

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2007

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

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements for the half year ended 30 June 2007 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and the Revised GP8 Guidelines issued by Bank Negara Malaysia on 5 October 2004.

BALDEV SINGH
Chief Financial Officer

Date : 26 July 2007

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

UNAUDITED CONDENSED BALANCE SHEET
AS AT 30 JUNE 2007

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds		9,200,304	6,114,345	9,200,304	6,114,345
Securities purchased under resale agreements		2,238,137	2,273,539	2,238,137	2,273,539
Deposits and placements with banks and other financial institutions		1,095,617	1,989,882	1,095,617	1,989,882
Securities held-for-trading	11	1,280,811	795,937	1,280,811	795,937
Securities available-for-sale	12	5,929,377	3,806,463	5,929,377	3,806,463
Loans, advances and financing	13	25,061,603	24,343,937	25,061,603	24,343,937
Other assets	15	1,021,703	578,089	1,021,703	578,089
Statutory deposits with Bank Negara Malaysia		756,248	698,648	756,248	698,648
Investments in subsidiaries companies		-	-	21	21
Prepaid land lease payments		21,250	21,493	21,250	21,493
Property, plant and equipment		279,647	281,894	279,647	281,894
Intangible assets		34,390	29,172	34,390	29,172
Deferred tax assets		76,190	69,330	76,190	69,330
Total Assets		46,995,277	41,002,729	46,995,298	41,002,750
Liabilities					
Deposits from customers	16	33,949,118	31,822,208	33,949,139	31,822,229
Deposits and placements of banks and other financial institutions	17	3,432,051	1,934,326	3,432,051	1,934,326
Obligations on securities sold under repurchase agreements		2,348,518	1,660,739	2,348,518	1,660,739
Bills and acceptances payable		425,215	490,055	425,215	490,055
Other liabilities	18	2,511,372	1,351,441	2,511,372	1,351,441
Recourse obligation on loans sold to Cagamas Berhad		869,066	899,751	869,066	899,751
Provision for taxation and zakat		38,269	31,278	38,269	31,278
Subordinated bonds	19	500,000	-	500,000	-
Total Liabilities		44,073,609	38,189,798	44,073,630	38,189,819
Shareholders' Fund					
Share capital		114,500	114,500	114,500	114,500
Reserves		2,607,168	2,448,431	2,607,168	2,448,431
Proposed dividend		200,000	250,000	200,000	250,000
Shareholders' funds		2,921,668	2,812,931	2,921,668	2,812,931
Total Liabilities and Shareholders' Funds		46,995,277	41,002,729	46,995,298	41,002,750
Commitments and Contingencies	26	76,081,941	60,087,067	76,081,941	60,087,067

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 2006 and the accompanying explanatory notes on page 5 to 26 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 26 July 2007.

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

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2007

	<i>Note</i>	<i>Group and Bank</i>			
		2nd quarter ended		Half year ended	
		30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
		RM'000	RM'000	RM'000	RM'000
Revenue		821,251	698,361	1,592,049	1,318,323
Interest income	20	498,915	426,460	982,219	820,289
Interest expense	21	(220,659)	(184,302)	(430,273)	(351,033)
Net interest income		278,256	242,158	551,946	469,256
Other operating income	22	230,703	197,960	433,497	362,428
Income from Islamic banking operations	28 (f)	58,908	42,413	113,948	73,716
Operating income		567,867	482,531	1,099,391	905,400
Other operating expenses	23	(244,992)	(244,585)	(460,681)	(445,775)
Profit before allowance		322,875	237,946	638,710	459,625
Allowance for losses on loans and financing	24	(137,963)	(32,815)	(145,681)	(46,542)
Profit before taxation and zakat		184,912	205,131	493,029	413,083
Taxation and zakat		(50,008)	(58,612)	(136,278)	(124,308)
Profit attributable to shareholders		134,904	146,519	356,751	288,775
Earnings per RM0.50 ordinary share - basic/diluted		58.9 sen	64.0 sen	155.8 sen	126.1 sen
Dividends per RM0.50 ordinary share (net) -proposed		87.3 sen	65.5 sen	87.3 sen	65.5 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 2006 and the accompanying explanatory notes on page 5 to 26 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2007**

	<i>Group and Bank</i>								
	← Non-distributable Reserves →						Distributable Reserves		<i>Total Shareholders' funds</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>Proposed dividend</i>	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2006	114,500	741,375	114,500	118,966	190,000	15,399	972,587	150,000	2,417,327
Net profit for the period	-	-	-	-	-	-	288,775	-	288,775
Net unrealised losses on revaluation	-	-	-	-	-	(13,946)	-	-	(13,946)
Net realised gains reclassified to income statement	-	-	-	-	-	(3,879)	-	-	(3,879)
Dividend paid - 2005 final	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2006 interim	-	-	-	-	-	-	(150,000)	150,000	-
Balance as at 30 June 2006	114,500	741,375	114,500	118,966	190,000	(2,426)	1,111,362	150,000	2,538,277
Balance as at 1 July 2006	114,500	741,375	114,500	118,966	190,000	(2,426)	1,111,362	150,000	2,538,277
Net profit for the period	-	-	-	-	-	-	398,631	-	398,631
Net unrealised gains on revaluation	-	-	-	-	-	29,334	-	-	29,334
Net realised gains reclassified to income statement	-	-	-	-	-	(3,311)	-	-	(3,311)
Dividend paid - 2006 interim	-	-	-	-	-	-	-	(150,000)	(150,000)
Proposed dividend - 2006 final	-	-	-	-	-	-	(250,000)	250,000	-
Balance as at 31 December 2006	114,500	741,375	114,500	118,966	190,000	23,597	1,259,993	250,000	2,812,931
Balance as at 1 January 2007	114,500	741,375	114,500	118,966	190,000	23,597	1,259,993	250,000	2,812,931
Net profit for the period	-	-	-	-	-	-	356,751	-	356,751
Adjustment of deferred tax upon waiver of Real Property Gain Tax	-	-	-	3,165	-	-	-	-	3,165
Net unrealised gains on revaluation	-	-	-	-	-	7,886	-	-	7,886
Net realised gains reclassified to income statement	-	-	-	-	-	(9,065)	-	-	(9,065)
Dividend paid - 2006 final	-	-	-	-	-	-	-	(250,000)	(250,000)
Proposed dividend - 2007 interim	-	-	-	-	-	-	(200,000)	200,000	-
Balance as at 30 June 2007	114,500	741,375	114,500	122,131	190,000	22,418	1,416,744	200,000	2,921,668

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 2006 and the accompanying explanatory notes on page 5 to 26 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2007

	<i>Group and Bank</i>	
	<u>30 Jun 2007</u>	<u>30 Jun 2006</u>
	RM'000	RM'000
Profit before taxation and zakat	493,029	413,083
Adjustments for non-operating and non-cash items	164,319	91,443
Operating profit before working capital changes	657,348	504,526
Changes in working capital:		
Net changes in operating assets	(956,014)	(2,514,952)
Net changes in operating liabilities	5,375,943	1,170,642
Taxation and zakat paid	(134,009)	(100,442)
Net cash generated from/(used in) operations	4,943,268	(940,226)
Net cash (used in)/generated from investing activities	(2,107,309)	9,642
Net cash generated from/(used in) financing activities	250,000	(150,000)
	(1,857,309)	(140,358)
Net changes in cash and cash equivalents	3,085,959	(1,080,584)
Cash and cash equivalents at beginning of the period	6,114,345	7,710,602
Cash and cash equivalents at end of the period	9,200,304	6,630,018
Analysis of cash and cash equivalents		
Cash and short-term funds	9,200,304	6,630,018

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 2006 and the accompanying explanatory notes on page 5 to 26 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 JUNE 2007

1 Basis of Preparation

The unaudited condensed interim financial statements for the half year ended 30 June 2007 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and the Revised GP8 Guidelines issued by Bank Negara Malaysia on 5 October 2004.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006. 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 2006.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006, except for the adoption of the following:-

- revised FRS 117: Leases
- FRS 124: Related Party Disclosures
- Amendment to FRS 119²⁰⁰⁴: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures; issued by MASB that is effective for the Group's and the Bank's annual reporting date, 31 December 2007.

The effects of the change in accounting policy resulting from the adoption of the revised FRS 117 are disclosed in Note 29. The adoption of FRS 124 and Amendments to FRS 119²⁰⁰⁴ do not result in significant changes in accounting policies of the Group and the Bank.

FRS 6: Exploration for and Evaluation of Mineral Resources is not relevant to the Group's and Bank's operations.

In the preparation of the financial statements, management has been required to make judgements, estimates and assumptions that affect the application of accounting policies and in 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 financial statements 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 loan (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 annual financial statements for the financial year ended 31 December 2006 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 2007.

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 2007.

6 Debt and Equity Securities

There were no issuances, cancellation, repurchase, resale or repayment of debt and equity securities during the half year ended 30 June 2007 except for the following:

Subordinated Bonds

On 28 June 2007, the Bank issued 500,000,000 4.35% Subordinated Bonds at a nominal amount of RM1 each for additional working capital purposes. The Subordinated Bonds are due in 2022 but are callable with a step up coupon in 2017.

7 Dividend

A final dividend of 303% less 28% tax totalling RM250 million in respect of the financial year ended 2006 was paid on 2 March 2007.

The directors now recommend an interim dividend of 239% less 27% tax totalling RM200 million in respect of the current financial year on 229,000,000 ordinary shares (87.3 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 period ended 30 June 2007.

9 Significant Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the end of the current quarter.

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 2007.

11 Securities Held-for-Trading

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	75,729	116,400
Bank Negara Malaysia bills and notes	694,443	202,738
Bank Negara Malaysia Islamic bills	93,997	14,887
Malaysian Government securities	259,703	213,998
Malaysian Government Islamic bonds	15,612	23,361
Khazanah bonds	-	11,404
Cagamas bonds and notes	29,175	4,745
	1,168,659	587,533
Unquoted securities:		
Private debt securities (including commercial paper)	112,152	208,404
	1,280,811	795,937

12 Securities Available-for-Sale

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	59,050	30,794
Malaysian Government Islamic treasury bills	-	39,408
Bank Negara Malaysia bills and note	1,203,017	-
Bank Negara Malaysia Islamic bills	577,367	-
Malaysian Government securities	563,562	574,899
Malaysian Government Islamic bonds	654,176	579,980
Khazanah bonds	273,899	262,200
Cagamas bonds and notes	634,736	841,168
Negotiable instruments of deposit	930,038	477,020
Bankers' acceptance and Islamic accepted bills	633,915	531,279
	5,529,760	3,336,748
Quoted securities		
Shares	23,953	20,340
Loan stock	16,255	12,492
	40,208	32,832
Unquoted securities:		
Shares	28,572	28,572
Private and Islamic debt securities	347,092	420,895
	375,664	449,467
Impairment loss:		
Quoted securities in Malaysia:		
Shares	-	(5,701)
Loan stock	(16,255)	(6,883)
	(16,255)	(12,584)
	5,929,377	3,806,463

13 Loans, Advances and Financing

(i) By type

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Overdrafts	1,435,493	1,489,375
Term loans/ financing		
Housing loans/ financing	8,628,985	8,569,510
Syndicated term loans/ financing	485,829	41,277
Hire purchase receivables	213,164	191,050
Lease receivables	26,439	30,854
Other term loans/ financing	6,196,971	6,395,016
Bills receivable	1,923,921	1,093,859
Trust receipts	554,489	412,583
Claims on customers under acceptance credits	2,011,639	2,717,235
Staff loans/ financing	312,976	312,700
Loans to executive directors	24	232
Credit/ charge cards	2,129,414	2,017,522
Revolving credit	1,976,051	1,848,250
Other loans/ financing	12,371	12,285
Less: Unearned interest and income	(127,114)	(142,816)
	25,780,652	24,988,932
Less: Allowance for bad and doubtful debts and financing:		
- General	(383,200)	(372,600)
- Specific	(335,849)	(272,395)
Total net loans, advances and financing	25,061,603	24,343,937

(ii) By type of customer

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
Domestic non-bank financial institutions		
Stockbroking companies	150,082	150,087
Others	167,214	162,927
Domestic business enterprises		
Small medium enterprises	4,146,039	4,123,440
Others	8,007,555	7,308,461
Government and statutory bodies	36	46
Individuals	12,823,094	12,798,944
Other domestic entities	3,539	3,508
Foreign entities	483,093	441,519
	25,780,652	24,988,932

13 Loans, Advances and Financing (continued)

(iii) By interest/ profit rate sensitivity

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Fixed rate		
Housing loans/ financing	295,398	307,762
Hire purchase receivables	189,184	169,720
Other fixed rate loans/ financing	5,005,930	5,399,982
Variable rate		
BLR plus	16,184,676	15,245,696
Cost-plus	1,976,050	1,848,250
Other variable rates	2,129,414	2,017,522
	25,780,652	24,988,932

(iv) By sector

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	995,284	999,703
Mining and quarrying	160,374	191,676
Manufacturing	4,651,728	4,569,025
Electricity, gas and water	159,973	134,452
Construction	447,171	452,645
Real estate	550,603	635,859
Purchase of landed property:		
Residential	8,865,377	8,953,961
Non-residential	1,105,727	1,019,027
Wholesale & retail trade and restaurants & hotels	2,316,871	2,296,170
Transport, storage and communication	192,458	174,796
Finance, insurance and business services	1,974,652	1,332,493
Purchase of securities	88,742	115,595
Purchase of transport vehicles	37,684	34,284
Consumption credit	3,947,358	3,765,751
Others	286,650	313,495
	25,780,652	24,988,932

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

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

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
At beginning of year	538,401	688,626
Classified as non-performing during the period/ year	300,511	325,223
Reclassified as performing	(42,087)	(111,016)
Financing converted to securities	(19,339)	-
Amount recovered	(90,306)	(176,815)
Amount written off	(109,102)	(188,153)
Other movements	941	536
At end of period/year	579,019	538,401
Specific allowance	(335,849)	(272,395)
Net non-performing loans, advances and financing	243,170	266,006
Net NPL as % of gross loans, advances and financing less specific allowance	1.0%	1.1%

(ii) Movements in allowance for bad and doubtful debts

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
General allowance		
At beginning of year	372,600	327,200
Made during the period/ year	10,600	45,400
At end of period/year	383,200	372,600
As % of gross loans, advances and financing less specific allowance	1.5%	1.5%
Specific allowance		
At beginning of year	272,395	322,943
Made during the period/ year	205,319	224,961
Amount recovered	(45,652)	(98,275)
Amount written off	(97,682)	(177,770)
Other movements	1,469	536
At end of period/year	335,849	272,395

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

(iii) By sector

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,981	2,190
Mining and quarrying	-	541
Manufacturing	130,111	100,486
Construction	8,954	24,585
Real estate	15,170	16,863
Purchase of landed property:		
Residential	251,869	226,133
Non-residential	20,389	20,057
Wholesale & retail trade and restaurants & hotels	34,829	38,191
Transport, storage and communication	2,378	3,224
Finance, insurance and business services	6,527	20,711
Purchase of securities	379	362
Purchase of transport vehicles	183	170
Consumption credit	103,421	82,041
Others	2,828	2,847
	579,019	538,401

15 Other Assets

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Assets, including gains, resulting from off-balance-sheet interest rate, exchange rate and equities contracts which are marked to market	377,266	313,578
Interest/ income receivable	58,827	55,658
Other receivables, deposits and prepayments	585,610	208,853
	1,021,703	578,089

16 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
Demand deposits	7,179,924	6,273,226	7,179,945	6,273,247
Savings deposits	5,059,386	4,734,188	5,059,386	4,734,188
Fixed/ investment deposits	20,238,762	19,147,567	20,238,762	19,147,567
Negotiable instruments of deposit	617,166	1,073,968	617,166	1,073,968
Others	853,880	593,259	853,880	593,259
	33,949,118	31,822,208	33,949,139	31,822,229

16 Deposits from Customers (continued)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Jun 2007	31 Dec 2006	30 Jun 2007	31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	125,352	97,772	125,352	97,772
Business enterprises	12,926,553	12,195,118	12,926,574	12,195,139
Individuals	17,211,423	15,964,350	17,211,423	15,964,350
Others	3,685,790	3,564,968	3,685,790	3,564,968
	33,949,118	31,822,208	33,949,139	31,822,229

17 Deposits and Placements of Banks and Other Financial Institutions

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Licensed banks	97,000	81,000
Bank Negara Malaysia	21,270	18,774
Other financial institutions	3,313,781	1,834,552
	3,432,051	1,934,326

18 Other Liabilities

	<i>Group and Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Liabilities, including losses, resulting from off-balance-sheet interest rate, exchange rate and equities contracts which are marked to market	292,632	309,747
Interest/ profit payable	174,460	175,082
Allowance for commitments and contingencies	2,245	2,369
Profit equalisation reserve	5,700	4,700
Other creditors and accruals	2,036,335	859,543
	2,511,372	1,351,441

19 Subordinated Bonds

On 28 June 2007, the Bank issued at par RM500 million 4.35% Subordinated Bonds due 2022 callable with a step up coupon in 2017.

The Bank may redeem the Subordinated Bonds, in whole or in part, at any anniversary date, on or after the 10th year from Issue Date at 100% of the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the first permissible call date, then the coupon rate will be stepped up to 5.35% per annum from the beginning of the 10th year to the maturity date in 2022.

20 Interest Income

	<i>Group and Bank</i>			
	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	360,744	328,850	713,830	629,694
- Recoveries from NPLs	9,217	8,061	19,377	20,383
Money at call and deposit placement with financial institutions	95,335	74,145	188,355	138,015
Securities available-for-sale	26,461	16,996	51,521	36,749
	491,757	428,052	973,083	824,841
Amortisation of premium less accretion of discounts	12,698	2,928	19,382	3,467
Interest suspended	(5,540)	(4,520)	(10,246)	(8,019)
Total interest income	498,915	426,460	982,219	820,289

21 Interest Expense

	<i>Group and Bank</i>			
	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	21,339	17,143	36,038	27,605
Deposits from customers	169,776	141,896	335,746	273,749
Loans sold to Cagamas	9,979	10,647	20,267	20,887
Subordinated bonds	179	-	179	-
Others	19,386	14,616	38,043	28,792
	220,659	184,302	430,273	351,033

22 Other Operating Income

	<i>Group and Bank</i>			
	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Fees and commissions	109,809	105,025	205,985	198,745
Net gains/(losses) arising from sale of securities				
- Securities held-for-trading	6,837	3,607	(604)	6,009
- Securities available-for-sale	15,998	5,842	17,496	6,746
Net interest trading income	11,529	3,791	19,183	7,025
Net gains arising from dealing in foreign currency	80,743	35,031	142,873	93,343
Net losses arising from trading in derivatives	(41,001)	(24,060)	(42,482)	(14,266)
Dividend income from securities available-for-sale				
- Quoted in Malaysia	-	-	-	6
- Unquoted in Malaysia	645	645	765	845
Net unrealised gains on revaluation of trading securities (including derivatives)	30,719	27,454	48,523	25,005
Net unrealised gains from foreign exchange translations	6,100	37,812	25,937	32,725
Rental income	1,688	1,481	3,221	3,191
Net gains/(losses) on disposal of property, plant and equipment	400	(505)	275	207
Other operating income	7,236	1,837	12,325	2,847
	230,703	197,960	433,497	362,428

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

Cards	36,015	49,890	71,829	97,270
Service charges and fees	30,819	31,271	58,298	55,108
Agency fees	18,339	10,140	35,318	20,641
Credit facilities	7,208	4,813	13,494	9,872

23 Other Operating Expenses

	<i>Group and Bank</i>			
	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	128,607	129,460	239,291	231,340
Promotion and marketing related expenses	18,999	17,192	32,870	30,709
Establishment related expenses	20,776	22,403	46,643	45,150
General administrative expenses	76,610	75,530	141,877	138,576
	244,992	244,585	460,681	445,775

The above expenditure includes the following major items :

Personnel expenses				
Salaries, allowances and bonuses	100,369	94,495	185,193	172,475
Employees Provident Fund contributions	15,014	14,987	29,641	27,761
Promotion and marketing related expenses				
Advertising and promotion	11,905	10,425	19,947	19,458
Commercial sponsorships	1,708	2,023	2,654	3,017
Establishment related expenses				
Depreciation of property, plant and equipment	6,928	7,019	13,659	14,213
Amortisation of prepaid land lease payment	122	122	243	243
Information technology costs	148	3,175	7,127	7,837
Hire of equipment	2,895	2,024	5,123	4,515
Rental of premises	2,991	2,539	6,275	4,748
General administrative expenses				
Intercompany expenses	44,887	36,992	87,083	67,181
Communications	6,091	6,158	12,849	12,011

24 Allowance for Losses on Loans and Financing

	<i>Group and Bank</i>			
	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing				
Specific allowance				
Made during the financial period	145,665	67,542	205,319	102,695
Written back	(10,029)	(36,059)	(45,652)	(54,518)
General allowance				
Made during the financial period	14,800	19,500	10,600	28,900
Bad debts on loans and financing				
Recovered	(18,201)	(19,991)	(36,123)	(34,410)
Written off	5,753	1,737	11,660	4,660
Allowance for losses on commitments and contingencies				
Made during the financial period	-	292	-	421
Written back	(25)	(206)	(123)	(1,206)
	137,963	32,815	145,681	46,542

25 Capital Adequacy

	<i>Bank</i>	
	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profit	1,616,744	1,509,993
Other reserves	114,500	114,500
	<u>2,777,119</u>	<u>2,670,368</u>
Less: Deferred tax adjustments	(109,276)	(104,554)
Total Tier 1 capital	<u>2,667,843</u>	<u>2,565,814</u>
Tier 2 capital		
Subordinated bonds	500,000	-
Revaluation reserves	72,507	72,507
General allowance for bad and doubtful debts and financing	383,200	372,600
Total Tier 2 capital	<u>955,707</u>	<u>445,107</u>
Total capital	3,623,550	3,010,921
Less: Investment in subsidiaries	(21)	(21)
Capital base *	<u>3,623,529</u>	<u>3,010,900</u>
Core capital ratio	9.8%	10.1%
Risk-weighted capital ratio	13.4%	11.9%
Core capital ratio (net of proposed dividend)	9.1%	9.1%
Risk-weighted capital ratio (net of proposed dividend)	12.6%	10.9%

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

	<i>Bank</i>			
	30 Jun 2007		31 Dec 2006	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
0%	15,724,031	-	12,062,562	-
10%	324,357	32,436	327,586	32,759
20%	4,601,192	920,238	3,369,913	673,983
50%	9,202,103	4,601,052	8,562,107	4,281,053
100%	20,577,949	20,577,949	19,728,370	19,728,370
Total risk-weighted assets equivalent for market risk	-	966,523	-	678,808
	<u>50,429,632</u>	<u>27,098,198</u>	<u>44,050,538</u>	<u>25,394,973</u>

* Profit after tax of RM356.8 million for the current half year of which RM352.0 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.

26 Commitments and Contingencies

	<i>Group and Bank</i>					
	30 Jun 2007			31 Dec 2006		
	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	990,167	990,167	959,031	713,289	713,289	672,985
Transaction-related contingent items	2,553,048	1,276,524	1,219,273	2,413,779	1,206,889	1,155,394
Short-term self-liquidating trade-related contingencies	543,904	108,784	89,450	436,088	87,218	71,399
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	19,804,239	-	-	17,263,576	-	-
- Maturity exceeding one year	906,035	453,018	453,018	915,711	457,856	457,856
Foreign exchange related contracts:						
- Less than one year	21,627,679	318,503	123,439	14,144,291	210,429	78,462
- One year to less than five years	1,906,170	129,240	59,487	668,208	52,944	24,917
- Five years and above	935,262	117,612	55,972	-	-	-
Interest rate related contracts:						
- Less than one year	9,190,028	23,594	6,042	9,527,856	23,883	7,269
- One year to less than five years	15,064,873	382,870	153,457	12,788,488	338,967	134,989
- Five years and above	1,427,117	87,889	39,281	498,225	30,440	13,673
Others	1,133,419	194,650	136,426	717,556	186,884	153,087
	76,081,941	4,082,851	3,294,876	60,087,067	3,308,799	2,770,031

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

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 30 Jun 2007	Non-trading book					Non-interest sensitive RM'000	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				
ASSETS									
Cash and short term funds	8,728,125	-	-	-	-	472,179	-	9,200,304	3.55
Securities purchased under resale agreements	1,501,411	736,726	-	-	-	-	-	2,238,137	3.48
Deposits and placements with banks and other financial institutions	-	1,085,617	10,000	-	-	-	-	1,095,617	3.67
Securities held-for-trading	-	-	-	-	-	-	1,280,811	1,280,811	3.58
Securities available-for-sale	652,765	854,886	2,826,773	1,532,905	9,523	52,525	-	5,929,377	3.62
Loans, advances and financing									
- performing	19,037,609	2,604,005	825,076	1,090,036	556,855	704,852	-	24,818,433	6.96
- non-performing *	-	-	-	-	-	243,170	-	243,170	
Others	-	-	-	-	-	1,508,347	681,102	2,189,449	
Total Assets	29,919,910	5,281,234	3,661,849	2,622,941	566,378	2,981,073	1,961,913	46,995,298	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers	15,617,131	4,417,264	7,232,523	882,325	165,987	5,633,909	-	33,949,139	2.86
Deposits and placements of banks and other financial institutions	1,674,832	364,691	259,652	92,513	1,597	1,038,766	-	3,432,051	3.32
Obligation on securities sold under repurchase agreements	2,348,518	-	-	-	-	-	-	2,348,518	2.94
Bills and acceptances payable	34,405	57,971	-	-	-	332,839	-	425,215	3.27
Recourse obligation on loans sold to Cagamas Berhad	79,497	-	-	789,569	-	-	-	869,066	4.57
Subordinated bonds	-	-	-	-	500,000	-	-	500,000	4.35
Others	-	-	-	-	-	1,878,048	671,593	2,549,641	
Total Liabilities	19,754,383	4,839,926	7,492,175	1,764,407	667,584	8,883,562	671,593	44,073,630	
Shareholders' funds	-	-	-	-	-	2,921,668	-	2,921,668	
Total Liabilities and Shareholders' funds	19,754,383	4,839,926	7,492,175	1,764,407	667,584	11,805,230	671,593	46,995,298	
On-balance sheet interest sensitivity gap	10,165,527	441,308	(3,830,326)	858,534	(101,206)	(8,824,157)	1,290,320	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	640,655	(501,897)	(138,758)	-	-	-	-	
- options	571,658	98,325	(15,360)	(654,623)	-	-	-	-	
- swaps	(1,016,631)	(809,678)	778,089	1,393,315	(303,251)	-	-	41,844	
Total interest sensitivity gap	9,720,554	370,610	(3,569,494)	1,458,468	(404,457)	(8,824,157)	1,290,320	41,844	

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

27 Interest/ Profit Rate Risk (continued)

Bank 31 Dec 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			
ASSETS									
Cash and short term funds	5,803,102	-	-	-	-	311,243	-	6,114,345	3.67
Securities purchased under resale agreements	674,820	806,490	792,229	-	-	-	-	2,273,539	3.60
Deposits and placements with banks and other financial institutions	-	1,972,375	-	17,507	-	-	-	1,989,882	3.68
Securities held-for-trading	-	-	-	-	-	-	795,937	795,937	3.87
Securities available-for-sale	612,610	527,659	720,049	1,888,479	14,454	43,212	-	3,806,463	3.72
Loans, advances and financing									
- performing	19,461,601	1,902,625	503,647	1,131,363	419,732	658,963	-	24,077,931	6.88
- non-performing *	-	-	-	-	-	266,006	-	266,006	
Others	-	-	-	-	-	1,349,370	329,277	1,678,647	
Total Assets	26,552,133	5,209,149	2,015,925	3,037,349	434,186	2,628,794	1,125,214	41,002,750	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers Deposits and placements of banks and other financial institutions	16,226,218	3,497,782	6,033,105	669,024	169,181	5,226,919	-	31,822,229	2.91
Obligation on securities sold under repurchase agreements	1,202,396	297,444	26,614	4,950	2,763	400,159	-	1,934,326	3.33
Bills and acceptances payable	1,660,739	-	-	-	-	-	-	1,660,739	2.93
Recourse obligation on loans sold to Cagamas Berhad	77,146	60,278	2,984	-	-	349,647	-	490,055	3.27
Others	-	-	81,689	818,062	-	-	-	899,751	4.57
	-	-	-	-	-	1,052,983	329,736	1,382,719	
Total Liabilities	19,166,499	3,855,504	6,144,392	1,492,036	171,944	7,029,708	329,736	38,189,819	
Shareholders' funds	-	-	-	-	-	2,812,931	-	2,812,931	
Total Liabilities and Shareholders' funds	19,166,499	3,855,504	6,144,392	1,492,036	171,944	9,842,639	329,736	41,002,750	
On-balance sheet interest sensitivity gap	7,385,634	1,353,645	(4,128,467)	1,545,313	262,242	(7,213,845)	795,478	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	(250,833)	344,833	(94,000)	-	-	-	-	
- options	720,897	196,255	(130,601)	(786,551)	-	-	-	-	
- swaps	(605,675)	344,814	(264,514)	542,390	(19,800)	-	-	(2,785)	
Total interest sensitivity gap	7,500,856	1,643,881	(4,178,749)	1,207,152	242,442	(7,213,845)	795,478	(2,785)	

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

28 Operations of Islamic Banking

Unaudited Condensed Balance Sheet as at 30 June 2007 (15 Jamadilakhir 1428)

	<i>Note</i>	30 Jun 2007 RM'000	31 Dec 2006 RM'000
Assets			
Cash and short term funds		1,584,462	975,534
Deposits and placements with banks and other financial institutions		-	160,000
Securities available-for-sale		923,473	1,040,407
Financing, advances and other loans	(a)	3,078,737	3,080,253
Other assets	(c)	9,406	11,096
Statutory deposits with Bank Negara Malaysia		85,100	89,600
Equipment		430	268
Intangible assets		363	552
Deferred tax asset		15,882	15,603
Total Assets		<u>5,697,853</u>	<u>5,373,313</u>
Liabilities			
Deposits from customers	(d)	3,915,818	3,654,806
Deposits and placements of banks and other financial institutions		192,492	186,806
Other liabilities	(e)	987,425	958,576
Provision for taxation and zakat		13,692	20,683
Total Liabilities		<u>5,109,427</u>	<u>4,820,871</u>
Islamic Banking Capital Funds			
Funds allocated from Head Office		430,000	430,000
Reserves		158,426	122,442
Islamic Banking Capital Funds		<u>588,426</u>	<u>552,442</u>
Total Liabilities and Islamic Banking Capital Funds		<u>5,697,853</u>	<u>5,373,313</u>
Commitments and Contingencies		<u>259,194</u>	<u>311,526</u>

28 Operations of Islamic Banking (continued)

**Unaudited Condensed Income Statement
for the half year ended 30 June 2007
(15 Jamadilakhir 1428)**

	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositor's funds and others	74,207	62,905	146,069	115,247
Allowance for losses on financing	(8,575)	(1,613)	(18,624)	(496)
Profit equalisation reserve	(1,000)	-	(1,000)	(3,000)
Total distributable income	64,632	61,292	126,445	111,751
Income attributable to depositors	(39,869)	(39,742)	(77,688)	(74,363)
Income attributable to the Bank	24,763	21,550	48,757	37,388
Income derived from investment of Islamic banking capital funds	17,426	11,036	30,264	20,359
Total net income	42,189	32,586	79,021	57,747
Other operating expenses	(12,876)	(18,220)	(30,499)	(22,908)
Profit before taxation and zakat	29,313	14,366	48,522	34,839
Taxation and zakat	(7,992)	(4,211)	(13,208)	(9,898)
Profit after taxation and zakat	21,321	10,155	35,314	24,941

28 Operations of Islamic Banking (continued)

(a) Financing, advances and other loans

By type

	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Term financing		
House financing	94,881	104,471
Hire purchase receivables	212,455	190,341
Lease receivables	25,924	30,339
Other term financing	1,315,800	1,367,673
Claims on customers under acceptance credits	1,620,621	1,596,149
Credit/ charge cards	1,459	1,538
Less: Unearned income	(127,114)	(142,815)
	3,144,026	3,147,696
Less: Allowance for bad and doubtful financing :		
General	(48,740)	(48,740)
Specific	(16,549)	(18,703)
Total net financing, advances and other loans	3,078,737	3,080,253

(b) Non-Performing Financing (NPF)

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

	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
At beginning of year	22,183	12,805
Classified as non-performing during the period/ year	60,859	21,692
Reclassified as performing	(213)	(399)
Amount recovered	(2,732)	(4,073)
Amount written off	(20,896)	(7,842)
Others	(25,948)	-
At end of period/year	33,253	22,183
Specific allowance	(16,549)	(18,703)
Net non-performing financing, advances and other loans	16,704	3,480
Net NPL as % of gross financing, advances and other loans less specific allowance	0.5%	0.1%

28 Operations of Islamic Banking (continued)

(ii) Movements in allowance for bad and doubtful financing

	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
General allowance		
At beginning of year	48,740	43,770
Made during the period/year	-	4,970
At end of period/year	48,740	48,740
As % of gross financing, advances and other loans less specific allowance	1.5%	1.5%

Specific allowance

At beginning of year	18,703	7,617
Made during the period/year	24,450	23,716
Amount recovered	(5,436)	(4,926)
Amount written off	(21,168)	(7,704)
At end of period/year	16,549	18,703

(c) Other Assets

	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Settlement due from Head Office	-	1,589
Income receivable	9,305	9,436
Other receivables, deposits and prepayments	101	71
	9,406	11,096

(d) Deposits from Customers

(i) By type of deposit

	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Non-Mudharabah Fund		
Demand deposits	54,760	60,949
Savings deposits	322,422	271,085
	377,182	332,034
Mudharabah Fund		
General investment deposits	3,538,636	3,322,772
	3,915,818	3,654,806

28 Operations of Islamic Banking (continued)

(e) Other Liabilities

	30 Jun 2007	31 Dec 2006
	RM'000	RM'000
Special placement deposits by Head Office	920,792	920,792
Profit equalisation reserve	5,700	4,700
Profit payable	21,992	19,738
Other creditors and accruals	38,941	13,346
	<u>987,425</u>	<u>958,576</u>

(f) Income from Islamic Banking Operations

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

	2nd quarter ended		Half year ended	
	30 Jun 2007	30 Jun 2006	30 Jun 2007	30 Jun 2006
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of				
depositors' funds and others	74,207	62,905	146,069	115,247
Profit equalisation reserve	(1,000)	-	(1,000)	(3,000)
Income attributable to the depositors	(39,869)	(39,742)	(77,688)	(74,363)
Income attributable to special	-	-		
placement deposits by Head Office	8,144	8,214	16,303	15,473
	<u>41,482</u>	<u>31,377</u>	<u>83,684</u>	<u>53,357</u>
 Income derived from investment of				
Islamic Banking capital funds	17,426	11,036	30,264	20,359
	<u>58,908</u>	<u>42,413</u>	<u>113,948</u>	<u>73,716</u>

29 Change in Accounting Policy

(a) FRS 117: Leases

Leasehold land held for own use

Prior to 1 January 2007, lease of land held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117: Leases in 2007 resulted in a change in accounting policy relating to the classification of leases of land. Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land and building element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group and the Bank have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised carrying amount of leasehold land was classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. Certain comparatives of the balance sheets of the Group and the Bank as at 31 December 2006 have been restated as set out in Note 29 (b). There were no effects on the income statements of the Group and the Bank for the financial period ended 30 June 2007.

(b) Comparatives Figures

The following comparative figures have been restated for the effects of adopting the above changes in accounting policies:

	<i>Group and Bank</i>	
	<i>As restated</i>	<i>As previously stated</i>
	<i>RM'000</i>	<i>RM'000</i>
Balance Sheet as at 31 December 2006		
Prepaid land lease payments	21,493	-
Property, plant and equipment	<u>281,894</u>	<u>303,387</u>
	<i>Group and Bank</i>	
	<i>As restated</i>	<i>As previously stated</i>
	<i>RM'000</i>	<i>RM'000</i>
Other Operating Expenses for the financial period ended 30 June 2006 (Note 23)		
Amortisation of prepaid land lease payment	243	-
Depreciation of property, plant and equipment	<u>14,213</u>	<u>14,456</u>

30 Review of Performance

The Bank recorded profit before tax of RM493.0 million for the half year ended 30 June 2007, an increase of 19.4% over the corresponding period last year. The higher profit was attributed to all-round improvements in net interest income (+RM82.7 million or 17.6%), other operating income (+RM71.1 million or 19.6%) and income from Islamic banking operations (+RM40.2 million or 54.6%). In tandem with the growth in operating income, operating expenses increased (RM14.9 million or 3.3%) albeit a smaller quantum, resulting in a lower cost income ratio of 41.9% (Jun06: 49.2%).

31 Business Prospects

Despite a moderation in the growth of the US economy, regional economies are expected to remain resilient in the second half of 2007 with the increase in intra-regional trade benefiting from the high growth performance of the emerging economies of China and India.

Bank Negara Malaysia anticipated the Malaysian economy to grow at 6% in 2007. With inflation pressure receding, the momentum of local economic growth is expected to sustain, mainly supported by the implementation of the 9th Malaysian Plan projects. Ringgit appreciation will facilitate private investment through lower cost of imported technology, machinery and expertise that will nurture greater potential economic growth in the long term, although it may dampen exports in the short term.

The competition within the banking industry has intensified arising from ample liquidity in the financial market. However, with the progressive liberalization of the finance sector in Malaysia, there are also greater business opportunities in the market, particularly on Islamic financing and Takaful business. HSBC is well positioned to exploit these potential growth areas.

HSBC successfully launched its RM500 million Tier-2 Subordinated Bonds in June 2007. It was assigned a long-term rating of AA1 by RAM Rating Services Berhad, reflecting the bank's sustainable financial strength. The funds will be used for working capital purposes and will facilitate the business expansion of the bank.

In line with the bank's continuous growth strategies, HSBC will continue to invest in human capital, technology and branding with the aim to enhance the bank's productivity and process efficiency, as well as to grow the HSBC's franchise further. With the ability to leverage on the vast experience and resources of our global network, the bank will continue to develop innovative and value added products that meet and surpass our customers' needs and expectation.

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