

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2005

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

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

UNAUDITED CONDENSED BALANCE SHEET
AS AT 30 SEPTEMBER 2005

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	RM'000	RM'000	RM'000	RM'000
Assets				
Cash and short term funds	6,008,528	5,767,418	6,008,528	5,767,418
Securities purchased under resale agreements	1,736,545	1,661,681	1,736,545	1,661,681
Deposits and placements with banks and other financial institutions	114,849	106,179	114,849	106,179
Securities:				
- Held for trading	838,764	871,201	838,764	871,201
- Available-for-sale	4,285,195	4,809,856	4,285,195	4,809,856
Loans, advances and financing	21,285,058	18,963,791	21,285,058	18,963,791
Other assets	759,832	303,861	759,832	303,861
Statutory deposits with Bank Negara Malaysia	734,648	762,948	734,648	762,948
Investments in subsidiary companies	-	-	21	21
Property, plant and equipment	300,399	299,721	300,399	299,721
Deferred tax asset	73,810	54,045	73,810	54,045
Total Assets	36,137,628	33,600,701	36,137,649	33,600,722
Liabilities				
Deposits from customers	27,403,851	26,556,685	27,403,872	26,556,706
Deposits and placements of banks and other financial institutions	1,903,532	1,432,336	1,903,532	1,432,336
Obligations on securities sold under repurchase agreements	1,831,423	1,812,105	1,831,423	1,812,105
Bills and acceptances payable	439,406	332,902	439,406	332,902
Other liabilities	1,556,895	613,012	1,556,895	613,012
Recourse obligation on loans sold to Cagamas Berhad	582,809	630,188	582,809	630,188
Provision for taxation	82,061	59,306	82,061	59,306
Total liabilities	33,799,977	31,436,534	33,799,998	31,436,555
Shareholders' Fund				
Share capital	114,500	114,500	114,500	114,500
Reserves	2,223,151	1,949,667	2,223,151	1,949,667
Proposed dividend	-	100,000	-	100,000
Shareholders' funds	2,337,651	2,164,167	2,337,651	2,164,167
Total Liabilities and Shareholders' Funds	36,137,628	33,600,701	36,137,649	33,600,722
Commitments and Contingencies	59,673,571	48,896,046	59,673,571	48,896,046

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2004.

The financial statements were approved by the Board of Directors on 28 October 2005.

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

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE THIRD FINANCIAL QUARTER / PERIOD ENDED 30 SEPTEMBER 2005

	<i>Group and Bank</i>			
	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Revenue	597,081	471,281	1,647,154	1,396,503
Interest income	368,905	315,954	1,062,897	945,035
Interest expense	(164,466)	(146,055)	(468,698)	(441,606)
Net interest income	204,439	169,899	594,199	503,429
Other operating income	183,080	127,401	465,222	377,581
Income from Islamic banking operations	29,681	20,791	76,429	55,425
Operating income	417,200	318,091	1,135,850	936,435
Other operating expenses	(207,194)	(172,977)	(562,454)	(490,091)
Profit before allowance	210,006	145,114	573,396	446,344
Write back of / (Allowance for) losses on loans and financing	30,325	(17,113)	7,068	(976)
Write back of allowance for commitments and contingencies	-	996	465	7,526
Profit before taxation	240,331	128,997	580,929	452,894
Taxation	(68,250)	(35,016)	(165,335)	(110,398)
Profit attributable to shareholders	172,081	93,981	415,594	342,496
Earnings per RM0.50 share	75.1 sen	41.0 sen	181.5 sen	149.6 sen
Dividends per RM0.50 ordinary share (net)	-	-	52.4 sen	43.7 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2004.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2005

	<i>Group and Bank</i>									
	← Non-distributable				→ Distributable					
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Capital redemption reserve</i>	<i>Available-for-sale reserve</i>	<i>Retained profit</i>	<i>Total reserves</i>	<i>Proposed dividend</i>	<i>Total</i>
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2004										
- as previously reported	114,500	741,375	114,500	110,264	190,000	-	423,359	1,579,498	200,000	1,893,998
- prior year adjustment	-	-	-	-	-	6,820	35,813	42,633	-	42,633
	114,500	741,375	114,500	110,264	190,000	6,820	459,172	1,622,131	200,000	1,936,631
Net profit for the period										
- as previously reported	-	-	-	-	-	-	350,667	350,667	-	350,667
- prior year adjustment	-	-	-	-	-	-	(8,171)	(8,171)	-	(8,171)
Net unrealised gains on revaluation	-	-	-	-	-	36,618	-	36,618	-	36,618
Gains reclassified to income statement	-	-	-	-	-	(958)	-	(958)	-	(958)
Transfer to retained profit on realisation of assets	-	-	-	(1,127)	-	-	1,127	-	-	-
Dividend paid - 2003 final	-	-	-	-	-	-	-	-	(200,000)	(200,000)
Dividend paid - 2004 interim	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Balance as at 30 September 2004	114,500	741,375	114,500	109,137	190,000	42,480	702,795	1,900,287	-	2,014,787
Balance as at 1 October 2004	114,500	741,375	114,500	109,137	190,000	42,480	702,795	1,900,287	-	2,014,787
Net profit for the period										
- as previously reported	-	-	-	-	-	-	122,610	122,610	-	122,610
- prior year adjustment	-	-	-	-	-	-	823	823	-	823
Net unrealised gains on revaluation	-	-	-	-	-	14,191	-	14,191	-	14,191
Surplus on revaluation of properties	-	-	-	11,756	-	-	-	11,756	-	11,756
Transfer to retained profit on realisation of assets	-	-	-	(1,927)	-	-	1,927	-	-	-
Proposed dividend - 2004 final	-	-	-	-	-	-	(100,000)	(100,000)	100,000	-
Balance as at 31 December 2004	114,500	741,375	114,500	118,966	190,000	56,671	728,155	1,949,667	100,000	2,164,167
Balance as at 1 January 2005	114,500	741,375	114,500	118,966	190,000	56,671	728,155	1,949,667	100,000	2,164,167
Net profit for the period	-	-	-	-	-	-	415,594	415,594	-	415,594
Net unrealised losses on revaluation	-	-	-	-	-	(14,500)	-	(14,500)	-	(14,500)
Net gains reclassified to income statement	-	-	-	-	-	(7,610)	-	(7,610)	-	(7,610)
Dividend paid - 2004 final	-	-	-	-	-	-	-	-	(100,000)	(100,000)
Dividend paid - 2005 interim	-	-	-	-	-	-	(120,000)	(120,000)	-	(120,000)
Balance as at 30 Sept 2005	114,500	741,375	114,500	118,966	190,000	34,561	1,023,749	2,223,151	-	2,337,651

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2004.

HSBC BANK MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2005

	<i>Group and Bank</i>	
	30 Sep 2005	30 Sep 2004
	RM'000	RM'000
Profit before taxation	580,929	452,894
Adjustments for non-operating and non-cash items	74,657	81,989
Operating profit before working capital changes	655,586	534,883
Changes in working capital:		
Net changes in operating assets	(2,866,745)	(1,576,877)
Net changes in operating liabilities	2,340,953	2,481,392
Income tax paid	(153,745)	(129,379)
Net cash (used in) / generated from operations	(23,951)	1,310,019
Net cash generated from investing activities	485,061	106,082
Net cash used in financing activities	(220,000)	(300,000)
	265,061	(193,918)
Net change in cash and cash equivalents	241,110	1,116,101
Cash and cash equivalents at beginning of the period	5,767,418	4,071,494
Cash and cash equivalents at end of the period	6,008,528	5,187,595
Analysis of cash and cash equivalents		
Cash and short-term funds	6,008,528	5,187,595

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2004.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2005

1 Basis of Preparation

The unaudited condensed interim financial statements for the third financial quarter ended 30 September 2005 have been prepared in accordance with generally accepted accounting principles in Malaysia and are consistent with those adopted in the previous audited financial statements except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became effective for the current financial year. The adoption of the revised BNM/GP8 has resulted in changes in the accounting policies of the Bank and the details are disclosed in Note 27 and 28.

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2004.

2 Audit Report

The audit report on the audited annual financial statements for the financial year ended 31 December 2004 was not subject to any qualification.

3 Seasonality or Cyclicity of Operations

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

4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the third financial quarter ended 30 September 2005.

5 Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the third financial quarter ended 30 September 2005.

6 Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the third financial quarter ended 30 September 2005.

7 Dividend Paid

A final dividend of 121.3% less tax totalling RM100 million in respect of the financial year 2004 was paid on 2 March 2005. Interim dividend of 145.6% less tax amounting to RM120 million for the current financial year was paid on 3 August 2005.

8 Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost/ valuation less accumulated depreciation and accumulated impairment losses except for freehold land which is stated at cost and directors' valuation. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the financial year ended 31 December 2004.

9 Significant Events Subsequent to the Balance Sheet Date

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

10 Changes in the Composition of the Group

There were no changes in the composition of the Group for the third financial quarter ended 30 September 2005.

11 Securities

(i) Held for trading

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	151,718	34,578
Bank Negara Malaysia bills	88,082	-
Bank Negara Malaysia Islamic bills	273,977	14,938
Malaysian Government securities	120,559	164,715
Negotiable instruments of deposit	30,000	365,066
Khazanah bonds	2,021	-
Cagamas bonds and notes	25,027	122,643
	691,384	701,940
Unquoted securities:		
Private debt securities (including commercial paper)	147,380	169,261
	838,764	871,201

(ii) Available-for-sale

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Money market instruments:		
Malaysian Government treasury bills	-	14,400
Malaysian Government securities	512,629	1,341,902
Malaysian Government Islamic bonds	340,904	245,815
Khazanah bonds	263,000	198,556
Cagamas bonds and notes	1,058,665	1,060,284
Negotiable instruments of deposit	704,737	438,485
Bankers' acceptance and Islamic accepted bills	541,845	470,678
	3,421,780	3,770,120
Quoted securities in Malaysia:		
Shares	39,324	55,413
Warrants	148	209
Loan stock	11,956	20,122
	51,428	75,744
Unquoted securities:		
Shares	17,392	37,526
Private and Islamic debt securities	814,755	947,629
	832,147	985,155
Impairment loss:		
Quoted securities in Malaysia:		
Shares	(11,249)	(12,252)
Warrants	(7)	(7)
Loan stock	(8,904)	(8,904)
	(20,160)	(21,163)
	4,285,195	4,809,856

12 Loans, Advances and Financing

(i) By type

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Overdrafts	1,905,389	1,733,322
Term loans/ financing		
Housing loans/ financing	7,354,821	7,485,443
Syndicated term loans/ financing	19,690	32,099
Hire purchase receivables	127,206	126,994
Lease receivables	53,785	62,845
Other term loans/ financing	5,114,065	4,193,675
Bills receivable	862,192	449,465
Trust receipts	333,271	639,016
Claims on customers under acceptance credits	2,986,391	2,440,514
Staff loans/ financing	305,467	301,017
Credit/ charge cards	1,461,675	1,202,785
Revolving credit	1,529,964	1,179,794
Other loans/ financing	10,126	8,193
Less: Unearned interest and income	(140,180)	(124,737)
	21,923,862	19,730,425
Less: Allowance for bad and doubtful debts and financing:		
- General	(324,200)	(289,300)
- Specific	(314,604)	(477,334)
Total net loans, advances and financing	21,285,058	18,963,791

(ii) By type of customer

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	50,083	2,545
- Others	138,618	165,216
Domestic business enterprises		
- Small medium enterprises	2,553,939	2,416,355
- Others	7,983,556	6,808,053
Government and statutory bodies	69	82
Individuals	10,746,016	10,122,427
Other domestic entities	2,943	4,862
Foreign entities	448,638	210,885
	21,923,862	19,730,425

12 Loans, Advances and Financing (continued)

(iii) By interest/ profit rate sensitivity

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Fixed rate		
Housing loans/ financing	330,475	326,339
Hire purchase receivables	116,094	116,371
Other fixed rate loans/ financing	3,243,537	2,348,061
Variable rate		
BLR plus	13,945,493	13,289,098
Cost-plus	1,529,964	1,179,793
Other variable rates	2,758,299	2,470,763
	21,923,862	19,730,425

(iv) By sector

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	1,105,082	823,888
Mining and quarrying	86,476	89,952
Manufacturing	3,915,336	3,441,364
Electricity, gas and water	167,360	128,603
Construction	413,926	457,594
Real estate	612,373	364,586
Purchase of landed property:		
- Residential	8,109,300	7,731,230
- Non-residential	901,004	791,009
Wholesale & retail trade and restaurants & hotels	2,173,247	1,899,937
Transport, storage and communication	139,257	125,731
Finance, insurance and business services	1,247,067	1,208,512
Purchase of securities	160,792	274,707
Purchase of transport vehicles	14,589	2,461
Consumption credit	2,666,489	2,249,058
Others	211,564	141,793
	21,923,862	19,730,425

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

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

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
At beginning of year	1,055,888	1,170,239
Classified as non-performing during the period/ year	250,002	507,930
Reclassified as performing	(158,738)	(121,081)
Loans/ financing converted to securities	-	(487)
Amount recovered	(188,620)	(353,267)
Amount written off	(184,276)	(147,446)
Other movements	424	-
Closing balance	774,680	1,055,888
Specific allowance	(314,604)	(477,334)
Net non-performing loans, advances and financing	460,076	578,554
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	2.1%	3.0%

(ii) Movements in allowance for bad and doubtful debts

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
General allowance		
At beginning of year	289,300	275,000
Allowance made during the period/ year	34,900	14,300
Closing balance	324,200	289,300
As % of gross loans, advances and financing less specific allowance	1.5%	1.5%
Specific allowance		
At beginning of year	477,334	576,236
Allowance made during the period/ year	147,660	233,789
Transferred to accumulated impairment loss in value of securities	-	(487)
Amount recovered	(128,828)	(186,857)
Amount written off	(181,986)	(145,347)
Other movements	424	-
Closing balance	314,604	477,334

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

(iii) By sector

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	2,381	2,153
Mining and quarrying	631	775
Manufacturing	219,534	370,082
Construction	32,344	57,149
Real estate	22,661	32,454
Purchase of landed property:		
- Residential	286,589	356,473
- Non-residential	25,975	32,784
Wholesale & retail trade and restaurants & hotels	59,805	61,237
Transport, storage and communication	4,782	2,875
Finance, insurance and business services	36,623	61,840
Purchase of securities	184	2,496
Purchase of transport vehicles	200	262
Consumption credit	79,345	61,580
Others	3,626	13,728
	774,680	1,055,888

14 Other Assets

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Assets, including gains, resulting from off-balance-sheet interest rate, exchange rate and equities contracts which are marked to market	227,460	134,873
Interest/ income receivable	45,510	48,725
Other receivables, deposits and prepayments	486,862	120,263
	759,832	303,861

15 Deposits from Customers

(i) By type of deposit

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	RM'000	RM'000	RM'000	RM'000
Demand deposits	5,515,726	6,178,442	5,515,747	6,178,463
Savings deposits	4,195,732	4,154,461	4,195,732	4,154,461
Fixed/ Investment deposits	15,227,841	14,614,959	15,227,841	14,614,959
Negotiable instruments of deposit	2,243,892	1,443,697	2,243,892	1,443,697
Others	220,660	165,126	220,660	165,126
	27,403,851	26,556,685	27,403,872	26,556,706

15 Deposits from Customers (continued)

(ii) By type of customer

	<i>Group</i>		<i>Bank</i>	
	30 Sep 2005	31 Dec 2004	30 Sep 2005	31 Dec 2004
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	13,297	3,288	13,297	3,288
Business enterprises	7,999,041	7,286,845	7,999,062	7,286,866
Individuals	14,001,421	13,776,773	14,001,421	13,776,773
Others	5,390,092	5,489,779	5,390,092	5,489,779
	27,403,851	26,556,685	27,403,872	26,556,706

16 Deposits and Placements of Banks and Other Financial Institutions

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Licensed banks	70,000	-
Bank Negara Malaysia	21,299	15,533
Other financial institutions	1,812,233	1,416,803
	1,903,532	1,432,336

17 Other Liabilities

	<i>Group and Bank</i>	
	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Interest/ profit payable	145,716	127,346
Liabilities, including losses, resulting from off-balance-sheet interest rate, exchange rate and equities contracts which are marked to market	210,532	124,435
Allowance for commitments and contingencies	2,105	2,793
Profit equalisation reserve	1,440	1,240
Other creditors and accruals	1,197,102	357,198
	1,556,895	613,012

18 Interest Income

	<i>Group and Bank</i>			
	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPL	268,425	239,236	779,480	705,071
- Recoveries from NPLs	14,572	18,432	49,903	61,182
Money at call and deposit placement with financial institutions	58,724	31,905	147,764	102,731
Available-for-sale securities	31,622	32,465	97,448	94,525
	373,343	322,038	1,074,595	963,509
Amortisation of premium less accretion of discounts	(1,113)	(3,600)	(3,244)	(9,186)
Interest suspended	(3,325)	(2,484)	(8,454)	(9,288)
Total interest income	368,905	315,954	1,062,897	945,035

19 Interest Expense

	<i>Group and Bank</i>			
	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	10,842	6,008	23,646	16,552
Deposits from customers	132,067	123,594	385,754	371,007
Loans sold to Cagamas	6,995	6,661	21,440	16,336
Others	14,562	9,792	37,858	37,711
	164,466	146,055	468,698	441,606

20 Other Operating Income

	<i>Group and Bank</i>			
	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Fees and commissions	89,692	83,719	259,600	245,031
Net gains/ (losses) arising from sale of securities				
- Held for trading	12,705	4,853	18,708	21,526
- Available-for-sale	5,720	7	15,290	(123)
Net gains arising from dealing in foreign currency	64,532	32,865	134,406	102,355
Net gains/ (losses) arising from trading in derivatives	3,063	(323)	9,921	1,834
Dividend income				
- Available-for-sale	-	-	2,207	1,108
Net unrealised gains/ (losses) on revaluation of trading securities (including derivatives)	3,773	1,049	7,252	(2,416)
Unrealised gains from foreign exchange translations	1,425	3,334	11,578	4,291
Rental income	1,600	1,550	4,601	4,218
Net gains/ (losses) on disposal of property, plant and equipment	64	338	494	(289)
Other operating income	506	9	1,165	46
	183,080	127,401	465,222	377,581

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

Cards	44,253	35,426	126,559	97,263
Trade facilities	11,610	12,762	33,568	37,510
Unit trust	6,450	3,381	19,768	17,112
Credit facilities	3,121	5,775	14,229	16,408
Account services	7,178	10,000	17,498	24,476
Global custody	6,344	6,568	16,956	20,892

21 Other Operating Expenses

	<i>Group and Bank</i>			
	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	94,116	75,336	260,659	213,097
Promotion and marketing related expenses	23,359	21,302	58,256	54,796
Establishment related expenses	22,364	19,279	65,677	58,857
General administrative expenses	67,355	57,060	177,862	163,341
	207,194	172,977	562,454	490,091

The above expenditure includes the following major items:

Personnel expenses				
Salaries and bonuses	74,951	58,098	207,818	170,047
Employees Provident Fund contributions	12,476	8,800	31,183	24,542
Promotion and marketing related expenses				
Advertising and promotion	14,174	12,064	36,684	29,155
Travel and entertainment	2,046	1,637	5,580	5,566
Commercial sponsorships	2,070	1,101	4,651	5,131
Establishment related expenses				
Depreciation	8,784	7,929	22,521	23,585
Information technology costs	5,770	3,691	15,732	13,760
Hire of equipment	1,541	2,285	6,888	4,333
Rental of premises	2,410	1,861	6,805	5,787
General administrative expenses				
Intercompany expenses	22,920	15,812	62,385	43,286
Fees and commissions paid	13,912	11,222	38,541	35,608

22 Allowance for Losses on Loans and Financing

	<i>Group and Bank</i>			
	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing				
(a) Specific allowance				
- Made in the financial period	(56,169)	(42,916)	(147,660)	(135,308)
- Written back	80,732	21,222	128,828	109,455
(b) General allowance				
- Made in the financial period	(14,900)	(7,900)	(34,900)	(16,300)
Bad debts on loans and financing				
- Recovered	22,318	14,980	65,324	46,146
- Written off	(1,656)	(2,499)	(4,524)	(4,969)
	30,325	(17,113)	7,068	(976)

23 Capital Adequacy

	<i>Bank</i>	
	30 Sep 2005 RM'000	31 Dec 2004 RM'000
Tier 1 capital		
Paid-up ordinary share capital	114,500	114,500
Share premium	741,375	741,375
Capital redemption reserve	190,000	190,000
Retained profit	851,668	828,155
Other reserves	114,500	114,500
	2,012,043	1,988,530
Less: Deferred tax adjustments	(110,046)	(102,131)
Total Tier 1 capital	1,901,997	1,886,399
Tier 2 capital		
Revaluation reserves	72,507	72,507
General allowance for bad and doubtful debts and financing	324,200	289,300
Total Tier 2 capital	396,707	361,807
Total capital	2,298,704	2,248,206
Less: Investment in subsidiaries	(21)	(21)
Holdings of other banking institutions' capital instruments	-	(20,134)
Capital base *	2,298,683	2,228,051
Core capital ratio	8.4%	9.3%
Risk-weighted capital ratio	10.1%	11.0%
Core capital ratio (net of proposed dividend)	8.4%	8.8%
Risk-weighted capital ratio (net of proposed dividend)	10.1%	10.5%

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

	<i>Bank</i>			
	30 Sep 2005		31 Dec 2004	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
0%	8,642,273	-	7,722,709	-
10%	763,989	76,399	1,148,902	114,890
20%	4,165,587	833,117	5,220,831	1,044,166
50%	7,285,121	3,642,561	6,736,695	3,368,348
100%	17,633,074	17,633,074	15,723,321	15,723,321
Total risk-weighted assets equivalent for market risk	-	495,511	-	-
	38,490,044	22,680,662	36,552,458	20,250,725

* Profit after tax of RM243.5 million for the current half year of which RM235.6 million was included in the capital base, was subject to a limited review by the external auditors in accordance with Technical Bulletin 4 issued by the Malaysian Institute of Certified Public Accountants.

24 Commitments and Contingencies

	<i>Group and Bank</i>					
	30 Sep 2005			31 Dec 2004		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	532,257	532,257	492,056	394,407	394,407	353,049
Transaction-related contingent items	1,662,611	831,306	806,292	1,351,320	675,660	655,519
Short-term self-liquidating trade-related contingencies	269,508	53,902	51,241	275,510	55,102	49,653
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	13,838,798	-	-	10,428,332	-	-
- Maturity exceeding one year	1,397,502	698,751	698,751	2,112,154	1,056,077	1,056,077
Foreign exchange related contracts:						
- Less than one year	23,724,525	309,770	111,965	21,684,272	310,835	99,290
- One year to less than 5 years	2,825,847	242,912	78,946	942,497	69,698	15,835
- 5 years and above	-	-	-	30,000	3,293	1,646
Interest rate related contracts:						
- Less than one year	2,631,334	7,239	2,314	3,374,150	6,311	1,631
- One year to less than 5 years	11,542,659	308,274	133,137	7,314,346	217,870	71,203
- 5 years and above	1,204,044	74,161	34,874	943,900	54,044	16,746
Others	44,486	5,719	2,860	45,158	-	-
	59,673,571	3,064,291	2,412,436	48,896,046	2,843,297	2,320,649

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

25 Interest/ Profit Rate Risk

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

Bank 30 Sep 2005	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Effective interest rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				Total RM'000
ASSETS									
Cash and short term funds	5,686,359	-	-	-	-	322,169	-	6,008,528	2.88
Securities purchased under resale agreements	601,201	893,498	241,846	-	-	-	-	1,736,545	2.77
Deposits and placements with banks and other financial institutions	-	114,849	-	-	-	-	-	114,849	2.10
Securities:									
- Held for trading	-	-	-	-	-	-	838,764	838,764	3.38
- Available-for-sale	657,140	1,000,486	643,034	1,920,363	18,564	45,608	-	4,285,195	3.18
Loans, advances and financing									
- performing	16,446,841	1,532,209	832,376	869,981	641,026	502,549	-	20,824,982	5.99
- non-performing *	-	-	-	-	-	460,076	-	460,076	-
Other non-interest sensitive balances	-	-	-	-	-	1,293,213	575,497	1,868,710	-
TOTAL ASSETS	23,391,541	3,541,042	1,717,256	2,790,344	659,590	2,623,615	1,414,261	36,137,649	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers	12,967,659	4,174,802	5,253,815	308,371	174,349	4,524,876	-	27,403,872	2.54
Deposits and placements of banks and other financial institutions	892,930	536,246	48,100	6,405	2,679	417,172	-	1,903,532	2.38
Obligation on securities sold under repurchase agreements	1,831,423	-	-	-	-	-	-	1,831,423	2.35
Bills and acceptances payable	62,080	69,635	16,111	-	-	291,580	-	439,406	2.66
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	228,218	354,591	-	-	582,809	4.71
Other non-interest sensitive balances	-	-	-	-	-	735,088	903,868	1,638,956	-
Total Liabilities	15,754,092	4,780,683	5,318,026	542,994	531,619	5,968,716	903,868	33,799,998	
Shareholders' funds	-	-	-	-	-	2,337,651	-	2,337,651	-
Total Liabilities and Shareholders' funds	15,754,092	4,780,683	5,318,026	542,994	531,619	8,306,367	903,868	36,137,649	
On-balance sheet interest sensitivity gap	7,637,449	(1,239,641)	(3,600,770)	2,247,350	127,971	(5,682,752)	510,393	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	(141,550)	141,397	153	-	-	-	-	
- options	(340,000)	(205,130)	-	602,000	(56,870)	-	-	-	
- swaps	(242,093)	638,360	(100,985)	(417,834)	120,200	-	-	(2,352)	
Total interest sensitivity gap	7,055,356	(947,961)	(3,560,358)	2,431,669	191,301	(5,682,752)	510,393	(2,352)	

25 Interest/ Profit Rate Risk (continued)

Bank 31 Dec 2004	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
ASSETS									
Cash and short term funds	5,476,492	-	-	-	-	290,926	-	5,767,418	2.58
Securities purchased under resale agreements	129,250	711,244	-	-	-	-	821,187	1,661,681	2.77
Deposits and placements with banks and other financial institutions	-	83,600	-	22,579	-	-	-	106,179	2.57
Securities:									
- Held for trading	-	-	-	-	-	-	871,201	871,201	3.21
- Available-for-sale	374,711	560,091	1,482,087	2,203,613	97,247	92,107	-	4,809,856	3.45
Loans, advances and financing									
- performing	14,802,812	1,202,265	505,813	810,691	605,832	457,824	-	18,385,237	5.49
- non-performing *	-	-	-	-	-	578,554	-	578,554	-
Other non-interest sensitive balances	-	-	-	-	-	1,278,323	142,273	1,420,596	-
TOTAL ASSETS	20,783,265	2,557,200	1,987,900	3,036,883	703,079	2,697,734	1,834,661	33,600,722	
LIABILITIES AND SHAREHOLDERS' FUNDS									
Deposits from customers	13,359,000	3,594,490	5,074,666	177,239	183,274	4,168,037	-	26,556,706	2.48
Deposits and placements of banks and other financial institutions	722,234	211,874	132,287	7,871	155	357,915	-	1,432,336	2.15
Obligation on securities sold under repurchase agreements	1,812,105	-	-	-	-	-	-	1,812,105	2.35
Bills and acceptances payable	54,394	67,584	7,360	-	-	203,564	-	332,902	2.72
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	215,921	414,267	-	-	630,188	4.68
Other non-interest sensitive balances	-	-	-	-	-	547,883	124,435	672,318	-
Total Liabilities	15,947,733	3,873,948	5,214,313	401,031	597,696	5,277,399	124,435	31,436,555	
Shareholders' funds	-	-	-	-	-	2,164,167	-	2,164,167	-
Total Liabilities and Shareholders' funds	15,947,733	3,873,948	5,214,313	401,031	597,696	7,441,566	124,435	33,600,722	
On-balance sheet interest sensitivity gap	4,835,532	(1,316,748)	(3,226,413)	2,635,852	105,383	(4,743,832)	1,710,226	-	
Off-balance sheet interest sensitivity gap									
Interest rate contracts									
- futures	-	(201,200)	316,400	(115,200)	-	-	-	-	
- options	(196,000)	(8,000)	110,000	94,000	-	-	-	-	
- swaps	(136,950)	(383,848)	29,911	481,887	9,000	-	-	-	
Total interest sensitivity gap	4,502,582	(1,909,796)	(2,770,102)	3,096,539	114,383	(4,743,832)	1,710,226	-	

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

26 Operations of Islamic Banking

Unaudited Condensed Balance Sheet as at 30 September 2005 (26 Syaaban 1426)

	<i>Note</i>	30 Sep 2005 RM'000	31 Dec 2004 RM'000
Assets			
Cash and short term funds		184,399	436,109
Deposits and placements with banks and other financial institutions		10,000	-
Securities:			
- Available-for-sale		1,028,576	942,354
Financing, advances and other loans	(a)	2,691,234	1,778,087
Other assets	(c)	7,691	42,032
Property, plant and equipment		1,449	1,665
Deferred tax asset		11,276	8,327
Total Assets		<u>3,934,625</u>	<u>3,208,574</u>
Liabilities			
Deposits from customers	(d)	2,519,597	2,014,358
Deposits and placements of banks and other financial institutions		70,000	44
Other liabilities	(e)	963,076	942,082
Provision for taxation		14,231	12,469
Total liabilities		<u>3,566,904</u>	<u>2,968,953</u>
Islamic Banking Capital Fund			
Funds allocated from Head Office		300,000	200,000
Reserves		67,721	39,621
Islamic Banking Capital Fund		<u>367,721</u>	<u>239,621</u>
Total Liabilities and Islamic Banking Capital Fund		<u>3,934,625</u>	<u>3,208,574</u>
Commitments and Contingencies		<u>245,482</u>	<u>262,286</u>

26 Operations of Islamic Banking (continued)

**Unaudited Condensed Income Statement for the Third Financial Quarter / Period Ended 30 September 2005
(26 Syaaban 1426)**

	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	36,212	21,668	96,684	59,267
Allowance for losses on financing	(6,213)	(6,401)	(16,002)	(18,704)
Profit equalisation reserve	-	(200)	(200)	(990)
Total distributable income	29,999	15,067	80,482	39,573
Income attributable to depositors	(21,891)	(13,404)	(61,582)	(36,065)
Income attributable to the Bank	8,108	1,663	18,900	3,508
Income derived from investment of Islamic banking capital funds	8,884	6,258	22,351	14,620
Total net income	16,992	7,921	41,251	18,128
Other operating expenses	(1,668)	(1,080)	(3,479)	(3,512)
Profit before taxation	15,324	6,841	37,772	14,616
Taxation	(4,423)	(4,573)	(10,831)	(5,409)
Profit after taxation	10,901	2,268	26,941	9,207

26 Operations of Islamic Banking (continued)

(a) Financing, advances and other loans

(i) By type

	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Term financing		
House financing	115,269	107,051
Hire purchase receivables	126,325	125,501
Lease receivables	53,269	62,008
Other term financing	737,530	481,402
Claims on customers under acceptance credits	1,844,446	1,161,517
Credit/ charge cards	1,795	3,159
Less: Unearned income	<u>(140,180)</u>	<u>(124,737)</u>
	<u>2,738,454</u>	<u>1,815,901</u>
Less: Allowance for bad and doubtful financing:		
- General	(41,000)	(27,509)
- Specific	<u>(6,220)</u>	<u>(10,305)</u>
Total net financing, advances and other loans	<u>2,691,234</u>	<u>1,778,087</u>

(b) Non-Performing Financing (NPF)

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

	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
At beginning of year	16,921	11,564
Classified as non-performing during the period/ year	4,018	12,788
Reclassified as performing	(346)	-
Amount recovered	(1,710)	(3,842)
Amount written off	<u>(6,560)</u>	<u>(3,589)</u>
Closing balance	12,323	16,921
Specific allowance	<u>(6,220)</u>	<u>(10,305)</u>
Net non-performing financing, advances and other loans	<u>6,103</u>	<u>6,616</u>
Ratio of net non-performing financing, advances and other loans to net financing, advances and other loans	0.2%	0.4%

26 Operations of Islamic Banking (continued)

(ii) Movements in allowance for bad and doubtful financing

	30 Sep 2005 RM'000	31 Dec 2004 RM'000
General allowance		
At beginning of year	27,509	10,921
Allowance made during the period/ year	13,491	16,588
Closing balance	<u>41,000</u>	<u>27,509</u>
As % of total financing less specific allowance	1.5%	1.5%
Specific allowance		
At beginning of year	10,305	6,844
Allowance made during the period/ year	2,813	8,699
Amount recovered	(383)	(1,558)
Amount written off	(6,515)	(3,680)
Closing balance	<u>6,220</u>	<u>10,305</u>
(c) Other Assets		
	30 Sep 2005 RM'000	31 Dec 2004 RM'000
Settlement due from Head Office	-	32,217
Income receivable	7,525	9,670
Other receivables, deposits and prepayments	166	145
	<u>7,691</u>	<u>42,032</u>
(d) Deposits from Customers		
(i) By type of deposit		
	30 Sep 2005 RM'000	31 Dec 2004 RM'000
Non-Mudharabah Fund		
Demand deposits	27,072	14,300
Savings deposits	128,700	51,933
Mudharabah Fund		
General investment deposits	<u>2,363,825</u>	<u>1,948,125</u>
	<u>2,519,597</u>	<u>2,014,358</u>

26 Operations of Islamic Banking (continued)

(e) Other Liabilities

	30 Sep 2005	31 Dec 2004
	RM'000	RM'000
Special placement deposits by Head Office	921,204	922,488
Settlement due to Head Office	17,163	-
Profit equalisation reserve	1,440	1,240
Profit payable	9,106	4,803
Other creditors and accruals	14,163	13,551
	<u>963,076</u>	<u>942,082</u>

(f) Net Islamic Banking Operating Income

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

	3rd Quarter Ended		Year-To-Date Ended	
	30 Sep 2005	30 Sep 2004	30 Sep 2005	30 Sep 2004
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	36,212	21,668	96,684	59,267
Profit equalisation reserve	-	(200)	(200)	(990)
Income attributable to the depositors	(21,891)	(13,404)	(61,582)	(36,065)
Income attributable to special placement deposits by Head Office	6,476	6,469	19,176	18,593
	<u>20,797</u>	<u>14,533</u>	<u>54,078</u>	<u>40,805</u>
Income derived from investment of Islamic banking capital funds	8,884	6,258	22,351	14,620
	<u>29,681</u>	<u>20,791</u>	<u>76,429</u>	<u>55,425</u>

27 Change in Accounting Policies

Change in Accounting Policies

During the nine months ended 30 September 2005, the Bank adopted the revised BNM/GP8 which has resulted in the following new accounting policies:

1) The holdings of securities portfolio of the Bank are classified based on the following categories and valuation methods:

i) **Held for trading**

Securities are classified as held for trading if acquired principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities classified as held for trading are stated at fair value and any gains or losses from a change in the fair value are recognised in income statement.

ii) **Available-for-sale**

Available-for-sale securities are securities that are not classified as held for trading or held-to-maturity investments and are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost. Any gains or losses arising from a change in fair value are recognised directly in equity, net of applicable taxes until the securities are either sold or impaired. On the sale of available-for-sale securities, cumulative gains or losses previously recognised in equity are recognised through income statement. Interest income is recognised on such securities using the effective interest method, calculated over the asset's expected life. Where dated investment securities have been purchased at a premium or discount, these premiums and discounts are included in the calculation of the effective interest rate. Dividends are recognised in the income statement when the right to receive payment has been established. Impairment losses are recognised in the income statement.

2) All derivatives financial instruments are measured at fair value with the gains or losses recognised in the income statement. They are classified as assets when their fair value is positive, or as liabilities when their fair value is negative. The accounting for changes (i.e. gains and losses) in the fair value of a derivative which qualifies for hedge accounting depends on the intended use of the derivative and the resulting designation as described below:

i) **Fair value hedge**

For a derivative designated as hedging the exposures to changes in the fair value of a recognised asset or liability or a firm commitment, the gain or loss is recognised in the income statement, together with the associated loss or gain on the hedged item attributable to the hedged risk.

ii) **Cash flow hedge**

For a derivative designated as hedging the exposure to variable cash flows of a recognised asset or liability, or of a highly probable forecast transaction, the gain or loss on the derivative associated with the effective portion of the hedge is recognised in equity. Any gain or loss relating to an ineffective portion is recognised immediately in the income statement.

27 Change in Accounting Policies (continued)

- 3) Effective interest method is applied when calculating the amortised cost of financial instruments. This method uses effective interest rate to spread the interest on a financial instrument, including adjustments for certain fees and transaction costs. Effective interest rate is defined as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.
- 4) Impaired loans are measured at their estimated recoverable amount which is the present value of estimated future cash flows discounted at original effective interest rate. Additional allowance is provided if the recoverable amount is lower than the net book value of the loans (outstanding loans, advances and financing net of specific allowance).
- 5) For loans converted into debt or equity instruments, these instruments are measured at fair value. The difference between the net book value of the restructured loans (outstanding amount of loans net of specific allowance) and the fair value of the debt or equity instruments will be the gain or loss from the conversion exercise.
- (a) Where the net book value of the restructured loans is higher than the fair value of the debt or equity instruments, the loss shall be recognised in income statement in the current reporting period.
- (b) Where the fair value of the debt or equity instruments is higher than the net book value of the restructured loans, the gain from the conversion scheme is transferred to the "Impairment loss" account, which would be netted off from the "Securities" account in the balance sheet.
- 6) When a loan turns non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income by debiting the interest income in the income statement and crediting the accrued interest receivable account in the balance sheet. Subsequently, interest earned on non-performing loans shall be recognised as income on a cash basis.

Prior Year Adjustments

The changes in accounting policies as described above were applied retrospectively and have the following cumulative impact on the opening retained profit of the Bank:

	2004
	RM'000
At 31 December 2004, as previously stated	699,690
Effect of adopting fair value accounting for held-for-trading securities	2,081
Effect of adopting fair value accounting for available-for-sale securities	(3,057)
Effect of adopting fair value accounting for derivatives	(752)
Effect of adopting effective interest method on financial instruments	55,084
Effect of amortisation of credit card annual fees	(12,502)
	<hr/> 740,544
Additional provision for taxation	(12,389)
As at 31 December 2004, as restated	<hr/> <hr/> 728,155

28 Comparative Figures

The following comparative figures have been restated to reflect the changes in accounting policies explained in Note 27.

	<i>Group</i>		<i>Bank</i>	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance Sheet as at 31 December 2004				
Dealing securities	-	869,119	-	869,119
Investment securities	-	4,733,868	-	4,733,868
Securities:				
- Held for trading	871,201	-	871,201	-
- Available-for-sale	4,809,856	-	4,809,856	-
Loans, advances and financing	18,963,791	18,908,629	18,963,791	18,908,629
Other assets	303,861	306,841	303,861	306,841
Deferred tax asset	54,045	79,473	54,045	79,473
Total assets	33,600,701	33,495,877	33,600,722	33,495,898
Deposits from customers	26,556,685	26,556,272	26,556,706	26,556,293
Other liabilities	613,012	602,737	613,012	602,737
Provision for taxation	59,306	50,306	59,306	50,306
Total liabilities	31,436,534	31,416,846	31,436,555	31,416,867
Reserves	1,949,667	1,864,531	1,949,667	1,864,531
Shareholders' funds	2,164,167	2,079,031	2,164,167	2,079,031
Total liabilities and shareholders' funds	33,600,701	33,495,877	33,600,722	33,495,898

