

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2008**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<b>ASSETS</b>				
Cash and short-term funds	36,549,598	35,548,788	32,588,188	32,606,147
Deposits and placements with banks and other financial institutions	1,617,593	2,683,773	3,542,492	3,069,166
Securities purchased under resale agreements	12,023,726	12,723,490	11,316,614	12,006,597
Securities held-for-trading	8,228,740	8,061,927	8,183,535	8,051,599
Securities available-for-sale	4,649,583	4,081,321	4,189,268	3,648,862
Securities held-to-maturity	2,592,657	3,872,395	1,009,106	1,688,005
Loans, advances and financing	111,225,252	99,327,993	99,947,033	89,805,707
Derivative financial assets	187,435	112,249	177,615	110,900
Other assets	1,599,944	1,812,188	1,261,342	1,309,416
Statutory deposits with Central Banks	2,952,428	2,373,927	2,763,000	2,272,000
Deferred tax assets	360,527	321,762	320,999	276,975
Investment in subsidiary companies	-	-	2,560,891	2,353,761
Investment in associated companies	51,943	46,318	28,465	28,465
Investment properties	61,525	54,390	-	-
Prepaid land lease payments	255,111	259,561	16	17
Property and equipment	887,085	864,809	565,543	548,090
Intangible assets	1,993,215	2,010,296	695,393	695,393
<b>TOTAL ASSETS</b>	<b>185,236,362</b>	<b>174,155,187</b>	<b>169,149,500</b>	<b>158,471,100</b>
<b>LIABILITIES</b>				
Deposits from customers	152,174,211	138,764,571	139,250,520	126,424,828
Deposits and placements of banks and other financial institutions	7,039,807	10,438,118	6,203,266	9,346,834
Obligations on securities sold under repurchase agreements	-	2,279	-	2,279
Bills and acceptances payable	3,278,988	3,452,296	3,278,988	3,452,296
Recourse obligations on loans sold to Cagamas	3,365,233	3,956,404	3,365,233	3,956,404
Derivative financial liabilities	372,200	153,186	360,484	147,084
Other liabilities	2,428,454	2,347,682	1,504,525	1,199,506
Borrowings	502,098	349,730	-	-
Subordinated notes	3,738,705	2,468,571	3,758,135	2,468,571
Hybrid capital securities	1,763,363	1,855,854	1,763,363	1,855,854
Provision for tax expense and zakat	520,618	365,871	424,256	266,829
Deferred tax liabilities	24,656	22,202	-	-
<b>TOTAL LIABILITIES</b>	<b>175,208,333</b>	<b>164,176,764</b>	<b>159,908,770</b>	<b>149,120,485</b>

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	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<b>EQUITY</b>				
Share capital	3,531,926	3,527,891	3,531,926	3,527,891
Reserves	7,111,484	7,088,180	6,982,814	7,096,621
Treasury shares	<u>(1,274,010)</u>	<u>(1,273,897)</u>	<u>(1,274,010)</u>	<u>(1,273,897)</u>
<b>Equity attributable to equity holders of the Bank</b>	<b>9,369,400</b>	<b>9,342,174</b>	<b>9,240,730</b>	<b>9,350,615</b>
Minority interests	658,629	636,249	-	-
<b>TOTAL EQUITY</b>	<b><u>10,028,029</u></b>	<b><u>9,978,423</u></b>	<b><u>9,240,730</u></b>	<b><u>9,350,615</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>185,236,362</u></b>	<b><u>174,155,187</u></b>	<b><u>169,149,500</u></b>	<b><u>158,471,100</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b><u>59,192,749</u></b>	<b><u>40,807,470</u></b>	<b><u>53,330,378</u></b>	<b><u>36,690,143</u></b>
<b>CAPITAL ADEQUACY</b>				
<b><u>Before deducting proposed dividends</u></b>				
Core Capital Ratio	8.6%	9.1%	10.5%	11.1%
Risk-Weighted Capital Ratio	<u>14.3%</u>	<u>13.6%</u>	<u>14.0%</u>	<u>13.3%</u>
<b><u>After deducting proposed dividends</u></b>				
Core Capital Ratio	7.7%	7.6%	9.5%	9.5%
Risk-Weighted Capital Ratio	<u>13.6%</u>	<u>12.4%</u>	<u>13.2%</u>	<u>11.9%</u>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b><u>2.79</u></b>	<b><u>2.79</u></b>	<b><u>2.75</u></b>	<b><u>2.79</u></b>

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**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2008**

	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>Group</b>				
Operating revenue	<b>2,515,579</b>	2,423,826	<b>5,151,591</b>	4,570,046
Interest income	<b>2,022,700</b>	1,865,411	<b>4,030,264</b>	3,605,400
Interest expense	<b>(1,102,015)</b>	(1,081,625)	<b>(2,214,880)</b>	(2,059,011)
Net interest income	<b>920,685</b>	783,786	<b>1,815,384</b>	1,546,389
Net income from Islamic banking business				
Net financing income	<b>126,693</b>	117,452	<b>248,458</b>	221,366
Other Islamic banking income	<b>1,903</b>	1,909	<b>3,773</b>	3,472
	<b>1,049,281</b>	903,147	<b>2,067,615</b>	1,771,227
Other operating income	<b>313,505</b>	349,416	<b>871,041</b>	638,619
Net income	<b>1,362,786</b>	1,252,563	<b>2,938,656</b>	2,409,846
Other operating expenses	<b>(411,654)</b>	(425,541)	<b>(862,365)</b>	(813,085)
Operating profit	<b>951,132</b>	827,022	<b>2,076,291</b>	1,596,761
Allowance for losses on loans, advances and financing	<b>(147,053)</b>	(94,392)	<b>(291,439)</b>	(186,091)
- General allowances	<b>(80,696)</b>	(38,243)	<b>(142,746)</b>	(94,722)
- Other loan loss allowances	<b>(66,357)</b>	(56,149)	<b>(148,693)</b>	(91,369)
Impairment loss	<b>(17,368)</b>	(1,140)	<b>(30,773)</b>	(5,126)
	<b>786,711</b>	731,490	<b>1,754,079</b>	1,405,544
Share of profit after tax of equity accounted associated companies	<b>4,855</b>	1,255	<b>8,119</b>	2,469
Profit before tax expense and zakat	<b>791,566</b>	732,745	<b>1,762,198</b>	1,408,013
Tax expense and zakat	<b>(184,542)</b>	(192,783)	<b>(423,672)</b>	(377,009)
Profit for the period	<b>607,024</b>	539,962	<b>1,338,526</b>	1,031,004
Attributable to :				
Equity holders of the Bank	<b>593,535</b>	524,110	<b>1,310,922</b>	1,000,328
Minority interests	<b>13,489</b>	15,852	<b>27,604</b>	30,676
Profit for the period	<b>607,024</b>	539,962	<b>1,338,526</b>	1,031,004
Earnings per RM1.00 share:				
- basic (sen)	<b>17.7</b>	15.6	<b>39.1</b>	29.8
- diluted (sen)	<b>17.7</b>	15.6	<b>39.1</b>	29.7

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	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>Bank</b>				
Operating revenue	<b>2,101,951</b>	1,993,078	<b>4,310,971</b>	3,786,531
Interest income	<b>1,778,170</b>	1,621,753	<b>3,537,403</b>	3,123,001
Interest expense	<b>(1,009,405)</b>	(964,524)	<b>(2,014,269)</b>	(1,832,021)
Net interest income	<b>768,765</b>	657,229	<b>1,523,134</b>	1,290,980
Net income from Islamic banking business				
Net financing income	<b>126,693</b>	117,452	<b>248,458</b>	221,366
Other Islamic banking income	<b>1,903</b>	1,909	<b>3,773</b>	3,472
	<b>897,361</b>	776,590	<b>1,775,365</b>	1,515,818
Other operating income	<b>245,989</b>	328,394	<b>637,097</b>	501,490
Net income	<b>1,143,350</b>	1,104,984	<b>2,412,462</b>	2,017,308
Other operating expenses	<b>(294,100)</b>	(307,152)	<b>(631,981)</b>	(596,436)
Operating profit	<b>849,250</b>	797,832	<b>1,780,481</b>	1,420,872
Allowance for losses on loans, advances and financing	<b>(126,256)</b>	(76,367)	<b>(254,832)</b>	(147,856)
- General allowances	<b>(81,305)</b>	(46,101)	<b>(154,502)</b>	(96,333)
- Other loan loss allowances	<b>(44,951)</b>	(30,266)	<b>(100,330)</b>	(51,523)
Impairment loss	<b>(1,986)</b>	(1,140)	<b>(189)</b>	(5,126)
Profit before tax expense and zakat	<b>721,008</b>	720,325	<b>1,525,460</b>	1,267,890
Tax expense and zakat	<b>(162,352)</b>	(182,327)	<b>(374,446)</b>	(333,786)
Net profit for the period	<b>558,656</b>	537,998	<b>1,151,014</b>	934,104

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2008**

<----- Attributable to Equity Holders of the Bank ----->

<u>Group</u>	Non-distributable Reserves			Distributable Reserves		Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained Profits					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2008</b>	<b>3,527,891</b>	<b>2,112,204</b>	<b>3,613,724</b>	<b>1,362,252</b>	<b>(1,273,897)</b>	<b>9,342,174</b>	<b>636,249</b>	<b>9,978,423</b>	
Currency translation differences in respect of foreign operations	-	-	(18,432)	-	-	(18,432)	(5,839)	(24,271)	
Currency translation differences in respect of net investment hedge	-	-	13,892	-	-	13,892	-	13,892	
Unrealised net loss on revaluation of securities available-for-sale	-	-	(61,724)	-	-	(61,724)	(2,340)	(64,064)	
Unrealised net loss on cash flow hedge	-	-	(418)	-	-	(418)	-	(418)	
Net expense recognised directly in equity	-	-	(66,682)	-	-	(66,682)	(8,179)	(74,861)	
Net profit for the period	-	-	-	1,310,922	-	1,310,922	27,604	1,338,526	
Total recognised (expense) / income for the period	-	-	(66,682)	1,310,922	-	1,244,240	19,425	1,263,665	
Issue of shares pursuant to the exercise of share options	4,035	20,295	-	-	-	24,330	-	24,330	
Buy-back of shares	-	-	-	-	(113)	(113)	-	(113)	
Minority interests' subscription of shares of a subsidiary (net)	-	-	-	-	-	-	9,107	9,107	
Transfer to statutory reserves	-	-	11,997	(11,997)	-	-	-	-	
Transfer to regulatory reserves	-	-	24,150	(24,150)	-	-	-	-	
Dividends paid	-	-	-	(1,241,231)	-	(1,241,231)	(6,152)	(1,247,383)	
<b>At 30 June 2008</b>	<b>3,531,926</b>	<b>2,132,499</b>	<b>3,583,189</b>	<b>1,395,796</b>	<b>(1,274,010)</b>	<b>9,369,400</b>	<b>658,629</b>	<b>10,028,029</b>	

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<u>Group</u>	<----- Attributable to Equity Holders of the Bank ----->								
	<b>Share Capital RM'000</b>	<b>Non-distributable Reserves</b>		<b>Distributable Reserves</b>		<b>Treasury Shares RM'000</b>	<b>Total Shareholders' Equity RM'000</b>	<b>Minority Interests RM'000</b>	<b>Total Equity RM'000</b>
	<b>Share Premium RM'000</b>	<b>Other Reserves RM'000</b>	<b>Retained Profits RM'000</b>						
At 1 January 2007	3,462,825	1,782,081	3,308,738	1,265,156	(784,801)	9,033,999	628,310	9,662,309	
Currency translation differences in respect of foreign operations	-	-	(50,130)	-	-	(50,130)	(15,618)	(65,748)	
Currency translation differences in respect of net investment hedge	-	-	23,667	-	-	23,667	-	23,667	
Unrealised net gain on revaluation of securities available-for-sale	-	-	15,335	-	-	15,335	(45)	15,290	
Net expense recognised directly in equity	-	-	(11,128)	-	-	(11,128)	(15,663)	(26,791)	
Net profit for the period	-	-	-	1,000,328	-	1,000,328	30,676	1,031,004	
Total recognised (expense) / income for the period	-	-	(11,128)	1,000,328	-	989,200	15,013	1,004,213	
Issue of shares pursuant to the exercise of share options	46,154	232,897	-	-	-	279,051	-	279,051	
Buy-back of shares	-	-	-	-	(267,504)	(267,504)	-	(267,504)	
Transfer to statutory reserves	-	-	233,526	(233,526)	-	-	-	-	
Dividends paid	-	-	-	(980,534)	-	(980,534)	(6,403)	(986,937)	
At 30 June 2007	<u>3,508,979</u>	<u>2,014,978</u>	<u>3,531,136</u>	<u>1,051,424</u>	<u>(1,052,305)</u>	<u>9,054,212</u>	<u>636,920</u>	<u>9,691,132</u>	

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<----- Attributable to Equity Holders of the Bank ----->

<u>Bank</u>	Non-distributable			Distributable		Total
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
<b>At 1 January 2008</b>	<b>3,527,891</b>	<b>2,112,204</b>	<b>3,504,479</b>	<b>1,479,938</b>	<b>(1,273,897)</b>	<b>9,350,615</b>
Unrealised net loss on revaluation of securities available-for-sale	-	-	(43,467)	-	-	(43,467)
Unrealised net loss on cash flow hedge	-	-	(418)	-	-	(418)
Net loss recognised directly in equity	-	-	(43,885)	-	-	(43,885)
Net profit for the period	-	-	-	1,151,014	-	1,151,014
Total recognised (expense) / income for the period	-	-	(43,885)	1,151,014	-	1,107,129
Issue of shares pursuant to the exercise of share options	4,035	20,295	-	-	-	24,330
Buy-back of shares	-	-	-	-	(113)	(113)
Transfer to statutory reserves	-	-	4,035	(4,035)	-	-
Dividends paid	-	-	-	(1,241,231)	-	(1,241,231)
<b>At 30 June 2008</b>	<b>3,531,926</b>	<b>2,132,499</b>	<b>3,464,629</b>	<b>1,385,686</b>	<b>(1,274,010)</b>	<b>9,240,730</b>

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<----- Attributable to Equity Holders of the Bank ----->

<b><u>Bank</u></b>	<b>Non-distributable</b>			<b>Distributable</b>		<b>Total</b>
	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Other Reserves RM'000</b>	<b>Reserves Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	
At 1 January 2007	3,462,825	1,782,081	3,183,133	1,327,089	(784,801)	8,970,327
Unrealised net gain on revaluation of securities available-for-sale	-	-	6,110	-	-	6,110
Net income recognised directly in equity	-	-	6,110	-	-	6,110
Net profit for the period	-	-	-	934,104	-	934,104
Total recognised income for the period	-	-	6,110	934,104	-	940,214
Issue of shares pursuant to the exercise of share options	46,154	232,897	-	-	-	279,051
Buy-back of shares	-	-	-	-	(267,504)	(267,504)
Transfer to statutory reserves	-	-	233,526	(233,526)	-	-
Dividends paid	-	-	-	(980,534)	-	(980,534)
At 30 June 2007	<u>3,508,979</u>	<u>2,014,978</u>	<u>3,422,769</u>	<u>1,047,133</u>	<u>(1,052,305)</u>	<u>8,941,554</u>

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**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
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	Group		Bank	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
Profit before tax expense and zakat	1,762,198	1,408,013	1,525,460	1,267,890
Adjustments for non-cash items	<u>393,387</u>	<u>198,844</u>	<u>205,346</u>	<u>29,993</u>
Operating profit before changes in working capital	2,155,585	1,606,857	1,730,806	1,297,883
Changes in working capital:				
Net changes in operating assets	(11,050,008)	(14,720,573)	(10,828,444)	(13,881,901)
Net changes in operating liabilities	9,325,327	14,319,208	9,171,278	12,380,241
Tax expense and zakat paid	<u>(288,313)</u>	<u>(219,586)</u>	<u>(244,180)</u>	<u>(188,688)</u>
Net cash generated from operating activities	142,591	985,906	(170,540)	(392,465)
Net cash generated from investing activities	578,590	485,758	(28,019)	120,149
Net cash used in financing activities	322,645	(1,252,602)	180,600	(970,817)
Net change in cash and cash equivalents	<u>1,043,826</u>	<u>219,062</u>	<u>(17,959)</u>	<u>(1,243,133)</u>
Cash and cash equivalents at beginning of the period	35,548,788	24,380,630	32,606,147	22,890,702
Exchange differences on translation of opening balances	<u>(43,016)</u>	<u>(37,803)</u>	-	-
Cash and cash equivalents at end of the period	<u><u>36,549,598</u></u>	<u><u>24,561,889</u></u>	<u><u>32,588,188</u></u>	<u><u>21,647,569</u></u>

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**Part A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia**

**A1. Basis of Preparation**

The unaudited interim financial statements for the 2nd quarter and financial half year ended 30 June 2008 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading financial assets, available-for-sale financial assets, derivative financial instruments and investment properties.

The unaudited interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2007. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to 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 unaudited interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2007.

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing. Allowance for bad and doubtful debts and financing are made with regard to specific risks and relate to those loans or trade receivables that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

The allowance for bad and doubtful debts and financing are computed in conformity with BNM/GP3. Consistent with previous years, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date with a 20% specific allowance.

A general allowance based on a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts, is maintained by the Group and the Bank against risks which are not specifically identified.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

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**A1. Basis of Preparation** (Continued)

Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties, being the force sale value provided by independent parties/valuers, on the following basis:

- (i) Assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
- (ii) No value will be assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.

The portion of non-performing loans where no realisable value has been assigned will be written off.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2007 was not qualified.

**A3. Comments about Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 2nd quarter and the financial half year ended 30 June 2008.

**A4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 2nd quarter and financial half year ended 30 June 2008.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 2nd quarter and financial half year ended 30 June 2008.

**A6. Debt and Equity Securities**

Save as disclosed below, there were no issuances of shares, share buy-backs, and repayment of debt and equity securities by the Bank ("PBB"):

**(a) Issuance of Shares**

During the financial half year ended 30 June 2008, the issued and paid-up share capital of the Bank was increased from 3,527,891,383 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,531,925,834 PBB Shares by the issuance of 4,034,451 PBB Shares pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS") at the following option prices:

<u>Number of PBB Shares issued:</u>	<u>Option price per share:</u>
2,121	RM 1.64
4,925	RM 3.40
110,174	RM 3.56
137,262	RM 4.60
50,000	RM 4.92
1,028,800	RM 5.67
2,701,169	RM 6.37

The PBB ESOS had expired on 25 February 2008.

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**A6. Debt and Equity Securities** (Continued)

**(b) Share Buy-back**

On 26 February 2008, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial half year ended 30 June 2008, the Bank bought back from the open market, 10,000 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM11.30 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial half year ended 30 June 2008, including transaction costs, was RM113,401 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 30 June 2008, the total shares bought back, all of which are held as treasury shares, amounted to 176,286,800 PBB Shares. None of the treasury shares held were resold or cancelled during the financial half year ended 30 June 2008.

**(c) Subordinated Notes**

On 16 May 2008, the Bank issued RM1.4 billion in aggregate principal amount of Subordinated Notes ("the Notes") due in 2018 and callable with step-up in 2013. The Notes bear interest at the rate of 4.73% per annum from (and including) 16 May 2008 to (but excluding) 16 May 2013 and thereafter, at a rate of 5.73% per annum from (and including) 16 May 2013 up to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest is payable semi-annually in arrears on 16 May and 16 November each year commencing on 16 November 2008. The Notes were issued at par. The Notes will, subject to the prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer qualify as Tier 2 capital for the purposes of BNM's capital adequacy requirements or on 16 May 2013 or at any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable). The Notes constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities, excluding all present and future unsecured and subordinated obligations of the Bank in accordance with the terms and conditions of the Notes.

**A7. Dividends Paid**

During the financial half year ended 30 June 2008, the final dividend of 40%, less 26% tax and the special dividend of 10%, less 26% tax in respect of the financial year ended 31 December 2007, amounting to RM1,241,230,512 was paid on 10 March 2008.

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**A8. Securities Held-for-trading**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<b>At fair value</b>				
Malaysian Government Treasury Bills	26,137	25,695	26,137	25,695
Malaysian Government Securities	56,616	-	56,616	-
Malaysian Government Investment Certificates	50,205	-	50,205	-
Cagamas bonds	3,361,879	4,188,824	3,361,879	4,188,824
Negotiable instruments of deposit	4,618,699	3,702,506	4,618,699	3,702,506
Bank Negara Malaysia Monetary Notes	58,748	92,756	58,748	92,756
	<u>8,172,284</u>	<u>8,009,781</u>	<u>8,172,284</u>	<u>8,009,781</u>
Quoted securities:				
Shares in Malaysia	1,264	1,793	1,264	1,793
Trust units outside Malaysia	-	5,198	-	-
	<u>1,264</u>	<u>6,991</u>	<u>1,264</u>	<u>1,793</u>
Unquoted securities:				
Private debt securities in Malaysia	55,192	45,155	9,987	40,025
	<u>55,192</u>	<u>45,155</u>	<u>9,987</u>	<u>40,025</u>
Total securities held-for-trading	<u>8,228,740</u>	<u>8,061,927</u>	<u>8,183,535</u>	<u>8,051,599</u>

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**A9. Securities Available-for-sale**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<b>At fair value</b>				
Negotiable instruments of deposit	-	-	241,357	-
	-	-	241,357	-
Quoted securities:				
Shares and convertible loan stocks				
in Malaysia	65,362	39,109	60,111	39,109
Shares outside Malaysia	21,544	33,653	-	-
Trust units in Malaysia				
- Public Institutional Bond Fund	1,204,009	1,218,730	1,105,097	1,116,383
- Others	252,127	100,392	252,055	100,303
	1,543,042	1,391,884	1,417,263	1,255,795
Unquoted securities:				
Shares in Malaysia	19,364	19,668	18,794	19,098
Shares outside Malaysia	2,933	3,003	85	119
Private debt securities in Malaysia	3,084,244	2,666,766	2,511,769	2,373,850
	3,106,541	2,689,437	2,530,648	2,393,067
Total securities available-for-sale	4,649,583	4,081,321	4,189,268	3,648,862

**A10. Securities Held-to-maturity**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	74,102	58,554	74,102	58,554
Malaysian Government Securities	246,838	128,745	246,838	128,745
Malaysian Government Investment				
Certificates	231,551	231,613	231,551	231,613
Bankers' acceptances and Islamic accepted				
bills	551,491	500,021	-	-
Cagamas bonds	15,145	-	15,145	-
Cagamas Mudharabah bonds	-	1,371	-	1,371
Negotiable instruments of deposit	318,676	577,836	110,695	60,983
Bank Negara Malaysia Monetary Notes	122,144	1,039,568	122,144	1,039,568
Bank Negara Malaysia Bills	-	29,853	-	-
Hong Kong Government Treasury Bills	133,261	126,104	-	-
Sri Lanka Government Treasury Bills	35,568	7,993	35,568	7,993
	1,728,776	2,701,658	836,043	1,528,827
Quoted securities:				
Private debt securities outside Malaysia	8,369	8,472	-	-
	8,369	8,472	-	-
Unquoted securities:				
Shares in Malaysia	87,493	87,499	87,050	87,201
Private debt securities in Malaysia	100,094	86,325	100,084	86,315
Private debt securities outside Malaysia	681,996	1,006,933	-	-
	869,583	1,180,757	187,134	173,516
Accumulated impairment losses	(14,071)	(18,492)	(14,071)	(14,338)
Total securities held-to-maturity	2,592,657	3,872,395	1,009,106	1,688,005

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**A11. Loans, Advances and Financing**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Overdrafts	9,219,029	8,815,494	8,007,167	7,943,843
Term loans				
- Housing loans / financing	30,060,860	27,661,139	27,792,312	25,795,082
- Syndicated term loan / financing	1,868,877	1,323,723	1,103,499	585,536
- Hire purchase receivables	32,071,370	29,601,425	30,737,061	28,382,885
- Other term loans / financing	37,122,682	31,039,123	31,584,335	26,311,247
Credit card receivables	941,503	944,308	934,164	936,974
Bills receivables	184,877	171,365	96,520	100,048
Trust receipts	491,189	442,169	367,345	343,691
Claims on customers under acceptance credits	2,913,138	2,568,945	2,886,006	2,539,170
Lease, factored and confirming receivables	1,882	22,020	-	-
Revolving credits	3,610,838	3,537,039	3,576,651	3,542,341
*Staff loans	641,282	648,133	603,308	604,957
	<u>119,127,527</u>	<u>106,774,883</u>	<u>107,688,368</u>	<u>97,085,774</u>
Unearned interest and income	<u>(5,671,145)</u>	<u>(5,359,964)</u>	<u>(5,668,593)</u>	<u>(5,359,347)</u>
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	113,456,382	101,414,919	102,019,775	91,726,427
Islamic house financing sold to Cagamas	<u>(400,017)</u>	<u>(410,003)</u>	<u>(400,017)</u>	<u>(410,003)</u>
Gross loans, advances and financing (excluding Islamic house financing sold to Cagamas)	113,056,365	101,004,916	101,619,758	91,316,424
Allowance for bad and doubtful debts and financing:				
- general	(1,664,668)	(1,522,964)	(1,529,228)	(1,374,846)
- specific	(166,445)	(153,959)	(143,497)	(135,871)
Net loans, advances and financing	<u>111,225,252</u>	<u>99,327,993</u>	<u>99,947,033</u>	<u>89,805,707</u>

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM1,773,915 (2007: RM2,247,572) and RM966,178 (2007 - RM1,373,922) respectively.

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**A11. Loans, Advances and Financing** (continued)

**A11a. By type of customer**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Domestic non-bank financial institutions				
- Stock-broking companies	2,010	2,010	2,010	2,010
- Others	4,085,555	2,196,329	4,065,175	2,181,319
Domestic business enterprises				
- Small and medium enterprises	20,029,606	19,270,067	19,919,878	19,161,679
- Others	11,954,846	9,192,084	11,950,026	9,184,871
Government and statutory bodies	3,209	703	3,209	703
Individuals	64,430,242	59,614,801	64,398,552	59,579,440
Other domestic entities	56,131	50,616	56,131	50,616
Foreign entities	12,894,783	11,088,309	1,624,794	1,565,789
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	113,456,382	101,414,919	102,019,775	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	<b>113,056,365</b>	<b>101,004,916</b>	<b>101,619,758</b>	<b>91,316,424</b>

**A11b. By interest / profit rate sensitivity**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Fixed rate				
- Housing loans / financing	4,595,033	4,160,813	4,576,969	4,146,421
- Hire purchase receivables	27,220,979	25,117,733	26,950,750	24,852,968
- Other fixed rate loans / financing	11,606,614	12,598,679	8,133,967	9,865,834
Variable rate				
- Base lending rate plus	52,032,952	48,175,532	52,013,466	48,154,822
- Cost plus	9,394,031	3,551,075	9,368,685	3,565,312
- Other variable rates	8,606,773	7,811,087	975,938	1,141,070
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	113,456,382	101,414,919	102,019,775	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	<b>113,056,365</b>	<b>101,004,916</b>	<b>101,619,758</b>	<b>91,316,424</b>

**A11c. Gross loans, advances and financing by economic purpose**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Purchase of securities	2,197,475	518,412	2,176,833	503,696
Purchase of transport vehicles	28,317,739	26,128,719	27,025,055	24,916,702
Purchase of landed properties	50,458,817	45,165,708	46,161,288	41,725,519
(of which: - residential	29,164,174	26,654,819	26,860,557	24,748,931
- non-residential)	21,294,643	18,510,889	19,300,731	16,976,588
Purchase of fixed assets (excluding landed properties)	257,490	232,203	257,439	231,981
Personal use	6,883,194	6,327,245	5,207,715	4,780,760
Credit card	941,503	944,308	934,164	936,974
Purchase of consumer durables	30,366	30,529	30,366	30,529
Construction	998,514	720,719	536,508	195,874
Mergers & Acquisitions	148,887	10,979	148,887	10,979
Working capital	18,216,409	17,174,645	14,561,911	14,233,933
Other purpose	5,005,988	4,161,452	4,979,609	4,159,480
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	113,456,382	101,414,919	102,019,775	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	<b>113,056,365</b>	<b>101,004,916</b>	<b>101,619,758</b>	<b>91,316,424</b>



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**A11. Loans, Advances and Financing** (continued)

**A11c. Gross loans, advances and financing by sectors**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Agriculture, hunting, forestry and fishing	1,444,284	1,136,294	1,385,606	1,081,634
Mining and quarrying	87,118	98,160	85,067	80,913
Manufacturing	5,511,859	5,085,443	5,288,589	4,962,254
Electricity, gas and water	48,332	64,883	36,904	36,008
Construction	4,672,965	4,441,394	4,277,956	3,984,639
Wholesale & retail trade and restaurants & hotels	10,999,439	9,659,509	10,349,177	9,245,876
Transport, storage and communication	1,599,868	1,490,088	1,579,543	1,473,806
Finance, insurance and business services	7,347,384	5,023,632	6,736,669	4,509,446
Real estate	6,605,618	5,408,706	6,311,702	5,232,575
Community, social and personal services	885,588	815,434	885,588	815,434
Households	72,053,339	66,247,380	64,799,224	60,011,333
(of which: - purchase of residential properties	28,613,838	26,195,108	26,310,221	24,289,220
- purchase of transport vehicles	23,538,720	21,770,900	22,228,955	20,558,679
- others)	19,900,781	18,281,372	16,260,048	15,163,434
Others	2,200,588	1,943,996	283,750	292,509
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	113,456,382	101,414,919	102,019,775	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	113,056,365	101,004,916	101,619,758	91,316,424

**A11d. Non-performing loans by economic purpose**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Purchase of securities	7,086	7,265	7,086	7,265
Purchase of transport vehicles	206,371	230,398	201,746	227,287
Purchase of landed properties	652,516	771,764	649,029	761,765
(of which: - residential	547,616	647,805	546,844	645,403
- non-residential)	104,900	123,959	102,185	116,362
Purchase of fixed assets (excluding landed properties)	1,598	1,938	1,586	1,914
Personal use	107,864	116,345	79,239	86,480
Credit card	14,904	15,253	14,904	15,253
Purchase of consumer durables	230	888	230	888
Working capital	213,925	232,489	194,621	213,098
Other purpose	14,592	27,420	14,592	27,420
	1,219,086	1,403,760	1,163,033	1,341,370

Non-performing loans by sectors

Agriculture, hunting, forestry and fishing	3,146	3,283	3,145	3,283
Mining and quarrying	196	127	196	127
Manufacturing	102,637	96,291	102,627	96,272
Electricity, gas and water	126	92	126	92
Construction	52,451	53,997	52,451	53,997
Wholesale & retail trade and restaurants & hotels	80,898	117,030	80,898	117,030
Transport, storage and communication	6,578	8,189	6,577	8,184
Finance, insurance and business services	14,479	14,234	14,479	14,234
Real estate	21,408	22,355	21,408	22,355
Community, social and personal services	6,746	7,625	6,746	7,625
Households	909,810	1,060,219	873,073	1,017,244
(of which: - purchase of residential properties	543,329	643,271	542,557	640,869
- purchase of transport vehicles	172,582	196,900	167,957	193,789
- others)	193,899	220,048	162,559	182,586
Others	20,611	20,318	1,307	927
	1,219,086	1,403,760	1,163,033	1,341,370

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**A11. Loans, Advances and Financing** (continued)

**A11e.** Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
At 1 January	1,403,760	1,577,831	1,341,370	1,435,315
Non-performing during the period / year	1,084,802	2,583,593	1,019,366	2,468,728
Reclassified as performing	(986,328)	(2,176,984)	(986,324)	(2,176,804)
Recoveries	(49,360)	(91,631)	(49,348)	(83,491)
Amount written off	(215,301)	(453,719)	(144,319)	(275,697)
Loans converted to foreclosed properties / securities	(17,668)	(26,487)	(17,668)	(26,487)
Exchange differences	(819)	(8,843)	(44)	(194)
Closing balance	<u>1,219,086</u>	<u>1,403,760</u>	<u>1,163,033</u>	<u>1,341,370</u>
Specific allowance	<u>(166,445)</u>	<u>(153,959)</u>	<u>(143,497)</u>	<u>(135,871)</u>
Net non-performing loans, advances and financing	<u><u>1,052,641</u></u>	<u><u>1,249,801</u></u>	<u><u>1,019,536</u></u>	<u><u>1,205,499</u></u>
Net NPL as % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	<u><u>0.93%</u></u>	<u><u>1.23%</u></u>	<u><u>1.00%</u></u>	<u><u>1.32%</u></u>

**A11f.** Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<u>General Allowance</u>				
At 1 January	1,522,964	1,318,546	1,374,846	1,156,721
Allowance made during the period / year	142,746	210,302	154,502	218,687
Exchange differences	(1,042)	(5,884)	(120)	(562)
Closing balance	<u>1,664,668</u>	<u>1,522,964</u>	<u>1,529,228</u>	<u>1,374,846</u>
As % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	<u><u>1.47%</u></u>	<u><u>1.50%</u></u>	<u><u>1.50%</u></u>	<u><u>1.50%</u></u>

The general allowance of the Group for the current financial period is below 1.50% due to the local regulatory requirements and applicable accounting standards of the Group's overseas subsidiaries in their respective jurisdictions. In addition to general allowance, the Group also maintains regulatory reserves in equity as an additional credit risk absorbent in accordance with the local regulatory requirement of certain overseas subsidiaries.

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**A11. Loans, Advances and Financing** (continued)

**A11f.** Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows: (continued)

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<u>Specific Allowance</u>				
At 1 January	153,959	258,320	135,871	170,564
Allowance made during the period / year	265,940	467,020	190,701	346,326
Amount written back in respect of recoveries	(38,612)	(107,563)	(38,598)	(104,974)
Amount written off	(215,301)	(453,719)	(144,319)	(275,697)
Amount transferred to accumulated impairment losses in value of foreclosed properties / securities	(192)	(237)	(192)	(237)
Exchange differences	651	(9,862)	34	(111)
Closing balance	<u>166,445</u>	<u>153,959</u>	<u>143,497</u>	<u>135,871</u>

**A12. Other Assets**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Deferred handling fees	165,571	151,847	165,571	151,847
Interest / Income receivable	104,317	105,569	88,841	81,442
Other debtors, deposits and prepayments	648,122	862,764	489,250	557,435
Manager's stocks	49,146	76,255	-	-
Amount due from trust funds	363,554	208,031	-	-
Foreclosed properties	109,170	105,880	109,056	105,766
Taxi licenses	9,140	10,724	-	-
Outstanding contracts on clients' accounts	150,924	291,118	-	-
Amount due from subsidiary companies	-	-	286,788	281,330
Dividend receivable from subsidiary companies	-	-	121,836	131,596
	<u>1,599,944</u>	<u>1,812,188</u>	<u>1,261,342</u>	<u>1,309,416</u>

**A13. Deposits from Customers**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<u>By type of customer</u>				
Federal and state governments	1,649,712	1,869,627	1,649,712	1,869,627
Local government and statutory authorities	2,401,920	1,744,602	2,401,920	1,744,602
Business enterprises	36,858,822	33,022,180	36,823,923	32,748,956
Individuals	63,875,522	59,706,057	63,861,659	59,694,196
Foreign customers	13,358,275	12,889,139	2,444,967	2,319,849
Others	34,029,960	29,532,966	32,068,339	28,047,598
	<u>152,174,211</u>	<u>138,764,571</u>	<u>139,250,520</u>	<u>126,424,828</u>

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**A14. Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Licensed banks / Islamic banks	2,208,357	4,216,021	1,070,343	3,552,180
Licensed investment banks	265,000	285,000	50,000	85,833
Bank Negara Malaysia	1,959,600	2,380,680	1,959,600	2,380,680
Other financial institutions	2,606,850	3,556,417	3,123,323	3,328,141
	<u>7,039,807</u>	<u>10,438,118</u>	<u>6,203,266</u>	<u>9,346,834</u>

**A15. Other Liabilities**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Interest / income payable	791,007	794,437	734,029	739,717
Other creditors and accruals	1,314,796	1,130,519	753,915	462,058
Amount due to trust funds	159,219	70,616	-	-
Unprocessed sales and /or redemptions	32,443	86,023	-	-
Employee benefits	(55,603)	(34,956)	(54,717)	(34,274)
Profit Equalisation Reserves	31,241	12,725	31,241	12,725
Outstanding contracts on clients' accounts	145,507	284,459	-	-
Dividend payable to shareholders	9,844	3,859	3,692	3,859
Amount due to subsidiary companies	-	-	36,365	15,421
	<u>2,428,454</u>	<u>2,347,682</u>	<u>1,504,525</u>	<u>1,199,506</u>

**A16. Interest Income**

	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>Group</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,475,151	1,289,057	2,901,483	2,522,983
- Recoveries from NPLs	19,511	23,931	41,886	45,394
Money at call and deposit placements with financial institutions	409,862	397,142	842,240	752,958
Securities held-for-trading	74,069	113,540	147,782	202,590
Securities available-for-sale	29,747	38,546	67,255	76,665
Securities held-to-maturity	30,291	33,033	63,840	65,707
Others	13,815	10,065	25,405	17,227
	<u>2,052,446</u>	<u>1,905,314</u>	<u>4,089,891</u>	<u>3,683,524</u>
Amortisation of premium less accretion of discount	(867)	(4,316)	(958)	(8,439)
Net interest / income suspended	(28,879)	(35,587)	(58,669)	(69,685)
	<u>2,022,700</u>	<u>1,865,411</u>	<u>4,030,264</u>	<u>3,605,400</u>

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**A16. Interest Income** (continued)

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,302,635	1,107,551	2,556,142	2,164,456
- Recoveries from NPLs	21,796	23,927	41,886	45,380
Money at call and deposit placements with financial institutions	371,603	365,205	768,967	687,315
Securities held-for-trading	65,839	110,893	129,823	199,272
Securities available-for-sale	24,012	34,041	56,072	67,651
Securities held-to-maturity	9,498	11,530	22,119	23,334
Others	13,812	10,060	25,391	17,217
	<u>1,809,195</u>	<u>1,663,207</u>	<u>3,600,400</u>	<u>3,204,625</u>
Amortisation of premium less accretion of discount	(2,146)	(5,867)	(4,328)	(11,939)
Net interest / income suspended	(28,879)	(35,587)	(58,669)	(69,685)
	<u>1,778,170</u>	<u>1,621,753</u>	<u>3,537,403</u>	<u>3,123,001</u>

**A17. Interest Expense**

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	61,538	138,600	123,811	260,869
Deposits from customers	949,148	826,952	1,902,607	1,600,334
Loans sold to Cagamas	33,120	29,184	69,471	33,628
Subordinated notes	35,148	40,742	70,231	81,978
Hybrid Capital Securities	20,513	25,013	43,141	50,264
Borrowings	1,839	4,539	4,527	10,613
Others	709	16,595	1,092	21,325
	<u>1,102,015</u>	<u>1,081,625</u>	<u>2,214,880</u>	<u>2,059,011</u>

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	46,237	126,441	96,734	235,810
Deposits from customers	873,729	730,269	1,733,734	1,417,007
Loans sold to Cagamas	33,120	29,184	69,471	33,628
Subordinated notes	35,182	40,742	70,265	81,978
Hybrid Capital Securities	20,513	25,013	43,141	50,264
Others	624	12,875	924	13,334
	<u>1,009,405</u>	<u>964,524</u>	<u>2,014,269</u>	<u>1,832,021</u>

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**A18. Other Operating Income**

	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>Group</b>				
(a) Fee income:				
Commissions	40,935	39,577	76,692	68,341
Service charges and fees	50,985	46,542	96,302	93,663
Guarantee fees	7,492	4,149	14,953	9,762
Processing fees	6,536	2,791	13,412	6,286
Commitment fees	11,542	9,372	22,871	18,796
Unit trust management fees	90,651	64,883	178,550	120,053
Fee on sale of trust units	16,491	44,734	44,539	86,195
Net brokerage and commissions from stockbroking activities	19,234	21,961	42,818	48,310
Other fee income	23,273	8,481	32,186	13,657
	<u>267,139</u>	<u>242,490</u>	<u>522,323</u>	<u>465,063</u>
(b) Net (loss) / gain arising from sale of securities:				
- held-for-trading	508	2,490	1,915	4,600
- available-for-sale	(598)	38,102	14,275	40,146
	<u>(90)</u>	<u>40,592</u>	<u>16,190</u>	<u>44,746</u>
(c) Gross dividend income from:				
Securities held-for-trading	21	75	37	119
Securities available-for-sale	13,261	19,034	20,241	30,941
Securities held-to-maturity	2,639	1,109	2,686	1,171
	<u>15,921</u>	<u>20,218</u>	<u>22,964</u>	<u>32,231</u>
(d) Unrealised gain / (loss) on revaluation of:				
- securities held-for-trading	2,356	284	3,214	5,187
- trading derivatives	29,613	(3,680)	10,698	37,127
	<u>31,969</u>	<u>(3,396)</u>	<u>13,912</u>	<u>42,314</u>
(e) Unrealised gain / (loss) on hedging derivatives	<u>767</u>	<u>(868)</u>	<u>18</u>	<u>64</u>
(f) Other income:				
Foreign exchange (loss) / profit	(14,107)	44,203	81,962	42,939
Rental income from:				
- investment properties	1,213	914	2,414	1,988
- other properties	1,671	1,712	3,410	3,504
Net gain on disposal of property and equipment	207	291	226	337
Net loss on disposal of foreclosed properties	(3,297)	(504)	(6,884)	(1,059)
Gain on revaluation of investment properties	7,784	547	7,784	547
Lease income and factoring charges	-	348	44	702
Others	4,328	2,869	206,678	5,243
	<u>(2,201)</u>	<u>50,380</u>	<u>295,634</u>	<u>54,201</u>
Total other operating income	<u>313,505</u>	<u>349,416</u>	<u>871,041</u>	<u>638,619</u>

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**A18. Other Operating Income** (continued)

	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>Bank</b>				
(a) Fee income:				
Commissions	38,737	46,576	84,447	87,651
Service charges and fees	34,235	31,968	65,367	64,907
Guarantee fees	6,219	3,694	12,478	8,615
Processing fees	247	375	493	702
Commitment fees	10,717	8,939	21,262	17,941
Other fee income	19,914	6,048	24,792	9,190
	<u>110,069</u>	<u>97,600</u>	<u>208,839</u>	<u>189,006</u>
(b) Net gain / (loss) arising from sale of securities:				
- held-for-trading	1,284	2,539	2,520	4,358
- available-for-sale	(598)	30,190	14,275	32,234
	<u>686</u>	<u>32,729</u>	<u>16,795</u>	<u>36,592</u>
(c) Gross dividend income from:				
Securities held-for-trading	21	75	37	119
Securities available-for-sale	11,586	12,851	17,994	23,758
Securities held-to-maturity	2,639	1,026	2,639	1,029
Subsidiary companies				
- quoted outside Malaysia	16,770	17,755	16,770	17,755
- unquoted in Malaysia	87,451	105,401	87,451	105,401
	<u>118,467</u>	<u>137,108</u>	<u>124,891</u>	<u>148,062</u>
(d) Unrealised gain / (loss) on revaluation of:				
- securities held-for-trading	2,371	(1,740)	3,233	839
- trading derivatives	50,383	11,165	9,348	50,499
	<u>52,754</u>	<u>9,425</u>	<u>12,581</u>	<u>51,338</u>
(e) Unrealised gain / (loss) on hedging derivatives	<u>1,073</u>	<u>(352)</u>	<u>(141)</u>	<u>355</u>
(f) Other income:				
Foreign exchange (loss) / profit	(38,337)	49,433	92,903	70,040
Rental income from other properties	954	573	1,867	1,231
Net gain on disposal of property and equipment (net)	207	51	248	105
Net loss on disposal of foreclosed properties	(3,297)	(504)	(6,884)	(1,059)
Others	3,413	2,331	185,998	5,820
	<u>(37,060)</u>	<u>51,884</u>	<u>274,132</u>	<u>76,137</u>
Total other operating income	<u>245,989</u>	<u>328,394</u>	<u>637,097</u>	<u>501,490</u>

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**A19. Other Operating Expenses**

	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>Group</b>				
Personnel costs				
- Salaries, allowances and bonuses	196,575	211,715	419,625	391,972
- Pension costs	13,069	22,212	29,591	40,856
- Others	20,586	15,660	38,337	31,112
	<u>230,230</u>	<u>249,587</u>	<u>487,553</u>	<u>463,940</u>
Establishment costs				
- Depreciation and amortisation	27,160	26,474	54,344	52,123
- Rental	14,932	13,551	29,445	26,760
- Insurance	3,738	4,490	7,939	9,134
- Water and electricity	7,445	6,759	14,208	12,924
- General repairs and maintenance	16,419	14,824	33,287	30,006
- Information technology expenses	5,714	4,457	11,216	9,084
- Others	6,858	8,241	15,701	16,276
	<u>82,266</u>	<u>78,796</u>	<u>166,140</u>	<u>156,307</u>
Marketing expenses				
- Sales commission	25,200	29,915	51,085	52,637
- Advertisement and publicity	19,689	16,851	37,602	33,891
- Others	18,513	12,641	37,947	36,200
	<u>63,402</u>	<u>59,407</u>	<u>126,634</u>	<u>122,728</u>
Administration and general expenses				
- Communication expenses	15,061	12,995	30,026	25,006
- Legal and professional fees	12,125	10,308	22,610	19,706
- Others	8,570	14,448	29,402	25,398
	<u>35,756</u>	<u>37,751</u>	<u>82,038</u>	<u>70,110</u>
Total other operating expenses	<u>411,654</u>	<u>425,541</u>	<u>862,365</u>	<u>813,085</u>
<b>Bank</b>				
Personnel costs				
- Salaries, allowances and bonuses	150,089	166,653	333,389	310,934
- Pension costs	9,890	19,661	23,183	35,784
- Others	17,808	15,173	33,563	29,342
	<u>177,787</u>	<u>201,487</u>	<u>390,135</u>	<u>376,060</u>
Establishment costs				
- Depreciation and amortisation	21,235	20,323	41,686	39,967
- Rental	16,658	16,072	33,160	32,166
- Insurance	3,070	3,976	6,563	8,020
- Water and electricity	5,457	5,148	10,660	9,895
- General repairs and maintenance	15,068	13,856	30,772	27,499
- Information technology expenses	3,495	2,574	6,990	5,148
- Others	5,119	5,258	10,637	10,064
	<u>70,102</u>	<u>67,207</u>	<u>140,468</u>	<u>132,759</u>
Marketing expenses				
- Advertisement and publicity	8,699	6,240	17,149	12,489
- Others	11,230	2,311	21,499	17,710
	<u>19,929</u>	<u>8,551</u>	<u>38,648</u>	<u>30,199</u>
Administration and general expenses				
- Communication expenses	11,685	10,516	23,135	20,536
- Legal and professional fees	10,645	8,672	19,551	17,208
- Others	3,952	10,719	20,044	19,674
	<u>26,282</u>	<u>29,907</u>	<u>62,730</u>	<u>57,418</u>
Total other operating expenses	<u>294,100</u>	<u>307,152</u>	<u>631,981</u>	<u>596,436</u>



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**A20. Allowance for Losses on Loans, Advances and Financing**

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	80,696	38,243	142,746	94,722
- specific allowance	127,007	118,719	265,940	217,326
- specific allowance written back	(18,232)	(24,244)	(38,612)	(45,795)
Bad debts recovered from stock broking activities	-	-	(9)	-
Bad debts and financing written off	82	280	124	528
Bad debts and financing recovered	(42,500)	(38,606)	(78,750)	(80,690)
	<u>147,053</u>	<u>94,392</u>	<u>291,439</u>	<u>186,091</u>

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	81,305	46,101	154,502	96,333
- specific allowance	90,035	84,660	190,701	159,808
- specific allowance written back	(18,225)	(24,171)	(38,598)	(45,058)
Bad debts and financing written off	82	280	124	528
Bad debts and financing recovered	(26,941)	(30,503)	(51,897)	(63,755)
	<u>126,256</u>	<u>76,367</u>	<u>254,832</u>	<u>147,856</u>

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**A21. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets**

**By Business Segments**

	2nd Quarter Ended 30 June 2008		Half Year Ended 30 June 2008		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<b><u>Group</u></b>					
Retail operations	1,633,605	667,607	3,220,705	1,459,969	98,664,997
Corporate lending	148,502	879	329,412	(4,686)	15,825,896
Treasury and capital market operations	654,426	97,856	1,444,121	259,160	62,411,140
Investment banking	89,797	8,196	155,925	26,721	5,049,471
Fund management	107,290	47,347	223,379	92,209	552,163
Others	1,588	3,516	2,930	6,193	186,133
	<u>2,635,208</u>	<u>825,401</u>	<u>5,376,472</u>	<u>1,839,566</u>	<u>182,689,800</u>
Inter-segment elimination	(119,629)	-	(224,881)	-	-
	<u>2,515,579</u>	<u>825,401</u>	<u>5,151,591</u>	<u>1,839,566</u>	<u>182,689,800</u>
Unallocated expenses	-	(38,690)	-	(85,487)	-
Share of profit after tax of equity accounted associated companies	-	4,855	-	8,119	-
Intangible assets	-	-	-	-	1,993,215
Unallocated assets	-	-	-	-	501,404
Investment in associated companies	-	-	-	-	51,943
	<u><u>2,515,579</u></u>	<u><u>791,566</u></u>	<u><u>5,151,591</u></u>	<u><u>1,762,198</u></u>	<u><u>185,236,362</u></u>

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**A21. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets (continued)**

	2nd Quarter Ended 30 June 2007		Half Year Ended 30 June 2007		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<b><u>Group</u></b>					
Retail operations	1,431,321	569,105	2,817,182	1,087,294	84,185,739
Corporate lending	95,306	27,617	218,132	69,008	8,812,873
Treasury and capital market operations	767,705	110,751	1,301,829	206,853	60,877,999
Investment banking	97,644	27,606	162,842	52,415	4,229,893
Fund management	81,831	38,249	178,608	71,164	1,027,548
Others	1,003	2,839	2,024	4,528	201,342
	<u>2,474,810</u>	<u>776,167</u>	<u>4,680,617</u>	<u>1,491,262</u>	<u>159,335,394</u>
Inter-segment elimination	(50,984)	-	(110,571)	-	-
	<u>2,423,826</u>	<u>776,167</u>	<u>4,570,046</u>	<u>1,491,262</u>	<u>159,335,394</u>
Unallocated expenses	-	(44,677)	-	(85,718)	-
Share of profit after tax of equity accounted associated companies	-	1,255	-	2,469	-
Intangible assets	-	-	-	-	2,059,901
Unallocated assets	-	-	-	-	468,351
Investment in associated companies	-	-	-	-	47,140
	<u><u>2,423,826</u></u>	<u><u>732,745</u></u>	<u><u>4,570,046</u></u>	<u><u>1,408,013</u></u>	<u><u>161,910,786</u></u>

Inter-segment pricing is determined on a negotiated basis.

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**A21. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets (continued)**

**By Geographical Locations**

<b><u>Group</u></b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>		<b>Total Assets RM'000</b>
	<b>Operating Revenue RM'000</b>	<b>Profit Before Tax Expense RM'000</b>	<b>Operating Revenue RM'000</b>	<b>Profit Before Tax Expense RM'000</b>	
<b><u>30 June 2008</u></b>					
Malaysia	2,258,151	686,893	4,610,883	1,559,463	169,017,217
Outside Malaysia	257,428	104,673	540,708	202,735	16,219,145
	<u>2,515,579</u>	<u>791,566</u>	<u>5,151,591</u>	<u>1,762,198</u>	<u>185,236,362</u>
<b><u>30 June 2007</u></b>					
Malaysia	2,170,556	643,744	4,080,098	1,234,416	147,659,643
Outside Malaysia	253,270	89,001	489,948	173,597	14,251,143
	<u>2,423,826</u>	<u>732,745</u>	<u>4,570,046</u>	<u>1,408,013</u>	<u>161,910,786</u>

The Group has operations in Hong Kong SAR, the People's Republic of China, Sri Lanka, the Socialist Republic of Vietnam, Cambodia and the People's Democratic Republic of Laos.

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**A22. Subsequent Events**

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

**A23. Changes in the Composition of the Group**

There were no significant changes in the composition of the Group during the 2nd quarter and financial half year ended 30 June 2008.

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**A24. Commitments and Contingencies**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the following dates are as follows:

	As at 30 June 2008			As at 31 December 2007		
	Notional Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>Group</b>						
Direct credit substitutes	1,627,879	1,627,878	1,322,323	1,362,071	1,362,071	787,538
Transaction-related contingent items	523,990	261,995	151,568	520,122	260,061	165,025
Short-term self-liquidating trade-related contingencies	796,080	159,216	83,827	675,466	135,093	110,918
Assets sold with recourse	836,644	836,644	278,606	967,643	967,643	198,835
Forward asset purchases	280,068	280,068	19,086	36,413	36,413	21,262
Obligations under an on-going underwriting agreement	75,000	37,500	37,500	201,648	159,148	159,148
Foreign exchange related contracts:						
- less than one year	17,411,318	286,588	125,595	8,614,768	128,072	28,975
- one year to less than five years	2,471	173	173	-	-	-
Interest rate related contracts:						
- less than one year	607,714	12,784	2,557	318,357	468	94
- one year to less than five years	4,991,660	155,321	41,311	3,804,644	93,826	18,765
- five years and above	3,388,220	295,005	91,682	2,968,978	220,325	44,065
Equity related contracts:						
- one year to less than five years	273,260	35,518	7,104	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	9,850,583	4,925,292	3,896,550	4,873,728	2,436,864	2,166,834
- not exceeding one year	15,678,614	3,135,723	2,594,664	13,825,529	-	-
Unutilised credit card lines	2,849,248	569,850	427,387	2,638,103	-	-
	<b>59,192,749</b>	<b>12,619,555</b>	<b>9,079,933</b>	<b>40,807,470</b>	<b>5,799,984</b>	<b>3,701,459</b>

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**A24. Commitments and Contingencies** (continued)

<b><u>Bank</u></b>	<b>As at 30 June 2008</b>			<b>As at 31 December 2007</b>		
	<b>Notional Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>	<b>Notional Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
Direct credit substitutes	1,506,326	1,506,326	1,286,436	1,240,028	1,240,028	752,948
Transaction-related contingent items	502,795	251,398	143,979	467,985	233,993	159,569
Short-term self-liquidating trade-related contingencies	520,610	104,122	51,042	479,284	95,857	90,645
Assets sold with recourse	836,644	836,644	278,606	967,643	967,643	212,814
Forward asset purchases	186,740	186,740	420	-	-	-
Obligations under an on-going underwriting agreement	75,000	37,500	37,500	75,000	37,500	37,500
Foreign exchange related contracts:						
- less than one year	14,833,262	236,938	115,666	7,757,992	120,020	27,307
- one year to less than five years	2,471	173	173	-	-	-
Interest rate related contracts:						
- less than one year	523,448	12,493	2,498	148,793	298	60
- one year to less than five years	4,828,360	153,035	40,756	3,557,529	90,033	18,007
- five years and above	3,077,950	270,023	86,685	2,935,913	218,010	43,602
Equity related contracts:						
- one year to less than five years	273,260	35,518	7,104	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	9,624,972	4,812,486	3,783,744	4,562,584	2,281,292	2,011,262
- not exceeding one year	13,831,760	2,766,352	2,278,179	11,978,248	-	-
Unutilised credit card lines	2,706,780	541,356	406,017	2,519,144	-	-
	<b>53,330,378</b>	<b>11,751,104</b>	<b>8,518,805</b>	<b>36,690,143</b>	<b>5,284,674</b>	<b>3,353,714</b>

\* With effect from 1 January 2008, the credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as defined in Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach (Basel II).

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**A25. Derivative Financial Instruments**

Details of derivative financial instruments outstanding as at 30 June 2008 are as follows:

Value of contracts classified by remaining period to maturity / next repricing date (whichever is earlier).

**Group**

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forwards	5,287,452	1,455,241	1,533,188	1,650,969	645,583	2,471	-
- swaps	12,126,337	5,530,264	3,981,872	2,425,030	189,171	-	-
Sub total	17,413,789	6,985,505	5,515,060	4,075,999	834,754	2,471	-
Interest rate related contracts							
- swaps	8,987,594	872,022	6,662,202	1,453,370	-	-	-
Equity related contracts							
- options	273,260	-	-	-	-	273,260	-
Total	26,674,643	7,857,527	12,177,262	5,529,369	834,754	275,731	-

**Bank**

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forwards	3,601,276	1,259,201	1,533,188	766,001	40,415	2,471	-
- swaps	11,234,457	5,432,305	3,579,564	2,163,806	58,782	-	-
Sub total	14,835,733	6,691,506	5,112,752	2,929,807	99,197	2,471	-
Interest rate related contracts							
- swaps	8,429,758	692,392	6,381,976	1,355,390	-	-	-
Equity related contracts							
- options	273,260	-	-	-	-	273,260	-
Total	23,538,751	7,383,898	11,494,728	4,285,197	99,197	275,731	-



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**A25. Derivative Financial Instruments (continued)**

The Group and the Bank's derivative financial instruments are subject to market and credit risk, as follows:

**Market Risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 June 2008, the amount of contracts which were not hedged in the Group and the Bank and, hence, exposed to market risk was RM2,299,728,000 (31 December 2007 : RM907,520,000).

**Credit Risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 30 June 2008, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM187,495,000 (31 December 2007 : RM48,792,000) and RM177,676,000 (31 December 2007 : RM47,693,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**Related Accounting Policies**

Financial derivatives are recognised at fair value upon inception in the balance sheet, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

**A25. Derivative Financial Instruments (continued)**

Fair value hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

Cash flow hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the derivative is taken to a separate component in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statements. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement.

Net investment hedge

The Group also applies net investment hedge accounting, which are for hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

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**A26. Interest / Profit Rate Risk**

Group As at 30 June 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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>												
Cash and short-term funds	35,260,977	-	-	-	-	-	-	-	1,288,621	-	36,549,598	3.52
Deposits and placements with banks and other financial institutions	4,835	633,450	805,681	-	-	-	-	-	173,627	-	1,617,593	4.28
Securities purchased under resale agreements	8,285,930	3,737,796	-	-	-	-	-	-	-	-	12,023,726	3.49
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,228,740	8,228,740	3.72
Securities available-for-sale	-	-	618,234	102,585	485,882	321,245	-	1,556,298	1,565,339	-	4,649,583	3.59
Securities held-to-maturity	737,157	626,426	878,841	28,520	24,978	-	84,780	123,882	88,073	-	2,592,657	4.46
Loans, advances and financing												
- performing	67,524,644	7,028,694	10,454,824	7,044,079	5,724,344	4,328,354	3,356,442	6,775,915	-	-	112,237,296	6.18
- non-performing *	-	-	-	-	-	-	-	-	(612,027)	-	(612,027)	-
- Islamic house financing sold sold to Cagamas	-	-	(400,017)	-	-	-	-	-	-	-	(400,017)	3.71
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	8,246,914	102,299	8,349,213	-
<b>TOTAL ASSETS</b>	<b>111,813,543</b>	<b>12,026,366</b>	<b>12,357,563</b>	<b>7,175,184</b>	<b>6,235,204</b>	<b>4,649,599</b>	<b>3,441,222</b>	<b>8,456,095</b>	<b>10,750,547</b>	<b>8,331,039</b>	<b>185,236,362</b>	

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**A26. Interest / Profit Rate Risk (continued)**

Group As at 30 June 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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	85,506,156	26,939,935	23,470,521	139,575	140,681	142,919	221,614	16,146	15,596,664	-	152,174,211	3.12
Deposits and placements of banks and other financial institutions	5,736,133	915,908	154,483	-	-	-	-	-	233,283	-	7,039,807	3.27
Bills and acceptances payable	825,485	1,458,836	330,302	-	-	-	-	-	664,365	-	3,278,988	3.62
Recourse obligations on loans sold to Cagamas	28,733	3,306,272	21,347	8,030	851	-	-	-	-	-	3,365,233	3.72
Borrowings	502,098	-	-	-	-	-	-	-	-	-	502,098	2.45
Subordinated notes	-	-	-	1,158,220	-	1,299,818	1,280,667	-	-	-	3,738,705	3.89
Hybrid capital securities	-	-	-	-	-	-	-	1,763,363	-	-	1,763,363	4.47
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	3,257,115	88,813	3,345,928	-
<b>Total Liabilities</b>	<b>92,598,605</b>	<b>32,620,951</b>	<b>23,976,653</b>	<b>1,305,825</b>	<b>141,532</b>	<b>1,442,737</b>	<b>1,502,281</b>	<b>1,779,509</b>	<b>19,751,427</b>	<b>88,813</b>	<b>175,208,333</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,369,400	-	9,369,400	-
Minority interests	-	-	-	-	-	-	-	-	658,629	-	658,629	-
<b>Total Liabilities and Equity</b>	<b>92,598,605</b>	<b>32,620,951</b>	<b>23,976,653</b>	<b>1,305,825</b>	<b>141,532</b>	<b>1,442,737</b>	<b>1,502,281</b>	<b>1,779,509</b>	<b>29,779,456</b>	<b>88,813</b>	<b>185,236,362</b>	
On-balance sheet interest sensitivity gap	19,214,938	(20,594,585)	(11,619,090)	5,869,359	6,093,672	3,206,862	1,938,941	6,676,586	(19,028,909)	8,242,226	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	872,022	(2,716,398)	(1,767,144)	1,045,120	(180,974)	1,009,194	1,420,000	318,180	-	-	-	
<b>Total interest sensitivity gap</b>	<b>20,086,960</b>	<b>(23,310,983)</b>	<b>(13,386,234)</b>	<b>6,914,479</b>	<b>5,912,698</b>	<b>4,216,056</b>	<b>3,358,941</b>	<b>6,994,766</b>	<b>(19,028,909)</b>	<b>8,242,226</b>	<b>-</b>	

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

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**A26. Interest / Profit Rate Risk (continued)**

Group As at 31 December 2007	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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>												
Cash and short-term funds	34,357,299	-	-	-	-	-	-	-	1,191,489	-	35,548,788	3.80
Deposits and placements with banks and other financial institutions	5,821	1,911,878	513,990	-	-	-	-	-	252,084	-	2,683,773	5.05
Securities purchased under resale agreements	5,328,081	7,395,409	-	-	-	-	-	-	-	-	12,723,490	3.52
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,061,927	8,061,927	3.66
Securities available-for-sale	51,074	-	100,269	621,358	117,921	380,835	291,669	1,103,640	1,340,210	74,345	4,081,321	5.57
Securities held-to-maturity	882,173	1,327,708	1,167,428	261,789	-	14,862	69,850	60,506	88,079	-	3,872,395	3.77
Loans, advances and financing												
- performing	58,850,731	5,038,905	9,873,179	7,062,926	5,159,824	4,233,608	3,005,290	6,786,696	-	-	100,011,159	6.45
- non-performing *	-	-	-	-	-	-	-	-	(273,163)	-	(273,163)	-
- Islamic house financing sold sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,789,644	65,856	7,855,500	-
<b>TOTAL ASSETS</b>	<b>99,475,179</b>	<b>15,673,900</b>	<b>11,244,863</b>	<b>7,946,073</b>	<b>5,277,745</b>	<b>4,629,305</b>	<b>3,366,809</b>	<b>7,950,842</b>	<b>10,388,343</b>	<b>8,202,128</b>	<b>174,155,187</b>	

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**A26. Interest / Profit Rate Risk (continued)**

Group	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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>As at 31 December 2007</b>												
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	78,561,261	23,844,494	21,332,733	187,445	31,247	74,509	190,048	22,874	14,519,960	-	138,764,571	3.25
Deposits and placements of banks and other financial institutions	8,193,015	2,003,199	68,467	-	-	-	-	-	173,437	-	10,438,118	4.47
Obligations on securities sold under repurchase agreements	2,279	-	-	-	-	-	-	-	-	-	2,279	14.31
Bills and acceptances payable	805,940	1,177,689	416,712	-	-	-	-	-	1,051,955	-	3,452,296	3.62
Recourse obligations on loans sold to Cagamas	9,804	3,585,374	345,508	14,271	1,447	-	-	-	-	-	3,956,404	3.73
Borrowings	349,730	-	-	-	-	-	-	-	-	-	349,730	3.78
Subordinated notes	-	-	-	1,164,266	-	-	1,304,305	-	-	-	2,468,571	5.79
Hybrid capital securities	-	-	-	-	-	-	-	1,855,854	-	-	1,855,854	5.26
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	2,826,008	62,933	2,888,941	-
<b>Total Liabilities</b>	<b>87,922,029</b>	<b>30,610,756</b>	<b>22,163,420</b>	<b>1,365,982</b>	<b>32,694</b>	<b>74,509</b>	<b>1,494,353</b>	<b>1,878,728</b>	<b>18,571,360</b>	<b>62,933</b>	<b>164,176,764</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,342,174	-	9,342,174	-
Minority interests	-	-	-	-	-	-	-	-	636,249	-	636,249	-
<b>Total Liabilities and Equity</b>	<b>87,922,029</b>	<b>30,610,756</b>	<b>22,163,420</b>	<b>1,365,982</b>	<b>32,694</b>	<b>74,509</b>	<b>1,494,353</b>	<b>1,878,728</b>	<b>28,549,783</b>	<b>62,933</b>	<b>174,155,187</b>	
On-balance sheet interest sensitivity gap	11,553,150	(14,936,856)	(10,918,557)	6,580,091	5,245,051	4,554,796	1,872,456	6,072,114	(18,161,440)	8,139,195	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	800,173	(1,605,464)	(1,103,438)	559,936	(112,421)	(347,183)	1,054,774	753,623	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>12,353,323</b>	<b>(16,542,320)</b>	<b>(12,021,995)</b>	<b>7,140,027</b>	<b>5,132,630</b>	<b>4,207,613</b>	<b>2,927,230</b>	<b>6,825,737</b>	<b>(18,161,440)</b>	<b>8,139,195</b>	<b>-</b>	<b>-</b>

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

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**A26. Interest / Profit Rate Risk (continued)**

<b>Bank</b>	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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>As at 30 June 2008</b>												
<b>ASSETS</b>												
Cash and short-term funds	31,561,864	-	-	-	-	-	-	-	1,026,324	-	32,588,188	3.52
Deposits and placements with banks and other financial institutions	-	1,313,327	2,055,537	-	-	-	-	-	173,628	-	3,542,492	3.60
Securities purchased under resale agreements	7,998,075	3,318,539	-	-	-	-	-	-	-	-	11,316,614	3.49
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,183,535	8,183,535	3.72
Securities available-for-sale	-	-	531,815	-	656,612	321,245	-	1,243,454	1,436,142	-	4,189,268	3.54
Securities held-to-maturity	159,054	110,900	397,738	20,154	24,978	-	84,780	123,882	87,620	-	1,009,106	4.43
Loans, advances and financing												
- performing	60,861,675	5,646,698	8,556,612	6,449,211	5,305,517	4,114,579	3,245,618	6,676,832	-	-	100,856,742	6.11
- non-performing *	-	-	-	-	-	-	-	-	(509,692)	-	(509,692)	-
- Islamic house financing sold sold to Cagamas	-	-	(400,017)	-	-	-	-	-	-	-	(400,017)	3.71
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	8,274,341	98,923	8,373,264	-
<b>TOTAL ASSETS</b>	<b>100,580,668</b>	<b>10,389,464</b>	<b>11,141,685</b>	<b>6,469,365</b>	<b>5,987,107</b>	<b>4,435,824</b>	<b>3,330,398</b>	<b>8,044,168</b>	<b>10,488,363</b>	<b>8,282,458</b>	<b>169,149,500</b>	

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**A26. Interest / Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	As at 30 June 2008	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000			
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	76,299,575	23,619,353	23,097,055	416,700	418,679	142,919	221,481	16,146	15,018,612	-	139,250,520	3.18
Deposits and placements of banks and other financial institutions	5,066,763	837,663	96,915	-	-	-	-	-	201,925	-	6,203,266	3.12
Bills and acceptances payable	825,485	1,458,836	330,302	-	-	-	-	-	664,365	-	3,278,988	3.62
Recourse obligations on loans sold to Cagamas	28,733	3,306,272	21,347	8,030	851	-	-	-	-	-	3,365,233	3.72
Subordinated notes	-	-	-	1,158,220	-	1,299,818	1,300,097	-	-	-	3,758,135	3.89
Hybrid capital securities	-	-	-	-	-	-	-	1,763,363	-	-	1,763,363	4.47
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	2,203,961	85,304	2,289,265	-
<b>Total Liabilities</b>	<b>82,220,556</b>	<b>29,222,124</b>	<b>23,545,619</b>	<b>1,582,950</b>	<b>419,530</b>	<b>1,442,737</b>	<b>1,521,578</b>	<b>1,779,509</b>	<b>18,088,863</b>	<b>85,304</b>	<b>159,908,770</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,240,730	-	9,240,730	-
<b>Total Liabilities and Equity</b>	<b>82,220,556</b>	<b>29,222,124</b>	<b>23,545,619</b>	<b>1,582,950</b>	<b>419,530</b>	<b>1,442,737</b>	<b>1,521,578</b>	<b>1,779,509</b>	<b>27,329,593</b>	<b>85,304</b>	<b>169,149,500</b>	
On-balance sheet interest sensitivity gap	18,360,112	(18,832,660)	(12,403,934)	4,886,415	5,567,577	2,993,087	1,808,820	6,264,659	(16,841,230)	8,197,154	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	692,392	(2,996,624)	(1,780,858)	1,143,100	(115,654)	1,009,194	1,420,000	628,450	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>19,052,504</b>	<b>(21,829,284)</b>	<b>(14,184,792)</b>	<b>6,029,515</b>	<b>5,451,923</b>	<b>4,002,281</b>	<b>3,228,820</b>	<b>6,893,109</b>	<b>(16,841,230)</b>	<b>8,197,154</b>	<b>-</b>	<b>-</b>

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



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**A26. Interest / Profit Rate Risk (continued)**

<b>Bank</b>	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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>As at 31 December 2007</b>												
<b>ASSETS</b>												
Cash and short-term funds	31,607,242	-	-	-	-	-	-	-	998,905	-	32,606,147	3.73
Deposits and placements with banks and other financial institutions	-	2,362,592	454,488	-	-	-	-	-	252,086	-	3,069,166	4.99
Securities purchased under resale agreements	4,945,822	7,060,775	-	-	-	-	-	-	-	-	12,006,597	3.52
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,051,599	8,051,599	3.66
Securities available-for-sale	51,074	-	100,269	432,911	117,921	308,320	291,669	1,071,686	1,237,774	37,238	3,648,862	5.53
Securities held-to-maturity	33,183	603,102	565,396	253,334	-	14,862	69,850	60,506	87,772	-	1,688,005	3.82
Loans, advances and financing												
- performing	52,681,532	3,649,924	8,960,732	6,534,579	4,830,546	4,076,060	2,939,072	6,712,612	-	-	90,385,057	6.25
- non-performing *	-	-	-	-	-	-	-	-	(169,347)	-	(169,347)	-
- Islamic house financing sold sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,530,282	64,735	7,595,017	-
<b>TOTAL ASSETS</b>	<b>89,318,853</b>	<b>13,676,393</b>	<b>9,670,882</b>	<b>7,220,824</b>	<b>4,948,467</b>	<b>4,399,242</b>	<b>3,300,591</b>	<b>7,844,804</b>	<b>9,937,472</b>	<b>8,153,572</b>	<b>158,471,100</b>	

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**A26. Interest / Profit Rate Risk (continued)**

Bank	Non trading book									Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	over 5 years	Non-interest sensitive			
As at 31 December 2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	69,891,101	20,804,250	20,951,058	459,532	30,999	74,509	190,048	22,874	14,000,457	-	126,424,828	3.16
Deposits and placements of banks and other financial institutions	7,083,223	2,052,848	52,612	-	-	-	-	-	158,151	-	9,346,834	4.70
Obligations on securities sold under repurchase agreements	2,279	-	-	-	-	-	-	-	-	-	2,279	14.31
Bills and acceptances payable	805,940	1,177,689	416,712	-	-	-	-	-	1,051,955	-	3,452,296	3.62
Recourse obligations on loans sold to Cagamas	9,804	3,585,374	345,508	14,271	1,447	-	-	-	-	-	3,956,404	3.73
Subordinated notes	-	-	-	1,164,266	-	-	1,304,305	-	-	-	2,468,571	5.79
Hybrid capital securities	-	-	-	-	-	-	-	1,855,854	-	-	1,855,854	5.26
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	1,551,496	61,923	1,613,419	-
<b>Total Liabilities</b>	<b>77,792,347</b>	<b>27,620,161</b>	<b>21,765,890</b>	<b>1,638,069</b>	<b>32,446</b>	<b>74,509</b>	<b>1,494,353</b>	<b>1,878,728</b>	<b>16,762,059</b>	<b>61,923</b>	<b>149,120,485</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,350,615	-	9,350,615	-
<b>Total Liabilities and Equity</b>	<b>77,792,347</b>	<b>27,620,161</b>	<b>21,765,890</b>	<b>1,638,069</b>	<b>32,446</b>	<b>74,509</b>	<b>1,494,353</b>	<b>1,878,728</b>	<b>26,112,674</b>	<b>61,923</b>	<b>158,471,100</b>	
On-balance sheet interest sensitivity gap	11,526,506	(13,943,768)	(12,095,008)	5,582,755	4,916,021	4,324,733	1,806,238	5,966,076	(16,175,202)	8,091,649	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	700,978	(1,517,690)	(1,372,197)	740,921	(112,421)	(281,053)	1,054,774	786,688	-	-	-	
<b>Total interest sensitivity gap</b>	<b>12,227,484</b>	<b>(15,461,458)</b>	<b>(13,467,205)</b>	<b>6,323,676</b>	<b>4,803,600</b>	<b>4,043,680</b>	<b>2,861,012</b>	<b>6,752,764</b>	<b>(16,175,202)</b>	<b>8,091,649</b>	<b>-</b>	

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

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**A27. Capital Adequacy**

The capital adequacy ratios of the Group and the Bank as at the following dates:

	Group		Bank	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
<u>Before deducting proposed dividends:</u>				
Core capital ratio	8.6%	9.1%	10.5%	11.1%
Risk-weighted capital ratio	<u>14.3%</u>	<u>13.6%</u>	<u>14.0%</u>	<u>13.3%</u>
<u>After deducting proposed dividends:</u>				
Core capital ratio	7.7%	7.6%	9.5%	9.5%
Risk-weighted capital ratio	<u>13.6%</u>	<u>12.4%</u>	<u>13.2%</u>	<u>11.9%</u>

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,531,926	3,527,891	3,531,926	3,527,891
Share premium	2,132,499	2,112,204	2,132,499	2,112,204
Other reserves	3,566,223	3,562,188	3,542,893	3,538,858
Retained profits	1,268,000	1,362,252	1,390,373	1,491,238
Hybrid capital securities	1,339,448	1,345,882	1,469,948	1,487,546
Treasury shares	(1,274,010)	(1,273,897)	(1,274,010)	(1,273,897)
Minority interests	631,025	636,249	-	-
Less: Intangible assets	(1,966,876)	(1,983,956)	(695,393)	(695,393)
Less: Deferred tax assets, net	(298,579)	(316,265)	(298,579)	(271,478)
Total Tier I capital	<u>8,929,656</u>	<u>8,972,548</u>	<u>9,799,657</u>	<u>9,916,969</u>
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,664,668	1,522,964	1,535,309	1,381,714
Subordinated notes	3,819,247	2,469,830	3,838,677	2,469,830
Hybrid capital securities	510,872	512,348	380,372	370,684
Total Tier II capital	<u>5,994,787</u>	<u>4,505,142</u>	<u>5,754,358</u>	<u>4,222,228</u>
Total capital	<u>14,924,443</u>	<u>13,477,690</u>	<u>15,554,015</u>	<u>14,139,197</u>
Less: Investment in subsidiary companies and associate companies	(960)	-	(2,440,524)	(2,270,069)
Capital base	<u>14,923,483</u>	<u>13,477,690</u>	<u>13,113,491</u>	<u>11,869,128</u>

With effect from 1 January 2008, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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**A28. Credit Exposures Arising From Credit Transactions With Connected Parties**

**30 June 2008**

Outstanding credit exposures with connected parties (RM'000)	<u><u>858,554</u></u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u><u>0.75%</u></u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u><u>0.04%</u></u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

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**A29. Operations of Islamic Banking**

**A29a. Balance Sheets as at 30 June 2008**

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2,883,958	2,007,898
Securities held-for-trading	115,837	391,299
Securities held-to-maturity	-	1,371
Financing, advances and other loans	11,174,864	10,401,229
Other assets	147,469	521,709
Statutory deposits with Bank Negara Malaysia	392,000	387,000
Deferred tax assets	39,315	32,798
Property and equipment	283	256
<b>Total Assets</b>	<b>14,753,726</b>	<b>13,743,560</b>
<b>LIABILITIES AND ISLAMIC</b>		
<b>BANKING FUNDS</b>		
Deposits from customers	11,566,550	10,149,037
Deposits and placements of banks and other financial institutions	1,100,299	1,599,539
Bills and acceptances payable	-	46,942
Other liabilities	110,261	34,026
Provision for tax expense and zakat	49,518	101,160
<b>Total Liabilities</b>	<b>12,826,628</b>	<b>11,930,704</b>
Islamic Banking Funds	1,927,098	1,812,856
<b>Total Liabilities and Islamic Banking Funds</b>	<b>14,753,726</b>	<b>13,743,560</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,476,505</b>	<b>1,273,244</b>

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**A29b. Income Statements for the 2nd Quarter and Financial Half Year Ended 30 June 2008**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2008 RM'000</b>	<b>30 June 2007 RM'000</b>	<b>30 June 2008 RM'000</b>	<b>30 June 2007 RM'000</b>
<b><u>Group and Bank</u></b>				
Income derived from investment of depositors' funds and financial institutions	<b>207,254</b>	165,652	<b>375,521</b>	304,198
Allowance for losses on financing, advances and other loans	<b>(19,189)</b>	(18,431)	<b>(31,950)</b>	(33,504)
- General allowances	<b>(8,080)</b>	(5,500)	<b>(10,580)</b>	(10,000)
- Other loan loss allowances	<b>(11,109)</b>	(12,931)	<b>(21,370)</b>	(23,504)
Transfer to profit equalisation reserve	<b>(8,812)</b>	4,272	<b>(18,516)</b>	(2,808)
<b>Total attributable income</b>	<b>179,253</b>	151,493	<b>325,055</b>	267,886
Income attributable to the depositors and financial institutions	<b>(96,229)</b>	(71,962)	<b>(157,835)</b>	(121,286)
<b>Income attributable to the reporting institutions</b>	<b>83,024</b>	79,531	<b>167,220</b>	146,600
Income derived from investment of Islamic Banking Funds	<b>26,383</b>	21,399	<b>53,061</b>	44,734
<b>Total net income</b>	<b>109,407</b>	100,930	<b>220,281</b>	191,334
Other operating expenses	<b>(29,316)</b>	(19,267)	<b>(64,729)</b>	(36,107)
<b>Profit before zakat and tax expense</b>	<b>80,091</b>	81,663	<b>155,552</b>	155,227
Zakat	<b>(44)</b>	(41)	<b>(89)</b>	(83)
Tax expense	<b>(21,225)</b>	(22,583)	<b>(41,221)</b>	(42,813)
<b>Profit after zakat and tax expense</b>	<b>58,822</b>	59,039	<b>114,242</b>	112,331

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**A29c. Financing, Advances and Other Loans**

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Qardhassan-i (overdraft)	96,994	82,882
Bai Bithaman Ajil-i (deferred payment sale)	4,027,449	4,081,464
Ijarah Thamma Al-Bai'-i (leasing)	8,862,115	8,326,371
Bai-Al-Einah-i	1,855,545	1,470,499
	<u>14,842,103</u>	<u>13,961,216</u>
Unearned income	(3,065,568)	(2,957,006)
Gross financing, advances and other loans (including Islamic house financing sold to Cagamas)	11,776,535	11,004,210
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)
Gross financing, advances and other loans (excluding Islamic house financing sold to Cagamas)	11,376,518	10,594,207
Allowance for bad and doubtful debts and financing:		
- general	(175,675)	(165,095)
- specific	(25,979)	(27,883)
Net financing, advances and other loans	<u>11,174,864</u>	<u>10,401,229</u>

i) Movements in non-performing financing, advances and other loans (“NPL”) are as follows:

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
At 1 January	169,490	176,357
Non-performing during the period / year	172,306	412,190
Reclassified as performing	(146,896)	(330,764)
Recoveries	(13,303)	(34,791)
Amount written off	(27,434)	(53,502)
Closing balance	154,163	169,490
Specific allowance	(25,979)	(27,883)
Net non-performing financing, advances and other loans	<u>128,184</u>	<u>141,607</u>
Net NPL as % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	<u>1.09%</u>	<u>1.29%</u>

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**A29c. Financing, Advances and Other Loans** (continued)

ii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>General allowance</u>		
At 1 January	165,095	137,495
Allowance made during the period / year	10,580	27,600
Closing balance	<u>175,675</u>	<u>165,095</u>
As % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	<u>1.50%</u>	<u>1.50%</u>

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>Specific allowance</u>		
At 1 January	27,883	26,014
Allowance made during the period / year	35,526	83,246
Amount written back	(9,985)	(27,872)
Amount written off	(27,434)	(53,502)
Amount transferred to accumulated impairment losses in value of foreclosed properties	(11)	(3)
Closing balance	<u>25,979</u>	<u>27,883</u>

**A29d. Other Assets**

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Deferred handling fees	49,641	46,622
Income receivable	2,431	2,509
Other receivables, deposits and prepayments	95,397	472,578
	<u>147,469</u>	<u>521,709</u>



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**A29e. Deposits from Customers**  
**i) By type of deposit**

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	1,862,096	1,769,188
Wadiah savings deposits-i	3,104,362	2,922,341
Negotiable debt certificate-i	3,203,714	3,351,212
Others	2,370	2,410
	<b>8,172,542</b>	<b>8,045,151</b>
 <u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	71,458	66,894
Mudharabah general investment deposits-i	3,322,550	2,036,992
	<b>3,394,008</b>	<b>2,103,886</b>
	<b>11,566,550</b>	<b>10,149,037</b>

**A29f. Other liabilities**

	<b>Group and Bank</b>	
	<b>30 June 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Income payable	19,253	20,222
Other liabilities	59,767	1,079
Profit equalisation reserves	31,241	12,725
	<b>110,261</b>	<b>34,026</b>

**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Performance Review**

The Group's pre-tax profit for the financial half year ended 30 June 2008 of RM1,762.2 million was RM354.2 million or 25.2% higher than the previous corresponding half year of RM1,408.0 million. Net profit attributable to equity holders improved by 31.0% to RM1,310.9 million. The improvement in earnings was primarily due to higher net interest and financing income by RM296.1 million or 16.7% and higher other operating income by 36.4% or RM232.4 million. The increase in other operating income was mainly due to a goodwill payment of RM200 million received from ING in respect of a regional strategic alliance on bancassurance distribution, higher management fee income from the fund management business and higher fee and foreign exchange income. These were partially offset by higher other operating expenses by RM49.3 million, higher net specific loan loss allowances and impairment losses by RM83.0 million as well as higher general allowance by RM48.0 million due to higher loan growth achieved. The higher specific loan loss allowance during the current period was partly due to certain non-performing loan amounts secured by properties which are more than 7 years in arrears whereby full allowance was made with zero value assigned to the collateral.

The growth in the Group's net interest and financing income was driven by strong loans and deposits growth coupled with further improvement in asset quality. Gross loan balance before deducting Islamic house financing sold to Cagamas has grown by 23.9% to RM113.5 billion as at 30 June 2008 as compared to RM91.6 billion as at 30 June 2007 mainly arising from financing of small- and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. Total deposits from customers had also grown by 23.5% or RM29.0 billion as compared to 30 June 2007 which partly contributed to the higher net interest income for the current financial half year. Despite the high loan growth, the Group's asset quality continued to improve with its gross non-performing loan ("NPL") balance decreasing by 21.9% to RM1.22 billion as at 30 June 2008 as compared to RM1.56 billion as at 30 June 2007 and the Group's net NPL ratio further improved to 0.9% from 1.5% over the same period.

The Group's domestic commercial bank, Public Bank, recorded a pre-tax profit of RM1,525.5 million for the financial half year ended 30 June 2008 and was 20.3% higher than the pre-tax profit of RM1,267.9 million achieved in the previous corresponding period. This was mainly due to higher net interest and financing income and higher other operating income, partially offset by higher other operating expenses, higher general allowance and specific allowance.

Pre-tax profit contribution from the Group's overseas operations increased by RM29.1 million or 16.8% from the previous corresponding half year to RM202.7 million despite the negative foreign exchange effect of RM14.1 million resulting from the strengthening of Ringgit against Hong Kong Dollar and US Dollar over the period. The strong performance of the Group's overseas operations was a result of strong loan and deposit growth, particularly in Hong Kong and Cambodia.

For the 2nd quarter ended 30 June 2008, the Group registered a pre-tax profit of RM791.6 million, an improvement of RM58.8 million or 8.0% as compared to the previous corresponding quarter. This was achieved on the back of strong loans and deposits growth and improved asset quality. Earnings attributable to equity holders grew by 13.2% or RM69.4 million over the same period.

**B2. Variation of Results Against Preceding Quarter**

The Group's pre-tax profit of RM791.6 million for the 2nd quarter ended 30 June 2008 shows a drop of RM179.1 million or 18.4% as compared to the pre-tax profit of RM970.6 million for the preceding quarter ended 31 March 2008. Net profit attributable to equity holders decreased by RM123.9 million or 17.3% over the same period. The drop was mainly due to the one-off goodwill payment of RM200 million received from ING in respect of a regional strategic alliance on bancassurance distribution in the preceding quarter. Excluding the one-off goodwill payment, the Group had actually achieved a growth of 2.7% or RM20.9 million in pre-tax profit and 3.7% growth in net profit attributable to equity shareholders, despite a higher general allowance made by RM18.6 million during the current quarter. The stronger profit performance during the current quarter was mainly attributable to the increase in net interest and financing income by RM30.9 million or 3.0%, and lower other operating expenses and lower net specific allowance, partially offset by lower other operating income.

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**B3. Prospects for 2008**

The Malaysian economy is expected to sustain a respectable growth in the second half of 2008 despite concerns over increased external uncertainties and high inflation. Under these circumstances, the operating environment for the banking industry in Malaysia will remain challenging and competitive in both retail and corporate lending with increased focus on managing asset quality issues. Activities in the banking industry will continue to be driven by consumer financing and SME lending, strong growth in retail and wholesale deposits and rising demand for wealth management and structured deposit products from affluent customers. The competitive landscape in the banking industry will continue to exert pressure on net interest margins and industry players will promote non-interest income activities to mitigate narrowing interest margins.

Public Bank will continue to focus on its core business of lending to consumers and SMEs and to promote a wider range of deposit products (including structured deposits) by leveraging on its extensive branch network, strong sales and marketing teams, strong PB brand, superior service delivery standards, competitive products and services packages and on-line channels to grow its market share. Public Bank will also accelerate its non-interest income activities, particularly its unit trust fund management business and the distribution of bancassurance products.

Public Bank will also continue to accelerate growth in its overseas operations, including cross-selling activities and harnessing of business synergies between its domestic and overseas operations. The Public Bank Group will continue to maintain its prudent credit policies and practices and uphold strong corporate governance and further strengthen its risk management policies. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance in 2008.

**B4. Profit Forecast or Profit Guarantee**

There were no profit forecast or profit guarantee issued by the Group and the Bank.

**B5. Tax Expense and Zakat**

The analysis of the tax expense for the 2nd quarter and financial half year ended 30 June 2008 are as follows:

<b><u>Group</u></b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	<b>180,102</b>	167,425	<b>428,574</b>	343,502
Overseas income tax	<b>17,335</b>	14,394	<b>34,809</b>	30,128
	<b>197,437</b>	181,819	<b>463,383</b>	373,630
Under / (over) provision in prior years				
- Malaysian income tax	-	175	<b>(22,891)</b>	57
- Overseas income tax	<b>1</b>	-	<b>2,300</b>	-
	<b>197,438</b>	181,994	<b>442,792</b>	373,687
Deferred tax expense				
- Relating to origination and reversal of temporary differences	<b>(12,940)</b>	10,748	<b>(19,209)</b>	3,239
Tax expense	<b>184,498</b>	192,742	<b>423,583</b>	376,926
Zakat	<b>44</b>	41	<b>89</b>	83
	<b>184,542</b>	192,783	<b>423,672</b>	377,009

The Group's effective tax rate for the 2nd quarter and financial half year ended 30 June 2008 and 30 June 2007 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions.

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**B5. Tax Expense and Zakat (Contd.)**

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
Malaysian income tax	173,968	180,231	398,608	345,785
Overseas income tax	103	281	391	574
	<u>174,071</u>	<u>180,512</u>	<u>398,999</u>	<u>346,359</u>
Under provision in prior period/years				
- Overseas income tax	-	-	2,519	-
	<u>174,071</u>	<u>180,512</u>	<u>401,518</u>	<u>346,359</u>
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(11,763)	1,774	(27,161)	(12,656)
Tax expense	<u>162,308</u>	<u>182,286</u>	<u>374,357</u>	<u>333,703</u>
Zakat	44	41	89	83
	<u><u>162,352</u></u>	<u><u>182,327</u></u>	<u><u>374,446</u></u>	<u><u>333,786</u></u>

The Bank's effective tax rates for the 2nd quarter and financial half year ended 30 June 2008 and 30 June 2007 were lower than the statutory tax rate due to certain income not subject to tax.

**B6. Sale of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties for the 2nd quarter and financial half year ended 30 June 2008 other than in the ordinary course of business.

**B7. Quoted Securities**

Financial institutions are exempted from the disclosure requirements relating to quoted securities.

**B8. Status of Corporate Proposals Announced but Not Completed**

There were no corporate proposals announced but not completed as at 30 June 2008.

**B9. Status of Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds raised from the issuance of Subordinated Note in the current financial period have been used for working capital, general banking and other corporate purposes, as intended.

The proceeds raised from the issuances of Subordinated Notes and Hybrid Capital securities in prior years have been used for working capital, general banking and other corporate purposes, as intended.

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**B10. Deposits and Placements of Customers and Financial Institutions and Debt Securities**

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Deposits from customers				
- Fixed deposits				
One year or less	68,840,626	64,366,971	58,983,464	54,196,872
More than one year	164,563	140,930	156,101	127,768
- Negotiable instruments of deposits				
One year or less	13,900,696	17,484,002	14,186,657	17,511,526
More than one year	876,746	606,497	620,144	267,577
- Money market deposits				
One year or less	34,266,234	24,454,491	33,371,300	24,524,797
- Savings deposits	18,009,558	16,937,439	16,448,335	15,602,146
- Demand deposits	15,115,882	14,021,578	14,499,574	13,442,332
- Others	999,906	752,663	984,945	751,810
	<u>152,174,211</u>	<u>138,764,571</u>	<u>139,250,520</u>	<u>126,424,828</u>
Deposits and placements of banks and other financial institutions				
- One year or less	7,039,807	10,438,118	6,203,266	9,346,834
Borrowings denominated in HKD (unsecured)				
Term loan				
- One year or less	125,346	-	-	-
- More than one year	345,353	349,730	-	-
Revolving credit				
- One year or less	31,399	-	-	-
	<u>502,098</u>	<u>349,730</u>	<u>-</u>	<u>-</u>
Subordinated notes denominated in USD (unsecured)				
- More than one year	2,458,039	2,468,571	2,458,039	2,468,571
Subordinated notes denominated in RM (unsecured)				
- More than one year	1,280,666	-	1,300,096	-
	<u>3,738,705</u>	<u>2,468,571</u>	<u>3,758,135</u>	<u>2,468,571</u>
Hybrid capital securities denominated in USD (unsecured)				
- More than one year	696,301	695,624	696,301	695,624
Hybrid capital securities denominated in RM (unsecured)				
- More than one year	1,067,062	1,160,230	1,067,062	1,160,230
	<u>1,763,363</u>	<u>1,855,854</u>	<u>1,763,363</u>	<u>1,855,854</u>

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**B11. Derivative Financial Instruments**

The value of derivative financial instruments classified by remaining period to maturity / next repricing date (whichever is earlier) as at the latest practicable date, 10 July 2008, is as follows :

**Group**

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
<b>Foreign exchange related contracts</b>							
- forwards	5,212,514	1,566,646	1,416,930	1,569,694	656,793	2,451	-
- swaps	10,598,924	3,394,886	4,995,280	2,086,401	122,357	-	-
Sub total	15,811,438	4,961,532	6,412,210	3,656,095	779,150	2,451	-
<b>Interest rate related contracts</b>							
- forwards	32,394	-	-	-	16,197	16,197	-
- swaps	9,132,250	492,861	7,261,327	1,378,062	-	-	-
Sub total	9,164,644	492,861	7,261,327	1,378,062	16,197	16,197	-
<b>Equity related contracts</b>							
- options	271,060	-	-	-	-	271,060	-
<b>Precious metal contracts</b>							
- forwards	651	651	-	-	-	-	-
Total	25,247,793	5,455,044	13,673,537	5,034,157	795,347	289,708	-

**Bank**

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
<b>Foreign exchange related contracts</b>							
- forwards	3,515,930	1,348,104	1,416,930	691,908	56,537	2,451	-
- swaps	9,701,158	3,218,103	4,598,134	1,827,252	57,669	-	-
Sub total	13,217,088	4,566,207	6,015,064	2,519,160	114,206	2,451	-
<b>Interest rate related contracts</b>							
- swaps	8,578,720	395,586	6,837,497	1,345,637	-	-	-
<b>Equity related contracts</b>							
- options	271,060	-	-	-	-	271,060	-
<b>Precious metal contracts</b>							
- forwards	651	651	-	-	-	-	-
Total	22,067,519	4,962,444	12,852,561	3,864,797	114,206	273,511	-

Foreign exchange and interest rate related contracts are subject to market and credit risk.

**B12. Changes in Material Litigation**

The Group and the Bank do not have any material litigation which would materially and adversely affect the financial position of the Group and the Bank.

**B13. Proposed Dividends**

- (i) An interim dividend of 30% less 26% tax for the financial year ending 31 December 2008, amounting to RM744,951,866, based on the outstanding issued and paid-up capital excluding treasury shares as at 30 June 2008, has been declared by the directors;
- (ii) Amount per share : 30 sen less 26% tax;
- (iii) Previous corresponding period : 25 sen less 27% tax;
- (iv) Payment date : 13 August 2008;
- (v) In respect of deposited securities, entitlement to the interim dividend will be determined on the basis of the Record of Depositors as at the close of business on 5 August 2008.

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**B14. Earnings Per Share (EPS)**

**Basic**

The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the Bank for the 2nd quarter and financial half year ended 30 June 2008 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 2nd quarter and financial half year ended 30 June 2008 excluding the weighted average treasury shares held by the Bank.

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
Net profit attributable to equity holders of the Bank (RM'000)	<u>593,535</u>	<u>524,110</u>	<u>1,310,922</u>	<u>1,000,328</u>
Weighted average number of PBB Shares ('000)	<u>3,355,639</u>	<u>3,355,782</u>	<u>3,354,641</u>	<u>3,355,658</u>
Basic earnings per share (sen)	<u>17.7</u>	<u>15.6</u>	<u>39.1</u>	<u>29.8</u>

**Diluted**

The calculation of the diluted earnings per share is based on the net profit attributable to the equity holders of the Bank for the 2nd quarter and financial half year ended 30 June 2008 divided by the adjusted weighted average number of PBB Shares of RM1.00 each in issue and issuable under the exercise of share options granted under the Public Bank Berhad Employees' Share Option Scheme.

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
Weighted average number of PBB Shares ('000)	<u>3,355,639</u>	<u>3,355,782</u>	<u>3,354,641</u>	<u>3,355,658</u>
Effects of share options ('000)	<u>-</u>	<u>8,852</u>	<u>1,000</u>	<u>8,270</u>
Adjusted weighted average number of PBB shares in issue or issuable ('000)	<u>3,355,639</u>	<u>3,364,634</u>	<u>3,355,641</u>	<u>3,363,928</u>
Diluted earnings per share (sen)	<u>17.7</u>	<u>15.6</u>	<u>39.1</u>	<u>29.7</u>