

Financial Performance

Analysis of Significant Balance Sheet Movements

TOTAL ASSETS

The Group's total assets as at 31 December 2010 grew by 9.25% or RM2.5 billion to RM30.03 billion compared to the previous financial year. This was mainly contributed by loan growth of 7.03% or RM1.41 billion and increase in deposit and placement by RM2.0 billion.

DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

The Group's total deposits and placements as at 31 December 2010 increased significantly by 98.5% or RM2.0 billion as part of liquidity management via improvement in liquefiable asset position.

LOANS, ADVANCES AND FINANCING

The Group's total net loans, advances and financing recorded a commendable growth of 7.03% or RM1.41 billion for the FY ended 31 December 2010.

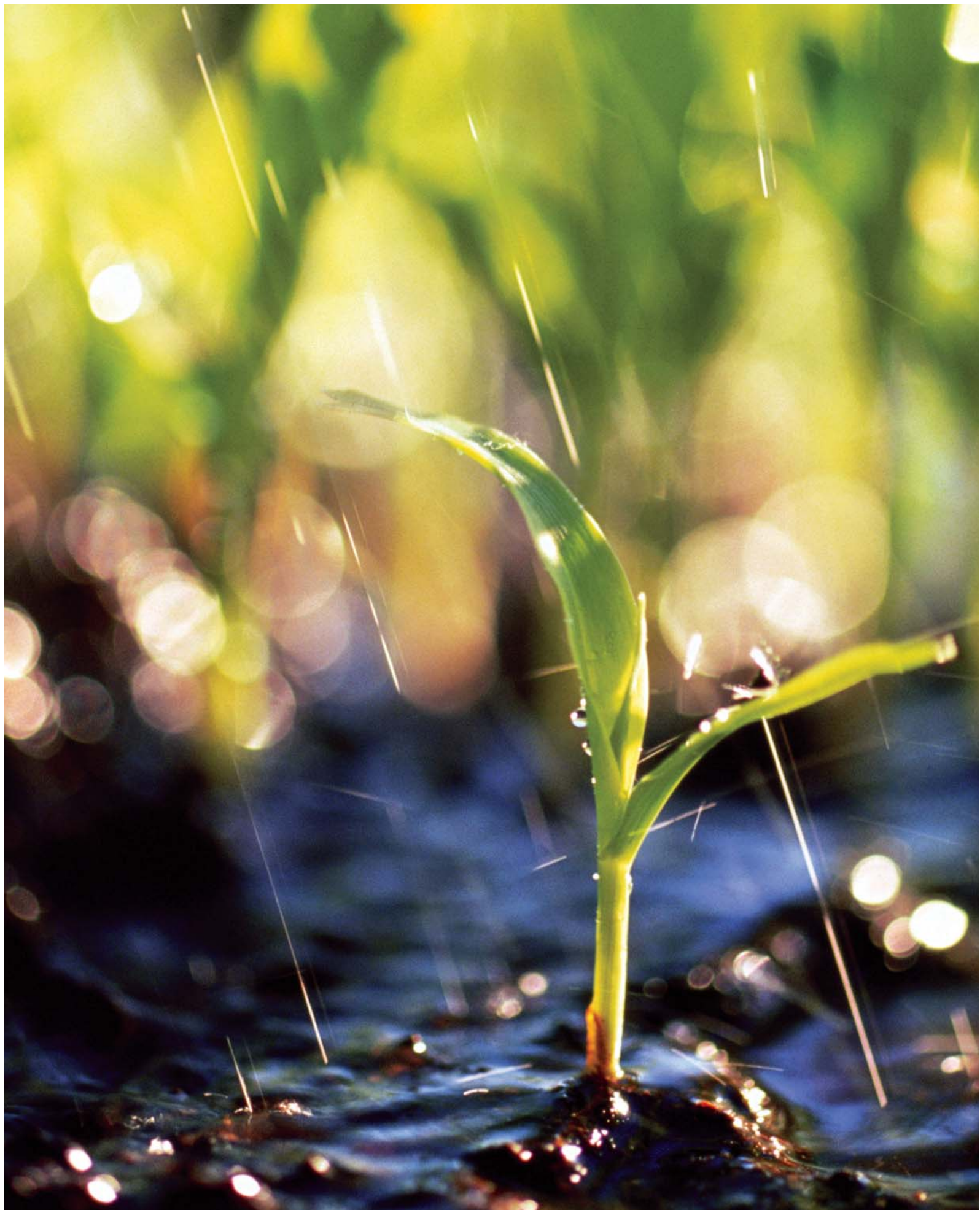
A total of RM5.05 billion worth of loans were disbursed by Bank Pembangunan and its lending arm, Pembangunan Leasing Corporation Sdn Bhd ('PLC'), while loan collection during the year was RM3.2 billion.

FIXED DEPOSITS AND ACCEPTANCES/ REDEEMABLE NOTES

The Group's fixed deposits and acceptances decreased by 9.4% or RM775.0 million to RM7.46 billion as at 31 December 2010. This was in line with the funding strategy of reducing reliance on short term deposit and increasing more medium term funding via issuance of Medium Term Notes of RM2.5 billion during the year.

TOTAL EQUITY

Group reserves decreased by 7.13% or RM304.0 million to RM3.96 billion, largely due to adjustment to Retained Earnings arising from first time implementation of FRS 139. As a result, total equity of the Group decreased to RM7.2 billion from RM7.6 billion in 2009.



Financial Performance

Analysis of the Income Statement

INTEREST INCOME

Interest income for the Group grew by 4.85% or RM71.56 million for the FY ended 31 December 2010. The Group's core activity in loan financing was the main contributor with RM1.2 billion or 79.14% of the total interest income for the year.

Interest income earned from treasury operations for the FY ended 31 December 2010 increased by RM11.23 million or 21.06% as a result of an increase in deposit and placement with financial institution during the year 2010.

Investment in securities contributed RM81.6 million which was a decline by 13.97% from 2009 of RM94.9 million. The decrease in income for the year was attributed to disposal and maturity of investment securities.

NON-INTEREST INCOME

Non-interest income for the Group increased significantly by 49.68% or RM140.4 million for the FY ended 31 December 2010 as compared to FY 2009. The increase was mainly due to higher income from unrealized gain on foreign exchange as well as government compensation in respect of certain allowances made on impaired loans and financial investment.

OVERHEAD EXPENSES

For the FY ended 31 December 2010, overhead expenses for the Group lowered by 6.9% or RM17.5 million mainly due to the decrease in establishment related expenses, especially depreciation of fixed assets and cost incurred for repairs and maintenance.

Personnel cost of the Group slightly increased by 1.62% mainly due to cost related to implementation of Mutual Separation Scheme which was completed in December 2010.

ALLOWANCE FOR IMPAIRMENT OF LOANS & FINANCING AND IMPAIRMENT LOSSES ON FINANCIAL INVESTMENT (AFS & HTM)

For the year under review, the Group's total allowance for impairment of loans & financing and impairment losses on financial investment (AFS/HTM) decreased by RM45.8 million to RM467.2 million from RM512.9 million in 2009. Higher allowance for impairment in 2009 and 2010 compared to previous years was due to first time implementation of FRS 139.