

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED BALANCE SHEETS AS AT 30 SEPTEMBER 2007

	Note	30 September 2007 RM'000	31 December 2006 RM'000
ASSETS			
Cash and short-term funds	8	567,122	397,732
Deposits and placements with banks and other financial institutions	9	87,300	285,200
Securities portfolio			
Held-to-maturity investments	10	55,291	55,770
Loans and advances	11	386,809	335,108
Other assets	12	5,230	5,195
Deferred taxation assets		3,345	3,226
Tax recoverable		374	374
Statutory deposits with Bank Negara Malaysia		-	-
Property, plant and equipment		1,384	721
TOTAL ASSETS		1,106,855	1,083,326
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	382,502	528,196
Deposits and placements of banks and other financial institutions	14	341,326	189,431
Bills and acceptances payable		-	-
Other liabilities	15	37,473	22,527
TOTAL LIABILITIES		761,301	740,154
 Financed by:			
Share Capital		304,000	304,000
Reserves		41,554	39,172
SHAREHOLDERS' EQUITY		345,554	343,172
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,106,855	1,083,326
 COMMITMENTS AND CONTINGENCIES	23	320,841	323,592

BANK OF CHINA (MALAYSIA) BERHAD
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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED INCOME STATEMENTS FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2007

		Nine Months Ended	
		30 September	30 September
		2007	2006
		RM'000	RM'000
Interest income	16	36,707	32,583
Interest expense	17	(19,631)	(16,093)
Net interest income		17,076	16,490
Other operating income	18	8,679	8,454
Other operating expenses	19	(9,619)	(10,176)
Allowance for losses on loans and advances	20	(962)	-
Profit before taxation		15,174	14,768
Taxation	21	(4,071)	(4,217)
Net profit for the financial period		11,103	10,551

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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

	Issued and fully paid ordinary shares of RM1 each	Non- distributable	Distributable		
	Nominal value RM'000	Statutory reserve RM'000	Retained profit RM'000	Proposed dividend RM'000	Total RM'000
At 1 January 2007	304,000	29,333	1,118	8,721	343,172
Net profit for the nine months	-	-	11,103	-	11,103
Total recognised income for the nine months	-	-	11,103	-	11,103
Transfer to statutory reserve	-	-	-	-	-
Proposed dividend	-	-	-	-	-
Dividend paid	-	-	-	(8,721)	(8,721)
At 30 September 2007	304,000	29,333	12,221	-	345,554
At 1 January 2006	304,000	19,868	375	5,034	329,277
Net profit for the financial year	-	-	18,929	-	18,929
Total recognised income for the year	-	-	18,929	-	18,929
Transfer to statutory reserve	-	9,465	(9,465)	-	-
Proposed dividend	-	-	(8,721)	8,721	-
Dividend paid	-	-	-	(5,034)	(5,034)
At 31 December 2006	304,000	29,333	1,118	8,721	343,172

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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED CASH FLOW STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

	Note	30 September 2007 RM'000	31 December 2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		15,174	26,425
<i>Adjustment for:</i>			
Depreciation of property, plant and equipment		277	376
Amortisation of premium less accretion of discount		479	626
Loan loss allowance		1,000	600
Write back of loan loss allowance		(38)	(132)
Interest income from held-to-maturity investments		(2,021)	(2,705)
Unrealised foreign exchange gain		(115)	(1,141)
		<hr/>	<hr/>
Cash flow from operating profit before changes in operating assets and liabilities		14,756	24,049
(INCREASE)/DECREASE IN OPERATING ASSETS			
Loans and advances		(52,663)	(49,276)
Deposits and placements with banks and other financial institutions		197,900	(156,800)
Other assets		178	390
		<hr/>	<hr/>
INCREASE/(DECREASE) IN OPERATING LIABILITIES			
Deposits from customers		(145,694)	207,586
Deposits and placements of banks and other financial institutions		151,895	10,509
Bills and acceptances payable		-	(26,746)
Other liabilities		14,581	(357)
		<hr/>	<hr/>
Cash generated from operating activities		180,953	9,355
Taxation paid		(3,825)	(5,778)
		<hr/>	<hr/>
Net cash generated from operating activities		177,128	3,577
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(940)	(212)
Net sale of held-to-maturity investments		-	-
Interest received on held-to-maturity investments		1,923	2,707
		<hr/>	<hr/>
Net cash generated from investing activities		983	2,495
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(8,721)	(5,034)
		<hr/>	<hr/>
Net cash used in financing activities		(8,721)	(5,034)
		<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD			
		169,390	1,038
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD			
		397,732	396,694
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD			
8		567,122	397,732
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2007**

1 Review of Performance and Commentary of Prospects

The bank recorded a higher profit before tax for the first nine months ended 30 September 2007 as compared with the corresponding period in 2006. In year 2007, the bank will focus on increasing its fee based income by emphasising in securing international settlement and trade finance business. At the same time, the bank will continue to source quality credit lending.

2 Group Accounting Policies

The interim financial statements for the nine months ended 30 September 2007 have been prepared in accordance with FRS134 (formerly known as MASB 26) issued by the Malaysian Accounting Standard Board (MASB). The interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2006.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2006.

The Bank has been given approval by Bank Negara Malaysia to compute impairment losses of loans and advances based on "Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3".

3 Audit Report

The audit report for the financial period ended 31 December 2006 was not subject to any qualification.

4 Seasonal or Cyclical Factors

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

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the nine months ended 30 September 2007.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the nine months ended 30 September 2007.

7 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

8 Cash and short-term funds

	30 September	31 December
	2007	2006
	RM'000	RM'000
Cash and balances with banks and other financial institutions	61,022	49,832
Money at call and deposit placements maturing within 1 month	<u>506,100</u>	<u>347,900</u>
	<u>567,122</u>	<u>397,732</u>

9 Deposits and placements with banks and other financial institutions

	30 September	31 December
	2007	2006
	RM'000	RM'000
Bank Negara Malaysia	87,300	285,200
	<u>87,300</u>	<u>285,200</u>

10 Securities portfolio
Held-to-maturity investments

	30 September	31 December
	2007	2006
	RM'000	RM'000
Malaysian Government Securities	58,029	58,029
Amortisation of premium less accretion of discounts	(2,738)	(2,259)
	<u>55,291</u>	<u>55,770</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

11 Loans and advances

(i) By type

	30 September 2007 RM'000	31 December 2006 RM'000
Overdrafts	41,038	45,567
Terms loans		
- Housing loans	6,734	6,704
- Syndicated term loan	137,241	92,997
- Other term loans	95,098	95,849
Bills receivable	-	7
Trust receipts	9,547	6,809
Claims on customers under acceptance credits	48,519	36,362
Staff loans	2,080	1,314
of which: RMnil are to Directors		
Loans to banks and other financial institutions	58,282	60,294
Unearned interest and income	398,539	345,903
Total gross loans and advances	(320)	(226)
Less: Allowance for bad and doubtful debts:		
- General	(11,410)	(10,410)
- Specific	-	(159)
Total net loans and advances	<u>386,809</u>	<u>335,108</u>

(ii) By type of customer

	30 September 2007 RM'000	31 December 2006 RM'000
Domestic banking institutions	51,180	52,991
Domestic non-bank financial institutions	7,103	7,303
Domestic business enterprises		
- Small medium enterprises ("SME")	128,200	147,585
- Non-SME	63,001	55,543
Government and statutory bodies	120,183	53,724
Individuals	11,494	10,872
Foreign entities	17,058	17,659
	<u>398,219</u>	<u>345,677</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

11 Loans and advances (continued)
(iii) By interest rate sensitivity

	30 September	31 December
	2007	2006
	RM'000	RM'000
Fixed rate		
- Housing loans	237	914
- Other fixed rate loan	2,080	1,314
Variable rate		
- BLR plus	159,282	161,318
- Cost plus	48,199	36,143
- Other variable rates	188,421	145,988
	398,219	345,677

(iv) By purpose

	30 September	31 December
	2007	2006
	RM'000	RM'000
Purchase of transport vehicles	81	135
Purchase of landed property:		
- Residential	45,987	46,761
- Non-residential	8,966	8,062
Personal use	37,021	38,699
Construction	2,095	2,164
Working capital	9,998	11,259
Other purpose	253,990	256,204
	86,068	29,154
	398,219	345,677

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

(v) Non-performing Loans (NPL)
(i) Movement in non-performing loans and advances

	30 September 2007 RM'000	31 December 2006 RM'000
At beginning of year	7,616	403
Classified as non-performing during the period	-	7,303
Amount recovered	(392)	(132)
Amount written off	(121)	-
Other adjustments (refering to payment made for legal fees, insurance premium, deposit to Land Office, quit rent & assessment and valuation fees)	-	42
At end of period	<u>7,103</u>	<u>7,616</u>
Specific allowance	-	(159)
Net non-performing loans and advances	<u>7,103</u>	<u>7,457</u>
Ratio of net non-performing loans and advances to net loans and advances	1.78%	2.16%

(ii) Movement in allowance for bad and doubtful debts

	30 September 2007 RM'000	31 December 2006 RM'000
General allowance		
At beginning of year	10,410	9,810
Allowance made during the year	1,000	600
At end of period	<u>11,410</u>	<u>10,410</u>
As % of gross loans and advances less specific allowance	2.9%	3.0%
Specific allowance		
At beginning of year	159	291
Amount recovered	(38)	(132)
Amount written off	(121)	-
At end of period	<u>-</u>	<u>159</u>

(iii) NPL by purpose

	30 September 2007 RM'000	31 December 2006 RM'000
Working capital	<u>7,103</u>	<u>7,616</u>
	<u>7,103</u>	<u>7,616</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

12 Other Assets

	30 September	31 December
	2007	2006
	RM'000	RM'000
Interest receivable	2,202	2,741
Other debtors, deposits and prepayments	3,028	2,454
	5,230	5,195

13 Deposits from Customers

(i) By type of deposits

	30 September	31 December
	2007	2006
	RM'000	RM'000
Demand deposits	85,317	86,103
Savings deposits	19,918	16,894
Fixed deposits	177,262	189,186
Negotiable instruments of deposits	100,000	236,000
Others	5	13
	382,502	528,196

(ii) By type of customer

	30 September	31 December
	2007	2006
	RM'000	RM'000
Government and statutory bodies	5	40,606
Business enterprises	291,333	408,419
Individuals	90,920	79,000
Others	244	171
	382,502	528,196

14 Deposits and placements of banks and other financial institutions

	30 September	31 December
	2007	2006
	RM'000	RM'000
Licensed banks	341,326	189,431
	341,326	189,431

15 Other Liabilities

	30 September	31 December
	2007	2006
	RM'000	RM'000
Interest payable	1,948	2,981
Accrued expenses	1,676	2,463
Margin deposits	23,519	7,961
Other liabilities	10,330	9,122
	37,473	22,527

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

16 Interest income

	Nine Months Ended	
	30 September	30 September
	2007	2006
	RM'000	RM'000
Loans and advances		
- Interest income other than recoveries from NPL	17,390	14,352
- Recoveries from NPLs	7	219
Money at call and deposit placement with financial institutions	17,768	16,631
Securities		
- Held-to-maturity investments	2,021	2,019
	<u>37,186</u>	<u>33,221</u>
Amortisation of premium less accretion of discount	(479)	(465)
Interest suspended	-	(173)
Total interest income	<u>36,707</u>	<u>32,583</u>

17 Interest Expense

	Nine Months Ended	
	30 September	30 September
	2007	2006
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	9,496	6,875
Deposits from customers	10,002	9,218
Others	133	-
	<u>19,631</u>	<u>16,093</u>

18 Other operating income

	Nine Months Ended	
	30 September	30 September
	2007	2006
	RM'000	RM'000
Fees and commission income:		
- Processing fees	11	10
- Syndication fees	80	66
- Commitment fees	214	229
- Other fees relating to loan & finance	364	317
- Guarantee fees	759	734
- Acceptance commission	420	342
- Other fee income	<u>3,445</u>	<u>3,355</u>
	<u>5,293</u>	<u>5,053</u>
Held-to-maturity investments income:		
Gains from sale of held-to-maturity investments	-	-
Foreign exchange gain/(loss):		
Realised gain/(loss)	3,271	3,239
Unrealised gain/(loss)	<u>115</u>	<u>162</u>
	<u>8,679</u>	<u>8,454</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
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19 Other operating expenses

	Nine Months Ended	
	30 September	30 September
	2007	2006
	RM'000	RM'000
Personnel expenses		
Salaries & wages (includes CEO / EDs)	5,582	5,968
Bonuses	3,344	2,900
Employee provident fund	1,067	1,620
Staff welfare expenses	577	553
Other personnel costs	208	420
	386	475
Marketing expenses		
Entertainment expenses	355	683
Other marketing expenses	260	582
	95	101
Establishment costs		
Lease rental of premises	2,381	2,184
Depreciation of property, plant and equipment	1,062	1,075
Repairs and maintenance	277	292
Other establishment costs	695	412
	347	405
Administration and general expenses		
Insurance premium	1,301	1,341
Other administration and general expenses	289	277
	<u>1,012</u>	<u>1,064</u>
	<u>9,619</u>	<u>10,176</u>

20 Allowance for losses on loans and advances

	Nine Months Ended	
	30 September	30 September
	2007	2006
	RM'000	RM'000
Allowance for bad and doubtful debts on loans and advances		
(a) Specific allowance		
- Written back in the financial period	(38)	-
(b) General allowance		
- Made in the financial period	<u>1,000</u>	-
	<u>962</u>	<u>-</u>

21 Taxation

	Nine Months Ended	
	30 September	30 September
	2007	2006
	RM'000	RM'000
Current tax - Malaysian income tax	4,071	4,217
	<u>4,071</u>	<u>4,217</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
 ENDED 30 SEPTEMBER 2007**

22 Capital adequacy

	30 September 2007 RM'000	31 December 2006 RM'000
<u>Tier I capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profit	1,118	1,118
Proposed dividend	-	8,721
Other reserves	29,333	29,333
	334,451	343,172
Less: Deferred tax assets	(3,345)	(3,226)
Total Tier I Capital	331,106	339,946
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	11,410	10,410
Total Tier II Capital	11,410	10,410
Total capital base	342,516	350,356
<u>Capital ratios</u>		
Core capital ratio (inclusive of market risk)	113%	97%
Risk-weighted capital ratio (inclusive of market risk)	117%	100%
Core capital ratio (inclusive of market risk and net of proposed dividends)	113%	95%
Risk-weighted capital ratio (inclusive of market risk and net of proposed dividends)	117%	97%
Risk-weighted assets for credit and market risks (RM'000)	293,493	350,461

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

23 Commitments and contingencies

	30 September 2007			31 December 2006		
	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000
Transaction-related contingent items	139,290	69,645	14,990	132,621	66,311	13,009
Short-term self-liquidation trade related contingencies	39,351	7,870	237	22,983	4,597	265
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	111,828	-	-	98,183	-	-
- Maturity exceeding one year	19,102	9,551	9,501	25,878	12,939	12,652
Foreign exchange related contracts:						
- Less than one year	10,230	-	-	17,012	-	-
Others	1,040	-	-	26,915	-	-
Total	320,841	87,066	24,728	323,592	83,847	25,926

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

24 Interest rate risk

<u>30 September 2007</u>	Non Trading Book						Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 month RM'000	> 3-12 month RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
Assets								
Cash and short term funds	563,890	-	-	-	-	3,232	567,122	3.55%
Deposits & placement with banks & other financial institutions	-	87,300	-	-	-	-	87,300	3.55%
Securities	-	-	15,304	39,987	-	-	55,291	4.92%
Loans and advances								
- performing	223,376	32,434	133,226	95	1,985	(11,410)	379,706	5.97%
- non-performing	-	-	-	-	-	7,103	7,103	
Other assets	-	-	-	-	-	5,230	5,230	
Deferred taxation	-	-	-	-	-	3,345	3,345	
Tax recoverable	-	-	-	-	-	374	374	
Property, plant and equipment	-	-	-	-	-	1,384	1,384	
Total assets	787,266	119,734	148,530	40,082	1,985	9,258	1,106,855	
Liabilities								
Deposits from customers	160,071	116,982	27,742	-	-	77,707	382,502	3.20%
Deposits & placements of banks & other financial institutions	221,976	-	119,350	-	-	-	341,326	4.60%
Bills and acceptances payable	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	37,473	37,473	
Total liabilities	382,047	116,982	147,092	-	-	115,180	761,301	
Shareholders' equity	-	-	-	-	-	345,554	345,554	
Total liabilities and shareholders' equity	382,047	116,982	147,092	-	-	460,734	1,106,855	
On balance sheet - interest rate gap	405,219	2,752	1,438	40,082	1,985	(451,476)	-	
Off balance sheet - interest rate gap	-	-	-	-	-	-	-	
Total interest rate gap	405,219	2,752	1,438	40,082	1,985	(451,476)	-	

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

24 Interest rate risk (Continued)

<u>31 December 2006</u>	Non Trading Book						Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 month RM'000	> 3-12 month RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
Assets								
Cash and short term funds	395,894	-	-	-	-	1,838	397,732	3.58%
Deposits & placement with banks & other financial institutions	-	285,200	-	-	-	-	285,200	3.67%
Securities	-	-	-	55,770	-	-	55,770	4.92%
Loans and advances								
- performing	209,231	119,297	8,218	208	1,107	(10,410)	327,651	6.19%
- non-performing	-	-	-	-	-	7,457	7,457	
Other assets	-	-	-	-	-	5,195	5,195	
Deferred taxation	-	-	-	-	-	3,226	3,226	
Tax recoverable	-	-	-	-	-	374	374	
Property, plant and equipment	-	-	-	-	-	721	721	
Total assets	605,125	404,497	8,218	55,978	1,107	8,401	1,083,326	
Liabilities								
Deposits from customers	285,759	136,875	21,092	-	-	84,470	528,196	3.24%
Deposits & placements of banks & other financial institutions	83,531	105,900	-	-	-	-	189,431	5.08%
Bills and acceptances payable	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	22,527	22,527	
Total liabilities	369,290	242,775	21,092	-	-	106,997	740,154	
Shareholders' equity	-	-	-	-	-	343,172	343,172	
Total liabilities and shareholders' equity	369,290	242,775	21,092	-	-	450,169	1,083,326	
On balance sheet - interest rate gap	235,835	161,722	(12,874)	55,978	1,107	(441,768)	-	
Off balance sheet - interest rate gap	-	-	-	-	-	-	-	
Total interest rate gap	235,835	161,722	(12,874)	55,978	1,107	(441,768)	-	

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(Incorporated in Malaysia)

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS
ENDED 30 SEPTEMBER 2007**

25 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 September 2007.

26 Valuation of Property, Plant and Equipment

The Bank's property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that were brought forward from the previous audited annual financial statements.

27 Events subsequent to Balance Sheet Date

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