

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2006**

**Domiciled in Malaysia.**  
**Registered Office:**  
**2, Leboh Ampang,**  
**50100 Kuala Lumpur**

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

**MANAGEMENT'S CERTIFICATION**

I hereby certify that the attached unaudited condensed financial statements for the half year ended 30 June 2006 have been prepared from the Bank's accounting and other records and that they are in conformity with generally accepted accounting principles in Malaysia and Bank Negara Malaysia's guidelines on financial reporting for licensed institutions (BNM/GP8).

BALDEV SINGH  
Chief Financial Officer

Date: 17 July 2006

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

**UNAUDITED CONDENSED BALANCE SHEET**  
**AS AT 30 JUNE 2006**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>30 Jun 2006</b>	31 Dec 2005	<b>30 Jun 2006</b>	31 Dec 2005
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Assets</b>					
Cash and short term funds		<b>6,630,018</b>	7,710,602	<b>6,630,018</b>	7,710,602
Securities purchased under resale agreements		<b>1,629,634</b>	1,449,760	<b>1,629,634</b>	1,449,760
Deposits and placements with banks and other financial institutions		<b>718,854</b>	479,942	<b>718,854</b>	479,942
Securities held-for-trading	<i>11</i>	<b>568,196</b>	703,727	<b>568,196</b>	703,727
Securities available-for-sale	<i>12</i>	<b>3,236,618</b>	3,284,735	<b>3,236,618</b>	3,284,735
Loans, advances and financing	<i>13</i>	<b>23,259,368</b>	21,476,706	<b>23,259,368</b>	21,476,706
Other assets	<i>15</i>	<b>590,423</b>	371,825	<b>590,423</b>	371,825
Statutory deposits with Bank Negara Malaysia		<b>847,648</b>	698,948	<b>847,648</b>	698,948
Investments in subsidiaries companies		-	-	<b>21</b>	21
Property, plant and equipment		<b>300,280</b>	304,916	<b>300,280</b>	304,916
Intangible assets		<b>16,090</b>	5,228	<b>16,090</b>	5,228
Deferred tax assets		<b>74,076</b>	59,851	<b>74,076</b>	59,851
<b>Total Assets</b>		<b>37,871,205</b>	36,546,240	<b>37,871,226</b>	36,546,261
<b>Liabilities</b>					
Deposits from customers	<i>16</i>	<b>29,324,568</b>	28,317,351	<b>29,324,589</b>	28,317,372
Deposits and placements of banks and other financial institutions	<i>17</i>	<b>1,971,249</b>	1,954,799	<b>1,971,249</b>	1,954,799
Obligations on securities sold under repurchase agreements		<b>1,536,977</b>	1,617,617	<b>1,536,977</b>	1,617,617
Bills and acceptances payable		<b>425,018</b>	475,940	<b>425,018</b>	475,940
Other liabilities	<i>18</i>	<b>1,065,084</b>	942,517	<b>1,065,084</b>	942,517
Recourse obligation on loans sold to Cagamas Berhad		<b>946,116</b>	787,931	<b>946,116</b>	787,931
Provision for taxation and zakat		<b>60,874</b>	29,716	<b>60,874</b>	29,716
<b>Total liabilities</b>		<b>35,329,886</b>	34,125,871	<b>35,329,907</b>	34,125,892

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

**UNAUDITED CONDENSED BALANCE SHEET (CONTD.)**  
**AS AT 30 JUNE 2006**

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		<b>30 Jun 2006</b>	31 Dec 2005	<b>30 Jun 2006</b>	31 Dec 2005
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Shareholders' Fund</b>					
Share capital		<b>114,500</b>	114,500	<b>114,500</b>	114,500
Reserves		<b>2,276,819</b>	2,155,869	<b>2,276,819</b>	2,155,869
Proposed dividend		<b>150,000</b>	150,000	<b>150,000</b>	150,000
Shareholders' funds		<b>2,541,319</b>	2,420,369	<b>2,541,319</b>	2,420,369
Total Liabilities and Shareholders' Funds		<b>37,871,205</b>	36,546,240	<b>37,871,226</b>	36,546,261
Commitments and Contingencies	25	<b>60,434,407</b>	47,716,860	<b>60,434,407</b>	47,716,860

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2005 and the accompanying explanatory notes on page 6 to 28 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the management on 17 July 2006.

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

**UNAUDITED CONDENSED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 30 JUNE 2006**

	<i>Note</i>	<i>Group and Bank</i>			
		<b>2nd quarter ended</b>		<b>Half year ended</b>	
		<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Revenue		<b>698,361</b>	536,131	<b>1,318,323</b>	1,050,073
Interest income	19	<b>426,460</b>	358,903	<b>820,289</b>	693,992
Interest expense	20	<b>(184,302)</b>	(151,595)	<b>(351,033)</b>	(304,232)
Net interest income		<b>242,158</b>	207,308	<b>469,256</b>	389,760
Other operating income	21	<b>197,960</b>	139,156	<b>362,428</b>	282,142
Income from Islamic banking operations	27 (f)	<b>42,413</b>	24,251	<b>73,716</b>	46,748
Operating income		<b>482,531</b>	370,715	<b>905,400</b>	718,650
Other operating expenses	22	<b>(244,585)</b>	(182,426)	<b>(445,775)</b>	(359,596)
Profit before allowance		<b>237,946</b>	188,289	<b>459,625</b>	359,054
Allowance for losses on loans and financing	23	<b>(32,815)</b>	(5,905)	<b>(46,542)</b>	(22,792)
Profit before taxation and zakat		<b>205,131</b>	182,384	<b>413,083</b>	336,262
Taxation and zakat		<b>(58,612)</b>	(52,665)	<b>(124,308)</b>	(95,871)
Profit attributable to shareholders		<b>146,519</b>	129,719	<b>288,775</b>	240,391
Earnings per RM0.50 ordinary share - basic/diluted		<b>64.0 sen</b>	56.6 sen	<b>126.1 sen</b>	105.0 sen
Dividends per RM0.50 ordinary share (net)					
- paid in respect of prior year		-	-	<b>65.5 sen</b>	43.7 sen
- proposed		<b>65.5 sen</b>	52.4 sen	<b>65.5 sen</b>	52.4 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2005 and the accompanying explanatory notes on page 6 to 28 attached to the unaudited condensed interim financial statements.

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

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 30 JUNE 2006**

	<i>Group and Bank</i>									
	← Non-distributable					Distributable →				
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>	<i>Proposed dividend</i>	<i>Total</i>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2005										
- as previously reported	114,500	741,375	114,500	118,966	190,000	56,671	728,155	1,949,667	100,000	2,164,167
- prior year adjustment	-	-	-	-	-	-	(8,667)	(8,667)	-	(8,667)
	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>118,966</b>	<b>190,000</b>	<b>56,671</b>	<b>719,488</b>	<b>1,941,000</b>	<b>100,000</b>	<b>2,155,500</b>
Net profit for the period										
- as previously reported	-	-	-	-	-	-	243,513	243,513	-	243,513
- prior year adjustment	-	-	-	-	-	-	(3,122)	(3,122)	-	(3,122)
Net gains and losses not recognised in the income statement										
- Net unrealised losses on revaluation	-	-	-	-	-	(13,022)	-	(13,022)	-	(13,022)
Net gains reclassified to income statement	-	-	-	-	-	(2,538)	-	(2,538)	-	(2,538)
Dividend paid - 2004 final	-	-	-	-	-	-	-	-	(100,000)	(100,000)
Proposed dividend - 2005 interim	-	-	-	-	-	-	(120,000)	(120,000)	120,000	-
Balance as at 30 June 2005	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>118,966</b>	<b>190,000</b>	<b>41,111</b>	<b>839,879</b>	<b>2,045,831</b>	<b>120,000</b>	<b>2,280,331</b>
Balance as at 1 July 2005	114,500	741,375	114,500	118,966	190,000	41,111	839,879	2,045,831	120,000	2,280,331
Net profit for the period										
- as previously reported	-	-	-	-	-	-	290,172	290,172	-	290,172
- prior year adjustment	-	-	-	-	-	-	(4,422)	(4,422)	-	(4,422)
Net gains and losses not recognised in the income statement										
- Net unrealised losses on revaluation	-	-	-	-	-	(10,613)	-	(10,613)	-	(10,613)
Net gains reclassified to income statement	-	-	-	-	-	(15,099)	-	(15,099)	-	(15,099)
Dividend paid - 2005 interim	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Proposed dividend - 2005 final	-	-	-	-	-	-	(150,000)	(150,000)	150,000	-
Balance as at 31 December 2005	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>118,966</b>	<b>190,000</b>	<b>15,399</b>	<b>975,629</b>	<b>2,155,869</b>	<b>150,000</b>	<b>2,420,369</b>
Balance as at 1 January 2006	114,500	741,375	114,500	118,966	190,000	15,399	975,629	2,155,869	150,000	2,420,369
Net profit for the period	-	-	-	-	-	-	288,775	288,775	-	288,775
Net gains and losses not recognised in the income statement										
- Net unrealised losses on revaluation	-	-	-	-	-	(13,946)	-	(13,946)	-	(13,946)
Net gains reclassified to income statement	-	-	-	-	-	(3,879)	-	(3,879)	-	(3,879)
Dividend paid - 2005 final	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2006 interim	-	-	-	-	-	-	(150,000)	(150,000)	150,000	-
Balance as at 30 June 2006	<b>114,500</b>	<b>741,375</b>	<b>114,500</b>	<b>118,966</b>	<b>190,000</b>	<b>(2,426)</b>	<b>1,114,404</b>	<b>2,276,819</b>	<b>150,000</b>	<b>2,541,319</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2005 and the accompanying explanatory notes on page 6 to 28 attached to the unaudited condensed interim financial statements.

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

**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 30 JUNE 2006**

	<i>Group and Bank</i>	
	<u>30 Jun 2006</u>	<u>30 Jun 2005</u>
	<u>RM'000</u>	<u>RM'000</u>
Profit before taxation and zakat	413,083	336,262
Adjustments for non-operating and non-cash items	91,443	71,191
Operating profit before working capital changes	<u>504,526</u>	<u>407,453</u>
Changes in working capital:		
Net changes in operating assets	(2,514,952)	(1,776,979)
Net changes in operating liabilities	1,170,642	1,095,766
Taxation and zakat paid	(100,442)	(71,312)
<b>Net cash used in operations</b>	<u>(940,226)</u>	<u>(345,072)</u>
<b>Net cash generated from/(used in) investing activities</b>	9,642	(419,527)
<b>Net cash used in financing activities</b>	<u>(150,000)</u>	<u>(100,000)</u>
	<u>(140,358)</u>	<u>(519,527)</u>
<b>Net change in cash and cash equivalents</b>	<b>(1,080,584)</b>	<b>(864,599)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<u>7,710,602</u>	<u>5,767,418</u>
<b>Cash and cash equivalents at end of the period</b>	<u>6,630,018</u>	<u>4,902,819</u>
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<u>6,630,018</u>	<u>4,902,819</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2005 and the accompanying explanatory notes on page 6 to 28 attached to the unaudited condensed interim financial statements.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2006**

**1 Basis of Preparation**

---

The unaudited condensed interim financial statements for the half year ended 30 June 2006 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB").

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. 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 the Bank since the year ended 31 December 2005.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") issued by MASB effective for the financial period beginning 1 January 2006:

FRS 2 Share-based Payment  
FRS 3 Business Combinations  
FRS 5 Non-current Assets Held for Sale and Discontinued Operations  
FRS 101 Presentation of Financial Statements  
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors  
FRS 110 Events after the Balance Sheet Date  
FRS 116 Property, Plant and Equipment  
FRS 121 The Effects of Changes in Foreign Exchange Rates  
FRS 127 Consolidated and Separate Financial Statements  
FRS 128 Investments in Associates  
FRS 131 Interests in Joint Ventures  
FRS 132 Financial Instruments: Disclosure and Presentation  
FRS 133 Earnings Per Share  
FRS 136 Impairment of Assets  
FRS 138 Intangible Assets  
FRS 140 Investment Property

Except for FRS 2, the adoption of the above standards does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 2 are disclosed in Note 28.

**2 Audit Reports' On Preceding Annual Financial Statements**

---

The audit report on the audited annual financial statements for the financial year ended 31 December 2005 was not subject to any qualification.



### **3 Seasonality or Cyclical Factors**

---

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

### **4 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 Bank for the half year ended 30 June 2006.

### **5 Changes in Estimates**

---

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 Bank for the half year ended 30 June 2006.

### **6 Debt and Equity Securities**

---

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the half year ended 30 June 2006.

### **7 Dividend**

---

A final dividend of 182% less tax totalling RM150 million in respect of the financial year ended 2005 was paid on 15 March 2006.

The directors now recommend an interim dividend of 182% less tax totalling RM150 million in respect of the current financial year on 229,000,000 ordinary shares (65.5 sen net per ordinary share).

### **8 Carrying Amount of Revalued Assets**

---

Property, plant and equipment are stated at cost/ valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial year ended 31 December 2005.

### **9 Significant Events Subsequent to the Balance Sheet Date**

---

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

### **10 Changes in the Composition of the Group**

---

There were no changes in the composition of the Group for the half financial year ended 30 June 2006.

**11 Securities Held-for-Trading**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government treasury bills	<b>134,896</b>	39,256
Bank Negara Malaysia bills	<b>200,940</b>	231,566
Bank Negara Malaysia Islamic bills	<b>2,229</b>	7,875
Malaysian Government securities	<b>131,283</b>	222,765
Malaysian Government Islamic bonds	<b>6,398</b>	-
Khazanah bonds	<b>2,021</b>	2,021
Cagamas bonds and notes	<b>44,596</b>	31,513
	<b>522,363</b>	534,996
Unquoted securities:		
Private debt securities (including commercial paper)	<b>45,833</b>	168,731
	<b>568,196</b>	703,727

**12 Securities Available-for-Sale**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government treasury bills	<b>1,638</b>	-
Bank Negara Malaysia bills	-	49,309
Bank Negara Malaysia Islamic bills	<b>74,769</b>	308,442
Malaysian Government securities	<b>475,618</b>	467,581
Malaysian Government Islamic bonds	<b>228,217</b>	21,811
Khazanah bonds	<b>244,263</b>	243,958
Cagamas bonds and notes	<b>687,360</b>	691,864
Negotiable instruments of deposit	<b>9,981</b>	554,847
Bankers' acceptance and Islamic accepted bills	<b>915,744</b>	143,326
	<b>2,637,590</b>	2,481,138
Quoted securities		
Shares	<b>34,951</b>	36,764
Warrants	<b>67</b>	148
Loan stock	<b>13,029</b>	15,173
	<b>48,047</b>	52,085
Unquoted securities:		
Shares	<b>16,392</b>	17,392
Private and Islamic debt securities	<b>549,520</b>	754,322
	<b>565,912</b>	771,714
Impairment loss:		
Quoted securities in Malaysia:		
Shares	<b>(6,020)</b>	(11,291)
Warrants	<b>(7)</b>	(7)
Loan stock	<b>(8,904)</b>	(8,904)
	<b>(14,931)</b>	(20,202)
	<b>3,236,618</b>	3,284,735

**13 Loans, Advances and Financing****(i) By type**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Overdrafts	<b>2,969,415</b>	2,236,412
Term loans/ financing		
- Housing loans/ financing	<b>6,924,161</b>	7,267,122
- Syndicated term loans/ financing	<b>139,789</b>	19,695
- Hire purchase receivables	<b>147,171</b>	111,690
- Lease receivables	<b>37,798</b>	49,740
- Other term loans/ financing	<b>6,304,464</b>	5,515,035
Bills receivable	<b>861,920</b>	772,852
Trust receipts	<b>291,863</b>	180,166
Claims on customers under acceptance credits	<b>2,704,073</b>	3,109,050
Staff loans/ financing	<b>306,847</b>	307,157
Loans to executive directors	<b>70</b>	-
Credit/ charge cards	<b>1,786,229</b>	1,616,357
Revolving credit	<b>1,568,987</b>	1,072,172
Other loans/ financing	<b>11,702</b>	10,722
Less: Unearned interest and income	<b>(133,791)</b>	(141,321)
	<b>23,920,698</b>	22,126,849
Less: Allowance for bad and doubtful debts and financing:		
- General	<b>(356,100)</b>	(327,200)
- Specific	<b>(305,230)</b>	(322,943)
Total net loans, advances and financing	<b>23,259,368</b>	21,476,706

**(ii) By type of customer**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	<b>150,075</b>	5,238
- Others	<b>143,459</b>	141,425
Domestic business enterprises		
- Small medium enterprises	<b>4,494,570</b>	2,655,201
- Others	<b>6,550,607</b>	7,584,366
Government and statutory bodies	<b>54</b>	64
Individuals	<b>12,188,438</b>	11,144,011
Other domestic entities	<b>3,632</b>	2,754
Foreign entities	<b>389,863</b>	593,790
	<b>23,920,698</b>	22,126,849

**13 Loans, Advances and Financing (continued)****(iii) By interest/ profit rate sensitivity**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Fixed rate		
- Housing loans/ financing	<b>319,776</b>	328,417
- Hire purchase receivables	<b>133,188</b>	102,190
- Other fixed rate loans/ financing	<b>5,147,184</b>	3,711,654
Variable rate		
- BLR plus	<b>14,965,334</b>	13,978,020
- Cost-plus	<b>1,568,987</b>	1,073,903
- Other variable rates	<b>1,786,229</b>	2,932,665
	<b>23,920,698</b>	22,126,849

**(iv) By sector**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>1,031,743</b>	893,313
Mining and quarrying	<b>279,322</b>	99,672
Manufacturing	<b>3,971,337</b>	3,739,427
Electricity, gas and water	<b>102,165</b>	81,383
Construction	<b>459,558</b>	428,685
Real estate	<b>485,040</b>	545,809
Purchase of landed property:		
- Residential	<b>8,774,710</b>	8,384,960
- Non-residential	<b>997,001</b>	970,920
Wholesale & retail trade and restaurants & hotels	<b>2,374,458</b>	2,164,107
Transport, storage and communication	<b>179,758</b>	190,842
Finance, insurance and business services	<b>1,556,265</b>	1,347,020
Purchase of securities	<b>149,414</b>	173,523
Purchase of transport vehicles	<b>26,198</b>	17,560
Consumption credit	<b>3,295,682</b>	2,894,133
Others	<b>238,047</b>	195,495
	<b>23,920,698</b>	22,126,849

**14 Non-Performing Loans/ Financing (NPL/ NPF)****(i) Movements in non-performing loans, advances and financing**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
At beginning of period/year	<b>688,626</b>	1,055,888
Classified as non-performing during the period/ year	<b>119,736</b>	314,067
Reclassified as performing	<b>(71,122)</b>	(199,467)
Amount recovered	<b>(101,051)</b>	(275,478)
Amount written off	<b>(69,786)</b>	(207,031)
Other movements	<b>194</b>	647
At end of period/year	<b>566,597</b>	688,626
Specific allowance	<b>(305,230)</b>	(322,943)
Net non-performing loans, advances and financing	<b>261,367</b>	365,683
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<b>1.1%</b>	1.7%

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

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
<b>General allowance</b>		
At beginning of period/year	<b>327,200</b>	289,300
Allowance made during the period/ year	<b>28,900</b>	37,900
At end of period/year	<b>356,100</b>	327,200
As % of gross loans, advances and financing less specific allowance	<b>1.5%</b>	1.5%
<b>Specific allowance</b>		
At beginning of period/year	<b>322,943</b>	477,334
Allowance made during the period/ year	<b>102,695</b>	192,822
Amount recovered	<b>(54,518)</b>	(144,029)
Amount written off	<b>(66,078)</b>	(203,831)
Other movements	<b>188</b>	647
At end of period/year	<b>305,230</b>	322,943

**14 Non-Performing Loans/ Financing (NPL/ NPF) (continued)****(iii) By sector**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>3,153</b>	2,202
Mining and quarrying	<b>541</b>	631
Manufacturing	<b>148,696</b>	185,029
Construction	<b>30,607</b>	31,718
Real estate	<b>16,831</b>	17,589
Purchase of landed property:		
- Residential	<b>218,033</b>	255,725
- Non-residential	<b>13,960</b>	23,088
Wholesale & retail trade and restaurants & hotels	<b>38,238</b>	53,291
Transport, storage and communication	<b>3,316</b>	4,628
Finance, insurance and business services	<b>20,996</b>	28,300
Purchase of securities	<b>354</b>	17,806
Purchase of transport vehicles	<b>161</b>	177
Consumption credit	<b>68,728</b>	65,210
Others	<b>2,983</b>	3,232
	<b>566,597</b>	688,626

**15 Other Assets**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Assets, including gains, resulting from off-balance-sheet interest rate, exchange rate and equities contracts which are marked to market	<b>343,309</b>	203,871
Interest/ income receivable	<b>37,953</b>	34,082
Other receivables, deposits and prepayments	<b>209,161</b>	133,872
	<b>590,423</b>	371,825

**16 Deposits from Customers****(i) By type of deposit**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Demand deposits	<b>5,745,019</b>	5,689,273	<b>5,745,040</b>	5,689,294
Savings deposits	<b>4,276,411</b>	4,243,692	<b>4,276,411</b>	4,243,692
Fixed/ investment deposits	<b>17,739,009</b>	16,400,684	<b>17,739,009</b>	16,400,684
Negotiable instruments of deposit	<b>1,121,754</b>	1,702,320	<b>1,121,754</b>	1,702,320
Others	<b>442,375</b>	281,382	<b>442,375</b>	281,382
	<b>29,324,568</b>	28,317,351	<b>29,324,589</b>	28,317,372

**16 Deposits from Customers (continued)****(ii) By type of customer**

	<i>Group</i>		<i>Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>75,087</b>	15,780	<b>75,087</b>	15,780
Business enterprises	<b>10,783,315</b>	9,532,602	<b>10,783,336</b>	9,532,623
Individuals	<b>15,047,093</b>	14,185,641	<b>15,047,093</b>	14,185,641
Others	<b>3,419,073</b>	4,583,328	<b>3,419,073</b>	4,583,328
	<b>29,324,568</b>	28,317,351	<b>29,324,589</b>	28,317,372

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

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Licensed banks	<b>59,000</b>	120,000
Bank Negara Malaysia	<b>17,786</b>	38,247
Other financial institutions	<b>1,894,463</b>	1,796,552
	<b>1,971,249</b>	1,954,799

**18 Other Liabilities**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Liabilities, including losses, resulting from off-balance-sheet interest rate exchange rate and equities contracts which are marked to market	<b>264,422</b>	183,219
Interest/ profit payable	<b>150,224</b>	144,243
Allowance for commitments and contingencies	<b>2,245</b>	3,030
Profit equalisation reserve	<b>4,700</b>	1,700
Other creditors and accruals	<b>643,493</b>	610,325
	<b>1,065,084</b>	942,517

**19 Interest Income**

	<i>Group and Bank</i>			
	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	<b>328,850</b>	268,881	<b>629,694</b>	524,213
- Recoveries from NPLs	<b>8,061</b>	12,861	<b>20,383</b>	22,173
Money at call and deposit placement with financial institutions	<b>74,145</b>	48,287	<b>138,015</b>	89,040
Securities available-for-sale	<b>16,996</b>	31,726	<b>36,749</b>	65,826
Others	-	(96)	-	-
	<b>428,052</b>	361,659	<b>824,841</b>	701,252
Amortisation of premium less accretion of discounts	<b>2,928</b>	(284)	<b>3,467</b>	(2,131)
Interest suspended	<b>(4,520)</b>	(2,472)	<b>(8,019)</b>	(5,129)
Total interest income	<b>426,460</b>	358,903	<b>820,289</b>	693,992

**20 Interest Expense**

	<i>Group and Bank</i>			
	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>17,143</b>	7,289	<b>27,605</b>	12,804
Deposits from customers	<b>141,896</b>	126,039	<b>273,749</b>	253,687
Loans sold to Cagamas	<b>10,647</b>	7,170	<b>20,887</b>	14,445
Others	<b>14,616</b>	11,097	<b>28,792</b>	23,296
	<b>184,302</b>	151,595	<b>351,033</b>	304,232



**21 Other Operating Income**

	<i>Group and Bank</i>			
	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fees and commissions	<b>105,025</b>	83,831	<b>198,745</b>	169,908
Net gains arising from sale of securities				
- Securities held-for-trading	<b>3,607</b>	977	<b>6,009</b>	6,003
- Securities available-for-sale	<b>5,842</b>	5,652	<b>6,746</b>	9,570
Net interest trading income	<b>3,791</b>	994	<b>7,025</b>	2,756
Net gains arising from dealing in foreign currency	<b>35,031</b>	36,761	<b>93,343</b>	69,874
Net (losses)/gains arising from trading in derivatives	<b>(24,060)</b>	1,265	<b>(14,266)</b>	6,858
Dividend income from securities available-for-sale				
- Quoted in Malaysia	-	1,022	<b>6</b>	1,022
- Unquoted in Malaysia	<b>645</b>	785	<b>845</b>	1,185
Net unrealised gains on revaluation of trading securities (including derivatives)	<b>27,454</b>	2,070	<b>25,005</b>	723
Net unrealised gains from foreign exchange translations	<b>37,812</b>	3,661	<b>32,725</b>	10,153
Rental income	<b>1,481</b>	1,507	<b>3,191</b>	3,001
Net (losses)/gains on disposal of property, plant and equipment	<b>(505)</b>	111	<b>207</b>	430
Other operating income	<b>1,837</b>	520	<b>2,847</b>	659
	<b>197,960</b>	139,156	<b>362,428</b>	282,142

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

Cards	<b>49,890</b>	41,634	<b>97,270</b>	82,306
Service charges and fees	<b>31,271</b>	22,667	<b>55,108</b>	45,801
Agency fees	<b>10,140</b>	7,108	<b>20,641</b>	17,397
Credit facilities	<b>4,813</b>	5,202	<b>9,872</b>	11,108

**22 Other Operating Expenses**

	<i>Group and Bank</i>			
	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel expenses	<b>129,460</b>	<b>87,536</b>	<b>231,340</b>	<b>170,879</b>
Promotion and marketing related expenses	<b>17,192</b>	19,104	<b>30,709</b>	34,897
Establishment related expenses	<b>22,403</b>	21,305	<b>45,150</b>	43,313
General administrative expenses	<b>75,530</b>	54,481	<b>138,576</b>	110,507
	<b>244,585</b>	182,426	<b>445,775</b>	359,596

The above expenditure includes the following major items:

Personnel expenses				
- Salaries, allowances and bonuses	<b>94,495</b>	67,808	<b>172,475</b>	132,867
- Employees Provident Fund contributions	<b>14,987</b>	9,989	<b>27,761</b>	18,707
Promotion and marketing related expenses				
- Advertising and promotion	<b>10,425</b>	11,059	<b>19,458</b>	22,510
- Travel and entertainment	<b>2,511</b>	3,534	<b>4,771</b>	3,534
- Commercial sponsorships	<b>2,023</b>	2,581	<b>3,017</b>	2,581
Establishment related expenses				
- Depreciation of property, plant and equipment	<b>7,141</b>	6,751	<b>14,456</b>	13,737
- Information technology costs	<b>3,175</b>	4,821	<b>7,837</b>	9,962
- Hire of equipment	<b>2,024</b>	2,867	<b>4,515</b>	5,347
- Rental of premises	<b>2,539</b>	2,109	<b>4,748</b>	4,395
General administrative expenses				
- Intercompany expenses	<b>36,992</b>	19,578	<b>67,181</b>	39,465
- Fees and commissions paid	<b>15,464</b>	20,469	<b>30,605</b>	32,976

**23 Allowance for Losses on Loans and Financing**

	<i>Group and Bank</i>			
	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for bad and doubtful debts on loans and financing				
(a) Specific allowance				
- Made in the financial period	<b>67,542</b>	52,735	<b>102,695</b>	91,491
- Written back	<b>(36,059)</b>	(33,013)	<b>(54,518)</b>	(48,096)
(b) General allowance				
- Made in the financial period	<b>19,500</b>	15,300	<b>28,900</b>	20,000
Bad debts on loans and financing				
- Recovered	<b>(19,991)</b>	(30,948)	<b>(34,410)</b>	(43,006)
- Written off	<b>1,737</b>	1,848	<b>4,660</b>	2,868
Allowance for losses on commitments and contingencies				
- Made in the financial period	<b>292</b>	-	<b>421</b>	75
- Written back	<b>(206)</b>	(17)	<b>(1,206)</b>	(540)
	<b>32,815</b>	5,905	<b>46,542</b>	22,792

**24 Capital Adequacy**

	<i>Bank</i>	
	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	<b>114,500</b>	114,500
Share premium	<b>741,375</b>	741,375
Capital redemption reserve	<b>190,000</b>	190,000
Retained profit	<b>1,264,404</b>	1,125,629
Other reserves	<b>114,500</b>	114,500
	<b>2,424,779</b>	2,286,004
Less: Deferred tax assets	<b>(99,179)</b>	(91,887)
Intangible assets	<b>(16,090)</b>	(5,228)
Total Tier 1 capital	<b>2,309,510</b>	2,188,889
<b>Tier 2 capital</b>		
Revaluation reserves	<b>72,507</b>	72,507
General allowance for bad and doubtful debts and financing	<b>356,100</b>	327,200
Total Tier 2 capital	<b>428,607</b>	399,707
Total capital	<b>2,738,117</b>	2,588,596
Less: Investment in subsidiaries	<b>(21)</b>	(21)
<b>Capital base *</b>	<b>2,738,096</b>	2,588,575

**24 Capital Adequacy (Contd.)**

Core capital ratio	<b>9.3%</b>	9.8%
Risk-weighted capital ratio	<b>11.1%</b>	11.5%
Core capital ratio (net of proposed dividend)	<b>8.7%</b>	9.1%
Risk-weighted capital ratio (net of proposed dividend)	<b>10.4%</b>	10.9%

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	<i>Bank</i>			
	<b>30 Jun 2006</b>		31 Dec 2005	
	<b>Principal RM'000</b>	<b>Risk-weighted RM'000</b>	Principal RM'000	Risk-weighted RM'000
0%	<b>10,305,258</b>	-	10,475,706	-
10%	<b>296,895</b>	<b>29,690</b>	399,528	39,953
20%	<b>3,143,764</b>	<b>628,753</b>	3,158,802	631,760
50%	<b>8,253,655</b>	<b>4,126,828</b>	7,715,056	3,857,528
100%	<b>19,089,774</b>	<b>19,089,774</b>	17,337,032	17,337,032
Total risk-weighted assets equivalent for market risk	-	<b>898,745</b>	-	553,272
	<b>41,089,346</b>	<b>24,773,790</b>	39,086,124	22,419,545

\* Profit after tax of RM288.8 million for the current half year of which RM281.5 million was included in the capital base, was subject to a limited review by the external auditors in accordance with Technical Bulletin 4 issued by the Malaysian Institute of Certified Public Accountants.

**25 Commitments and Contingencies**

	<i>Group and Bank</i>					
	30 Jun 2006			31 Dec 2005		
	Principal amount	Credit equivalent amount *	Risk weighted amount	Principal amount	Credit equivalent amount *	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	730,597	730,597	687,972	610,872	610,872	571,773
Transaction-related contingent items	1,920,115	960,058	933,694	1,883,990	941,995	916,181
Short-term self-liquidating trade-related contingencies	345,530	69,106	62,584	259,019	51,804	46,555
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	15,999,809	-	-	15,131,142	-	-
- Maturity exceeding one year	1,685,533	842,767	842,767	1,298,798	649,399	649,399
Foreign exchange related contracts:						
- Less than one year	17,873,859	276,148	106,960	11,751,863	228,029	88,034
- One year to less than five years	1,483,343	107,906	38,302	1,818,966	137,126	54,254
Interest rate related contracts:						
- Less than one year	6,765,213	21,259	6,145	2,768,837	7,667	2,341
- One year to less than five years	12,062,628	308,449	123,584	11,166,070	289,349	124,080
- Five years and above	1,256,314	79,731	38,566	976,309	60,427	28,417
Others	311,466	145,892	131,941	50,994	12,166	8,835
	<b>60,434,407</b>	<b>3,541,913</b>	<b>2,972,515</b>	<b>47,716,860</b>	<b>2,988,834</b>	<b>2,489,869</b>

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

**26 Interest/ Profit Rate Risk**

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The following table summarises the Bank's exposure to interest rate risk. The assets and liabilities at carrying amount are allocated to time bands by reference to the earlier of the next contractual repricing dates and maturity dates.

Bank 30 Jun 2006	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Effective interest rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				Total RM'000
<b>ASSETS</b>									
Cash and short term funds	6,323,117	-	-	-	-	306,901	-	6,630,018	3.80
Securities purchased under resale agreements	803,941	825,693	-	-	-	-	-	1,629,634	3.67
Deposits and placements with banks and other financial institutions	-	696,745	-	22,109	-	-	-	718,854	3.85
Securities held-for-trading	-	-	-	-	-	-	568,196	568,196	3.91
Securities available-for-sale	134,020	816,143	822,719	1,400,595	17,757	45,384	-	3,236,618	3.59
Loans, advances and financing									
- performing	17,256,234	1,684,705	1,267,939	1,594,516	483,212	711,395	-	22,998,001	6.89
- non-performing *	-	-	-	-	-	261,367	-	261,367	-
Others	-	-	-	-	-	1,402,186	426,352	1,828,538	-
<b>Total Assets</b>	<b>24,517,312</b>	<b>4,023,286</b>	<b>2,090,658</b>	<b>3,017,220</b>	<b>500,969</b>	<b>2,727,233</b>	<b>994,548</b>	<b>37,871,226</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	13,687,868	4,038,937	6,378,860	344,296	168,569	4,706,059	-	29,324,589	2.78
Deposits and placements of banks and other financial institutions	1,180,288	269,063	37,819	6,400	2,927	474,752	-	1,971,249	3.57
Obligation on securities sold under repurchase agreements	1,536,977	-	-	-	-	-	-	1,536,977	2.89
Bills and acceptances payable	53,161	91,738	9,743	-	-	270,376	-	425,018	2.92
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	612,044	334,072	-	-	946,116	4.57
Others	-	-	-	-	-	839,838	286,120	1,125,958	-
<b>Total Liabilities</b>	<b>16,458,294</b>	<b>4,399,738</b>	<b>6,426,422</b>	<b>962,740</b>	<b>505,568</b>	<b>6,291,025</b>	<b>286,120</b>	<b>35,329,907</b>	
Shareholders' funds	-	-	-	-	-	2,541,319	-	2,541,319	-
<b>Total Liabilities and Shareholders' funds</b>	<b>16,458,294</b>	<b>4,399,738</b>	<b>6,426,422</b>	<b>962,740</b>	<b>505,568</b>	<b>8,832,344</b>	<b>286,120</b>	<b>37,871,226</b>	
On-balance sheet interest sensitivity gap	8,059,018	(376,452)	(4,335,764)	2,054,480	(4,599)	(6,105,111)	708,428	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	169,960	(71,913)	(98,047)	-	-	-	-	
- options	720,598	251,965	(136,702)	(835,861)	-	-	-	-	
- swaps	(1,000,628)	89,310	444,789	505,812	(19,800)	-	-	19,483	
<b>Total interest sensitivity gap</b>	<b>7,778,988</b>	<b>134,783</b>	<b>(4,099,590)</b>	<b>1,626,384</b>	<b>(24,399)</b>	<b>(6,105,111)</b>	<b>708,428</b>	<b>19,483</b>	

**26 Interest/ Profit Rate Risk (continued)**

Bank 31 Dec 2005	←		Non-trading book				→		Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	<b>Total</b> <b>RM'000</b>	
<b>ASSETS</b>									
Cash and short term funds	7,364,991	-	-	-	-	345,611	-	7,710,602	3.20
Securities purchased under resale agreements	1,123,087	160,613	166,060	-	-	-	-	1,449,760	3.00
Deposits and placements with banks and other financial institutions	-	479,942	-	-	-	-	-	479,942	3.22
Securities held-for-trading	-	-	-	-	-	-	703,727	703,727	3.57
Securities available-for-sale	331,223	816,071	642,419	1,431,880	20,135	43,007	-	3,284,735	3.53
Loans, advances and financing									
- performing	16,368,497	1,642,167	514,933	1,177,644	760,572	647,210	-	21,111,023	6.02
- non-performing *	-	-	-	-	-	365,683	-	365,683	-
Others	-	-	-	-	-	1,209,356	231,433	1,440,789	-
<b>Total Assets</b>	<b>25,187,798</b>	<b>3,098,793</b>	<b>1,323,412</b>	<b>2,609,524</b>	<b>780,707</b>	<b>2,610,867</b>	<b>935,160</b>	<b>36,546,261</b>	
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>									
Deposits from customers	12,929,993	4,521,310	5,691,566	325,798	167,934	4,680,771	-	28,317,372	2.63
Deposits and placements of banks and other financial institutions	1,013,316	179,499	358,641	6,562	2,422	394,359	-	1,954,799	2.80
Obligation on securities sold under repurchase agreements	1,617,617	-	-	-	-	-	-	1,617,617	2.50
Bills and acceptances payable	40,079	88,972	7,269	-	-	339,620	-	475,940	2.71
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	439,904	348,027	-	-	787,931	4.57
Others	-	-	-	-	-	662,159	310,074	972,233	-
<b>Total Liabilities</b>	<b>15,601,005</b>	<b>4,789,781</b>	<b>6,057,476</b>	<b>772,264</b>	<b>518,383</b>	<b>6,076,909</b>	<b>310,074</b>	<b>34,125,892</b>	
Shareholders' funds	-	-	-	-	-	2,420,369	-	2,420,369	-
<b>Total Liabilities and Shareholders' funds</b>	<b>15,601,005</b>	<b>4,789,781</b>	<b>6,057,476</b>	<b>772,264</b>	<b>518,383</b>	<b>8,497,278</b>	<b>310,074</b>	<b>36,546,261</b>	
On-balance sheet interest sensitivity gap	9,586,793	(1,690,988)	(4,734,064)	1,837,260	262,324	(5,886,411)	625,086	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	150,267	(228,267)	78,000	-	-	-	-	
- options	(243,130)	8,100	-	454,330	(219,300)	-	-	-	
- swaps	(715,538)	288,501	5,967	432,121	(9,800)	-	-	1,251	
<b>Total interest sensitivity gap</b>	<b>8,628,125</b>	<b>(1,244,120)</b>	<b>(4,956,364)</b>	<b>2,801,711</b>	<b>33,224</b>	<b>(5,886,411)</b>	<b>625,086</b>	<b>1,251</b>	

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

**27 Operations of Islamic Banking****Unaudited Condensed Balance Sheet as at 30 June 2006 (4 Jamadilakhir 1427)**

	<i>Note</i>	<b>30 Jun 2006</b> RM'000	31 Dec 2005 RM'000
<b>Assets</b>			
Cash and short term funds		<b>1,513,535</b>	1,157,855
Deposits and placements with banks and other financial institutions		-	90,000
Securities available-for-sale		<b>1,025,637</b>	1,026,595
Financing, advances and other loans	<i>(a)</i>	<b>2,773,567</b>	2,853,518
Other assets	<i>(c)</i>	<b>79,836</b>	13,666
Statutory deposits with Bank Negara Malaysia		<b>83,300</b>	98,500
Equipment		<b>282</b>	342
Intangible assets		<b>824</b>	1,089
Deferred tax asset		<b>17,798</b>	13,737
Total Assets		<b><u>5,494,779</u></b>	<u>5,255,302</u>
<b>Liabilities</b>			
Deposits from customers	<i>(d)</i>	<b>3,885,072</b>	3,512,422
Deposits and placements of banks and other financial institutions		<b>117,210</b>	270,124
Bills and acceptances payable		<b>5,200</b>	-
Other liabilities	<i>(e)</i>	<b>955,933</b>	946,987
Provision for taxation and zakat		<b>10,459</b>	20,680
Total liabilities		<b><u>4,973,874</u></b>	<u>4,750,213</u>
<b>Islamic Banking Capital Fund</b>			
Funds allocated from Head Office		<b>430,000</b>	430,000
Reserves		<b>90,905</b>	75,089
Islamic Banking Capital Funds		<b><u>520,905</u></b>	<u>505,089</u>
Total Liabilities and Islamic Banking Capital Funds		<b><u>5,494,779</u></b>	<u>5,255,302</u>
Commitments and Contingencies		<b><u>307,786</u></b>	<u>241,408</u>



**27 Operations of Islamic Banking (continued)****Unaudited Condensed Income Statement for the half year ended 30 June 2006  
(4 Jamadilakhir 1427)**

	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	<b>62,905</b>	31,237	<b>115,247</b>	60,472
Allowance for losses on financing	<b>(1,613)</b>	(7,208)	<b>(496)</b>	(9,789)
Profit equalisation reserve	<b>-</b>	-	<b>(3,000)</b>	(200)
Total distributable income	<b>61,292</b>	24,029	<b>111,751</b>	50,483
Income attributable to depositors	<b>(39,742)</b>	(20,226)	<b>(74,363)</b>	(39,691)
Income attributable to the Bank	<b>21,550</b>	3,803	<b>37,388</b>	10,792
Income derived from investment of Islamic banking capital funds	<b>11,036</b>	6,835	<b>20,359</b>	13,467
Total net income	<b>32,586</b>	10,638	<b>57,747</b>	24,259
Other operating expenses	<b>(18,220)</b>	(807)	<b>(22,908)</b>	(1,811)
Profit before taxation and zakat	<b>14,366</b>	9,831	<b>34,839</b>	22,448
Taxation and zakat	<b>(4,211)</b>	(3,105)	<b>(9,898)</b>	(6,408)
Profit after taxation and zakat	<b>10,155</b>	6,726	<b>24,941</b>	16,040

**27 Operations of Islamic Banking (continued)****(a) Financing, advances and other loans****(i) By type**

	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Term financing		
- House financing	<b>112,673</b>	113,141
- Hire purchase receivables	<b>146,677</b>	110,885
- Lease receivables	<b>37,678</b>	49,224
- Other term financing	<b>1,102,072</b>	843,590
Claims on customers under acceptance credits	<b>1,558,463</b>	1,927,977
Credit/ charge cards	<b>1,495</b>	1,409
Less: Unearned income	<b>(135,007)</b>	(141,321)
	<b>2,824,051</b>	2,904,905
Less: Allowance for bad and doubtful financing:		
- General	<b>(44,370)</b>	(43,770)
- Specific	<b>(6,114)</b>	(7,617)
Total net financing, advances and other loans	<b>2,773,567</b>	2,853,518

**(b) Non-Performing Financing (NPF)****(i) Movements in non-performing financing, advances and other loans (including income receivables)**

	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
At beginning of period/year	<b>12,805</b>	16,921
Classified as non-performing during the period/ year	<b>4,573</b>	5,409
Reclassified as performing	<b>(274)</b>	(346)
Amount recovered	<b>(2,415)</b>	(2,520)
Amount written off	<b>(1,598)</b>	(6,659)
At end of period/year	<b>13,091</b>	12,805
Specific allowance	<b>(6,114)</b>	(7,617)
Net non-performing financing, advances and other loans	<b>6,977</b>	5,188
Ratio of net non-performing financing, advances and other loans to net financing, advances and other loans	<b>0.3%</b>	0.2%

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

	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
<b>General allowance</b>		
At beginning of period/year	<b>43,770</b>	27,509
Allowance made during the period/year	<b>600</b>	16,261
At end of period/year	<b>44,370</b>	43,770
As % of total financing less specific allowance	<b>1.5%</b>	1.5%
<b>Specific allowance</b>		
At beginning of period/year	<b>7,617</b>	10,305
Allowance made during the period/year	<b>4,050</b>	4,870
Amount recovered	<b>(4,039)</b>	(936)
Amount written off	<b>(1,514)</b>	(6,622)
At end of period/year	<b>6,114</b>	7,617

**27 Operations of Islamic Banking (continued)****(c) Other Assets**

	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Settlement due from Head Office	<b>71,080</b>	4,655
Income receivable	<b>8,683</b>	8,677
Other receivables, deposits and prepayments	<b>73</b>	334
	<b><u>79,836</u></b>	<u>13,666</u>

**(d) Deposits from Customers****(i) By type of deposit**

	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
- Demand deposits	<b>37,985</b>	38,948
- Savings deposits	<b>230,697</b>	157,048
	<b><u>268,682</u></b>	<u>195,996</u>
Mudharabah Fund		
- General investment deposits	<b>3,616,390</b>	3,316,426
	<b><u>3,885,072</u></b>	<u>3,512,422</u>

**(e) Other Liabilities**

	<b>30 Jun 2006</b>	31 Dec 2005
	<b>RM'000</b>	RM'000
Special placement deposits by Head Office	<b>920,792</b>	920,791
Profit equalisation reserve	<b>4,700</b>	1,700
Profit payable	<b>18,862</b>	10,178
Other creditors and accruals	<b>11,579</b>	14,318
	<b><u>955,933</u></b>	<u>946,987</u>

**(f) Income from Islamic Banking Operations**

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

	<b>2nd quarter ended</b>		<b>Half year ended</b>	
	<b>30 Jun 2006</b>	30 Jun 2005	<b>30 Jun 2006</b>	30 Jun 2005
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	<b>62,905</b>	31,237	<b>115,247</b>	60,472
Profit equalisation reserve	<b>-</b>	-	<b>(3,000)</b>	(200)
Income attributable to the depositors	<b>(39,742)</b>	(20,226)	<b>(74,363)</b>	(39,691)
Income attributable to special placement deposits by Head Office	<b>8,214</b>	6,405	<b>15,473</b>	12,700
	<b><u>31,377</u></b>	<u>17,416</u>	<b><u>53,357</u></b>	<u>33,281</u>
Income derived from investment of Islamic Banking capital funds	<b>11,036</b>	6,835	<b>20,359</b>	13,467
	<b><u>42,413</u></b>	<u>24,251</u>	<b><u>73,716</u></b>	<u>46,748</u>

**28 Change in Accounting Policy****Change in Accounting Policy**

During the half year ended 30 June 2006, the Bank adopted a new accounting standard, FRS 2 on Share-based Payment. FRS 2 requires companies to adopt a fair-value-based method of accounting for share-based compensation plans which takes into account vesting conditions related to market performance, for example total shareholder return. Under this method, compensation cost is measured at the date of grant based on the assessed value of the award and is recognised over the service period, which is usually the vesting period. The fair value of share options granted is to be recognised in the income statement.

The change in accounting policy has been accounted for by restating comparatives and adjusting the opening balance of retained profit as at 1 January 2005 as disclosed in Note 29(a) and the Statement of Changes in Equity respectively.

**Prior Year Adjustments**

The change in accounting policy as described above was applied retrospectively and has the following cumulative impact on the opening retained profit of the Bank:

	31 Dec 2005
	RM'000
At 31 December 2005, as previously stated	991,840
Effect of adopting FRS 2	(16,211)
As at 31 December 2005, as restated	<u>975,629</u>

**29 Comparative Figures**

The presentation and classification of items in the current half year financial statements have been consistent with the previous financial period/year except for the following:

- (a) Changes in accounting policy explained in Note 28.

	<i>Group</i>		<i>Bank</i>	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<i>Balance Sheet</i>				
<i>as at 31 December 2005</i>				
Securities available-for-sale	3,284,735	3,277,490	3,284,735	3,277,490
Other assets	371,825	376,829	371,825	376,829
Deferred tax asset	59,851	53,547	59,851	53,547
Other liabilities	942,517	917,761	942,517	917,761
Reserves	<u>2,155,869</u>	<u>2,172,080</u>	<u>2,155,869</u>	<u>2,172,080</u>

**29 Comparative Figures (Contd.)**

(a) Changes in accounting policy explained in Note 28.

	<i>Group and Bank</i>	
	As restated RM'000	As previously stated RM'000
<i>Income Statement for the half financial year ended 30 June 2005</i>		
Other operating expenses	359,596	355,260
Profit before allowance	359,054	363,390
Profit before taxation and zakat	336,262	340,598
Profit attributable to shareholders	240,391	243,513
Earnings per RM0.50 share	105.0 sen	106.3 sen

(b) Reclassification to conform to current years' presentation

	<i>Group and Bank</i>	
	As restated RM'000	As previously stated RM'000
<i>Balance Sheet as at 31 December 2005</i>		
Property, plant and equipment	304,916	310,144
Intangible assets	5,228	-

**30 Capital Commitments**

	<i>Group and Bank</i>	
	<b>30 Jun 2006</b> RM'000	31 Dec 2005 RM'000
Authorised and contracted for	20,815	9,037
Authorised but not contracted for	8,897	4,002
	<b>29,712</b>	<b>13,039</b>

**31 Review of Performance**

The Bank registered a 22.9% increase in profit before tax to RM413.1 million, against RM336.3 million for the corresponding period last year. The higher profit was attributed to all-round improvements in net interest income (+RM79.5 million or 20.4%) due to higher margins, other operating income (+RM80.3 million or 28.5%) principally from higher foreign exchange gains benefitting from the de-peg of USD/RM, and income from Islamic banking operations (+RM27.0 million or 57.8%). Profit before allowance grew by RM100.6 million or 28.0% despite higher other operating expenses. Allowance for losses on loans and financing increased by RM23.8 million to RM46.5 million as compared to previous corresponding period due to additional provision made to comply with Central Bank's guidelines on provisioning for non performing loans falling between 5-7 years and above 7 years.

Net loans expanded by RM1,782.6 million or 8.3% during the first half of the year whilst net non-performing loans ratio improved further to 1.1%, compared to 1.7% as at 31 December 2005.

## **32 Business Prospects**

---

The world and regional economic growth in the first half of 2006 remain resilient in the face of sustained high oil prices and is expected to continue to remain positive for the second half of 2006. In this favourable external environment coupled with strong private sector demand and financial fundamentals, it is envisaged that Malaysia's GDP will continue to grow by 5.3% to 6.0% annually for the second half of 2006 although inflationary pressure due to high oil prices is expected to remain.

We expect the Ringgit to continue to appreciate against the USD albeit at a slow pace in second half of 2006. Despite the rise in the overnight policy rate (OPR) from 3.00% to 3.25% on February 2006 and to 3.5% in April 2006 respectively, our economy remains accommodative given the ample liquidity and availability of reasonably priced credit facilities. The recent implementation of the Ninth Malaysia Plan will be the engine for economic growth in a wide range of sectors. We are well positioned to leverage on any potential opportunities.

Under the liberalisation of the banking industry, we have obtained Bank Negara Malaysia's approval to open four additional branches in second half of 2006 which will provide a further platform for growth in all our customer segments and improve our geographical reach.

Barring any unforeseen circumstances, the Bank expects to register satisfactory performance for the current financial year.