor funds and others	<b>93,680</b>	67,316
Income derived from investment of shareholders funds	<b>22,829</b>	19,700
Income attributable to the depositors	<b>(21,729)</b>	(10,192)
Income from Islamic Banking operations	<b>94,780</b>	76,824

## 28 Other Operating Income

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Disposal of financial investments available-for-sale	<b>(3,350)</b>	3,440	<b>(3,350)</b>	3,440
Dividend income from financial investments available-for-sale	-			
- Unquoted in Malaysia	<b>120</b>	120	<b>120</b>	120
- Quoted outside Malaysia	<b>57</b>	108	<b>57</b>	108
Rental income	<b>1,613</b>	1,632	<b>1,613</b>	1,632
Net gains on disposal of property and equipment	<b>10</b>	5	<b>10</b>	5
Other operating income	<b>5,129</b>	6,940	<b>27,607</b>	29,759
	<b>3,579</b>	12,245	<b>26,057</b>	35,064

## 29 Loans/ Financing Impairment Charges and other Credit Risk Provisions

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Impairment charges on loans and financing:				
(a) Individual impairment				
Made during the financial period	<b>57,572</b>	56,742	<b>37,613</b>	41,366
Written back	<b>(5,001)</b>	(10,293)	<b>(4,556)</b>	(8,233)
(b) Collective impairment				
Made during the financial period	<b>17,794</b>	5,100	<b>13,400</b>	5,100
Written back	-	(3,800)	-	(3,800)
Impaired loans				
Recovered during the financial period	<b>(28,520)</b>	(23,094)	<b>(23,676)</b>	(20,145)
Written off	<b>9,590</b>	5,778	<b>7,439</b>	4,950
Impairment charges on commitments and contingencies:				
Written back	<b>(1,950)</b>	(270)	<b>(1,950)</b>	(270)
	<b>49,485</b>	30,163	<b>28,270</b>	18,968

## 30 Other Operating Expenses

	<i>Group</i>		<i>Bank</i>	
	<b>31 Mar 2011</b>	31 Mar 2010	<b>31 Mar 2011</b>	31 Mar 2010
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>149,288</b>	137,171	<b>141,259</b>	131,531
Promotion and marketing related expenses	<b>12,388</b>	19,775	<b>12,911</b>	17,560
Establishment related expenses	<b>36,338</b>	31,294	<b>33,586</b>	28,748
General administrative expenses	<b>98,571</b>	82,391	<b>96,131</b>	78,806
	<b>296,585</b>	270,631	<b>283,887</b>	256,645

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	<b>113,597</b>	106,459	<b>106,847</b>	101,770
Employees Provident Fund contributions	<b>19,951</b>	16,166	<b>18,932</b>	15,424
Promotion and marketing related expenses				
Advertising and promotion	<b>10,793</b>	14,542	<b>10,534</b>	12,327
Establishment related expenses				
Depreciation of property and equipment	<b>8,940</b>	8,385	<b>7,630</b>	7,721
Amortisation of intangible assets	<b>5,639</b>	5,907	<b>5,824</b>	5,718
Information technology costs	<b>4,304</b>	3,209	<b>4,154</b>	3,136
Hire of equipment	<b>1,719</b>	1,643	<b>1,707</b>	1,554
Rental of premises	<b>9,277</b>	6,319	<b>8,051</b>	5,219
Property and equipment written off	-	8	-	8
General administrative expenses				
Intercompany expenses	<b>70,675</b>	59,883	<b>69,971</b>	56,604
Auditors' remuneration				
-Statutory audit	<b>120</b>	111	<b>95</b>	91
-Other services	<b>111</b>	153	<b>98</b>	78

### 31 Capital Adequacy

	<i>Group</i>	
	31 Mar 2011	31 Dec 2010
	RM'000	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits (including proposed dividend)	2,635,920	2,885,920
Statutory reserve	164,500	164,500
	<u>3,846,295</u>	<u>4,096,295</u>
Less: Deferred tax adjustments	(189,082)	(189,082)
Total Tier 1 capital	<u>3,657,213</u>	<u>3,907,213</u>
<b>Tier 2 capital</b>		
Subordinated bonds	999,636	1,003,039
Revaluation reserves	80,533	80,726
Collective impairment allowance	536,849	508,539
Total Tier 2 capital	<u>1,617,018</u>	<u>1,592,304</u>
Total capital	<u>5,274,231</u>	<u>5,499,517</u>
<b>Capital base</b>	<u>5,274,231</u>	<u>5,499,517</u>
Core capital ratio	9.1%	10.2%
Risk-weighted capital ratio	13.2%	14.4%
Core capital ratio (net of proposed dividend)	9.1%	9.6%
Risk-weighted capital ratio (net of proposed dividend)	13.2%	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>			
	31 Mar 2011		31 Dec 2010	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	75,524,402	33,540,094	69,088,318	31,677,595
Total RWA for market risk	-	2,003,922	-	2,069,218
Total RWA for operational risk	-	4,454,243	-	4,458,252
	<u>75,524,402</u>	<u>39,998,259</u>	<u>69,088,318</u>	<u>38,205,065</u>

### 31 Capital Adequacy (Cont'd)

	<i>Bank</i>	
	31 Mar 2011	31 Dec 2010
	RM'000	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profits (including proposed dividend)	2,561,268	2,811,268
Statutory reserve	114,500	114,500
	<u>3,721,643</u>	<u>3,971,643</u>
Less: Deferred tax adjustments	(187,035)	(187,035)
Total Tier 1 capital	<u>3,534,608</u>	<u>3,784,608</u>
<b>Tier 2 capital</b>		
Subordinated bonds	999,636	1,003,039
Revaluation reserves	80,533	80,726
Collective impairment allowance	461,800	438,997
Total Tier 2 capital	<u>1,541,969</u>	<u>1,522,762</u>
Total capital	5,076,577	5,307,370
Less: Investment in subsidiaries	(660,021)	(660,021)
<b>Capital base</b>	<u>4,416,556</u>	<u>4,647,349</u>
Core capital ratio	9.9%	11.0%
Risk-weighted capital ratio	12.4%	13.6%
Core capital ratio (net of proposed dividend)	9.9%	10.3%
Risk-weighted capital ratio (net of proposed dividend)	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>			
	31 Mar 2011		31 Dec 2010	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	69,307,822	29,604,411	63,519,386	28,018,139
Total RWA for market risk	-	1,964,959	-	2,039,942
Total RWA for operational risk	-	4,164,971	-	4,206,057
	<u>69,307,822</u>	<u>35,734,341</u>	<u>63,519,386</u>	<u>34,264,138</u>

### 32 Commitments and Contingencies

31 Mar 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	1,117,770	-	1,117,770	1,005,608
Transaction-related contingent items	2,179,077	-	1,089,538	903,514
Short-term self-liquidating trade-related contingencies	496,215	-	99,243	72,031
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	10,676,166	-	2,135,233	1,858,438
- Maturity exceeding one year	1,165,658	-	233,132	212,624
Unutilised credit card lines	7,416,345	-	1,483,269	1,112,452
Foreign exchange related contracts				
- Less than one year	32,975,645	294,247	490,911	210,543
- Over one year to less than five years	6,666,143	363,704	841,317	500,973
- Over five years	2,199,706	153,095	391,094	344,475
Interest/profit rate related contracts:				
- Less than one year	7,264,259	14,452	20,371	7,976
- Over one year to less than five years	27,816,703	255,350	794,969	289,136
- Over five years	2,520,433	43,449	224,016	63,676
Gold and other precious metals contracts				
- Less than one year	42,160	4,320	4,155	831
- Over one year to less than five years	63,951	3,976	6,806	1,361
Other commodity contracts:				
- Less than one year	-	-	-	-
- Over one year to less than five years	29,809	330	3,907	781
Equity related contracts				
- Less than one year	129,796	8,958	15,910	3,183
- Over one year to less than five years	1,161,288	68,962	160,804	32,161
- Over five years	191,328	6,072	25,205	5,041
Sell buy back agreement	176,251	-	176,251	176,251
	<b>104,288,703</b>	<b>1,216,915</b>	<b>9,313,901</b>	<b>6,801,055</b>

Note 17

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

\* The credit equivalent and risk weighted 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.



### 32 Commitments and Contingencies (Cont'd)

31 Mar 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	983,967	-	983,967	873,357
Transaction-related contingent items	2,145,609	-	1,072,804	888,549
Short-term self-liquidating trade-related contingencies	459,732	-	91,946	67,904
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	9,847,665	-	1,969,533	1,718,869
- Maturity exceeding one year	1,080,533	-	216,107	199,676
Unutilised credit card lines	6,745,123	-	1,349,025	1,011,768
Foreign exchange related contracts				
- Less than one year	32,975,645	294,247	490,911	210,543
- Over one year to less than five years	6,666,143	363,704	841,317	500,973
- Over five years	2,199,706	153,095	391,094	344,475
Interest rate related contracts:				
- Less than one year	7,264,259	14,452	20,371	7,976
- Over one year to less than five years	27,708,203	255,114	791,536	287,420
- Over five years	2,520,433	43,449	224,016	63,676
Gold and other precious metals contracts				
- Less than one year	42,160	4,320	4,155	831
- Over one year to less than five years	63,951	3,976	6,806	1,361
Other commodity contracts:				
- Less than one year	-	-	-	-
- Over one year to less than five years	29,809	330	3,907	781
Equity related contracts				
- Less than one year	117,442	4,617	10,823	2,165
- Over one year to less than five years	1,045,094	62,311	144,880	28,976
- Over five years	191,328	6,072	25,205	5,041
	<b>102,086,802</b>	<b>1,205,687</b>	<b>8,638,403</b>	<b>6,214,341</b>

Note 17

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

\* The credit equivalent and risk weighted 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.

**32 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.

### 32 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
	<b>85,680,212</b>	<b>1,122,554</b>	<b>7,033,984</b>	<b>4,979,145</b>

Note 17

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

\* The credit equivalent and risk weighted 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 Review of Performance**

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The Group recorded profit before tax ("PBT") of RM295 million for the financial period ended 31 March 2011, a marginal decrease of 0.6% or RM2 million compared against history. Despite an increase of RM44 million or 7.3% in operating income against the corresponding financial period, higher operating expenses (+RM26 million) mainly arising from increased personnel costs and loan/financing impairment charges (+RM19 million) offset the increase in operating income and contributed to the decline of PBT. The expansion in the gross loans base resulted in higher collective impairment charges compared to history.

Operating income increased mainly on i) income from Islamic Banking Operations (+RM18m or 23.4%) as Islamic financing continues to gain momentum in the financial industry, ii) higher trading profits (+RM15 million or 11.4%) primarily on higher net interest income from financial assets held-for-trading and higher foreign currency gains that was partly offset by lower gains from trading in derivatives and iii) higher net interest income (+RM11 million or 4.1%) on account of the rising interest/profit rate environment and larger gross loans base. Meanwhile, net fee income increased by RM8 million on higher fees and commission from the sale of third party insurance and unit trust while other operating income showed a decrease of RM9 million mainly due to losses from the disposal of financial investments available-for-sale.

Total assets increased by RM2.7 billion or 4.2% against 31 December 2010, in tandem with the increase in deposits from customers of RM3.0 billion or 6.3%. Gross loans, advances and financing as at 31 March 2011 stood at RM36.2 billion, RM1.2 billion or 3.4% higher than that recorded as at 31 December 2010.

### **34 Business Prospects**

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The Malaysian economy is expected to expand around 5 per cent this year, buoyed by strong domestic demand as the public sector continues to be supportive of domestic growth with the implementation of projects outlined in the Economic Transformation Programme and Tenth Malaysia Plan (10MP). Though strong, the projected figures represent slower growth compared to the 7.2 per cent expansion in 2010; mainly due to a moderation of external demand from the larger emerging markets and over concerns on the Euro zone as the debt crisis continues.

This year, growth in the local financial and insurance sector is expected to remain robust as lending and financing activities are expected to thrive on higher consumer spending and greater government infrastructure development projects. Fund raising activities by companies could also pick up next year as some key projects under the 10MP would commence during the year, and the lower fiscal deficit target could potentially mean a reduction in government funding for projects and drive these companies to tap the market for funds. Further, the normalising interest rate environment would also bode well for the Group from a net interest margin perspective.

In 2011, the focus will remain 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.

To date, the Group has 50 branches. There are plans to open more branches and offsite ATMs nationwide over the next two years to expand the Group's geographical reach and market share.

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

### 35 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

#### 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
<b>By geographical region</b>				
Northern region	6,237,342	5,627,466	5,282,800	4,833,290
Southern region	4,123,721	5,238,476	3,606,872	4,596,318
Central region	20,781,396	19,983,182	17,920,163	17,086,892
Eastern region	3,831,998	4,125,333	3,415,833	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
<b>By geographical region</b>				
Northern region	140,668	117,512	121,449	101,069
Southern region	168,691	198,763	155,826	184,364
Central region	294,475	281,178	262,794	248,255
Eastern region	88,647	95,028	81,602	87,983
	<u>692,481</u>	<u>692,481</u>	<u>621,671</u>	<u>621,671</u>