

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2006**

	Notes	Group		Bank	
		30-Jun-06 RM'000	31-Dec-05 RM'000	30-Jun-06 RM'000	31-Dec-05 RM'000
ASSETS					
Cash and short-term funds		3,351,628	2,815,289	3,351,628	2,815,289
Securities purchased under resale agreements		3,395,653	1,752,102	3,395,653	1,752,102
Deposits and placements with financial institutions		1,020,441	2,689,850	1,020,441	2,689,850
Held-For-Trading Securities	11	427,640	863,807	427,640	863,807
Available-For-Sale Securities	11	4,537,318	4,503,764	4,537,318	4,503,764
Loans and advances	12	18,594,181	17,201,022	18,594,181	17,201,022
Other assets	13	464,633	327,549	468,435	330,709
Statutory deposits With Bank Negara Malaysia		493,700	478,500	493,700	478,500
Investment in subsidiaries		-	-	151	151
Investment in associates		153,604	151,452	122,733	122,733
Property, plant and equipment		267,194	261,737	266,219	260,772
Deferred tax assets		35,691	35,691	35,691	35,691
Total assets		32,741,683	31,080,763	32,713,790	31,054,390
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits from customers	14	17,603,970	16,639,605	17,603,970	16,639,605
Deposits and placements of banks and other financial institutions	15	4,952,351	4,295,228	4,953,718	4,296,453
Obligations on securities sold under repurchase agreements		3,438,895	4,510,905	3,438,895	4,510,905
Bills and acceptances payable		3,038,055	1,658,952	3,038,055	1,658,952
Amount due to Cagamas		1,066,642	1,302,529	1,066,642	1,302,529
Other liabilities	16	403,721	470,859	403,666	470,785
Taxation		71,162	38,310	71,162	38,310
Total liabilities		30,574,796	28,916,388	30,576,108	28,917,539
Financed by :					
Share Capital		470,000	470,000	470,000	470,000
Reserves		1,696,887	1,666,674	1,667,682	1,666,851
SHAREHOLDERS' EQUITY		2,166,887	2,136,674	2,137,682	2,136,851
Reserve Arising From Consolidation		-	27,701	-	-
		2,166,887	2,164,375	2,137,682	2,136,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,741,683	31,080,763	32,713,790	31,054,390
COMMITMENTS AND CONTINGENCIES	23	52,038,424	42,989,414	52,038,424	42,989,414

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED INCOME STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2006**

	Notes	Group		Bank	
		Half year ended		Half year ended	
		30-Jun-06 RM'000	30-Jun-05 RM'000	30-Jun-06 RM'000	30-Jun-05 RM'000
Operating revenue		934,665	774,249	943,272	774,602
Interest income	17	754,257	613,538	754,246	613,535
Interest expenses	18	(423,178)	(343,246)	(423,178)	(343,246)
Net interest income		331,079	270,292	331,069	270,289
Other operating income	19	184,909	164,975	193,525	165,331
Operating income		515,988	435,267	524,593	435,620
Other operating expenses	20	(161,528)	(148,673)	(160,856)	(148,262)
Profit before allowance		354,460	286,594	363,737	287,358
Allowance for losses on loans and financing Provision(made)/written-back for commitments and contingencies	21	(91,127)	(63,008)	(91,123)	(63,024)
Profit before taxation		263,309	224,386	272,590	225,134
Amortisation of goodwill		-	(781)	-	-
Share of profit of associates		8,494	5,417	-	-
Profit Before taxation		271,803	229,022	272,590	225,134
Taxation					
- Bank and subsidiary companies		(79,004)	(63,518)	(81,471)	(63,518)
Profit after taxation		192,799	165,504	191,119	161,616
Basic earnings per share (sen)		41.0	35.2	40.7	34.4

UNITED OVERSEAS BANK (MALAYSIA) BHD

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED STATEMENTS OF CHANGES IN EQUITY FOR HALF YEAR ENDED 30 JUNE 2006**

GROUP	← Non-distributable →					Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Revaluation Reserves RM'000	Revaluation Reserves-AFS RM'000	Retained Profits RM'000	
	Balance as at 1 January 2006	470,000	322,555	470,000	35,737	4,763	
Net profit for the year	-	-	-	-	-	192,799	192,799
Net loss on available-for-sale securities	-	-	-	-	(21,088)	-	(21,088)
Dividends paid :							
- final dividend for year ended 31 December 2005	-	-	-	-	-	(169,200)	(169,200)
Balance as at 30 June 2006	470,000	322,555	470,000	35,737	(16,325)	884,920	2,166,887

2005

Balance as at 1 January 2005							
- as previously stated	470,000	322,555	470,000	35,164	-	644,072	1,941,791
- prior year adjustments	-	-	-	-	11,002	1,704	12,706
Balance as at 1 January 2005 (restated)	470,000	322,555	470,000	35,164	11,002	645,776	1,954,497
Net profit for the year	-	-	-	-	-	357,043	357,043
Net loss on available-for-sale securities	-	-	-	-	(8,665)	-	(8,665)
Transfer from/(to) deferred taxation	-	-	-	573	2,426	-	2,999
Dividends paid :							
- final dividend for year ended 31 December 2004	-	-	-	-	-	(169,200)	(169,200)
Balance as at 31 December 2005	470,000	322,555	470,000	35,737	4,763	833,619	2,136,674

BANK

BANK	← Non-distributable →					Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Revaluation Reserves RM'000	Revaluation Reserves-AFS RM'000	Retained Profits RM'000	
	Balance as at 1 January 2006	470,000	322,555	470,000	50,789	4,763	
Net profit for the year	-	-	-	-	-	191,119	191,119
Unrealised Net loss on revaluation of securities - AFS	-	-	-	-	(21,088)	-	(21,088)
Dividends paid :							
- final dividend for year ended 31 Dec 2005	-	-	-	-	-	(169,200)	(169,200)
Balance as at 30 June 2006	470,000	322,555	470,000	50,789	(16,325)	840,663	2,137,682

2005

Balance as at 1 January 2005							
- as previously stated	470,000	322,555	470,000	50,216	-	639,141	1,951,912
- prior year adjustments	-	-	-	-	11,002	1,704	12,706
Balance as at 1 January 2005 (restated)	470,000	322,555	470,000	50,216	11,002	640,845	1,964,618
Net profit for the year	-	-	-	-	-	347,099	347,099
Net loss on available-for-sale securities	-	-	-	-	(8,665)	-	(8,665)
Transfer from/(to) deferred taxation	-	-	-	573	2,426	-	2,999
Dividends paid :							
- final dividend for year ended 31 Dec 2004	-	-	-	-	-	(169,200)	(169,200)
Balance as at 31 December 2005	470,000	322,555	470,000	50,789	4,763	818,744	2,136,851

UNITED OVERSEAS BANK (MALAYSIA) BHD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS FOR HALF YEAR ENDED 30 JUNE 2006

	Group		Bank	
	Half year ended		Half year ended	
	30-Jun-06 RM'000	30-Jun-05 RM'000	30-Jun-06 RM'000	30-Jun-05 RM'000
Cash Flows From Operating Activities				
Profit before taxation	271,803	229,022	272,590	225,134
Adjustment for non-cash items	(24,459)	(23,788)	(24,882)	(19,581)
Operating profit before changes in working capital	247,344	205,234	247,708	205,553
Changes in working capital :				
Net changes in operating assets	(2,799,618)	668,578	(2,806,602)	667,196
Net changes in operating liabilities	1,625,532	315,068	1,625,693	315,841
Income tax paid	(45,937)	(53,333)	(45,937)	(53,333)
Net cash generated (used in)/from operating activities	(972,679)	1,135,547	(979,138)	1,135,257
Net cash generated from investing activities	8,808	(646,018)	15,267	(645,728)
Net cash generated (used in)/from financing activities	(169,200)	(169,200)	(169,200)	(169,200)
Net changes in cash and cash equivalents	(1,133,071)	320,329	(1,133,071)	320,329
Cash and cash equivalents at beginning of the period	5,505,140	3,360,943	5,505,140	3,360,943
Cash and cash equivalents at end of the period	4,372,069	3,681,272	4,372,069	3,681,272

Company No. 271809K

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006

1. Basis of Preparation

The unaudited condensed interim financial statements for the half year ended 30 June 2006 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and applicable Approved Accounting Standards in Malaysia as modified by Bank Negara Malaysia's guidelines and should be read in conjunction with the Bank's annual audited financial statements for the year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006.

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 136	Impairment of Assets

The adoption of FRS 128 and 132 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs are discussed below:

a) FRS 3: Business Combinations

The adoption of this new FRS has resulted in the Group ceasing annual amortisation of goodwill. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business entered into prior to that date, the transitional provisions of FRS3 requires the Group to eliminate the carrying accumulated amortisation against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM19,754,640 ceased to be amortised. No impairment loss on goodwill has been recognised in the half year ended 30 June 2006.

Under FRS 3, any excess of the Group's interest in the new fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), is now recognised immediately to the income statement. Prior to 1 January 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of the non monetary assets acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM27,700,940 was derecognised with a corresponding increase in retained earnings.

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006

b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity, total recognised income and expenses for the period, showing separately the amount attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

3. Audit Report

The audit report on the audited annual financial statements for the financial year ended 31 December 2005 was not subject to any qualification.

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 Group and the Bank during the financial period ended 30 June 2006.

5. Comments about Seasonal or Cyclical Factors

The business operations of the Group and the Bank are not materially affected by any seasonal or cyclical fluctuations.

6. 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 half year ended 30 June 2006.

7. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the half year period ended 30 June 2006.

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006

8. Dividends Paid

A final dividend of 50 sen per share less tax, totalling RM169.2million in respect of the financial year ended 31 December 2005 was paid on 6 April 2006.

9. 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 half year period ended 30 June 2006.

10. Significant Events Subsequent to the Balance Sheet Date

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

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**11. SECURITIES PORTFOLIO****(i) Held-for-Trading**

Group and Bank	Jun-06	Dec-05
	RM'000	RM'000
Money market instruments :-		
Malaysian Government securities	4,695	-
Cagamas bonds	74,995	
Bankers' acceptances and Islamic accepted bills	23,304	307,665
Islamic private debt securities	227,210	406,152
Private debt securities	97,436	149,990
	<u>427,640</u>	<u>863,807</u>

(ii) Available-for-Sale

Group and Bank	Jun-06	Dec-05
	RM'000	RM'000
Bank Negara Malaysia bills	-	240,134
Malaysian Government treasury bills	19,917	101,827
Malaysian Government securities	2,196	2,266
Negotiable instruments of deposits	3,950,149	3,567,955
Cagamas Notes/ Bonds	60,003	60,100
Private debt securities	483,680	508,445
	<u>4,515,945</u>	<u>4,480,727</u>
Quoted securities :		
Shares of corporations	3,552	3,827
Private debt securities	4,132	5,521
	<u>4,523,629</u>	<u>4,490,075</u>
Unquoted securities :		
Shares	12,272	12,272
Private debt securities	1,417	1,417
	<u>13,689</u>	<u>13,689</u>
Total Available-for-Sale Securities	<u>4,537,318</u>	<u>4,503,764</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**12. LOAN AND ADVANCES****(i) By type**

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Overdrafts	2,901,805	2,796,237	2,901,805	2,796,237
Term loans and revolving credits				
Housing loans	5,940,346	5,180,860	5,940,346	5,180,860
Syndicated term loan	84,796	123,331	84,796	123,331
Hire purchase receivables	2	3	2	3
Lease receivables	3	451	3	3
Other term loans/financing	5,852,563	5,659,837	5,852,563	5,659,837
Credit cards receivable	628,885	578,868	628,885	578,868
Bills receivable	129,698	109,123	129,698	109,123
Trust receipts	471,964	429,032	471,964	429,032
Claims on customers under acceptance credits	3,145,158	2,821,799	3,145,158	2,821,799
Staff loans	87,991	88,446	87,991	88,446
Others	6,890	2,570	6,890	2,570
	<u>19,250,101</u>	<u>17,790,557</u>	<u>19,250,101</u>	<u>17,790,109</u>
Less: Unearned interest	(574)	(357)	(574)	(357)
Gross loans, advances and financing	<u>19,249,527</u>	<u>17,790,200</u>	<u>19,249,527</u>	<u>17,789,752</u>
Allowance for bad and doubtful debts and financing				
- Specific	(364,706)	(337,234)	(364,706)	(336,842)
- General	(290,640)	(251,944)	(290,640)	(251,888)
Net loans, advances and financing	<u>18,594,181</u>	<u>17,201,022</u>	<u>18,594,181</u>	<u>17,201,022</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**12. LOANS AND ADVANCES (CONTINUED)**

(ii) By type of customer	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Domestic non-bank financial Institutions				
- stockbroking companies	83	4,769	83	4,769
- Others	77,092	96,012	77,092	96,012
Domestic business enterprises				
- Small medium enterprises	4,919,747	3,438,523	4,919,747	3,438,104
- Others	5,104,502	5,983,238	5,104,502	5,983,237
Government	863,668	886,376	863,668	886,376
Individuals	8,121,352	7,295,767	8,121,352	7,295,767
Other domestic entities	204	2,510	204	2,482
Foreign entities	162,879	83,005	162,879	83,005
	<u>19,249,527</u>	<u>17,790,200</u>	<u>19,249,527</u>	<u>17,789,752</u>
(iii) By interest/profit rate sensitivity	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Fixed rate				
Housing loans/financing	86,810	87,241	86,810	87,241
Hire purchase receivable	3	6	3	6
Other fixed rate loan/financing	621,745	572,216	621,745	572,216
Variable rate				
BLR plus	16,247,323	14,610,624	16,247,323	14,610,175
Cost-plus	928,899	1,114,256	928,899	1,114,257
Other variable rates	1,364,747	1,405,857	1,364,747	1,405,857
	<u>19,249,527</u>	<u>17,790,200</u>	<u>19,249,527</u>	<u>17,789,752</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**12. LOANS AND ADVANCES (CONTINUED)**(iv) **Loans and advances analysed according to economic sector are as follows :**

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Agriculture	84,206	94,010	84,206	94,010
Mining and quarrying	17,339	16,753	17,339	16,753
Manufacturing	4,024,643	3,570,086	4,024,643	3,569,668
Electricity, gas and water	30,706	21,171	30,706	21,171
Construction	1,031,666	779,883	1,031,666	779,883
Real estate	620,618	385,429	620,618	385,429
Purchase of landed property :				
(i) Residential	6,004,654	5,391,364	6,004,654	5,391,364
(ii) Non-residential	491,687	855,836	491,687	855,836
General commerce	2,798,468	2,536,708	2,798,468	2,536,707
Transport, storage and communication	515,556	517,377	515,556	517,377
Finance, insurance and business services	622,183	450,717	622,183	450,717
Purchase of securities	37,086	550,214	37,086	550,214
Purchase of transport vehicles	10,863	10,243	10,863	10,243
Consumption credit	1,641,093	1,515,634	1,641,093	1,515,634
Government agencies	875,414	898,616	875,414	898,616
Others	443,345	196,159	443,345	196,130
	<u>19,249,527</u>	<u>17,790,200</u>	<u>19,249,527</u>	<u>17,789,752</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**12. LOANS AND ADVANCES (CONTINUED)****(v) Movements in the non-performing loans, advances and financing**

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Balance as at 1 January	1,200,785	1,506,588	1,200,338	1,506,121
Non-performing during the period/year	277,461	431,135	277,458	431,140
Recoveries	(63,976)	(187,953)	(63,976)	(187,938)
Reclassified as performing	(89,618)	(251,625)	(89,618)	(251,625)
Amount written off	(44,603)	(297,360)	(44,153)	(297,360)
Balance as at 30 June / December	<u>1,280,049</u>	<u>1,200,785</u>	<u>1,280,049</u>	<u>1,200,338</u>
Specific allowance (SA)	<u>(364,706)</u>	<u>(337,234)</u>	<u>(364,706)</u>	<u>(336,842)</u>
Net non-performing loans, advances and financing	<u>915,343</u>	<u>863,551</u>	<u>915,343</u>	<u>863,496</u>
Ratio of net non-performing loans and financing to net loans and financing	<u>4.85%</u>	<u>4.95%</u>	<u>4.85%</u>	<u>4.95%</u>

(vi) Movements in allowance for bad and doubtful debts

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
General allowance				
Balance as at 1 January	251,950	251,950	251,888	251,888
Allowance made during the period/year	38,752	-	38,752	-
Amount written back in respect of recoveries	(6)	(6)	-	-
	(56)	-	-	-
Balances as at 30 June / December	<u>290,640</u>	<u>251,944</u>	<u>290,640</u>	<u>251,888</u>
% of gross loans, advances and financing (excluding loan to Government) less specific allowance	<u>1.61%</u>	<u>1.52%</u>	<u>1.61%</u>	<u>1.52%</u>
Specific allowance				
Balance as at 1 January	337,234	456,227	336,842	455,821
Allowance made during the period/year	98,732	241,993	98,729	241,992
Amount written back in respect of recoveries	(32,062)	(63,602)	(32,062)	(63,587)
Amount written off	(39,198)	(297,384)	(38,803)	(297,384)
Balances as at 30 June / December	<u>364,706</u>	<u>337,234</u>	<u>364,706</u>	<u>336,842</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**12. LOANS AND ADVANCES (CONTINUED)**

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
(vii) <u>NPL by sector</u>				
Agriculture	2,025	1,875	2,025	1,875
Mining and quarrying	2,935	3,196	2,935	3,196
Manufacturing	403,499	400,796	403,499	400,378
Electricity, gas and water	482	732	482	732
Construction	49,436	11,889	49,436	11,889
Real estate	58,405	46,248	58,405	46,248
Purchase of landed property :				
(i) Residential	180,918	165,725	180,918	165,725
(ii) Non-residential	20,308	47,884	20,308	47,884
General commerce	253,951	218,573	253,951	218,572
Transport, storage and communication	4,237	3,805	4,237	3,805
Finance, insurance and business services	152,394	42,700	152,394	42,700
Purchase of securities	11,527	137,812	11,527	137,812
Purchase of transport vehicles	68	50	68	50
Consumption credit	114,110	93,982	114,110	93,982
Others	25,754	25,518	25,754	25,490
	<u>1,280,049</u>	<u>1,200,785</u>	<u>1,280,049</u>	<u>1,200,338</u>

13. OTHER ASSETS

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Other debtors, deposits and prepayments	387,791	247,960	387,745	247,930
Accrued interest receivable	38,465	48,483	38,465	48,483
Amount due from subsidiaries	-	-	3,847	3,190
Precious Metal accounts	34,643	27,300	34,644	27,300
Foreclosed properties	3,734	3,806	3,734	3,806
	<u>464,633</u>	<u>327,549</u>	<u>468,435</u>	<u>330,709</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**14. DEPOSITS FROM CUSTOMERS**

(i) By type of deposit	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Demand deposits	2,121,643	2,182,347	2,121,643	2,182,347
Savings deposits	1,284,216	1,262,496	1,284,216	1,262,496
Fixed deposits	11,742,335	11,728,219	11,742,335	11,728,219
Negotiable instruments of deposits	1,976,210	1,111,597	1,976,210	1,111,597
Others	479,566	354,946	479,566	354,946
	<u>17,603,970</u>	<u>16,639,605</u>	<u>17,603,970</u>	<u>16,639,605</u>

(ii) By type of customer	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Business enterprise	4,916,713	4,357,187	4,916,713	4,357,187
Individuals	10,690,784	10,558,877	10,690,784	10,558,877
Others	1,996,473	1,723,541	1,996,473	1,723,541
	<u>17,603,970</u>	<u>16,639,605</u>	<u>17,603,970</u>	<u>16,639,605</u>

15. DEPOSITS AND PLACEMENT OF BANKS AND FINANCIAL INSTITUTIONS

Group and Bank	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Licensed banks	959,512	115,708	960,878	116,933
Bank Negara Malaysia	265,791	212,813	265,792	212,813
Other financial institutions	3,727,048	3,966,707	3,727,048	3,966,707
	<u>4,952,351</u>	<u>4,295,228</u>	<u>4,953,718</u>	<u>4,296,453</u>

16. OTHER LIABILITIES

	Group		Bank	
	Jun-06 RM'000	Dec-05 RM'000	Jun-06 RM'000	Dec-05 RM'000
Provision for Commitments and Contingencies	1,354	1,330	1,354	1,330
Accrued interest payable	159,628	157,596	159,628	157,595
Accruals and provisions for operational expenses	55,342	66,436	55,299	43,265
Other accruals and provisions	187,397	245,497	187,385	268,595
	<u>403,721</u>	<u>470,859</u>	<u>403,666</u>	<u>470,785</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**17. INTEREST INCOME**

	Group		Bank	
	Jun-06 RM'000	Jun-05 RM'000	Jun-06 RM'000	Jun-05 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	487,496	406,839	487,496	406,842
- Recoveries from NPLs	40,406	40,680	40,406	40,680
Money at call and deposit placements with financial institutions	127,161	105,754	127,150	105,748
Held-For-Trading Securities	12,421	16,906	12,421	6,151
Available-For-Sale Securities	83,546	41,112	83,546	51,867
Others	12,644	4,513	12,644	4,513
	763,674	615,804	763,663	615,801
Amortisation of premium less accretion of discount	(1,443)	(37)	(1,443)	(37)
Net interest suspended	(7,974)	(2,229)	(7,974)	(2,229)
	754,257	613,538	754,246	613,535

18. INTEREST EXPENSES

	Group		Bank	
	Jun-06 RM'000	Jun-05 RM'000	Jun-06 RM'000	Jun-05 RM'000
Deposits and placements of banks and other financial institutions	99,799	38,044	99,799	38,044
Deposits from other customers	203,507	197,117	203,507	197,117
Loans sold to Cagamas	22,974	23,934	22,974	23,934
Others	96,898	84,151	96,898	84,151
	423,178	343,246	423,178	343,246

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**19. OTHER OPERATING INCOME**

	Group		Bank	
	Jun-06 RM'000	Jun-05 RM'000	Jun-06 RM'000	Jun-05 RM'000
The Group and Bank				
<u>Fee income</u>				
Commission	39,727	29,600	39,537	29,552
Guarantee Fees	10,989	5,775	10,989	5,775
Service charges and fees	44,506	46,168	44,503	46,168
Commitment fees	9,127	9,574	9,127	9,574
Arrangement and Participation fees	6,453	11,460	6,453	11,460
	<u>110,802</u>	<u>102,577</u>	<u>110,609</u>	<u>102,529</u>
<u>Investment income</u>				
Gain/(Loss) from sale of HFT Securities	(16,780)	53,793	(16,780)	53,793
Gain/(Loss) from sale of AFS Securities	1,473	672	1,473	672
Unrealised gain/(loss) of HFT Securities	54,771	(11,551)	54,771	(11,551)
Gross dividends from :				
- Investment securities in Malaysia	373	396	373	396
- Association	-	-	8,809	404
	<u>39,837</u>	<u>43,310</u>	<u>48,646</u>	<u>43,714</u>
Other income :-				
Foreign exchange gain/(loss)				
- realised	13,615	12,042	13,615	12,042
- unrealised	15,105	2,050	15,105	2,050
Rental income	254	285	254	285
Gain on disposal of property, plant and equipment	3	27	3	27
Other operating income	795	447	795	447
Other non operating income	4,498	4,237	4,498	4,237
	<u>34,270</u>	<u>19,088</u>	<u>34,270</u>	<u>19,088</u>
	<u>184,909</u>	<u>164,975</u>	<u>193,525</u>	<u>165,331</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**20. OTHER OPERATING EXPENSES**

	Group		Bank	
	Jun-06 RM'000	Jun-05 RM'000	Jun-06 RM'000	Jun-05 RM'000
Personnel costs	82,436	75,190	81,640	74,752
Establishment costs	36,123	31,846	35,891	31,738
Marketing expenses	14,509	10,507	15,000	10,704
Administration and general expenses	28,460	31,130	28,325	31,068
	161,528	148,673	160,856	148,262
<u>Personnel costs</u>				
Salaries, allowance and bonuses	66,606	60,568	65,937	60,198
Employees Provident Fund Contributions (EPF)	10,226	9,457	10,124	9,400
Other personnel costs	5,604	5,165	5,579	5,154
	82,436	75,190	81,640	74,752
<u>Establishment costs</u>				
Depreciation	14,827	13,806	14,723	13,764
Hire of equipment	17	65	13	62
Information technology costs	3,190	3,378	3,185	3,377
Repair and maintenance	5,677	5,106	5,657	5,097
Rental of premises	2,097	1,385	2,033	1,341
Others	10,315	8,106	10,280	8,097
	36,123	31,846	35,891	31,738
<u>Marketing expenses</u>				
Advertisement and publicity	6,500	5,981	6,488	5,973
Others	8,009	4,526	8,512	4,731
	14,509	10,507	15,000	10,704
<u>Administration and general expenses</u>				
Fees and commissions paid	12,694	17,400	12,612	17,371
Other Administration and general expenses	15,766	13,730	15,713	13,697
	28,460	31,130	28,325	31,068

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**21. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

	Group		Bank	
	Jun-06 RM'000	Jun-05 RM'000	Jun-06 RM'000	Jun-05 RM'000
Allowance for bad and doubtful debts on loans and financing				
(a) specific allowance (net)				
- Made in the financial period	98,734	98,581	98,730	98,592
- Written back	(32,061)	(25,759)	(32,061)	(25,759)
(b) general allowance				
- Made/(Written back) in the financial period	38,751	(6)	38,751	-
Bad debts on loans and financing				
- written off	49	(88)	49	(89)
- recovered	(14,346)	(9,720)	(14,346)	(9,720)
	<u>91,127</u>	<u>63,008</u>	<u>91,123</u>	<u>63,024</u>

22. CAPITAL ADEQUACY**Group and Bank****Tier I Capital**

	Jun-06 RM'000	Jun-05 RM'000
Paid-up share capital	470,000	470,000
Share premium	322,555	322,555
Retained profit	649,544	818,744
Other reserves	453,675	474,763
Less: Revaluation Reserve : Available-For-Sale	16,325	(4,763)
Deferred Tax adjustments	(35,691)	(35,691)
Total Tier I Capital	<u>1,876,408</u>	<u>2,045,608</u>

Tier II capital

Property revaluation reserve	25,395	25,395
General provisions for bad and doubtful debts	290,639	251,888
Total Tier II Capital	<u>316,034</u>	<u>277,283</u>
Total capital	<u>2,192,442</u>	<u>2,322,891</u>
Less: Investment in subsidiaries	(151)	(151)
Total capital base	<u>2,192,291</u>	<u>2,322,740</u>

(b) The capital adequacy ratios of the Group and Bank are as follows :**Capital ratios**

Core capital ratio (incl. mkt risk)	9.32%	11.16%
Risk-weighted capital ratio (incl. mkt risk)	<u>10.89%</u>	<u>12.67%</u>
Core capital ratio (after proposed dividend)	9.32%	10.24%
Risk-weighted capital ratio (after proposed dividend)	<u>10.89%</u>	<u>11.75%</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**23. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Bank 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.

Group and Bank	Jun-06			Dec-05		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk Weighted Amount RM'000
Direct credit substitutes	1,678,893	1,678,893	1,627,566	1,495,751	1,495,751	1,431,303
Transaction-related contingent items	864,109	432,055	366,293	746,966	373,483	308,176
Short-term self-liquidating trade-related contingencies	433,816	86,763	82,312	339,396	67,879	61,712
Irrevocable commitments to extend credit						
- maturity more than one year	1,518,704	759,352	677,201	1,494,850	747,425	655,643
- maturity less than one year	13,533,483	-	-	11,951,082	-	-
Foreign exchange related contracts						
- less than one year	11,099,356	210,590	44,828	5,327,400	91,185	19,626
- one year to less than one year	588,240	47,059	9,412	604,640	59,227	11,845
Interest rates related contracts						
- less than one year	5,993,590	7,710	1,543	4,773,651	4,219	700
- one year to less than one year	14,971,060	275,591	52,440	15,465,387	169,695	38,437
- 5 years and above	1,051,672	81,409	16,282	568,445	91,054	18,211
Others	305,501	-	-	221,846	-	-
Total	52,038,424	3,579,421	2,877,877	42,989,414	3,099,918	2,545,653

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

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**24. INTEREST / PROFIT RATE RISK****Group**

As at 30 June 2006

	←----- Non-trading book ----->						Trading book	Total	Effective Interest Rate
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash & Short Term Funds	3,193,100	-	-	-	-	158,528	-	3,351,628	3.79%
Securities purchased under repo	1,929,510	1,466,143	-	-	-	-	-	3,395,653	3.26%
Deposits & Placements with CB & FI	-	1,019,095	1,346	-	-	-	-	1,020,441	3.91%
Held for Trading Securities	-	-	-	-	-	-	427,640	427,640	5.10%
Investment Securities	1,025,037	3,005,032	103	175,817	309,956	21,373	-	4,537,318	3.36%
Loans & Advances & Financing									
-performing	11,989,793	883,489	877,391	711,147	407,315	2,799,327	-	17,668,462	6.88%
-non-performing	-	-	-	-	-	925,719	-	925,719	-
Other assets	-	-	-	-	-	1,414,822	-	1,414,822	0%
	18,137,440	6,373,759	878,840	886,964	717,271	5,319,769	427,640	32,741,683	
Liabilities									
Deposits from Customers	6,980,418	2,903,213	4,864,570	781,766	114,035	1,959,968	-	17,603,970	2.82%
Deposits & Placements of CB & FI	2,721,592	1,455,763	729,240	-	-	45,756	-	4,952,351	4.54%
Securities Sold Under Repo	3,229,311	153,854	55,730	-	-	-	-	3,438,895	3.23%
Bills & Acceptances Payable	6,285	33,438	3,945	-	-	2,994,387	-	3,038,055	2.59%
Amount due to Cagamas	8,057	338,735	252,723	437,756	29,371	-	-	1,066,642	3.83%
Other Liabilities	-	-	-	-	-	474,883	-	474,883	0%
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	n/a
Reserves	-	-	-	-	-	1,696,887	-	1,696,887	n/a
	12,945,663	4,885,003	5,906,208	1,219,522	143,406	7,641,881	-	32,741,683	
On B/S Interest Sensitivity Gap	5,191,777	1,488,756	(5,027,368)	(332,558)	573,865	(2,322,112)	427,640	-	-
Off B/S Interest Sensitivity Gap	277,000	489,359	(233,654)	(202,555)	(330,150)	-	-	-	-
Total Interest Sensitivity Gap	5,468,777	1,978,115	(5,261,022)	(535,113)	243,715	(2,322,112)	427,640	-	-

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NOTES TO INTERIM FINANCIAL STATEMENTS - 30 JUNE 2006**24. INTEREST / PROFIT RATE RISK (CONTINUED)****Bank**

As at 30 June 2006

	←----- Non-trading book -----→						Trading book	Total	Effective Interest Rate
	Up to 1 Mth	> 1-3 Mth	>3-12 Mth	>1-5 Yrs	Over 5 Yrs	Non Int Sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets									
Cash & Short Term Funds	3,193,100	-	-	-	-	158,528	-	3,351,628	3.79%
Securities purchased under repo	1,929,510	1,466,143	-	-	-	-	-	3,395,653	3.26%
Deposits & Placements with CB & FI	-	1,019,095	1,346	-	-	-	-	1,020,441	3.91%
Held for Trading Securities	-	-	-	-	-	-	427,640	427,640	5.10%
Investment Securities	1,025,037	3,005,032	103	175,817	309,956	21,373	-	4,537,318	3.36%
Loans & Advances & Financing									
-performing	11,989,793	883,489	877,391	711,147	407,315	2,799,327	-	17,668,462	6.88%
-non-performing	-	-	-	-	-	925,719	-	925,719	-
Other assets	-	-	-	-	-	1,386,929	-	1,386,929	0%
	18,137,440	6,373,759	878,840	886,964	717,271	5,291,876	427,640	32,713,790	
Liabilities									
Deposits from Customers	6,980,418	2,903,213	4,864,570	781,766	114,035	1,959,968	-	17,603,970	2.82%
Deposits & Placements of CB & FI	2,722,959	1,455,763	729,240	-	-	45,756	-	4,953,718	4.54%
Securities Sold Under Repo	3,229,311	153,854	55,730	-	-	-	-	3,438,895	3.23%
Bills & Acceptances Payable	6,285	33,438	3,945	-	-	2,994,387	-	3,038,055	2.59%
Amount due to Cagamas	8,057	338,735	252,723	437,756	29,371	-	-	1,066,642	3.83%
Other Liabilities	-	-	-	-	-	474,828	-	474,828	0%
Financed by :									
Share Capital	-	-	-	-	-	470,000	-	470,000	n/a
Reserves	-	-	-	-	-	1,667,682	-	1,667,682	n/a
	12,947,030	4,885,003	5,906,208	1,219,522	143,406	7,612,621	-	32,713,790	
On B/S Interest Sensitivity Gap	5,190,410	1,488,756	(5,027,368)	(332,558)	573,865	(2,320,745)	427,640	-	-
Off B/S Interest Sensitivity Gap	277,000	489,359	(233,654)	(202,555)	(330,150)	-	-	-	-
Total Interest Sensitivity Gap	5,467,410	1,978,115	(5,261,022)	(535,113)	243,715	(2,320,745)	427,640	-	-

Company No. 271809K

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25. PERFORMANCE REVIEW

The Group's pre-tax profit for the half year ended 30 June 2006 of RM192.8million was RM27.3million or 16.5% higher than that of the previous corresponding period of RM165.5million. The improvement in earnings was primarily due to higher net interest income of RM60.8million as a result of higher loan base in year 2006. In addition, the non interest income also contributed RM19.9million increase to the pre-tax profit.

The increase were partially offset by higher overhead costs of RM12.8million and coupled with higher allowance for losses on loans and financing of RM28.1million as compared to previous corresponding period.

26. PROSPECTS FOR 2006

The Malaysian economic growth is expected to grow at 6%, it will be broad-based and balanced, supported by expansion in all economic sectors, including the construction sector and driven by strong export and resilient domestic demand. Competition in the banking sector will continue to intensify. With our strong financial footing, our Bank is confident of meeting all challenges ahead.