

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2008

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 first financial quarter ended 31 March 2008 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia on 5 October 2004.

BALDEV SINGH
Chief Financial Officer

Date : 25 April 2008

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

UNAUDITED CONDENSED BALANCE SHEET
AS AT 31 MARCH 2008

	Note	<i>Group</i>		<i>Bank</i>	
		31 Mar 2008 RM'000	31 Dec 2007 RM'000	31 Mar 2008 RM'000	31 Dec 2007 RM'000
Assets					
Cash and short term funds		10,387,809	11,321,351	10,387,809	11,321,351
Securities purchased under resale agreements		2,828,827	1,858,579	2,828,827	1,858,579
Deposits and placements with banks and other financial institutions		1,258,003	1,448,953	1,258,003	1,448,953
Securities held-for-trading	11	2,858,565	1,236,193	2,858,565	1,236,193
Securities available-for-sale	12	3,504,848	4,272,517	3,504,848	4,272,517
Loans, advances and financing	13	26,797,838	26,007,124	26,797,838	26,007,124
Other assets	15	1,581,295	897,653	1,581,295	897,653
Statutory deposits with Bank Negara Malaysia		650,547	704,847	650,547	704,847
Investments in subsidiaries companies		-	-	21	21
Prepaid land lease payments		20,772	20,890	20,772	20,890
Property, plant and equipment		252,688	258,290	252,688	258,290
Intangible assets		44,538	41,869	44,538	41,869
Deferred tax assets		75,932	69,675	75,932	69,675
Total Assets		50,261,662	48,137,941	50,261,683	48,137,962
Liabilities					
Deposits from customers	16	38,535,172	36,173,674	38,535,193	36,173,695
Deposits and placements of banks and other financial institutions	17	4,115,989	4,583,066	4,115,989	4,583,066
Bills and acceptances payable		491,949	627,730	491,949	627,730
Other liabilities	18	2,196,800	1,815,550	2,196,800	1,815,550
Recourse obligation on loans sold to Cagamas Berhad		743,675	759,101	743,675	759,101
Provision for taxation and zakat		81,929	57,569	81,929	57,569
Subordinated bonds	19	993,573	1,000,000	993,573	1,000,000
Total Liabilities		47,159,087	45,016,690	47,159,108	45,016,711
Shareholders' Funds					
Share capital		114,500	114,500	114,500	114,500
Reserves		2,988,075	2,756,751	2,988,075	2,756,751
Proposed dividend		-	250,000	-	250,000
Shareholders' funds		3,102,575	3,121,251	3,102,575	3,121,251
Total Liabilities and Shareholders' Funds		50,261,662	48,137,941	50,261,683	48,137,962
Commitments and Contingencies	26	78,842,053	76,966,309	78,842,053	76,966,309

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 2007 and the accompanying explanatory notes on pages 5 to 25 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 25 April 2008.

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

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2008

	Note	<i>Group and Bank</i>	
		31 Mar 2008 RM'000	31 Mar 2007 RM'000
Revenue		906,307	770,798
Interest income	20	518,179	483,304
Interest expense	21	(237,509)	(209,614)
Net interest income		280,670	273,690
Other operating income	22	302,550	202,794
Income from Islamic banking operations	28(f)	58,388	55,040
Operating income		641,608	531,524
Other operating expenses	23	(244,654)	(215,689)
Profit before allowance		396,954	315,835
Allowance for losses on loans and financing	24	(48,911)	(7,718)
Profit before taxation and zakat		348,043	308,117
Taxation and zakat		(95,054)	(86,270)
Profit attributable to shareholders		252,989	221,847
Earnings per RM0.50 ordinary share - basic/diluted		110.5 sen	96.9 sen
Dividends per RM0.50 ordinary share (net) - paid in respect of prior year		109.2 sen	109.2 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2007 and the accompanying explanatory notes on pages 5 to 25 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
(Company No. 12776-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2008

	<i>Group and Bank</i>									
	← Non-distributable				Distributable →				<i>Total</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>		<i>Proposed dividend</i>
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 2007	114,500	741,375	114,500	118,966	190,000	23,597	1,259,993	2,448,431	250,000	2,812,931
Net unrealised gains on revaluation	-	-	-	-	-	6,031	-	6,031	-	6,031
Net gains transferred to income statement	-	-	-	-	-	(1,312)	-	(1,312)	-	(1,312)
Net gains recognised directly in equity	-	-	-	-	-	4,719	-	4,719	-	4,719
Net profit for the period	-	-	-	-	-	-	221,847	221,847	-	221,847
Total recognised income and expense for the period	-	-	-	-	-	4,719	221,847	226,566	-	226,566
Dividend paid - 2006 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance as at 31 March 2007	114,500	741,375	114,500	118,966	190,000	28,316	1,481,840	2,674,997	-	2,789,497
Balance as at 1 April 2007	114,500	741,375	114,500	118,966	190,000	28,316	1,481,840	2,674,997	-	2,789,497
Deferred tax adjustment on revaluation reserve	-	-	-	3,983	-	-	-	3,983	-	3,983
Net unrealised gains on revaluation	-	-	-	-	-	26,526	-	26,526	-	26,526
Transfer to retained profit on realisation of assets	-	-	-	(180)	-	-	180	-	-	-
Net gains transferred to income statement	-	-	-	-	-	(13,495)	-	(13,495)	-	(13,495)
Net gains recognised directly in equity	-	-	-	3,803	-	13,031	180	17,014	-	17,014
Net profit for the period	-	-	-	-	-	-	514,740	514,740	-	514,740
Total recognised income and expense for the period	-	-	-	3,803	-	13,031	514,920	531,754	-	531,754
Dividend paid - 2007 interim	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Proposed dividend - 2007 final	-	-	-	-	-	-	(250,000)	(250,000)	250,000	-
Balance as at 31 December 2007	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Balance as at 1 January 2008	114,500	741,375	114,500	122,769	190,000	41,347	1,546,760	2,756,751	250,000	3,121,251
Deferred tax adjustment on revaluation reserve	-	-	-	816	-	-	-	816	-	816
Net unrealised losses on revaluation	-	-	-	-	-	(4,616)	-	(4,616)	-	(4,616)
Net gains transferred to income statement	-	-	-	-	-	(17,865)	-	(17,865)	-	(17,865)
Net gains/(losses) recognised directly in equity	-	-	-	816	-	(22,481)	-	(21,665)	-	(21,665)
Net profit for the period	-	-	-	-	-	-	252,989	252,989	-	252,989
Total recognised income and expense for the period	-	-	-	816	-	(22,481)	252,989	231,324	-	231,324
Dividend paid - 2007 final	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Balance as at 31 March 2008	114,500	741,375	114,500	123,585	190,000	18,866	1,799,749	2,988,075	-	3,102,575

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 2007 and the accompanying explanatory notes on page 5 to 25 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2008

	<i>Group and Bank</i>	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Profit before taxation and zakat	348,043	308,117
Adjustments for non-operating and non-cash items	11,218	25,711
Operating profit before working capital changes	359,261	333,828
Changes in working capital:		
Net changes in operating assets	(3,821,726)	(1,805,524)
Net changes in operating liabilities	2,118,037	2,537,917
Taxation and zakat paid	(67,470)	(67,501)
Net cash (used in)/generated from operations	(1,411,898)	998,720
Net cash generated from/(used in) investing activities	728,356	(1,654,850)
Net cash used in financing activities	(250,000)	(250,000)
	478,356	(1,904,850)
Net changes in cash and cash equivalents	(933,542)	(906,130)
Cash and cash equivalents at beginning of the period	11,321,351	6,114,345
Cash and cash equivalents at end of the period	10,387,809	5,208,215
Analysis of cash and cash equivalents		
Cash and short-term funds	10,387,809	5,208,215

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 2007 and the accompanying explanatory notes on page 5 to 25 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 31 MARCH 2008

1 Basis of Preparation

The unaudited condensed interim financial statements for the first financial quarter ended 31 March 2008 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") as modified by Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. 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 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007, except for the adoption of the following Financial Reporting Standards ("FRS's") and Interpretations that are effective for financial periods beginning on or after 1 July 2007:

- FRS 107 *Cash Flow Statements*
- FRS 111 *Construction Contracts*
- FRS 112 *Income Taxes*
- FRS 118 *Revenue*
- FRS 119 *Employee Benefits*
- FRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*
- *Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*
- FRS 126 *Accounting and Reporting by Retirement Benefit Plans*
- FRS 129 *Financial Reporting in Hyperinflationary Economies*
- FRS 134 *Interim Financial Reporting*
- FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*
- IC Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- IC Interpretation 6 *Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*
- IC Interpretation 7 *Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies*
- IC Interpretation 8 *Scope of FRS 2*

1 Basis of Preparation (Cont'd)

The adoption of FRS's 107, 112, 118, 119, 134, 137, Amendment to FRS 121 and IC Interpretation 8 does not result in significant changes in the accounting policies of the Group and the Bank.

FRS 111, 120, 126, 129, IC Interpretation 1, 2, 5, 6, and 7 are not applicable to the Group and the Bank.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

- (i) Estimation of recoverable amount based on the discounted cashflow methodology for impaired loans (Notes 14(ii) and 24)
- (ii) Fair value estimation of financial assets and liabilities.

2 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2007 was not subject to any qualification.

3 Seasonality or Cyclical Factors

The business operations of the Bank were 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 financial period ended 31 March 2008.

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 financial period ended 31 March 2008.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2008.

7 Dividend

A final dividend of RM1.475 per ordinary share less tax at 26% totalling RM250 million in respect of the financial year ended 2007 was paid on 7 March 2008.

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 period ended 31 March 2008.

9 Significant Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date that requires 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 except for the incorporation of HSBC Amanah Malaysia Berhad, a fully owned subsidiary of HSBC Bank Malaysia Berhad on 26 February 2008.

11 Securities Held-for-Trading

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	143,313	83,422
Bank Negara Malaysia bills and notes	1,742,649	316,580
Bank Negara Malaysia Islamic bills	169,664	315,096
Malaysian Government securities	627,285	413,625
Malaysian Government Islamic bonds	4,918	9,780
Cagamas bonds and notes	10,191	12,474
	2,698,020	1,150,977
Unquoted securities:		
Private debt securities (including commercial paper)	160,545	85,216
	2,858,565	1,236,193

12 Securities Available-for-Sale

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	-	29,916
Bank Negara Malaysia bills and notes	429,641	775,282
Bank Negara Malaysia Islamic bills	165,897	804,051
Malaysian Government securities	463,143	371,059
Malaysian Government Islamic bonds	652,254	651,757
Khazanah bonds	281,033	277,853
Cagamas bonds	470,693	540,095
Negotiable instruments of deposit	19,995	320,015
Bankers' acceptance and Islamic accepted bills	646,277	90,202
	3,128,933	3,860,230
Quoted securities:		
Shares	28,953	21,108
Loan stock	16,106	16,106
	45,059	37,214
Unquoted securities:		
Shares	64,777	77,342
Private debt securities	282,185	313,837
	346,962	391,179
Impairment loss:		
Quoted securities in Malaysia:		
Loan stock	(16,106)	(16,106)
	3,504,848	4,272,517

13 Loans, Advances and Financing

(i) By type

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Overdrafts	1,511,659	1,523,922
Term loans/ financing		
Housing loans/ financing	8,603,707	8,486,428
Syndicated term loans/ financing	151,381	155,159
Hire purchase receivables	266,439	251,516
Lease receivables	19,746	23,570
Other term loans/ financing	7,115,599	6,887,328
Bills receivable	1,710,427	1,519,669
Trust receipts	894,022	640,323
Claims on customers under acceptance credits	2,718,140	2,567,640
Staff loans/ financing	334,927	329,416
Credit/ charge cards	2,276,379	2,343,528
Revolving credit	1,958,385	2,024,455
Other loans/ financing	5,735	5,574
Less: Unearned interest and income	(127,095)	(131,370)
	27,439,451	26,627,158
Less: Allowance for bad and doubtful debts and financing:		
- General	(411,000)	(401,700)
- Specific	(230,613)	(218,334)
Total net loans, advances and financing	26,797,838	26,007,124

(ii) By type of customer

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Domestic non-bank financial institutions		
Stockbroking companies	154,568	153,084
Others	26,625	47,138
Domestic business enterprises		
Small medium enterprises	3,774,555	3,447,776
Others	9,587,983	9,211,129
Government and statutory bodies	17	23
Individuals	13,246,947	13,190,289
Other domestic entities	2,720	2,695
Foreign entities	646,036	575,024
	27,439,451	26,627,158

13 Loans, Advances and Financing (continued)

(iii) By interest/ profit rate sensitivity

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Fixed rate		
Housing loans/ financing	276,474	281,934
Hire purchase receivables	236,320	223,506
Other fixed rate loans/ financing	4,228,188	4,157,222
Variable rate		
BLR plus	18,463,705	17,596,513
Cost-plus	1,958,385	2,024,455
Other variable rates	2,276,379	2,343,528
	27,439,451	26,627,158

(iv) By sector

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	934,807	1,001,145
Mining and quarrying	186,247	177,656
Manufacturing	5,647,502	5,064,036
Electricity, gas and water	98,810	110,542
Construction	685,796	639,879
Real estate	655,805	690,951
Purchase of landed property:		
Residential	9,036,873	8,926,254
Non-residential	1,206,953	1,164,051
Wholesale & retail trade and restaurants & hotels	2,481,639	2,280,204
Transport, storage and communication	259,610	247,079
Finance, insurance and business services	1,441,476	1,496,488
Purchase of securities	42,861	48,123
Purchase of transport vehicles	43,236	39,915
Consumption credit	4,323,389	4,325,096
Others	394,447	415,739
	27,439,451	26,627,158

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

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

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
At beginning of year	438,025	538,401
Classified as non-performing during the period/ year	102,754	541,516
Reclassified as performing	(16,694)	(104,002)
Loans/ financing converted to securities	-	(19,339)
Amount recovered	(37,027)	(173,397)
Amount written off	(46,508)	(256,499)
Disposal	-	(94,727)
Other movements	2,938	6,072
At end of period/year	443,488	438,025
Specific allowance	(230,613)	(218,334)
Net non-performing loans, advances and financing	212,875	219,691
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	0.8%	0.8%

(ii) Movements in allowance for bad and doubtful debts

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
General allowance		
At beginning of year	401,700	372,600
Made during the period/ year	10,500	53,200
Amount written back during the year	(1,200)	(24,100)
At end of period/year	411,000	401,700
As % of gross loans, advances and financing less specific allowance	1.5%	1.5%
Specific allowance		
At beginning of year	218,334	272,395
Made during the period/ year	59,965	318,312
Amount recovered	(5,804)	(69,895)
Amount written off	(44,807)	(308,547)
Other movements	2,925	6,069
At end of period/year	230,613	218,334

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

(iii) By sector

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	2,353	2,400
Manufacturing	61,556	67,164
Construction	7,634	8,013
Real estate	13,975	14,552
Purchase of landed property:		
Residential	157,900	161,317
Non-residential	21,656	22,244
Wholesale & retail trade and restaurants & hotels	39,814	39,578
Transport, storage and communication	2,041	1,999
Finance, insurance and business services	7,217	3,548
Purchase of securities	362	363
Purchase of transport vehicles	200	286
Consumption credit	126,680	113,971
Others	2,100	2,590
	443,488	438,025

15 Other Assets

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Derivative financial assets	808,620	546,321
Interest/ income receivable	60,696	46,528
Other receivables, deposits and prepayments	711,979	304,804
	1,581,295	897,653

16 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
Demand deposits	8,070,301	7,606,560	8,070,322	7,606,581
Savings deposits	5,329,574	5,159,481	5,329,574	5,159,481
Fixed/ investment deposits	21,672,825	20,316,874	21,672,825	20,316,874
Negotiable instruments of deposits	482,123	266,092	482,123	266,092
Wholesale money market deposits	1,998,578	1,882,951	1,998,578	1,882,951
Others	981,771	941,716	981,771	941,716
	38,535,172	36,173,674	38,535,193	36,173,695

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	192,832	156,972	192,832	156,972
Business enterprises	15,525,786	14,388,888	15,525,807	14,388,909
Individuals	18,492,122	17,780,919	18,492,122	17,780,919
Others	4,324,432	3,846,895	4,324,432	3,846,895
	38,535,172	36,173,674	38,535,193	36,173,695

17 Deposits and Placements of Banks and Other Financial Institutions

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Licensed banks	180,000	-
Bank Negara Malaysia	44,144	111,089
Other financial institutions	3,891,845	4,471,977
	4,115,989	4,583,066

18 Other Liabilities

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Derivative financial liabilities	694,259	507,882
Interest/ profit payable	205,093	196,813
Allowance for commitments and contingencies	2,245	2,245
Profit equalisation reserve	6,700	5,700
Other creditors and accruals	1,288,503	1,102,910
	2,196,800	1,815,550

19 Subordinated bonds

	<i>Group and Bank</i>	
	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Subordinated bonds, at par	1,000,000	1,000,000
Fair value changes arising from fair value hedge	(6,427)	-
	993,573	1,000,000

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

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

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

20 Interest Income

	<i>Group and Bank</i>	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPLs	373,686	353,086
- Recoveries from NPLs	7,422	10,160
Money at call and deposit placements with financial institutions	116,091	93,020
Securities available-for-sale	17,055	25,060
	514,254	481,326
Amortisation of premium less accretion of discounts	9,630	6,684
Interest suspended	(5,705)	(4,706)
Total interest income	518,179	483,304

21 Interest Expense

	<i>Group and Bank</i>	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	19,704	14,699
Deposits from customers	195,664	165,970
Loans sold to Cagamas	8,863	10,288
Subordinated bonds	11,718	-
Others	1,560	18,657
	237,509	209,614

22 Other Operating Income

	<i>Group and Bank</i>	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Fees and commissions	97,065	96,176
Net gains/(losses) arising from sale of securities		
- Securities held-for-trading	17,765	(7,441)
- Securities available-for-sale	24,141	1,498
Net interest income from trading securities	16,738	7,654
Net unrealised (losses)/gains on revaluation of trading securities	(1,027)	13,075
Net gains arising from dealing in foreign currency	102,303	62,130
Net unrealised gains from dealing in foreign currency	7,484	19,837
Net gains/(losses) arising from trading in derivatives	4,860	(1,481)
Net unrealised gains on revaluation of derivatives	24,466	4,729
Dividend income from securities available-for-sale		
- Unquoted in Malaysia	120	120
Rental income	1,488	1,533
Net gains/(losses) on disposal of property, plant and equipment	33	(125)
Other operating income	7,114	5,089
	302,550	202,794

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

Cards	41,250	35,814
Service charges and fees	30,018	27,480
Agency fees	9,501	16,979
Credit facilities	7,014	6,286

23 Other Operating Expenses

	<i>Group and Bank</i>	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Personnel expenses	129,003	110,684
Promotion and marketing related expenses	13,735	13,871
Establishment related expenses	27,388	25,867
General administrative expenses	74,528	65,267
	244,654	215,689

The above expenditure includes the following major items / statutory disclosures:

Personnel expenses		
Salaries, allowances and bonuses	97,563	84,824
Employees Provident Fund contributions	17,062	14,627
Promotion and marketing related expenses		
Advertising and promotion	8,230	8,042
Establishment related expenses		
Depreciation of property, plant and equipment	7,371	6,852
Amortisation of intangible assets	3,859	1,377
Information technology costs	3,522	6,979
Hire of equipment	3,093	2,228
Rental of premises	4,061	3,284
Property, plant and equipment written off	141	19
General administrative expenses		
Intercompany expenses	46,088	42,196
Fees and commissions paid	873	1,424
Auditors' remuneration	88	-

24 Allowance for Losses on Loans and Financing

	<i>Group and Bank</i>	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing		
(a) Specific allowance		
Made during the financial period	59,965	59,654
Written back	(5,804)	(35,623)
(b) General allowance		
Made during the financial period	10,500	-
Written back	(1,200)	(4,200)
Bad debts on loans and financing:		
Recovered	(16,250)	(17,922)
Written off	1,700	5,907
Allowance for losses on commitments and contingencies:		
Made during the financial period	-	-
Written back	-	(98)
	48,911	7,718

25 Capital Adequacy

	<i>Bank</i>	
	31 Mar 2008 RM'000	31 Dec 2007 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profit	1,546,760	1,796,760
Other reserves	114,500	114,500
	<u>2,707,135</u>	<u>2,957,135</u>
Less: Deferred tax adjustments	(105,145)	(105,145)
Total Tier 1 capital	<u>2,601,990</u>	<u>2,851,990</u>
Tier 2 capital		
Subordinated bonds	993,573	1,000,000
Revaluation reserves	72,791	72,383
General allowance for bad and doubtful debts and financing	411,000	401,700
Total Tier 2 capital	<u>1,477,364</u>	<u>1,474,083</u>
Total capital	4,079,354	4,326,073
Less: Investment in subsidiaries	(21)	(21)
Capital base	<u>4,079,333</u>	<u>4,326,052</u>
Core capital ratio	7.4%	10.0%
Risk-weighted capital ratio	11.6%	15.1%
Core capital ratio (net of proposed dividend)	7.4%	9.1%
Risk-weighted capital ratio (net of proposed dividend)	11.6%	14.2%

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

	<i>Bank</i>			
	31 Mar 2008		31 Dec 2007	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
0%	15,792,432	-	16,373,703	-
10%	-	-	264,455	26,446
20%	5,203,357	1,040,671	4,205,244	841,049
35%	7,606,436	2,662,253	-	-
50%	2,531,925	1,265,963	9,899,366	4,949,682
75%	8,493,902	6,370,426	-	-
100%	18,079,445	18,079,445	21,839,548	21,839,548
150%	295,261	442,892	-	-
Total RWA for market risk	-	1,482,538	-	980,958
Total RWA for operational risk	-	3,699,758	-	-
	<u>58,002,758</u>	<u>35,043,946</u>	<u>52,582,316</u>	<u>28,637,683</u>

26 Commitments and Contingencies

	<i>Group and Bank</i>					
	31 Mar 2008			31 Dec 2007		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,430,874	1,430,874	1,286,543	1,478,440	1,478,440	1,462,396
Transaction-related contingent items	2,376,493	1,188,246	993,897	2,584,941	1,292,471	1,223,077
Short-term self-liquidating trade-related contingencies	576,648	115,330	110,310	438,700	87,740	73,252
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	16,917,752	3,383,550	2,792,313	19,642,907	-	-
- Maturity exceeding one year	4,302,179	2,151,089	1,793,432	634,924	317,462	317,462
Foreign exchange related contracts:						
- Less than one year	24,809,599	669,249	365,868	21,557,011	279,475	105,763
- One year to less than five years	2,446,320	227,470	131,710	1,799,862	175,660	73,788
- Five years and above	1,931,980	230,486	111,080	1,915,480	278,531	127,469
Interest rate related contracts:						
- Less than one year	5,376,076	21,860	7,013	6,696,171	21,700	4,906
- One year to less than five years	13,699,957	424,199	144,164	17,441,588	444,377	181,798
- Five years and above	3,934,937	282,861	83,844	1,677,521	110,951	50,038
Equity related contracts	853,151	249,684	50,129	811,894	139,293	62,256
Sell buy back agreement	186,087	186,087	186,087	286,870	286,870	286,870
	78,842,053	10,560,985	8,056,390	76,966,309	4,912,970	3,969,075

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. From 2008 onwards, the credit conversion factors were based on Basel 2 basis. Previous year balances that were computed on Basel 1 basis were not required to be restated.

27 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 31 Mar 2008	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
ASSETS									
Cash and short term funds	9,850,410	-	-	-	-	537,399	-	10,387,809	3.55
Securities purchased under resale agreements	1,392,055	1,436,772	-	-	-	-	-	2,828,827	3.66
Deposits and placements with banks and other financial institutions	-	1,250,000	-	8,003	-	-	-	1,258,003	3.56
Securities held-for-trading	-	-	-	-	-	-	2,858,565	2,858,565	3.19
Securities available-for-sale	383,377	1,068,566	724,429	1,085,437	149,309	93,730	-	3,504,848	3.76
Loans, advances and financing									
- performing	21,686,482	2,128,229	626,881	1,027,277	292,412	823,682	-	26,584,963	6.41
- non-performing *	-	-	-	-	-	212,875	-	212,875	-
Others	-	-	-	-	-	1,272,682	1,353,111	2,625,793	-
Total Assets	33,312,324	5,883,567	1,351,310	2,120,717	441,721	2,940,368	4,211,676	50,261,683	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers	19,458,060	4,205,831	7,356,140	484,942	42,800	6,987,420	-	38,535,193	2.73
Deposits and placements of banks and other financial institutions	1,994,848	600,564	392,946	395,372	981	731,278	-	4,115,989	2.66
Bills and acceptances payable	48,918	7,613	-	-	-	435,418	-	491,949	3.30
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	743,675	-	-	-	743,675	4.71
Subordinated bonds	-	-	-	-	993,573	-	-	993,573	4.70
Others	-	-	-	-	-	1,096,485	1,182,244	2,278,729	-
Total Liabilities	21,501,826	4,814,008	7,749,086	1,623,989	1,037,354	9,250,601	1,182,244	47,159,108	
Shareholders' funds	-	-	-	-	-	3,102,575	-	3,102,575	
Total Liabilities and Shareholders' funds	21,501,826	4,814,008	7,749,086	1,623,989	1,037,354	12,353,176	1,182,244	50,261,683	
On-balance sheet interest sensitivity gap	11,810,498	1,069,559	(6,397,776)	496,728	(595,633)	(9,412,808)	3,029,432	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	1,922,808	(1,942,808)	20,000	-	-	-	-	
- options	(24,800)	(279,345)	86,230	217,915	-	-	-	-	
- swaps	(1,311,796)	1,089,177	680,775	(1,170,579)	803,803	-	-	91,380	
Total interest sensitivity gap	10,473,902	3,802,199	(7,573,579)	(435,936)	208,170	(9,412,808)	3,029,432	91,380	

* This is derived after deducting specific allowance from non-performing loans.

27 Interest/ Profit Rate Risk (continued)

Bank 31 Dec 2007	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
ASSETS									
Cash and short term funds	9,727,281	-	-	-	-	1,594,070	-	11,321,351	3.56
Securities purchased under resale agreements	879,502	979,077	-	-	-	-	-	1,858,579	3.50
Deposits and placements with banks and other financial institutions	-	1,440,854	-	8,099	-	-	-	1,448,953	4.00
Securities held for trading	-	-	-	-	-	-	1,236,193	1,236,193	3.71
Securities available-for-sale	659,360	898,549	1,313,304	1,296,330	6,525	98,449	-	4,272,517	3.69
Loans, advances and financing									
- performing	20,483,360	2,413,919	755,898	994,843	325,056	814,357	-	25,787,433	6.55
- non-performing *	-	-	-	-	-	219,691	-	219,691	-
Others	-	-	-	-	-	1,326,054	667,191	1,993,245	-
TOTAL ASSETS	31,749,503	5,732,399	2,069,202	2,299,272	331,581	4,052,621	1,903,384	48,137,962	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers	17,919,846	4,354,973	6,732,610	663,222	62,677	6,440,367	-	36,173,695	2.78
Deposits and placements of banks and other financial institutions	1,906,527	465,475	55,293	397,421	1,171	1,757,179	-	4,583,066	3.16
Bills and acceptances payable	57,297	65,067	-	-	-	505,366	-	627,730	3.30
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	759,101	-	-	-	759,101	4.71
Subordinated bonds	-	-	-	-	1,000,000	-	-	1,000,000	4.70
Others	-	-	-	-	-	1,069,923	803,196	1,873,119	-
Total Liabilities	19,883,670	4,885,515	6,787,903	1,819,744	1,063,848	9,772,835	803,196	45,016,711	
Shareholders' funds	-	-	-	-	-	3,121,251	-	3,121,251	
Total Liabilities and Shareholders' funds	19,883,670	4,885,515	6,787,903	1,819,744	1,063,848	12,894,086	803,196	48,137,962	
On-balance sheet interest sensitivity gap	11,865,833	846,884	(4,718,701)	479,528	(732,267)	(8,841,465)	1,100,188	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	790,910	(800,910)	10,000	-	-	-	-	
- options	(72,800)	(306,885)	156,885	222,800	-	-	-	-	
- swaps	(1,166,983)	(296,659)	1,281,480	257,076	(26,307)	-	-	48,607	
Total interest sensitivity gap	10,626,050	1,034,250	(4,081,246)	969,404	(758,574)	(8,841,465)	1,100,188	48,607	

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

28 Operations of Islamic Banking

Unaudited Condensed Balance Sheet as at 31 March 2008 (23 Rabiulawal 1429)

	<i>Note</i>	31 Mar 2008 RM'000	31 Dec 2007 RM'000
Assets			
Cash and short term funds		1,088,543	1,139,046
Securities available-for-sale		820,205	821,927
Financing, advances and other loans	(a)	2,968,181	2,961,465
Other assets	(c)	9,937	6,879
Statutory deposits with Bank Negara Malaysia		73,400	77,100
Equipment		369	397
Intangible assets		152	213
Deferred tax asset		15,426	15,584
Total Assets		<u>4,976,213</u>	<u>5,022,611</u>
Liabilities			
Deposits from customers	(d)	3,126,822	3,323,111
Deposits and placements of banks and other financial institutions		183,096	5,772
Other liabilities	(e)	1,021,202	1,046,751
Provision for taxation and zakat		6,860	25,833
Total Liabilities		<u>4,337,980</u>	<u>4,401,467</u>
Islamic Banking Capital Funds			
Funds allocated from Head Office		430,000	430,000
Reserves		208,233	191,144
Islamic Banking Capital Funds		<u>638,233</u>	<u>621,144</u>
Total Liabilities and Islamic Banking Capital Funds		<u>4,976,213</u>	<u>5,022,611</u>
Commitments and Contingencies		<u>225,360</u>	327,901

28 Operations of Islamic Banking (continued)

**Unaudited Condensed Income Statement
for the First Financial Quarter / Period Ended 31 March 2008
23 Rabiulawal 1429**

	Year-To-Date ended	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Income derived from investment of depositor's funds and others	77,618	71,862
Allowance for losses on financing	(10,499)	(10,049)
Profit equalisation reserve	(1,000)	-
Total distributable income	66,119	61,813
Income attributable to depositors	(34,273)	(37,819)
Income attributable to the Bank	31,846	23,994
Income derived from investment of Islamic banking capital funds	7,960	12,838
Total net income	39,806	36,832
Other operating expenses	(16,567)	(17,623)
Profit before taxation and zakat	23,239	19,209
Taxation and zakat	(6,746)	(5,216)
Profit after taxation and zakat	16,493	13,993

28 Operations of Islamic Banking (continued)

(a) Financing, advances and other loans

By type

	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Overdraft	696	-
Term financing		
House financing	83,061	86,295
Hire purchase receivables	265,729	250,807
Lease receivables	19,231	23,055
Other term financing	1,357,237	1,379,211
Claims on customers under acceptance credits	1,433,502	1,416,825
Credit/ charge cards	940	1,105
Less: Unearned income	(127,095)	(131,370)
	3,033,301	3,025,928
Less: Allowance for bad and doubtful financing :		
General	(46,525)	(45,525)
Specific	(18,595)	(18,938)
Total net financing, advances and other loans	2,968,181	2,961,465

(b) Non-Performing Financing (NPF)

(i) Movements in non-performing financing, advances and other loans (including income receivables)

	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
At beginning of year	24,321	22,183
Classified as non-performing during the period/ year	19,622	87,200
Reclassified as performing	(177)	(631)
Amount recovered	(9,411)	(6,214)
Amount written off	(10,075)	(40,719)
Others	-	(37,498)
At end of period/year	24,280	24,321
Specific allowance	(18,595)	(18,938)
Net non-performing financing, advances and other loans	5,685	5,383
Ratio of net non-performing financing, advances and other loans to net financing, advances and other loans	0.2%	0.2%

28 Operations of Islamic Banking (continued)

(ii) Movements in allowance for bad and doubtful financing

	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
General allowance		
At beginning of year	45,525	48,740
Allowance made during the period/year	1,000	535
Allowance written back during the year	-	(3,750)
At end of period/year	46,525	45,525
As % of total financing less specific allowance	1.5%	1.5%

Specific allowance

At beginning of year	18,938	18,703
Allowance made during the period/year	11,458	47,487
Amount recovered	(1,603)	(6,697)
Amount written off	(10,198)	(40,555)
At end of period/year	18,595	18,938

(c) Other Assets

	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Income receivable	9,796	6,692
Other receivables, deposits and prepayments	141	187
	9,937	6,879

(d) Deposits from Customers

(i) By type of deposit

	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Non-Mudharabah Fund		
Demand deposits	67,186	87,528
Savings deposits	402,905	382,606
	470,091	470,134
Mudharabah Fund		
General investment deposits	2,656,731	2,852,977
	3,126,822	3,323,111

28 Operations of Islamic Banking (continued)

(e) Other Liabilities

	31 Mar 2008	31 Dec 2007
	RM'000	RM'000
Special placement deposits by Head Office	920,792	920,792
Settlement due to Head Office	44,727	52,838
Profit equalisation reserve	6,700	5,700
Profit payable	17,349	21,206
Other creditors and accruals	31,634	46,215
	<u>1,021,202</u>	<u>1,046,751</u>

(f) Income from Islamic Banking Operations

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

	Year-To-Date ended	
	31 Mar 2008	31 Mar 2007
	RM'000	RM'000
Income derived from investment of depositors' funds and others	77,618	71,862
Profit equalisation reserve	(1,000)	-
Income attributable to the depositors	(34,273)	(37,819)
Income attributable to special placement deposits by Head Office	8,083	8,159
	<u>50,428</u>	<u>42,202</u>
Income derived from investment of Islamic Banking capital funds	7,960	12,838
	<u>58,388</u>	<u>55,040</u>

29 Review of Performance

The Bank registered a 13.0% increase in profit before tax (PBT) to RM348.0 million, against RM308.1 million in the corresponding period last year. Despite a competitive banking environment, all categories of operating income registered reasonable growth in the first financial quarter ended 31 March 2008. In tandem with the growth in operating income (+20.7% or RM 110.1 million), operating expenses increased (+13.4 % or RM29.0 million) albeit at a smaller quantum, resulting in an improvement in the cost income ratio to 38.1% from 40.6% in the corresponding period last year.

With lower recoveries recorded in the current quarter, the allowance for losses on loans and financing was higher than the first financial quarter of 2007. However, net and gross non-performing loans ratios remained stable at 0.8% and 1.62% (improved by 0.03%) respectively.

Total assets grew by RM2.1 billion or 4.4%, in tandem with the growth in customer deposits of RM2.4 billion or 6.5% as the banking sector remains flushed with liquidity. Net loans, advances and financing grew faster (+3.0% or RM791 million) compared to the corresponding period last year when negative loan growth was recorded (-1.0% or RM 301 million).

30 Business Prospects

The Malaysian economy is projected to grow between 5.0% to 6.0% in 2008 with inflation projected at 2.5% to 3.0%. The economic growth projected is based on Malaysia's strong economic fundamentals, diversified exports base and the relatively low exposure of the local financial institutions to the US sub-prime market. Malaysia's low unemployment rate, large trade account surplus coupled with the government's continued commitment to maintain its business friendly policies while ensuring development projects under the Ninth Malaysian Plan are implemented as planned, will help increase foreign direct investments.

Income growth will become challenging as tighter margins are expected due to intense competition and excess liquidity in the banking sector while fee income from investments will be affected by weakening sentiments in the global and local equity markets. Nevertheless, recent announcements to liberalise the bond market approval framework and to streamline Bursa Malaysia's main and second board is expected to boost both the domestic debt and equities market.

Islamic finance is expected to grow positively this year driven by excess liquidity and Malaysia is well positioned to capitalise on this development. Hence, the Bank will continue to implement its organic growth strategy in a broad stream of areas, with particular focus on the setting up of our Islamic Subsidiary in the second half of 2008 and to grow the Islamic banking business.

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