

**EON CAPITAL BERHAD**  
(454644-K)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 JUNE 2007**

		<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		4,200,132	3,080,304
Deposits and placements with banks and other financial institutions		1,129,172	736,907
Held-for-trading securities	10	49,964	115,124
Derivative financial instruments	18	15,867	8,919
Available-for-sale securities	11	3,431,362	3,347,272
Held-to-maturity securities	12	1,683,077	2,332,762
Loans, advances and financing	13	27,463,414	27,192,125
Other assets	14	816,228	835,360
Statutory deposits with Bank Negara Malaysia		1,069,479	1,070,382
Deferred tax assets		104,428	111,189
Property, plant and equipment		268,444	268,391
Goodwill		136,448	137,925
<b>TOTAL ASSETS</b>		<b>40,368,015</b>	<b>39,236,660</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	16	25,428,220	25,903,412
Deposits and placements of banks and other financial institutions	17	8,062,417	7,061,255
Derivative financial instruments	18	21,037	26,873
Obligations on securities sold under repurchase agreements		504,674	129,328
Bills and acceptances payable		1,595,009	1,339,930
Other liabilities	19	725,350	713,538
Provision for taxation and zakat		20,971	44,914
Deferred tax liabilities		-	2,550
Subordinated obligations	38	749,854	761,372
Borrowings	39	246,989	256,114
<b>TOTAL LIABILITIES</b>		<b>37,354,521</b>	<b>36,239,286</b>
<b>SHARE CAPITAL</b>		693,209	693,209
<b>RESERVES</b>		2,320,285	2,304,165
<b>SHAREHOLDERS' FUNDS</b>		<b>3,013,494</b>	<b>2,997,374</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>40,368,015</b>	<b>39,236,660</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	22,581,064	18,195,150
<b>NET ASSETS PER ORDINARY SHARE (RM)</b>		4.35	4.32

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2007**

	Note	Individual quarter		Cumulative quarter	
		Current financial quarter ended 30 June 2007 RM'000	Preceding year corresponding quarter ended 30 June 2006 RM'000	Current financial period ended 30 June 2007 RM'000	Preceding year corresponding period ended 30 June 2006 RM'000
Interest income	20	490,773	440,381	983,255	859,971
Interest expense	21	(274,741)	(232,261)	(552,536)	(448,686)
Net interest income		216,032	208,120	430,719	411,285
Net income from Islamic Banking business	29	38,762	37,614	76,147	73,511
		254,794	245,734	506,866	484,796
Other operating income	22	75,249	79,548	150,048	142,719
Net income		330,043	325,282	656,914	627,515
Other operating expenses	23	(142,969)	(136,991)	(278,211)	(268,456)
Net operating profit		187,074	188,291	378,703	359,059
Allowances for losses on loans, advances and financing	24	(101,407)	(74,272)	(219,398)	(133,226)
Impairment losses on securities		(25,875)	(1,649)	(48,847)	(4,572)
Profit before taxation and zakat		59,792	112,370	110,458	221,261
Taxation	34	(15,297)	(34,692)	(28,600)	(66,539)
Zakat		(1,087)	(1,206)	(2,161)	(2,600)
Net profit for the financial quarter/period		43,408	76,472	79,697	152,122
Earnings per share (sen)					
- Basic	46	6.26	11.03	11.50	21.94
- Diluted	46	6.26	11.03	11.50	21.94

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

	Issued and fully paid ordinary shares of RM1 each			Cashflow hedge reserve	Cumulative net unrealised gains/(losses) on available-for-sale securities, net of tax	Retained profits	Total
	Share capital	Share premium	Statutory reserve				
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2007	693,209	1,066,296	532,032	(2,367)	45,389	662,815	2,997,374
Net fair value changes on available-for-sale securities, net of tax	-	-	-	-	14,619	-	14,619
Net fair value changes in interest rate derivatives, net of tax	-	-	-	2,771	-	-	2,771
Income/(expenses) recognised directly in equity	-	-	-	2,771	14,619	-	17,390
Net profit for the financial period	-	-	-	-	-	79,697	79,697
Total recognised income/(expenses) for the financial period	-	-	-	2,771	14,619	79,697	97,087
Dividend in respect of financial year ended 31 December 2006	-	-	-	-	-	(80,967)	(80,967)
Balance as at 30 June 2007	693,209	1,066,296	532,032	404	60,008	661,545	3,013,494
Balance as at 1 January 2006	693,209	1,066,296	473,986	-	3,020	588,242	2,824,753
Net fair value changes on available-for-sale securities, net of tax	-	-	-	-	4,760	-	4,760
Income/(expenses) recognised directly in equity	-	-	-	-	4,760	-	4,760
Net profit for the financial period	-	-	-	-	-	152,122	152,122
Total recognised income/(expenses) for the financial period	-	-	-	-	4,760	152,122	156,882
Dividend in respect of financial year ended 31 December 2005	-	-	-	-	-	(79,858)	(79,858)
Balance as at 30 June 2006	693,209	1,066,296	473,986	-	7,780	660,506	2,901,777

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

	<b>Current financial period ended 30 June 2007</b>	<b>Preceding year corresponding period ended 30 June 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Net profit for the financial period	79,697	152,122
Adjustments for investing and financing items not involving movement of cash and cash equivalents	267,759	241,952
Operating profit before working capital changes	<u>347,456</u>	<u>394,074</u>
Increase in operating assets	(948,087)	(1,151,946)
Increase in operating liabilities	<u>1,151,516</u>	<u>2,120,994</u>
Cash generated from operating activities	550,885	1,363,122
Zakat paid	(5,172)	(6,295)
Income tax paid	(53,844)	(51,264)
Income tax refund	6,692	5,247
Net cash generated from operating activities	<u>498,561</u>	<u>1,310,810</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of available-for-sale and held-to-maturity securities, net of purchases	537,552	(148,860)
Purchase of property, plant and equipment	(19,190)	(20,035)
Proceeds from disposal of property, plant and equipment	57	370
Acquisition of subsidiary companies (note 27)	-	(26,311)
Interest/dividend received from available-for-sales and held-to-maturity securities	184,362	80,077
Net dividends received	-	1,117
Net cash generated from/(used in) investing activities	<u>702,781</u>	<u>(113,642)</u>
<b>Cash Flows From Financing Activities</b>		
Net dividend paid	(80,967)	(79,858)
Repayment of short term borrowings	(10,000)	(51,830)
Interest paid on long term borrowings	(8,040)	(8,041)
Net interest received from/(paid on) interest rate related derivatives	38,791	(4,480)
Interest paid on subordinated obligations	<u>(21,298)</u>	<u>(22,825)</u>
Net cash used in financing activities	<u>(81,514)</u>	<u>(167,034)</u>
<b>Net increase in cash and cash equivalents</b>	1,119,828	1,030,134
<b>Cash and cash equivalents:</b>		
- as at beginning of financial period	<u>3,080,304</u>	<u>3,200,023</u>
- as at end of the financial period	<u>4,200,132</u>	<u>4,230,157</u>

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**EXPLANATORY NOTES**

<b>Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS 134 (Interim Financial Reporting) and Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8).</b>
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**1. Basis of Preparation**

The condensed interim financial statements have been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard, FRS134<sub>2004</sub> - Interim Financial Reporting, Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2006.

The accounting policies, accounting estimates and methods of computation adopted by the Group for the condensed interim financial statements are consistent with those adopted in its latest audited financial statements for the financial year ended 31 December 2006, except for those disclosed in Note 2 and Note 6 of these explanatory notes.

**2. Changes in Accounting Policies**

The revised FRS issued by MASB which are applicable to the Group and have resulted in a change in accounting policies effective from 1 January 2007 is FRS 117 - Leases and FRS 124 - Related Party Disclosures.

Under the revised FRS 117, the cost of acquiring leasehold land should be accounted for as operating lease and classified as pre-paid lease payments if the risks and rewards are not fully transferred to the acquirer. The lease payments should be amortised over the period of the lease term in accordance with the patterns of benefits provided.

The revision to FRS 117 has resulted in a reclassification of the cost of acquiring leasehold land of the Group from property, plant and equipment to prepaid lease payments, which are now included under "Other assets". The change in accounting policy has been applied retrospectively, and the comparative financial information has been restated to conform to the new policy. There was no impact on the financial results and financial position of the Group as the cost of acquiring leasehold has already been amortised over the lease term prior to the adoption of this standard.

The revised FRS 124 is a disclosure standard. The standard further clarify and expand the definition of related parties to include entities which are under the significant influence of a related party that is an individual (i.e key management personnel, significant shareholders and/or their close family members) and post employment benefits plan. The adoption of revised FRS 124 does not have any financial impact on the financial results and position of the Group for the financial quarters/period ended 30 June 2007.

**3. Audit Report**

The audit report of the latest audited annual financial statements was not subject to any qualification.

**4. Seasonality or Cyclicity of Operations**

The business operations of the Group have not been affected by any material seasonal or cyclical factors.

**5. Items Affecting Net Income and Cash Flow**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter/period ended 30 June 2007.

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**EXPLANATORY NOTES**

**6. Changes in Estimates**

With effect from 1 January 2007, the Group revised its policy for specific allowances for losses on loans, advances and financing whereby specific allowance will be made when repayments are in arrears for more than 3 months. This revised policy is more prudent than the current policy prescribed under Bank Negara Malaysia Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts" (BNM/GP3). The change in accounting estimates has been accounted for prospectively in accordance with FRS108 - Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies and has the effect of decreasing the Group's net profit for the current financial quarter and current financial period by RM5,788,000 and RM13,706,000 respectively.

Other than the above, there were no significant changes in estimates arising from prior financial year that have a material effect on the financial results and position of the Group for the financial quarter/period ended 30 June 2007.

**7. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter/period ended 30 June 2007.

**8. Dividends Paid During the Current Financial Quarter**

The first and final gross dividend of 16.0 sen per share on 693,208,732 ordinary shares, less income tax of 27%, amounting to RM80,966,780 for the financial year ended 31 December 2006 was paid on 8 June 2007.

There were no interim dividends paid or declared in respect of financial year ending 31 December 2007 during the financial quarter ended 30 June 2007.

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**EXPLANATORY NOTES**

**9. Segment reporting**

(a) Segment revenue and segment results

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Total</u> RM'000
<b><u>Current financial quarter ended</u></b>					
<b><u>30 June 2007</u></b>					
Gross operating revenue <sup>(1)</sup>	140,220	304,466	74,300	134,142	653,128
Less: Inter-segment revenue <sup>(2)</sup>	(3,949)	(7,911)	-	(1,420)	(13,280)
	<u>136,271</u>	<u>296,555</u>	<u>74,300</u>	<u>132,722</u>	<u>639,848</u>
Segment results	2,370	39,341	12,817	8,351	62,879
Unallocated costs					<u>(3,087)</u>
Profit before taxation and zakat					59,792
Taxation and zakat					<u>(16,384)</u>
Net profit for the financial quarter ended 30 June 2007					<u><u>43,408</u></u>
<b><u>Preceding year corresponding quarter ended 30 June 2006</u></b>					
Gross operating revenue <sup>(1)</sup>	127,376	292,582	67,126	100,431	587,515
Less: Inter-segment revenue <sup>(2)</sup>	(167)	(325)	-	(491)	(983)
	<u>127,209</u>	<u>292,257</u>	<u>67,126</u>	<u>99,940</u>	<u>586,532</u>
Segment results	21,971	27,009	14,910	51,300	115,190
Unallocated costs					<u>(2,820)</u>
Profit before taxation and zakat					112,370
Taxation and zakat					<u>(35,898)</u>
Net profit for the financial quarter ended 30 June 2006					<u><u>76,472</u></u>

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**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(a) Segment revenue and segment results (continued)

<u>Group</u>	<u>Enterprise Banking</u>	<u>Retail Banking</u>	<u>Islamic Banking</u>	<u>Treasury and Investment Banking</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Current financial period ended</u></b>					
<b><u>30 June 2007</u></b>					
Gross operating revenue <sup>(1)</sup>	279,960	606,225	148,211	272,132	1,306,528
Less: Inter-segment revenue <sup>(2)</sup>	(7,602)	(15,838)	-	(2,509)	(25,949)
	<u>272,358</u>	<u>590,387</u>	<u>148,211</u>	<u>269,623</u>	<u>1,280,579</u>
Segment results	(26,462)	61,614	23,030	59,772	117,954
Unallocated costs					(7,496)
Profit before taxation and zakat					110,458
Taxation and zakat					(30,761)
Net profit for the financial period ended 30 June 2007					<u>79,697</u>
<b><u>Preceding year corresponding period ended 30 June 2006</u></b>					
Gross operating revenue <sup>(1)</sup>	252,249	576,462	132,106	175,396	1,136,213
Less: Inter-segment revenue <sup>(2)</sup>	(340)	(647)	-	(1,129)	(2,116)
	<u>251,909</u>	<u>575,815</u>	<u>132,106</u>	<u>174,267</u>	<u>1,134,097</u>
Segment results	47,976	73,270	26,305	79,574	227,125
Unallocated costs					(5,864)
Profit before taxation and zakat					221,261
Taxation and zakat					(69,139)
Net profit for the financial period ended 30 June 2006					<u>152,122</u>



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**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(b) Segment assets

<u>Group</u>	<u>Enterprise Banking</u>	<u>Retail Banking</u>	<u>Islamic Banking</u>	<u>Treasury and Investment Banking<sup>(3)</sup></u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>As at</b>					
<b><u>30 June 2007</u></b>					
Segment assets	8,641,033	16,843,499	5,489,822	8,554,526	39,528,880
Unallocated assets					839,135
Total assets					<u>40,368,015</u>
<b>As at</b>					
<b><u>31 December 2006</u></b>					
Segment assets	8,069,236	17,298,605	5,123,598	7,924,336	38,415,775
Unallocated assets					820,885
Total assets					<u>39,236,660</u>

<sup>(1)</sup>Gross operating revenue comprise gross interest income received from loans, advances and financing (net of interest/income suspended), financial investments (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, realised gains or losses from financial investments, fee income, gross income received from Islamic Banking and other operating revenue.

<sup>(2)</sup>Inter-segment transactions are carried out on commercial terms at market rates obtainable in transactions with unrelated parties.

<sup>(3)</sup>On 30 December 2006, the stockbroking business was merged into the investment bank to form the investment banking business units pursuant to the Guidelines on Investment Banks jointly issued by Bank Negara Malaysia and Securities Commission. With effect from 1 January 2007, the segment results and segment assets of the stockbroking business are reported under the Treasury and Investment Banking segment. The comparative financial information has been restated to reflect such changes.

No information by geographical segments is disclosed as the Group carried out its operations predominantly in Malaysia.

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**EXPLANATORY NOTES**

**10. Held for Trading Securities**

	<b>Unaudited</b> <b>30 June 2007</b>	<b>Audited</b> <b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government securities	192	-
Malaysian Government investment issues	-	105,105
Quoted equity securities in Malaysia	29,131	5,100
Private debt securities	20,641	4,919
	<u>49,964</u>	<u>115,124</u>

**11. Available-for-sale Securities**

	<b>Unaudited</b> <b>30 June 2007</b>	<b>Audited</b> <b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Available-for-sale securities, at fair value</b>		
Bank Negara Malaysia negotiable notes	-	144,530
Bank Negara Malaysia monetary notes	198,315	-
Malaysian Government investment issues	267,734	73,496
Malaysian Government treasury bills	-	49,668
Malaysian Government Islamic treasury bills	9,877	19,862
Malaysian Government securities	844,659	1,017,349
Sukuk Bank Negara Malaysia Ijarah	10,025	278,249
Cagamas bonds	279,493	45,007
Quoted equity securities in Malaysia	39,779	33,883
Quoted private debt securities	4,676	3,406
Private and Islamic debt securities	866,634	931,573
Negotiable instruments of deposit	800,074	700,018
Islamic negotiable instruments of deposit	99,789	-
Commercial papers	2,976	1,991
Islamic commercial papers	43,000	43,931
Allowance for impairment	(39,960)	-
	<u>3,427,071</u>	<u>3,342,963</u>
<b>Available-for-sale securities, at cost</b>		
Unquoted equity securities in Malaysia	6,666	6,666
Unquoted equity securities outside Malaysia	839	857
Allowance for impairment	(3,214)	(3,214)
	<u>4,291</u>	<u>4,309</u>
	<u>3,431,362</u>	<u>3,347,272</u>

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**EXPLANATORY NOTES**

**12. Held-to-maturity Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2007</b>	<b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Held-to-maturity securities, at amortised cost</b>		
Cagamas Mudharabah bonds	5,380	35,380
Private and Islamic debt securities	747,904	758,149
Credit link notes denominated in USD	172,625	176,375
Callable range accrual notes denominated in USD	-	603,203
Structured notes denominated in USD	880,014	875,730
	<u>1,805,923</u>	<u>2,448,837</u>
<b>Held-to-maturity securities, at cost</b>		
Unquoted equity securities in Malaysia	17,557	17,557
	<u>1,823,480</u>	<u>2,466,394</u>
Allowance for impairment	(140,403)	(133,632)
	<u><u>1,683,077</u></u>	<u><u>2,332,762</u></u>

**13. Loans, Advances and Financing**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2007</b>	<b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts/Cash line	2,484,842	2,461,601
Term loans/financing:		
Housing loans/financing	6,534,374	6,179,096
Syndicated term loans/financing	773,621	682,703
Hire purchase receivables	11,880,694	12,499,780
Lease receivables	26	26
Other term loans/financing	5,479,598	5,014,877
Bills receivable	10,529	9,246
Trust receipts	173,053	185,707
Claims on customers under acceptance credits/financing	2,481,497	2,238,836
Staff loans/financing	200,114	206,849
Credit cards	931,272	920,547
Revolving credit/financing	983,460	1,017,346
Other loans/financing	31,018	41,235
	<u>31,964,098</u>	<u>31,457,849</u>
Less: Unearned interest and income	(3,353,535)	(3,250,962)
Gross loans, advances and financing	<u>28,610,563</u>	<u>28,206,887</u>
Less: Allowances for bad and doubtful debts and financing:		
- Specific	(728,914)	(600,660)
- General	(418,235)	(414,102)
Total net loans, advances and financing	<u><u>27,463,414</u></u>	<u><u>27,192,125</u></u>

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**EXPLANATORY NOTES**

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

	<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) The loans, advances and financing are disbursed to the following types of customers:</b>		
Domestic non-bank financial institutions	159,316	207,536
(of which: Stockbroking companies)	-	-
Domestic business enterprises	10,774,739	10,108,593
(of which: Small and medium enterprises)	5,400,458	4,909,492
Government and statutory bodies	22,138	24,712
Individuals	17,585,964	17,797,735
Other domestic entities	23,592	23,505
Foreign entities	44,814	44,806
Gross loans, advances and financing	<u>28,610,563</u>	<u>28,206,887</u>
<b>(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:</b>		
Fixed rate	13,641,503	14,277,610
(of which: (i) Housing loans/financing	1,784,250	1,963,620
(ii) Hire purchase receivables)	10,179,896	10,686,473
Variable rate	14,969,060	13,929,277
(of which: (i) Base lending rate plus	9,814,832	9,345,111
(ii) Cost plus)	4,146,201	3,601,456
Gross loans, advances and financing	<u>28,610,563</u>	<u>28,206,887</u>
<b>(iii) The loans, advances and financing analysed by their economic purposes are as follows:</b>		
Agriculture, hunting, forestry and fishing	378,349	369,696
Mining and quarrying	35,361	34,050
Manufacturing	2,878,674	2,655,771
Electricity, gas and water	204,366	72,224
Construction	2,406,823	2,085,370
(of which: Infrastructure)	118,879	240,304
Real estate	895,385	757,317
Purchase of landed property	6,336,570	6,144,073
(of which: (i) Residential	5,620,371	5,427,357
(ii) Non-residential )	716,199	716,716
Wholesale and retail trade and restaurants and hotels	2,324,352	2,419,212
Transport, storage and communication	572,793	593,476
Finance, insurance and business services	720,506	711,738
Purchase of securities	264,555	286,712
Purchase of transport vehicles	9,236,851	9,723,835
Consumption credit	1,790,207	1,686,399
Others	565,771	667,014
Gross loans, advances and financing	<u>28,610,563</u>	<u>28,206,887</u>



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

	<b>Unaudited</b> <b>30 June 2007</b>	<b>Audited</b> <b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Movements in allowances for bad and doubtful debts and financing:</b>		
<b>General allowance</b>		
Balance as at 1 January	414,102	394,821
Allowance made during the financial period/year	4,133	19,281
Balance as at 30 June/31 December	<u>418,235</u>	<u>414,102</u>
As % of gross loans, advances and financing, net of specific allowance	<u>1.5%</u>	<u>1.5%</u>
<b>Specific allowance</b>		
Balance as at 1 January	600,660	558,552
Allowance made during the financial period/year	308,398	445,674
Allowance charged to deferred asset/other assets during the financial period/year	8,335	93,324
Amount recovered	(62,059)	(103,893)
Recoveries set-off against deferred asset	(3,119)	(5,463)
Amount transferred to allowance for impairment of securities	(3,843)	-
Amount written off	(119,458)	(387,534)
Balance as at 30 June/ 31 December	<u>728,914</u>	<u>600,660</u>

**14. Other Assets**

	<b>Unaudited</b> <b>30 June 2007</b>	<b>Audited</b> <b>31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivable, net of allowances for bad and doubtful debts and interest in suspense of RM5,749,0000 (31.12.2006: RM4,841,000)	95,016	38,703
Interest/income receivable	71,734	82,792
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM4,932,100 (31.12.2006: RM5,592,500)	345,718	383,183
Deferred asset account	259,370	283,854
Tax recoverable	17,965	20,110
Prepaid lease payments on leasehold land	11,664	11,712
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	14,761	15,006
	<u>816,228</u>	<u>835,360</u>

**15. Valuation of Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

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**16. Deposits from Customers**

	<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	3,021,339	2,899,738
Savings deposits	2,442,061	2,234,923
Fixed/investment deposits	19,964,820	20,768,751
	25,428,220	25,903,412
 <b>(i) The maturity structure of fixed/investment deposits and negotiable instruments of deposit is as follows:</b>		
One year or less	18,996,852	19,964,918
More than one year	967,968	803,833
	19,964,820	20,768,751
 <b>(ii) The deposits are sourced from the following types of customers:</b>		
Government and statutory bodies	3,849,395	3,891,185
Business enterprises	9,319,551	10,167,724
Individuals	11,410,549	11,005,139
Others	848,725	839,364
	25,428,220	25,903,412

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

	<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	2,198,494	1,270,083
Licensed Islamic banks	217,024	-
Licensed investment banks	231,933	99,691
Bank Negara Malaysia	1,852,131	1,468,402
Other financial institutions	3,562,835	4,223,079
	8,062,417	7,061,255
 <b>(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:</b>		
One year or less	6,036,353	5,144,738
More than one year	2,026,064	1,916,517
	8,062,417	7,061,255
 Included in the above are negotiable certificates of deposit issued by the Group	 1,396,318	 700,000

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**18. Derivative Financial Instruments**

The fair values of derivative financial instruments recognised on balance sheet are as follows:

	<b>Unaudited 30 June 2007 RM'000</b>	<b>Audited 31 December 2006 RM'000</b>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	14,002	8,578
- Foreign currency forwards	1,309	341
<b>Derivatives designated as cash flow hedge:</b>		
- Interest rate swaps	556	-
<b>Total derivative financial instruments - assets</b>	<u>15,867</u>	<u>8,919</u>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	904	-
- Foreign currency forwards	33	1,481
<b>Derivatives designated as fair value hedge:</b>		
- Interest rate swaps	20,100	22,104
<b>Derivatives designated as cash flow hedge:</b>		
- Interest rate swaps	-	3,288
<b>Total derivative financial instruments - liabilities</b>	<u>21,037</u>	<u>26,873</u>

**19. Other Liabilities**

	<b>Unaudited 30 June 2007 RM'000</b>	<b>Audited 31 December 2006 RM'000</b>
Trade payable	25,916	13,196
Other liabilities	400,708	390,469
Interest/dividend payable	288,682	298,437
Profit equalisation reserves	10,044	11,436
	<u>725,350</u>	<u>713,538</u>



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**20. Interest Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2007	Preceding year corresponding quarter ended 30 June 2006	Current financial period ended 30 June 2007	Preceding year corresponding period ended 30 June 2006
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries	375,473	358,700	748,289	706,955
- Recoveries from non-performing loans, advances and financing	10,317	10,139	24,297	24,526
Money at call and deposit placements with financial institutions	53,104	49,013	109,241	86,127
Held for trading securities	10,308	2,945	19,602	6,456
Available-for-sale securities	40,648	28,825	82,744	56,154
Held-to-maturity securities	7,899	8,892	15,803	18,409
Others	1,055	-	1,693	-
	498,804	458,514	1,001,669	898,627
Accretion of discount less amortisation of premium	3,888	(7,181)	5,961	(14,595)
Interest suspended	(11,919)	(10,952)	(24,375)	(24,061)
Total interest income	490,773	440,381	983,255	859,971

**21. Interest Expense**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2007	Preceding year corresponding quarter ended 30 June 2006	Current financial period ended 30 June 2007	Preceding year corresponding period ended 30 June 2006
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	62,228	38,971	124,830	78,740
Deposits from customers	196,795	176,010	396,052	334,717
Loans sold to Cagamas Berhad	-	814	-	1,884
Subordinated obligations	10,937	11,634	22,075	23,500
Long term borrowings	4,502	4,415	8,915	8,853
Others	279	417	664	992
	274,741	232,261	552,536	448,686

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**22. Other Operating Income**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<b>Current financial quarter ended 30 June 2007</b>	<b>Preceding year corresponding period ended 30 June 2006</b>	<b>Current financial quarter ended 30 June 2007</b>	<b>Preceding year corresponding period ended 30 June 2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee and commission income:				
- Commission	11,301	9,205	20,991	17,595
- Service charges and fees	28,758	26,656	56,498	54,337
- Guarantee fees	3,290	3,109	6,896	5,897
- Advisory and arrangement fees	1,564	2,587	8,505	4,701
- Underwriting commission	2,577	943	3,973	1,905
- Brokerage	4,559	2,009	9,954	3,631
Net gains/(losses) arising from sale of securities:				
- Held for trading securities	4,162	(281)	9,334	(121)
- Available-for-sale securities	9,848	21,495	17,413	22,073
Dividend income				
- Held for trading securities	362	-	362	-
- Available-for-sale securities	281	1,212	435	1,467
Net unrealised (losses)/gains on fair value changes on held for trading securities	(2,630)	(435)	(654)	441
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss				
- interest rate swaps	6,642	4,704	4,523	12,442
- foreign currency forwards	(11,259)	7,246	2,416	4,801
- indexed linked equity derivatives	106	(29)	-	(29)
- equity forwards	-	(1)	-	(352)
Net unrealised (losses)/gains on fair value changes between the interest rate swaps and subordinated debts designated as fair value hedges	(1,938)	267	(1,530)	5,215
Net gains/(losses) from foreign exchange translations	14,606	(2,571)	3,865	2,186
Other income/(expenditure):				
- Rental income from premises	747	722	1,532	1,372
- Gain on disposal of property, plant and equipment	33	109	39	139
- Other operating income	2,007	1,898	4,148	3,979
- Other non-operating income	677	546	1,236	912
- Net allowances (made)/written-back in respect of other bad and doubtful debts	(651)	157	(159)	128
- Bad debts recovered	207	-	271	-
	<b>75,249</b>	<b>79,548</b>	<b>150,048</b>	<b>142,719</b>

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**23. Other Operating Expenses**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2007</b>	<b>Preceding year corresponding quarter ended 30 June 2006</b>	<b>Current financial period ended 30 June 2007</b>	<b>Preceding year corresponding period ended 30 June 2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	76,466	71,975	147,717	138,323
Promotion and marketing related expenses	9,855	11,614	20,585	25,319
Establishment related expenses	30,106	28,285	57,526	55,684
General administrative expenses	26,542	25,117	52,383	49,130
	<u>142,969</u>	<u>136,991</u>	<u>278,211</u>	<u>268,456</u>

**(i) Personnel expenses comprise the following:**

Salaries, bonuses and allowances	61,976	57,836	119,932	112,213
Defined contribution plan	10,165	9,428	19,798	18,561
Other employee benefits	4,325	4,711	7,987	7,549
	<u>76,466</u>	<u>71,975</u>	<u>147,717</u>	<u>138,323</u>

**(ii) Promotion and marketing related expenses comprise the following:**

Hire-purchase handling fees and commissions	5,378	8,873	12,085	20,769
Others	4,477	2,741	8,500	4,550
	<u>9,855</u>	<u>11,614</u>	<u>20,585</u>	<u>25,319</u>

**(iii) Establishment related expenses comprise the following:**

Depreciation of property, plant and equipment	9,512	10,035	19,091	20,080
Repair and maintenance	4,673	3,102	10,067	8,413
Rental of premises	6,344	6,746	11,117	10,459
Hire of equipment	1,092	783	1,848	1,653
Others	8,485	7,619	15,403	15,079
	<u>30,106</u>	<u>28,285</u>	<u>57,526</u>	<u>55,684</u>

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**23. Other Operating Expenses (continued)**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2007</u>	<u>Preceding year corresponding quarter ended 30 June 2006</u>	<u>Current financial period ended 30 June 2007</u>	<u>Preceding year corresponding period ended 30 June 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	4,898	4,875	9,319	9,701
Printing and stationeries	4,241	4,337	7,194	7,377
Loss on disposal of property, plant and equipment	19	71	23	192
Property, plant and equipment written off	3	317	6	317
Legal and other professional charges	6,508	5,923	15,341	12,585
Others	10,873	9,594	20,500	18,958
	<u>26,542</u>	<u>25,117</u>	<u>52,383</u>	<u>49,130</u>

**24. Allowances for Losses on Loans, Advances and Financing**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2007</u>	<u>Preceding year corresponding quarter ended 30 June 2006</u>	<u>Current financial period ended 30 June 2007</u>	<u>Preceding year corresponding period ended 30 June 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	158,910	98,329	308,398	185,428
- Written back	(39,118)	(21,527)	(62,059)	(45,344)
(b) General allowance:				
- (Written back)/made	(27)	8,047	4,133	13,670
Bad debts and financing:				
- Recovered	(18,367)	(10,616)	(31,074)	(20,567)
- Written off	9	39	-	39
	<u>101,407</u>	<u>74,272</u>	<u>219,398</u>	<u>133,226</u>

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**25. Commitments and Contingencies**

In the normal course of business of the banking group, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Group are as follows :

	<b>Unaudited 30 June 2007</b>			<b>Audited 31 December 2006</b>		
	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	416,991	416,991	416,991	415,539	415,539	415,539
Certain transaction-related contingent items	896,976	448,488	448,488	886,336	443,168	443,168
Short term self-liquidating trade-related contingencies	130,680	26,136	26,136	138,885	27,777	27,777
Assets sold with recourse and commitments with certain drawdown	325,000	325,000	162,973	292,000	292,000	211,487
Obligations under underwriting agreements	234,000	117,000	14,625	272,158	136,079	80,213
Irrevocable commitments to extend credit :						
- maturity more than one year	2,209,554	1,104,777	805,958	2,286,030	1,143,015	839,716
- maturity less than one year	8,836,316	-	-	8,218,662	-	-
Foreign exchange related contracts						
- maturity more than one year	33,980	1,019	204	-	-	-
- maturity less than one year	5,334,533	88,552	120,458	2,443,853	52,474	80,934
Interest rate related contracts						
- maturity more than one year	3,987,638	54,435	12,427	3,037,178	60,743	13,560
Others	175,396	-	-	204,509	-	-
	<u>22,581,064</u>	<u>2,582,398</u>	<u>2,008,260</u>	<u>18,195,150</u>	<u>2,570,795</u>	<u>2,112,394</u>

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

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**26. Capital Adequacy**

The Group is not required to maintain any capital adequacy ratio requirements. The following disclosure of capital adequacy ratios of the Group is made on a voluntary basis for information only.

	<b>As at 30 June 2007</b>	<b>As at 31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
The components of Tier 1 and Tier II Capital are as follows:		
Tier 1 Capital:		
Paid-up share capital	693,209	693,209
Share premium	1,066,296	1,066,296
Retained profits	581,848	662,815
Other reserves	575,054	575,054
	2,916,407	2,997,374
Less: Goodwill	(136,448)	(137,925)
Deferred tax assets	(128,602)	(128,602)
Cumulative net unrealised gains on available-for-sale securities and cash flow hedge reserve	(43,022)	(43,022)
Total Tier 1 Capital	2,608,335	2,687,825
Tier II Capital:		
Subordinated obligations	749,854	761,372
General allowance for bad and doubtful debts and financing	418,235	414,102
Total Tier II Capital	1,168,089	1,175,474
Total Capital base	3,776,424	3,863,299
Capital ratios:		
Core capital ratio	8.79%	9.09%
Risk-weighted capital ratio	12.72%	13.07%
Core capital ratio (net of proposed dividends)	8.79%	8.82%
Risk-weighted capital ratio (net of proposed dividends)	12.72%	12.80%

The risk-weighted capital adequacy of the banking and finance company subsidiary company, EON Bank Berhad of 12.53%, the Islamic banking subsidiary company, EONCAP Islamic Banking Berhad of 12.01%, and the investment banking subsidiary company, MIMB Investment Bank Berhad of 62.02 % as at 30 June 2007, exceeded the minimum requirements of 8.00% prescribed by Bank Negara Malaysia.

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**27. Acquisition of subsidiary companies**

On 22 February 2006, SSSB Jaya (1987) Sdn Bhd (formerly known as SimeSecurities Sdn Bhd) and its subsidiary companies became wholly-owned subsidiary companies of the Group, via MIMB Investment Bank Berhad, the wholly-owned investment banking subsidiary of the Group. The acquisition of subsidiary companies was settled via cash consideration.

Details of net assets acquired, goodwill arising on consolidation and cash flow arising from the acquisition are as follows:

	<b><u>At date of acquisition</u></b> <b>RM'000</b>
Available-for-sale securities	7,453
Receivables	737
Cash and short term funds	4,692
Payables and accruals	(1,209)
Short term borrowings	(50,621)
Deferred tax liabilities	<u>(1,477)</u>
Net liabilities acquired at the date of acquisition	(40,425)
Goodwill arising on consolidation	<u>71,428</u>
Total purchase consideration discharged by cash (inclusive of incidental costs incurred)	31,003
Less : Cash and cash equivalents in subsidiaries acquired	(4,692)
Net cash outflow on acquisition of subsidiaries	<u><u>26,311</u></u>

The financial results of SSSB Jaya (1987) Sdn Bhd and its subsidiary companies for the period between the date of acquisition and 31 December 2006 were not significant to the Group.

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**28. Interest/Profit Rate Risk**

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 30 June 2007</b>									
Assets									
Cash and short-term funds	4,077,977	-	-	-	-	122,155	-	4,200,132	3.65
Deposits and placements with banks and other financial institutions	-	491,328	637,844	-	-	-	-	1,129,172	5.00
Held for trading securities	-	-	-	-	-	-	49,964	49,964	3.90
Derivative financial instruments	-	-	-	-	-	15,867	-	15,867	-
Available-for-sale securities	430,738	718,346	1,087,711	781,210	361,571	51,786	-	3,431,362	3.65
Held-to-maturity securities	121,253	75,418	90,099	1,211,314	61,447	123,546	-	1,683,077	5.26
Loans, advances and financing									
- performing	13,345,539	228,123	398,283	4,801,467	7,870,652	9,210	-	26,653,274	6.48
- non-performing	-	-	-	-	-	810,140 <sup>^</sup>	-	810,140	-
Other assets <sup>(1)</sup>	57,954	-	-	-	-	2,337,073	-	2,395,027	-
<b>Total assets</b>	<b>18,033,461</b>	<b>1,513,215</b>	<b>2,213,937</b>	<b>6,793,991</b>	<b>8,293,670</b>	<b>3,469,777</b>	<b>49,964</b>	<b>40,368,015</b>	

<sup>^</sup> The amount represents non-performing loans, advances and financing, net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowances for bad and doubtful debts and financing.

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients' and brokers' balances and goodwill arising on consolidation.



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

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
<b>As at 30 June 2007 (continued)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Liabilities									
Deposits from customers	9,870,045	3,389,966	8,178,902	967,968	-	3,021,339	-	25,428,220	3.09
Deposits and placements of banks and other financial institutions	2,343,239	2,479,826	1,273,609	522,262	1,403,801	39,680	-	8,062,417	3.96
Derivative financial instruments	-	-	-	-	-	21,037	-	21,037	-
Obligations on securities sold under repurchase agreements	504,674	-	-	-	-	-	-	504,674	3.09
Bills and acceptances payable	-	-	-	-	-	1,595,009	-	1,595,009	-
Other liabilities <sup>(2)</sup>	41,406	-	-	-	-	704,915	-	746,321	2.95
Subordinated obligations	-	-	-	855,000	-	(105,146) <sup>1(i)</sup>	-	749,854	5.38
Borrowings	-	-	100,000	150,000	-	(3,011) <sup>1(ii)</sup>	-	246,989	6.45
<b>Total liabilities</b>	<b>12,759,364</b>	<b>5,869,792</b>	<b>9,552,511</b>	<b>2,495,230</b>	<b>1,403,801</b>	<b>5,273,823</b>	<b>-</b>	<b>37,354,521</b>	
Shareholders' Funds	-	-	-	-	-	3,013,494	-	3,013,494	
<b>Total Liabilities and Shareholders' Funds</b>	<b>12,759,364</b>	<b>5,869,792</b>	<b>9,552,511</b>	<b>2,495,230</b>	<b>1,403,801</b>	<b>8,287,317</b>	<b>-</b>	<b>40,368,015</b>	
On-balance sheet interest/profit sensitivity gap	5,274,097	(4,356,577)	(7,338,574)	4,298,761	6,889,869				
Off-balance sheet interest /profit sensitivity gap	(776,812)	-	(1)	776,813	-				
<b>Total interest sensitivity gap</b>	<b>4,497,285</b>	<b>(4,356,577)</b>	<b>(7,338,575)</b>	<b>5,075,574</b>	<b>6,889,869</b>				

- Note:
- (1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.
- (2) Other liabilities include clients and brokers balances, remisier deposits, deferred tax liabilities and provision for taxation and zakat.

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

	← Non-trading book →					Non- Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 December 2006</b>									
<b>Assets</b>									
Cash and short-term funds	2,948,048	-	-	-	-	132,256	-	3,080,304	3.27
Deposits and placements with financial institutions	-	300,662	436,245	-	-	-	-	736,907	5.05
Held for trading securities	-	-	-	-	-	-	115,124	115,124	4.26
Derivative financial instruments	-	-	-	-	-	8,919	-	8,919	-
Available-for-sale securities	127,875	1,097,935	801,720	1,006,471	271,672	41,599	-	3,347,272	3.51
Held-to-maturity securities	819,518	10,000	251,569	1,173,158	60,962	17,555	-	2,332,762	6.22
Loans, advances and financing									
- performing	12,177,580	297,314	460,383	5,051,323	8,301,204	9,767	-	26,297,571	6.82
- non-performing	-	-	-	-	-	894,554 <sup>^</sup>	-	894,554	-
Other assets <sup>(1)</sup>	28,076	-	-	-	-	2,395,171	-	2,423,247	-
<b>Total assets</b>	<b>16,101,097</b>	<b>1,705,911</b>	<b>1,949,917</b>	<b>7,230,952</b>	<b>8,633,838</b>	<b>3,499,821</b>	<b>115,124</b>	<b>39,236,660</b>	

<sup>^</sup> The amount represents non-performing loans, advances and financing, net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowances for bad and doubtful debts and financing.

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

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

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
<b>As at 31 December 2006 (continued)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Liabilities									
Deposits from customers	9,883,282	4,485,870	7,830,688	803,833	-	2,899,739	-	25,903,412	3.20
Deposits and placements of banks and other financial institutions	1,420,428	2,572,188	1,096,834	516,517	1,400,000	55,288	-	7,061,255	3.88
Derivative financial instruments	-	-	-	-	-	26,873	-	26,873	-
Obligations on securities sold under repurchase agreements	129,328	-	-	-	-	-	-	129,328	2.68
Bills and acceptances payable	-	-	-	-	-	1,339,930	-	1,339,930	-
Other liabilities <sup>(2)</sup>	7,206	-	-	-	-	738,791	-	745,997	3.25
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	15,005	-	15,005	-
Subordinated obligations	-	-	-	855,000	-	(93,628) <sup>1(ii)</sup>	-	761,372	5.38
Borrowings	10,000	-	100,000	150,000	-	(3,886) <sup>1(i)</sup>	-	256,114	6.45
<b>Total liabilities</b>	<b>11,450,244</b>	<b>7,058,058</b>	<b>9,027,522</b>	<b>2,325,350</b>	<b>1,400,000</b>	<b>4,978,112</b>	<b>-</b>	<b>36,239,286</b>	
Shareholders' Funds	-	-	-	-	-	2,997,374	-	2,997,374	
<b>Total Liabilities and Shareholders' Funds</b>	<b>11,450,244</b>	<b>7,058,058</b>	<b>9,027,522</b>	<b>2,325,350</b>	<b>1,400,000</b>	<b>7,975,486</b>	<b>-</b>	<b>39,236,660</b>	
On-balance sheet interest/profit sensitivity gap	4,650,853	(5,352,147)	(7,077,605)	4,905,602	7,233,838				
Off-balance sheet interest /profit sensitivity gap	-	846,600	-	(846,600)	-				
<b>Total interest sensitivity gap</b>	<b>4,650,853</b>	<b>(4,505,547)</b>	<b>(7,077,605)</b>	<b>4,059,002</b>	<b>7,233,838</b>				

**Note:**

- (1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.
- (2) Other liabilities include clients and brokers balances, remisier deposits, deferred tax liabilities and provision for taxation and zakat.

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**29. The Operation of Islamic Banking**

**29(i) Islamic banking assets and liabilities**

	<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Included in the Group's balance sheets are Islamic banking assets and liabilities of a subsidiary company as follows:		
<b>ASSETS</b>		
Cash and short term funds	604,777	455,383
Deposits and placement with financial institutions	9,075	-
Available-for-sale securities	362,505	259,007
Held-to-maturity securities	20,597	50,747
Financing and advances (Note 29(iii))	4,288,045	4,089,622
Other assets	36,108	96,784
Statutory deposits with Bank Negara Malaysia	168,086	161,674
Deferred tax assets	19,950	19,348
Property, plant and equipment	2,570	2,453
<b>TOTAL ASSETS</b>	<b>5,511,713</b>	<b>5,135,018</b>
<b>LIABILITIES</b>		
Deposits from customers (Note 29(iv))	3,487,389	3,906,366
Deposits and placements of banks and other financial institutions	1,526,865	716,766
Bills and acceptances payable	11,055	26,880
Provision for taxation and zakat	1,019	4,028
Other liabilities	59,907	70,231
<b>TOTAL LIABILITIES</b>	<b>5,086,235</b>	<b>4,724,271</b>
<b>NET ISLAMIC BANKING ASSETS</b>	<b>425,478</b>	<b>410,747</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,143,533</b>	<b>1,096,087</b>

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**29. The Operation of Islamic Banking (continued)**

**29(ii) Financial results contribution from operation of Islamic Banking**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2007</u>	<u>Preceding year corresponding quarter ended 30 June 2006</u>	<u>Current financial period ended 30 June 2007</u>	<u>Preceding year corresponding period ended 30 June 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
The financial results contribution from Islamic Banking operation to the Group's financial results are as follows:				
Income derived from investment of depositors' funds	66,993	60,991	133,210	120,191
Income derived from investment of shareholder's funds	7,306	6,135	15,000	11,915
	<u>74,299</u>	<u>67,126</u>	<u>148,210</u>	<u>132,106</u>
Allowances for losses on financing	(7,812)	(7,688)	(18,512)	(16,008)
Transfer from profit equalisation reserve	1,900	2,673	1,392	229
Total attributable income	68,387	62,111	131,090	116,327
Income attributable to depositors	(37,437)	(32,185)	(73,455)	(58,824)
Total net income	30,950	29,926	57,635	57,503
Other operating expenses	(18,133)	(15,016)	(34,605)	(20,097)
Profit before taxation and zakat	12,817	14,910	23,030	37,406
Taxation	(3,460)	(3,019)	(6,218)	(3,019)
Zakat	(1,087)	(1,206)	(2,161)	(2,600)
Net profit for the financial quarter/period	<u>8,270</u>	<u>10,685</u>	<u>14,651</u>	<u>31,787</u>

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**29. The Operation of Islamic Banking (continued)**

**29(iii) Financing and advances**

	<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash line	285,604	263,100
Term financing		
Housing financing	2,491,648	2,173,837
Hire purchase receivables	1,939,089	2,037,746
Other term financing	1,338,975	1,248,506
Trust receipts and bill receivables	5,191	5,820
Claims on customers under acceptance credits/financing	160,467	101,390
Staff financing	36,120	37,710
Revolving financing	92,238	77,280
Other financing	5,121	4,922
	6,354,453	5,950,311
Less: Unearned income	(1,947,476)	(1,751,312)
	4,406,977	4,198,999
Less: Allowances for bad and doubtful financing:		
- General	(65,300)	(62,278)
- Specific	(53,632)	(47,099)
Total net financing and advances	4,288,045	4,089,622
 <b>(a) Movements in non-performing financing and advances are as follows:</b>		
Balance as at 1 January	242,442	281,559
Non-performing financing which have no adverse financial impact on the Group transferred out from Islamic banking operation	-	(19,858)
Classified as non-performing during the financial period/year	456,020	847,974
Reclassified as performing during the financial period/year	(406,404)	(753,869)
Amount recovered	(39,748)	(87,822)
Amount written off	(10,266)	(25,542)
Balance as at 30 June/31 December	242,044	242,442
Specific allowance	(53,632)	(47,099)
Net non-performing financing and advances	188,412	195,343
As % of total financing and advances, net of specific allowance	4.3%	4.7%

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**29. The Operation of Islamic Banking (continued)**

**29(iii) Financing and advances (continued)**

	<b>Unaudited 30 June 2007 RM'000</b>	<b>Audited 31 December 2006 RM'000</b>
<b>(b) Movements in allowances for bad and doubtful financing are as follows:</b>		
<b><u>General allowance</u></b>		
Balance as at 1 January	62,278	57,347
Allowance made during the financial period/year	3,022	4,931
Balance as at 30 June/31 December	65,300	62,278
As % of total financing, net of specific allowance	1.5%	1.5%
<b><u>Specific allowance</u></b>		
Balance as at 1 January	47,099	55,356
Allowance in respect of non-performing financing which have no adverse financial impact transferred out from Islamic banking operation	-	(13,005)
Allowance made during the financial period/year	23,587	41,369
Allowance charged to deferred asset/other assets during the financial period/year	-	34
Amount recovered	(6,788)	(11,113)
Amount written off	(10,266)	(25,542)
Balance as at 30 June/31 December	53,632	47,099

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**29. The Operation of Islamic Banking (continued)**

**29(iv) Deposits from Customers**

	<b>Unaudited 30 June 2007 RM'000</b>	<b>Audited 31 December 2006 RM'000</b>
<b><u>Non-Mudharabah:</u></b>		
Al-Wadiah demand deposits	565,902	685,286
Al-Wadiah savings deposits	131,347	128,434
<b><u>Mudharabah:</u></b>		
Al-Fareed demand deposits	106,407	78,972
Al-Mudharabah savings deposits	66,972	51,665
Total demand and savings deposits	<u>870,628</u>	<u>944,357</u>
<b><u>Mudharabah:</u></b>		
General investment deposits	2,534,917	2,838,478
Bai Al-Inah HARI	81,844	123,531
Total investment deposits	<u>2,616,761</u>	<u>2,962,009</u>
Total deposits from customers	<u><u>3,487,389</u></u>	<u><u>3,906,366</u></u>

**30. Significant Events During the Financial Quarter/Period Ended 30 June 2007**

There were no significant events during the financial quarter/period ended 30 June 2007 that have not been disclosed in these condensed financial statements.

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

There were no significant changes in the composition of the Group during the financial quarter/period ended 30 June 2007 that have not been disclosed in these condensed financial statements.

**32. Significant Event Subsequent to the Balance Sheet Date**

There were no other significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

**33. Other Commitments**

	<b>Unaudited 30 June 2007 RM'000</b>	<b>Audited 31 December 2006 RM'000</b>
- Authorised and contracted for	13,436	31,618
- Authorised but not contracted for	11,247	10,182
	<u>24,683</u>	<u>41,800</u>
Analysed as follows:		
- Property, plant and equipment	24,683	41,800
	<u><u>24,683</u></u>	<u><u>41,800</u></u>



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**Additional disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.**

**34. Taxation**

The analysis of the tax expense for the financial quarter/year ended 31 December 2006 is as follows:-

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 June 2007</u>	<u>Preceding year corresponding quarter ended 30 June 2006</u>	<u>Current financial period ended 30 June 2007</u>	<u>Preceding year corresponding period ended 30 June 2006</u>
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Charge for the financial quarter/period	16,968	34,779	29,273	68,472
Overprovision in respect of prior year	(629)	-	(629)	-
	<u>16,339</u>	<u>34,779</u>	<u>28,644</u>	<u>68,472</u>
Transfer to deferred tax asset	(1,042)	(87)	(44)	(1,933)
	<u>15,297</u>	<u>34,692</u>	<u>28,600</u>	<u>66,539</u>

The Group's effective tax rate for the financial period ended 30 June 2007 was lower than the statutory tax rate of 27% because certain capital gains on disposal of equity securities in a subsidiary is not subject to tax.

**35. Unquoted Investments and Properties**

There were no sale of unquoted investments and properties for the financial quarter/period ended 30 June 2007 other than in the ordinary course of banking business.

**36. Quoted Securities**

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

**37. Status of Corporate Proposals Announced But Not Completed**

There were no other corporate proposals announced but not completed for the financial quarter/period ended 30 June 2007.

**38. Subordinated Obligations**

	<u>Unaudited 30 June 2007</u>	<u>Audited 31 December 2006</u>
	RM'000	RM'000
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(23,008)	(27,076)
Foreign exchange translations	(78,188)	(61,312)
	<u>753,804</u>	<u>766,612</u>
Less: Unamortised discounts	(3,950)	(5,240)
	<u>749,854</u>	<u>761,372</u>

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**38. Subordinated Obligations (continued)**

On 21 January 2004, the banking and finance subsidiary company (“the Bank”) issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes (‘Notes’) with a fixed coupon rate of 5.375% per annum, payable semi-annually in arrears in July and January each year (subject to the revision of interest rates as explained below). The Notes will mature on 21 January 2014 and are listed on the Luxembourg Stock Exchange. In December 2006, Moody’s Investors Service Limited has reaffirmed the rating of the Notes of Baa3. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

The Bank may, at its option, but subject to the prior approval of Bank Negara Malaysia, redeem all of the Notes, at any time on or after the fifth (5) year from the Issue Date at the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the fifth (5) year from the Issue Date, the coupon rate will be revised to be equivalent to 3.95% above the US Treasury Rate per annum from the beginning of the sixth (6) year to the final maturity date.

The above Notes constitute unsecured liabilities of the Bank and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Notes. The Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

**39. Borrowings**

	<b>Unaudited 30 June 2007</b>	<b>Audited 31 December 2006</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>Short term borrowing</b>		
Revolving credit - Unsecured and repayable within 1 year	-	10,000
<b>Long term borrowing:</b>		
Secured fixed rate bonds, at par	250,000	250,000
Less: Unamortised discounts	(3,011)	(3,886)
	246,989	246,114
Total borrowings	246,989	256,114

The secured fixed rate bonds comprise of two tranches of RM100 million (Tranche 2 maturing on 12 December 2007) and RM150 million (Tranche 3 maturing on 12 December 2009). In December 2006, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2, which was awarded in July 2003. The bonds bear interest at 6.00% per annum (Tranche 2) and 6.75% per annum (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually.

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**40. Derivative Financial Instruments**

Based on the balance sheet as at 17 August 2007, value of contracts of financial instruments of the Group with off-balance sheet risk, traded in the ordinary course of business, classified by remaining period to maturity or next repricing date (whichever is earlier), are as follows:

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							
- Forward contracts	6,519,523	2,223,135	3,018,793	823,133	454,462	-	-
Interest rate related contracts							
- Interest rate swaps	2,373,638	-	1,582,425	-	-	791,213	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no material equity and commodity related contracts as at 17 August 2007.

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above 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 17 August 2007, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM 6,474,213 (31 December 2006: RM9,858,187).

**Credit risk**

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 17 August 2007, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM52,411,687 (31 December 2006: RM25,891,301). 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**

*Foreign exchange related contracts*

Open forward currency forward contracts represent commitments to purchase or sell fixed amount of currency, including undelivered spot transactions. These contracts are valued at forward rates applicable to their respective dates of maturity as at balance sheet date and unrealised gains or losses are recognised in the income statement in the period in which they arise.

*Interest rate swap*

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal amount. The fair values of these contracts are determined by discounting the estimated net cash flows at zero coupon yield at each reporting date. Interest income or interest expense associated with interest rate swaps are recognised over the life of the swap agreements as a component of interest income or interest expense.

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**41. Material Litigation**

The disclosure of material litigations is in compliance with the disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are pending material litigations in which the Group is involved in the ordinary course of business which, in the opinion of the Board of Directors, do not materially and adversely affect the financial position of the Group as at 30 June 2007 and at the date of this Announcement:-

**EON Bank Berhad ('EBB')**

- (1) EBB granted a facility of RM4.6 million to the borrower in April 1996 to finance the purchase of properties. The account became non-performing in May 1998.

A Writ of Summons and Statement of Claim was filed by the borrower (Plaintiff) on 29 November 2002 against EBB, alleging that EBB refused to give consent for the Plaintiff's application to sub-divide the land which was charged to EBB. The Plaintiff alleged that it had suffered loss and is claiming an amount of RM21.6 million plus general, aggravated and punitive damages and interest yet to be quantified.

**Status update**

Trial fixed on 15 to 17 December 2004 has been postponed. No new dates have been fixed yet. The Appeal on the application for striking out the Plaintiff's Statement of Claim fixed for hearing on 14 October 2005 has been vacated. Hearing was fixed on 14 March 2006 but due to the short notice given by the Court, solicitors requested for a postponement. New date was fixed on 9 January 2007. On this date, the judge directed the parties to file written skeletal submissions and fixed 8 May 2007 for a decision. EBB's appeal was dismissed with costs. Solicitors have filed the Notice of Appeal to the Court of Appeal on 31 May 2007 against the decision of the High Court.

The solicitors are of the view that EBB has a good case.

- (2) A Writ of Summons was filed on 25 January 2005 by the Plaintiff against EBB claiming RM50.3 million being General, Aggravated, Exemplary and Special Damages and Interest thereon as a result of EBB wrongfully claiming for an alleged fictitious unsecured claim of RM0.03 million. The property securing the facilities of RM0.19 million granted to a borrower in which the Plaintiff was a partner, was auctioned off and an Adjudicating and Receiving Order (AO & RO) was obtained against the Plaintiff. The Court of Appeal set aside the auction and the High Court set aside the AO & RO as the Court of Appeal and the High Court accepted the Plaintiff's contention that EBB had included a fictitious sum of RM0.03 million in its claim against the Plaintiff. The Plaintiff claims loss and damage for injury to her credit, character and reputation.

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**EXPLANATORY NOTES**

**41. Material Litigation (continued)**

**EON Bank Berhad ('EBB') (continued)**

**Status update**

The Writ of Summons was served on EBB on 3 February 2005. Memorandum of Appearance was filed on 4 February 2005. Application to strike out the Writ of Summons and Statement of Claim was filed and served on 21 February 2005. At the hearing fixed on 10 March 2005, the application to strike out the suit was withdrawn and solicitors have filed the Statement of Defence.

The Plaintiff has filed an application for Interlocutory Judgement against EBB for wrongful sale in 1996 of the Plaintiff's property resulting from the Court of Appeal setting aside the auction and also for assessment of damages. The respective parties were directed to file in the Written Submissions and Court fixed 7 October 2005 for mention. The Court has fixed 27 October 2005 for a decision on this application. On that day, the Senior Assistant Registrar granted Order in Terms in favour of the Plaintiff's application with costs. Our solicitors filed an appeal to the Judge in Chambers on 31 October 2005. Hearing of Notice of Appeal has been fixed on 20 January 2006 and at this hearing, the Court ordered parties to file Written Submissions on or before 3 March 2006. On 27 July 2006, the High Court Judge dismissed our appeal with costs. The Plaintiff has filed the Summons-In-Chambers for assessment of damages and the hearing fixed on 30 March 2007 has been adjourned to 11 May 2007 for hearing. The Bank has filed a Summons In Chambers for a stay of the hearing of assessment of damages pending the hearing of our appeal to the Court of Appeal on the Interlocutory Judgement granted in favour of the Plaintiff. The Court of Appeal has fixed the hearing on 3 September 2007. The hearing of the stay application for the hearing of the assessment of damages has been fixed on 18 May 2007. The hearing proceeded on 18 May 2007 and 31 May 2007 was fixed for a decision on stay application. The High Court has on 31 May 2007 granted the Bank a Stay Order on the application for assessment of damages. The hearing on the assessment of damages has been fixed for mention on 17 September 2007. The total aggregate of the Plaintiff's claim is RM138.3 mil.

Our solicitors are of the view that the damages and costs to be awarded should be substantially lower than the amount claimed and would not have a material adverse impact on the financial position of the Group.

**Ex-Oriental Bank Berhad ('Ex-OBB')**

(Ex-OBB refers to litigation in relation to OBB where pursuant to the Vesting Order dated 5 December 2000, the assets and liabilities of the banking business of OBB have been vested to EBB).

- (3) A Writ of Summons was filed on 3 January 2000 by a guarantor for RM135.9 million for wrongful and inequitable enlistment of his name in the Credit Tip-Off Services by ex-OBB.

**Status update**

On 19 May 2003, the Court dismissed the Plaintiff's action with costs on the grounds that the Plaintiff did not have a valid cause of action and failed to prove his loss. The plaintiff has filed a Notice of Appeal against the Court's decision. No development since the last announcement.

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**EXPLANATORY NOTES**

**41. Material Litigation (continued)**

**Malaysian International Merchant Bankers Berhad ('MIMB')**

- (4) A Writ of Summons was filed by MIMB on 17 December 1998 against the borrower and three guarantors for RM21.4 million, being outstanding banking facilities granted plus interest thereon. On 10 April 2000, the High Court granted the order to the borrower to amend its Statement of Defence and to add the Counterclaim for RM70.2 million against MIMB for inter alia, wrongfully terminating the credit facilities of the borrower resulting in the loss of goodwill and reputation of the borrower and loss of projects.

**Status update**

Further Case Management fixed on 19 October 2004 for mention has been postponed to 22 November 2004. On that day, the Court fixed 13 to 16 June 2005 for trial. Trial dates have been vacated and Court has fixed 28 July 2005 for mention pending the borrower obtaining a sanction letter from the Official Liquidator to proceed with the counterclaim against EBB as borrower has been wound up. Case Management fixed on 12 March 2007 has been postponed to 10 May 2007 for mention. On 10 May 2007, the Bank has obtained an Order to uplift the Stay Order. Case Management fixed on 24 July 2007 has been postponed to 26 September 2007 for mention.

The solicitors are of the opinion that the suit is defensible.

- (5) A Writ of Summons was filed by MIMB on 10 December 2003 for RM176,448 against the Defendant for providing advisory, consultancy and administrative services to Defendant wherein the Defendant was supposed to pay the professional fees for the services rendered by MIMB.

The Defendant filed a Defence and Counterclaim which was served on MIMB on 12 January 2006. In the Counterclaim, the Defendant alleged that MIMB was negligent and failed to carry out its duty diligently. The Defendant is claiming compensation totalling RM23,995,743 being expenses and costs incurred by the Defendant and damages.

**Status update**

MIMB filed an application for Summary Judgement with Sessions Court on 23 July 2004 and mention has been fixed on 21 September 2006 pending Defendant's application to transfer the counterclaim to the High Court fixed for hearing on 31 January 2007. The hearing had been adjourned to 11 April 2007 for decision. On 11 April 2007, the Judge allowed the transfer to the High Court. Once the file is physically transferred to the High Court, a new suit number would be given and the suit will continue. No development since the last announcement.

Solicitors are of the opinion that the Defendant's claim is defensible.

**42. Profit Forecast**

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

**43. Review of performance for the current financial quarter against immediate preceding financial quarter**

Compared with the immediate preceding financial quarter, the Group's pre-tax profit increased by 9.1 million from RM50.7 million to RM59.8 million. This was mainly due to higher net income of RM3.1 million and lower allowances for losses on loans, advances and financing of RM16.6 million. However, this was partly offset by an increase in other operating expenses of RM7.7 million and impairment losses on securities RM2.9 million.

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**EXPLANATORY NOTES**

**44. Review of performance for the financial quarter ended 30 June 2007 against the corresponding financial quarter of preceding year**

**Current financial quarter against corresponding financial quarter of preceding year**

For the current financial quarter ended 30 June 2007, the Group recorded a net income of RM330.0 million, a 1.5% increase as compared to RM325.3 million achieved in the preceding year's corresponding financial quarter ended 30 June 2006. The increase in net income was, however, largely offset by higher allowances for losses on loans, advances and financing and impairment losses on securities of RM27.1 million and RM24.2 million respectively. As a result, the Group registered a pre-tax profit of RM59.8 million, a decline of 46.8% as compared to RM112.4 million achieved in the corresponding quarter of preceding year.

**Current financial period against corresponding financial period of preceding year**

For the current financial period ended 30 June 2007, the Group recorded a net operating profit of RM378.7 million, a 5.5% increase as compared to RM359.1 million achieved in the preceding year's corresponding financial period ended 30 June 2006. The increase in net operating profit was mainly due to higher net interest income and other operating income. However, this was partly offset by an increase in allowances for losses on loans, advances and financing and impairment losses on securities of RM86.2 million and RM44.3 million respectively. As a result, the Group registered a pre-tax profit of RM110.5 million, a decline of 50.1% as compared to RM221.3 million achieved in the corresponding period of preceding year.

**45. Prospects for 2007**

The economic condition in Malaysia is expected to remain positive in the financial year 2007, with more liberalisation moves anticipated in the domestic banking environment. The Group will continue to focus on the retail and middle market segment and expects to achieve a satisfactory performance in 2007.

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

The calculation of the basic earnings per share of the Group, which is based on the net profit for the financial quarter/period ended 30 June 2007 and 30 June 2006 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, are set out as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2007	Preceding year corresponding quarter ended 30 June 2006	Current financial period ended 30 June 2007	Preceding year corresponding period ended 30 June 2006
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial quarter	43,408	76,472	79,697	152,122
Weighted average number of ordinary shares in issue during the financial quarter	693,209	693,209	693,209	693,209
Basic earnings per share (sen)				
- basic/diluted	6.26	11.03	11.50	21.94

There were no dilutive potential ordinary shares outstanding as at 30 June 2007 and 30 June 2006.