

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 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 first financial quarter / period ended 31 March 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: 20 April 2007

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

UNAUDITED CONDENSED BALANCE SHEET
AS AT 31 MARCH 2007

	<i>Note</i>	<i>Group</i>		<i>Bank</i>	
		31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds		5,208,215	6,114,345	5,208,215	6,114,345
Securities purchased under resale agreements		2,893,018	2,273,539	2,893,018	2,273,539
Deposits and placements with banks and other financial institutions		2,660,975	1,989,882	2,660,975	1,989,882
Securities held-for-trading	<i>11</i>	1,456,506	795,937	1,456,506	795,937
Securities available-for-sale	<i>12</i>	5,461,935	3,806,463	5,461,935	3,806,463
Loans, advances and financing	<i>13</i>	24,042,636	24,343,937	24,042,636	24,343,937
Other assets	<i>15</i>	701,535	578,089	701,535	578,089
Statutory deposits with Bank Negara Malaysia		705,148	698,648	705,148	698,648
Investments in subsidiaries companies		-	-	21	21
Property, plant and equipment		302,263	303,387	302,263	303,387
Intangible assets		35,619	29,172	35,619	29,172
Deferred tax assets		69,063	69,330	69,063	69,330
Total Assets		43,536,913	41,002,729	43,536,934	41,002,750
Liabilities					
Deposits from customers	<i>16</i>	33,933,980	31,822,208	33,934,001	31,822,229
Deposits and placements of banks and other financial institutions	<i>17</i>	2,095,032	1,934,326	2,095,032	1,934,326
Obligations on securities sold under repurchase agreements		1,812,175	1,660,739	1,812,175	1,660,739
Bills and acceptances payable		461,060	490,055	461,060	490,055
Other liabilities	<i>18</i>	1,503,649	1,351,441	1,503,649	1,351,441
Recourse obligation on loans sold to Cagamas Berhad		890,443	899,751	890,443	899,751
Provision for taxation and zakat		51,077	31,278	51,077	31,278
Total Liabilities		40,747,416	38,189,798	40,747,437	38,189,819
Shareholders' Fund					
Share capital		114,500	114,500	114,500	114,500
Reserves		2,674,997	2,448,431	2,674,997	2,448,431
Proposed dividend		-	250,000	-	250,000
Shareholders' funds		2,789,497	2,812,931	2,789,497	2,812,931
Total Liabilities and Shareholders' Funds		43,536,913	41,002,729	43,536,934	41,002,750
Commitments and Contingencies	<i>25</i>	65,047,866	60,087,067	65,047,866	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 24 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 20 April 2007.

Company No.
127776-V

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

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2007

		<i>Group and Bank</i>	
		31 Mar 2007	31 Mar 2006
	<i>Note</i>	RM'000	RM'000
Revenue		770,798	619,962
Interest income	19	483,304	393,829
Interest expense	20	(209,614)	(166,731)
Net interest income		273,690	227,098
Other operating income	21	202,794	164,468
Income from Islamic banking operations	27 (f)	55,040	31,303
Operating income		531,524	422,869
Other operating expenses	22	(215,689)	(201,190)
Profit before allowance		315,835	221,679
Allowance for losses on loans and financing	23	(7,718)	(13,727)
Profit before taxation and zakat		308,117	207,952
Taxation and zakat		(86,270)	(65,696)
Profit attributable to shareholders		221,847	142,256
Earnings per RM0.50 ordinary share - basic/diluted		96.9 sen	62.1 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 24 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 FIRST FINANCIAL QUARTER ENDED 31 MARCH 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	-	-	-	-	-	-	142,256	-	142,256
Net gains and losses not recognised in the income statement									-
- Net unrealised losses on revaluation	-	-	-	-	-	(2,972)	-	-	(2,972)
Net gains reclassified to income statement	-	-	-	-	-	(651)	-	-	(651)
Dividend paid - 2005 final	-	-	-	-	-	-	-	(150,000)	(150,000)
Balance as at 31 March 2006	114,500	741,375	114,500	118,966	190,000	11,776	1,114,843	-	2,405,960
Balance as at 1 April 2006	114,500	741,375	114,500	118,966	190,000	11,776	1,114,843	-	2,405,960
Net profit for the period	-	-	-	-	-	-	545,150	-	545,150
Net gains and losses not recognised in the income statement									-
- Net unrealised gains on revaluation	-	-	-	-	-	18,360	-	-	18,360
Net gains reclassified to income statement	-	-	-	-	-	(6,539)	-	-	(6,539)
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	-	-	-	-	-	-	221,847	-	221,847
Net gains and losses not recognised in the income statement									-
- Net unrealised gains on revaluation	-	-	-	-	-	6,031	-	-	6,031
Net gains reclassified to income statement	-	-	-	-	-	(1,312)	-	-	(1,312)
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	-	2,789,497

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 24 attached to the unaudited condensed interim financial statements.

Company No.
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HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2007

	<i>Group and Bank</i>	
	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Profit before taxation and zakat	308,117	207,952
Adjustments for non-operating and non-cash items	25,711	37,036
Operating profit before working capital changes	333,828	244,988
Changes in working capital:		
Net changes in operating assets	(1,805,524)	(1,174,498)
Net changes in operating liabilities	2,537,917	14,493
Taxation and zakat paid	(67,501)	(52,494)
Net cash generated from/(used in) operations	998,720	(967,511)
Net cash used in investing activities	(1,654,850)	(179,688)
Net cash used in financing activities	(250,000)	(150,000)
	(1,904,850)	(329,688)
Net changes in cash and cash equivalents	(906,130)	(1,297,199)
Cash and cash equivalents at beginning of the period	6,114,345	7,710,602
Cash and cash equivalents at end of the period	5,208,215	6,413,403
Analysis of cash and cash equivalents		
Cash and short-term funds	5,208,215	6,413,403

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 24 attached to the unaudited condensed interim financial statements.

HSBC BANK MALAYSIA BERHAD
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(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 31 MARCH 2007

1 Basis of Preparation

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

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 are used in applying accounting policies that have significant effect on the amount recognised in the financial statements.

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 first financial quarter ended 31 March 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 first financial quarter ended 31 March 2007.

6 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the first financial quarter ended 31 March 2007.

7 Dividend

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

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 2006.

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 first financial quarter ended 31 March 2007.

11 Securities Held-for-Trading

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	129,818	116,400
Bank Negara Malaysia bills and notes	720,268	202,738
Bank Negara Malaysia Islamic bills	54,511	14,887
Malaysian Government securities	203,848	213,998
Malaysian Government Islamic bonds	32,391	23,361
Khazanah bonds	-	11,404
Cagamas bonds and notes	4,763	4,745
	1,145,599	587,533
Unquoted securities:		
Private debt securities (including commercial paper)	310,907	208,404
	1,456,506	795,937

12 Securities Available-for-Sale

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	58,577	30,794
Malaysian Government Islamic treasury bills	39,763	39,408
Bank Negara Malaysia bills	591,576	-
Bank Negara Malaysia Islamic bills	150,777	-
Malaysian Government securities	470,597	574,899
Malaysian Government Islamic bonds	644,060	579,980
Khazanah bonds	271,663	262,200
Cagamas bonds and notes	842,757	841,168
Negotiable instruments of deposit	1,185,041	477,020
Bankers' acceptance and Islamic accepted bills	779,277	531,279
	5,034,088	3,336,748
Quoted securities		
Shares	24,301	20,340
Loan stock	13,445	12,492
	37,746	32,832
Unquoted securities:		
Shares	28,572	28,572
Private and Islamic debt securities	371,467	420,895
	400,039	449,467
Impairment loss:		
Quoted securities in Malaysia:		
Shares	(2,679)	(5,701)
Loan stock	(7,259)	(6,883)
	(9,938)	(12,584)
	5,461,935	3,806,463

13 Loans, Advances and Financing

(i) By type

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Overdrafts	1,407,754	1,489,375
Term loans/ financing		
- Housing loans/ financing	8,599,867	8,569,510
- Syndicated term loans/ financing	118,880	41,277
- Hire purchase receivables	207,338	191,050
- Lease receivables	28,541	30,854
- Other term loans/ financing	6,257,408	6,395,016
Bills receivable	1,643,332	1,093,859
Trust receipts	399,296	412,583
Claims on customers under acceptance credits	2,110,638	2,717,235
Staff loans/ financing	313,472	312,700
Loans to executive directors	272	232
Credit/ charge cards	2,023,934	2,017,522
Revolving credit	1,669,979	1,848,250
Other loans/ financing	11,792	12,285
Less: Unearned interest and income	(124,821)	(142,816)
	24,667,682	24,988,932
Less: Allowance for bad and doubtful debts and financing:		
- General	(368,400)	(372,600)
- Specific	(256,646)	(272,395)
Total net loans, advances and financing	24,042,636	24,343,937

(ii) By type of customer

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	157,288	150,087
- Others	178,457	162,927
Domestic business enterprises		
- Small medium enterprises	4,322,072	4,338,440
- Others	6,770,879	7,093,461
Government and statutory bodies	39	46
Individuals	12,778,072	12,798,944
Other domestic entities	3,619	3,508
Foreign entities	457,256	441,519
	24,667,682	24,988,932

13 Loans, Advances and Financing (continued)

(iii) By interest/ profit rate sensitivity

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Fixed rate		
Housing loans/ financing	301,889	307,762
Hire purchase receivables	184,126	169,720
Other fixed rate loans/ financing	4,978,321	5,399,982
Variable rate		
BLR plus	15,509,433	15,245,696
Cost-plus	1,669,979	1,848,250
Other variable rates	2,023,934	2,017,522
	24,667,682	24,988,932

(iv) By sector

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,009,032	999,703
Mining and quarrying	130,819	191,676
Manufacturing	4,364,026	4,569,025
Electricity, gas and water	155,477	134,452
Construction	429,118	452,645
Real estate	401,626	635,859
Purchase of landed property:		
- Residential	8,919,558	8,953,961
- Non-residential	1,082,719	1,019,027
Wholesale & retail trade and restaurants & hotels	2,341,356	2,296,170
Transport, storage and communication	184,683	174,796
Finance, insurance and business services	1,420,244	1,332,493
Purchase of securities	101,555	115,595
Purchase of transport vehicles	36,385	34,284
Consumption credit	3,816,774	3,765,751
Others	274,310	313,495
	24,667,682	24,988,932

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

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

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
At beginning of year	538,401	688,626
Classified as non-performing during the period/ year	122,781	325,223
Reclassified as performing	(18,646)	(111,016)
Amount recovered	(56,498)	(176,815)
Amount written off	(45,724)	(188,153)
Other movements	131	536
At end of period/year	540,445	538,401
Specific allowance	(256,646)	(272,395)
Net non-performing loans, advances and financing	283,799	266,006
Net NPL as % of gross loans, advances and financing less specific allowance	1.2%	1.1%

(ii) Movements in allowance for bad and doubtful debts

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
General allowance		
At beginning of year	372,600	327,200
(Written back)/made during the period/ year	(4,200)	45,400
At end of period/year	368,400	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	59,643	224,961
Amount recovered	(35,623)	(98,275)
Amount written off	(39,900)	(177,770)
Other movements	131	536
At end of period/year	256,646	272,395

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

(iii) By sector

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	2,113	2,190
Mining and quarrying	453	541
Manufacturing	99,430	100,486
Construction	9,305	24,585
Real estate	15,999	16,863
Purchase of landed property:		
- Residential	249,415	226,133
- Non-residential	21,213	20,057
Wholesale & retail trade and restaurants & hotels	33,193	38,191
Transport, storage and communication	2,720	3,224
Finance, insurance and business services	7,284	20,711
Purchase of securities	366	362
Purchase of transport vehicles	170	170
Consumption credit	96,149	82,041
Others	2,635	2,847
	540,445	538,401

15 Other Assets

	<i>Group and Bank</i>	
	31 Mar 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	295,711	313,578
Interest/ income receivable	77,060	55,658
Other receivables, deposits and prepayments	328,764	208,853
	701,535	578,089

16 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
Demand deposits	6,941,124	6,273,226	6,941,145	6,273,247
Savings deposits	4,823,125	4,734,188	4,823,125	4,734,188
Fixed/ Investment deposits	20,020,576	19,147,567	20,020,576	19,147,567
Negotiable instruments of deposit	913,996	1,073,968	913,996	1,073,968
Others	1,235,159	593,259	1,235,159	593,259
	33,933,980	31,822,208	33,934,001	31,822,229

16 Deposits from Customers (continued)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	31 Mar 2007	31 Dec 2006	31 Mar 2007	31 Dec 2006
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	119,487	97,772	119,487	97,772
Business enterprises	13,582,073	12,195,118	13,582,094	12,195,139
Individuals	16,272,889	15,964,350	16,272,889	15,964,350
Others	3,959,531	3,564,968	3,959,531	3,564,968
	33,933,980	31,822,208	33,934,001	31,822,229

17 Deposits and Placements of Banks and Other Financial Institutions

	<i>Group and Bank</i>	
	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Licensed banks	132,462	81,000
Bank Negara Malaysia	157,651	18,774
Other financial institutions	1,804,919	1,834,552
	2,095,032	1,934,326

18 Other Liabilities

	<i>Group and Bank</i>	
	31 Mar 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	267,290	309,747
Interest/ profit payable	174,080	175,082
Allowance for commitments and contingencies	2,270	2,369
Profit equalisation reserve	4,700	4,700
Other creditors and accruals	1,055,309	859,543
	1,503,649	1,351,441

19 Interest Income

	<i>Group and Bank</i>	
	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPLs	353,086	300,844
- Recoveries from NPLs	10,160	12,322
Money at call and deposit placement with financial institutions	93,020	63,870
Securities available-for-sale	25,060	19,753
	481,326	396,789
Amortisation of premium less accretion of discounts	6,684	539
Interest suspended	(4,706)	(3,499)
Total interest income	483,304	393,829

20 Interest Expense

	<i>Group and Bank</i>	
	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	14,699	10,462
Deposits from customers	165,970	131,853
Loans sold to Cagamas	10,288	10,240
Others	18,657	14,176
	209,614	166,731

21 Other Operating Income

	<i>Group and Bank</i>	
	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Fees and commissions	96,176	93,720
Net (losses)/gains arising from sale of securities		
- Securities held-for-trading	(7,441)	2,402
- Securities available-for-sale	1,498	904
Net interest trading income	7,654	3,234
Net gains arising from dealing in foreign currency	62,130	58,312
Net (losses)/gains arising from trading in derivatives	(1,481)	9,794
Dividend income from securities available-for-sale		
- Quoted in Malaysia	-	6
- Unquoted in Malaysia	120	200
Net unrealised gains/(losses) on revaluation of trading securities (including derivatives)	17,804	(2,449)
Net unrealised gains/(losses) from foreign exchange translations	19,837	(5,087)
Rental income	1,533	1,710
Net (losses)/gains on disposal of property, plant and equipment	(125)	712
Other operating income	5,089	1,010
	202,794	164,468

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

Cards	35,814	47,380
Service charges and fees	25,790	22,452
Agency fees	16,979	10,501
Credit facilities	6,286	5,059

22 Other Operating Expenses

	<i>Group and Bank</i>	
	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Personnel expenses	110,684	101,880
Promotion and marketing related expenses	13,871	13,517
Establishment related expenses	25,867	22,747
General administrative expenses	65,267	63,046
	215,689	201,190

The above expenditure includes the following major items :

Personnel expenses		
Salaries, allowances and bonuses	84,824	77,980
Employees Provident Fund contributions	14,627	12,774
Promotion and marketing related expenses		
Advertising and promotion	8,042	9,033
Commercial sponsorships	946	994
Establishment related expenses		
Depreciation of property, plant and equipment	6,852	7,315
Information technology costs	6,979	4,662
Hire of equipment	2,228	2,491
Rental of premises	3,284	2,209
General administrative expenses		
Intercompany expenses	42,196	30,189
Fees and commissions paid	1,424	15,141

23 Allowance for Losses on Loans and Financing

	<i>Group and Bank</i>	
	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing		
Specific allowance		
Made during the financial period	59,654	35,153
Written back	(35,623)	(18,459)
General allowance		
(Written back)/made during the financial period	(4,200)	9,400
Bad debts on loans and financing		
Recovered	(17,922)	(14,419)
Written off	5,907	2,923
Allowance for losses on commitments and contingencies		
Made during the financial period	-	129
Written back	(98)	(1,000)
	7,718	13,727

24 Capital Adequacy

	<i>Bank</i>	
	31 Mar 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	1,259,993	1,509,993
Other reserves	114,500	114,500
	<u>2,420,368</u>	<u>2,670,368</u>
Less: Deferred tax adjustments	(104,554)	(104,554)
Total Tier 1 capital	<u>2,315,814</u>	<u>2,565,814</u>
Tier 2 capital		
Revaluation reserves	72,507	72,507
General allowance for bad and doubtful debts and financing	368,400	372,600
Total Tier 2 capital	<u>440,907</u>	<u>445,107</u>
Total capital	2,756,721	3,010,921
Less: Investment in subsidiaries	(21)	(21)
Capital base	<u>2,756,700</u>	<u>3,010,900</u>
Core capital ratio	8.9%	10.1%
Risk-weighted capital ratio	10.6%	11.9%
Core capital ratio (net of proposed dividend)	8.9%	9.1%
Risk-weighted capital ratio (net of proposed dividend)	10.6%	10.9%

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

	<i>Bank</i>			
	31 Mar 2007		31 Dec 2006	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
0%	13,173,267	-	12,062,562	-
10%	327,606	32,761	327,586	32,759
20%	4,528,852	905,770	3,369,913	673,983
50%	8,737,696	4,368,848	8,562,107	4,281,053
100%	19,556,474	19,556,474	19,728,370	19,728,370
Total risk-weighted assets equivalent for market risk	-	1,056,827	-	678,808
	<u>46,323,895</u>	<u>25,920,680</u>	<u>44,050,538</u>	<u>25,394,973</u>

25 Commitments and Contingencies

	<i>Group and Bank</i>					
	31 Mar 2007			31 Dec 2006		
	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	820,743	820,743	782,872	713,289	713,289	672,985
Transaction-related contingent items	2,399,990	1,199,995	1,163,206	2,413,779	1,206,889	1,155,394
Short-term self-liquidating trade-related contingencies	545,618	109,124	86,993	436,088	87,218	71,399
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	17,795,051	-	-	17,263,576	-	-
- Maturity exceeding one year	868,157	434,079	434,079	915,711	457,856	457,856
Foreign exchange related contracts:						
- Less than one year	17,423,577	227,184	79,538	14,144,291	210,429	78,462
- One year to less than five years	1,718,880	110,262	51,198	668,208	52,944	24,917
Interest rate related contracts:						
- Less than one year	8,427,990	18,775	5,067	9,527,856	23,883	7,269
- One year to less than five years	13,483,027	355,140	138,182	12,788,488	338,967	134,989
- Five years and above	585,415	37,212	15,731	498,225	30,440	13,673
Others	979,418	235,705	191,407	717,556	186,884	153,087
	65,047,866	3,548,219	2,948,273	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.

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 31 Mar 2007	Non-trading book						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	Non-interest sensitive RM'000			Total RM'000
ASSETS									
Cash and short term funds	4,728,126	-	-	-	-	480,089	-	5,208,215	3.56
Securities purchased under resale agreements	1,390,345	1,024,465	478,208	-	-	-	-	2,893,018	3.53
Deposits and placements with banks and other financial institutions	-	2,660,935	40	-	-	-	-	2,660,975	3.86
Securities held-for-trading	-	-	-	-	-	-	1,456,506	1,456,506	3.67
Securities available-for-sale	844,619	1,076,458	1,664,100	1,811,255	15,309	50,194	-	5,461,935	3.66
Loans, advances and financing									
- performing	18,676,447	2,181,279	699,094	1,093,347	512,164	596,506	-	23,758,837	6.84
- non-performing *	-	-	-	-	-	283,799	-	283,799	
Others	-	-	-	-	-	1,423,136	390,513	1,813,649	
Total Assets	25,639,537	6,943,137	2,841,442	2,904,602	527,473	2,833,724	1,847,019	43,536,934	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers	16,795,278	4,041,923	6,125,950	883,840	148,927	5,938,083	-	33,934,001	2.91
Deposits and placements of banks and other financial institutions	1,173,835	245,843	48,167	5,077	2,731	619,379	-	2,095,032	3.18
Obligation on securities sold under repurchase agreements	1,812,175	-	-	-	-	-	-	1,812,175	2.96
Bills and acceptances payable	64,099	46,508	-	-	-	350,453	-	461,060	3.28
Recourse obligation on loans sold to Cagamas Berhad	-	-	80,598	809,845	-	-	-	890,443	4.57
Others	-	-	-	-	-	961,660	593,066	1,554,726	
Total Liabilities	19,845,387	4,334,274	6,254,715	1,698,762	151,658	7,869,575	593,066	40,747,437	
Shareholders' funds	-	-	-	-	-	2,789,497	-	2,789,497	
Total Liabilities and Shareholders' funds	19,845,387	4,334,274	6,254,715	1,698,762	151,658	10,659,072	593,066	43,536,934	
On-balance sheet interest sensitivity gap	5,794,150	2,608,863	(3,413,273)	1,205,840	375,815	(7,825,348)	1,253,953	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	574,739	(566,739)	(8,000)	-	-	-	-	
- options	591,186	158,260	(55,000)	(694,446)	-	-	-	-	
- swaps	(985,494)	1,002,487	(753,311)	641,752	95,200	-	-	634	
Total interest sensitivity gap	5,399,842	4,344,349	(4,788,323)	1,145,146	471,015	(7,825,348)	1,253,953	634	

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

26 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	16,226,218	3,497,782	6,033,105	669,024	169,181	5,226,919	-	31,822,229	2.91
Deposits and placements of banks and other financial institutions	1,202,396	297,444	26,614	4,950	2,763	400,159	-	1,934,326	3.33
Obligation on securities sold under repurchase agreements	1,660,739	-	-	-	-	-	-	1,660,739	2.93
Bills and acceptances payable	77,146	60,278	2,984	-	-	349,647	-	490,055	3.27
Recourse obligation on loans sold to Cagamas Berhad	-	-	81,689	818,062	-	-	-	899,751	4.57
Others	-	-	-	-	-	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.

27 Operations of Islamic Banking

**Unaudited Condensed Balance Sheet
as at 31 March 2007 (12 Rabiulawal 1428)**

	<i>Note</i>	31 Mar 2007 RM'000	31 Dec 2006 RM'000
Assets			
Cash and short term funds		1,282,017	975,534
Deposits and placements with banks and other financial institutions		150,000	160,000
Securities available-for-sale		1,000,466	1,040,407
Financing, advances and other loans	(a)	2,953,430	3,080,253
Other assets	(c)	12,638	11,096
Statutory deposits with Bank Negara Malaysia		90,800	89,600
Equipment		248	268
Intangible assets		437	552
Deferred tax asset		15,203	15,603
Total Assets		<u>5,505,239</u>	<u>5,373,313</u>
Liabilities			
Deposits from customers	(d)	3,611,743	3,654,806
Deposits and placements of banks and other financial institutions		339,494	186,806
Other liabilities	(e)	980,325	958,576
Provision for taxation and zakat		5,440	20,683
Total Liabilities		<u>4,937,002</u>	<u>4,820,871</u>
Islamic Banking Capital Fund			
Funds allocated from Head Office		430,000	430,000
Reserves		138,237	122,442
Islamic Banking Capital Funds		<u>568,237</u>	<u>552,442</u>
Total Liabilities and Islamic Banking Capital Funds		<u>5,505,239</u>	<u>5,373,313</u>
Commitments and Contingencies		<u>333,087</u>	311,526

27 Operations of Islamic Banking (continued)

**Unaudited Condensed Income Statement
for the First Financial Quarter Ended 31 March 2007
(12 Rabiulawal 1428)**

	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Income derived from investment of depositor's funds and others	71,862	52,342
(Allowance for)/Write back of losses on financing	(10,049)	1,117
Profit equalisation reserve	-	(3,000)
Total distributable income	61,813	50,459
Income attributable to depositors	(37,819)	(34,621)
Income attributable to the Bank	23,994	15,838
Income derived from investment of Islamic banking capital funds	12,838	9,323
Total net income	36,832	25,161
Other operating expenses	(17,623)	(4,688)
Profit before taxation and zakat	19,209	20,473
Taxation and zakat	(5,216)	(5,687)
Profit after taxation and zakat	13,993	14,786

27 Operations of Islamic Banking (continued)

(a) Financing, advances and other loans

By type

	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Term financing		
House financing	98,062	104,471
Hire purchase receivables	206,628	190,341
Lease receivables	28,026	30,339
Other term financing	1,304,261	1,367,673
Claims on customers under acceptance credits	1,507,856	1,596,149
Credit/ charge cards	1,428	1,538
Less: Unearned income	(124,821)	(142,815)
	3,021,440	3,147,696
Less: Allowance for bad and doubtful financing :		
General	(48,740)	(48,740)
Specific	(19,270)	(18,703)
Total net financing, advances and other loans	2,953,430	3,080,253

(b) Non-Performing Financing (NPF)

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

	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
At beginning of year	22,183	12,805
Classified as non-performing during the period/ year	12,169	21,692
Reclassified as performing	(46)	(399)
Amount recovered	(1,646)	(4,073)
Amount written off	(9,390)	(7,842)
At end of period/year	23,270	22,183
Specific allowance	(19,270)	(18,703)
Net non-performing financing, advances and other loans	4,000	3,480
Net NPL as % of gross financing, advances and other loans less specific allowance	0.1%	0.1%

27 Operations of Islamic Banking (continued)

(ii) Movements in allowance for bad and doubtful financing

	31 Mar 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	1.6%	1.5%

Specific allowance

At beginning of year	18,703	7,617
Made during the period/year	11,249	23,716
Amount recovered	(1,248)	(4,926)
Amount written off	(9,434)	(7,704)
At end of period/year	19,270	18,703

(c) Other Assets

	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Settlement due from Head Office	-	1,589
Income receivable	12,599	9,436
Other receivables, deposits and prepayments	39	71
	12,638	11,096

(d) Deposits from Customers

(i) By type of deposit

	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Non-Mudharabah Fund		
Demand deposits	69,328	60,949
Savings deposits	286,335	271,085
	355,663	332,034
Mudharabah Fund		
General investment deposits	3,256,080	3,322,772
	3,611,743	3,654,806

27 Operations of Islamic Banking (continued)

(e) Other Liabilities

	31 Mar 2007	31 Dec 2006
	RM'000	RM'000
Special placement deposits by Head Office	920,792	920,792
Profit equalisation reserve	4,700	4,700
Profit payable	21,855	19,738
Other creditors and accruals	32,978	13,346
	980,325	958,576

(f) Income from Islamic Banking Operations

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

	31 Mar 2007	31 Mar 2006
	RM'000	RM'000
Income derived from investment of depositors' funds and others	71,862	52,342
Profit equalisation reserve	-	(3,000)
Income attributable to the depositors	(37,819)	(34,621)
Income attributable to special placement deposits by Head Office	8,159	7,259
	42,202	21,980
Income derived from investment of Islamic Banking capital funds	12,838	9,323
	55,040	31,303

28 Review of Performance

The Bank recorded profit before tax of RM308.1 million for the first financial quarter ended 31 March 2007, an increase of 48.2% over the corresponding period last year. The higher profit was attributed to all-round improvements in net interest income (+RM46.6 million or 20.5%), other operating income (+RM38.3 million or 23.3%) and income from Islamic banking operations (+RM23.7 million or 75.8%). In tandem with the growth in operating income, operating expenses increased (RM14.5 million or 7.2%) albeit a smaller quantum, resulting in a lower cost income ratio of 40.6% (Mar06: 47.6%).

29 Business Prospects

Malaysia registered a robust economic growth rate of 5.9% last year and it is expected to grow at 6% in the current year, mainly supported by the development projects under the Ninth Malaysian Plan, coupled with the business friendly policies adopted by the government. With inflation well contained, we expect the momentum of economic growth to sustain.

The banking sector is expected to be more competitive and challenging as there is ample liquidity in the financial markets exacerbated by new Islamic banks expanding their network in the local market. However, the business sentiment remains positive as we are well positioned to explore and capture new business opportunities on every potential growth area by leveraging on our strong brand, network and expertise.

The Bank aims to become the most preferred bank in the country by providing financial solutions via value added products and excellent service to our customers. To achieve this, we have embarked on many operational process re-engineering activities and customer focused initiatives to reduce operation costs and improve customer service delivery.

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