



Directors' Report

for the financial year ended 30 June 2006

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services which includes Islamic Banking services, via its incorporated subsidiary, Hong Leong Islamic Bank Berhad.

Other subsidiary companies are primarily engaged in leasing activities, real property investment, nominee services and trade finance activities. Other than described above, there have been no significant changes in the principal activities of the Bank and its subsidiary companies during the financial year.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The Board is pleased to report that during the current fiscal year, the Group has continued to strengthen its infrastructure and foundation to scale up the business in delivering sustainable and profitable growth for shareholders. The Group has also invested in new capabilities to take advantage of various market opportunities.

The Group remained on track on the following priorities under the Business Transformation agenda for the fiscal year under review:

- Defend and grow our current core business in Personal Financial Services, Business Banking, HL Markets (Treasury), and Islamic banking;
- Build and accelerate the momentum of emerging growth engines including wealth management and private banking, e-banking, Islamic banking and investment banking;
- Cultivate differentiating core competences for long-term franchise value and growth, and innovate on new products and services.

The Group's strategic responses against competition were borne out in strong loans growth momentum, strong deposits franchise, entrenched customer base with established history and long relationships, and sound asset quality.

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR

The outlook for the Malaysian economy is expected to remain positive in 2006 with the Q1 2006 GDP having expanded 5.3% y-o-y. A full year GDP growth for 2006 is expected to be 5.5% despite the increasing challenge of high oil prices, rising interest rates, inflationary pressures and the possibility of a global economic slowdown. We expect the domestic economy to pick up in view of robust domestic consumer spending, an expected pickup in private investment and higher government expenditure related to the start of the Ninth Malaysia Plan (2006-2010) will all provide further support for the economic growth.

Amid the positive growth outlook, Malaysian banks are expected to play in an increasingly competitive landscape. Bank consolidations are changing the banking landscape while liberalisation for the foreign banks is further gaining ground. To-date the speedy approval of the foreign banks branch expansion plan and the implementation of a shared ATM network of the four foreign banks is an indication. Besides this, the establishment of new Islamic banks and the issuance of Takaful licenses will also add to the competitive landscape.

The Group has also chalked up another achievement in March 2006 as it signed an agreement with Tokio Marine & Nichido Fire Insurance Co., Ltd. and Hong Leong Assurance Berhad to establish a Takaful company which will provide an alternative offering of products and services for its customers. This strategic alliance holds great promise for the Group as it is now able to offer a complete range of financial products and services, becoming a one-stop financial services provider of holistic solutions to customers - conventional banking, Islamic banking, conventional insurance, and now Islamic insurance.





Directors' Report

for the financial year ended 30 June 2006 (continued)

OUTLOOK AND BUSINESS PLAN FOR NEW FINANCIAL YEAR (continued)

The Group's strategic responses would consist of the following:

- To strengthen and embed our domestic core position in Malaysia in consumer and business banking, treasury, wealth management and Islamic banking
- To establish regional and international niches through successful global business models in private banking, Islamic banking and investment banking, and
- To remain opportunistic on inorganic growth

At the Group, internal reforms are already underway for structural changes to our portfolio, resources, businesses and new leadership, where relevant. The Management will continue to focus on being customer-centric and on aligning people, structure, systems and processes towards exceptional execution.

The management agenda for the new fiscal year will also see the Group aggressively increase its customer base and accelerate cross selling for even stronger revenue momentum. The Group will further consolidate its positioning as the main distribution franchise for the Hong Leong Financial Group.

CORPORATE GOVERNANCE

Disclosures on:

- Statement on Corporate Governance
- The Board of Directors ("Board") responsibility and oversight
- Risk Management
- Internal Audit and Internal Control Activities

The above are disclosed in the annual report.

PERFORMANCE REVIEW AND MANAGEMENT REPORTS

The Board receives and reviews regular reports from the Management on key financial and operating statistics as well as legal and regulatory matters. The performance of each business unit is assessed against the approved budgets and business objectives whilst explanation is provided for significant variances.

CREDIT INFORMATION RATING

In January 2006, Rating Agency Malaysia Berhad has upgraded the Bank's long-term rating to AA2 while reaffirming its short-term rating at P1, with stable outlook.

The ratings indicate that in the long-term the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short-term, the Bank is adjudged to have superior capacities for timely payment of obligations.





Directors' Report

for the financial year ended 30 June 2006 (continued)

CREDIT INFORMATION RATING (continued)

The Bank's other ratings including its debt securities are as follows:

Rating Agency	Date Accorded	Rating Classification
Moody's Investors Services	18 July 2005	Long Term Rating: Baa1 Short Term Rating: Prime-2 Subordinated Debt: Baa2
Fitch Ratings	18 July 2005	Long Term Rating: BBB+ Short Term Rating: F2 Subordinated Debt: BBB
Standard & Poor's	22 July 2005	Long Term Rating: BBB+ Short Term Rating: A-2

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation and zakat	764,241	697,119
Taxation and zakat	(214,321)	(194,563)
Profit after taxation and zakat	549,920	502,556

DIVIDENDS

Since last financial year ended 30 June 2005, a final dividend of 15.5 sen per share less income tax at 28% amounting to RM170,406,988 in respect of the financial year ended 30 June 2005 was paid on 30 November 2005.

An interim dividend for the financial year ended 30 June 2006 of 9.0 sen per share less income tax at 28% amounting to RM98,273,382 was paid on 28 March 2006.

The final dividend recommended by the Directors in respect of the financial year ended 30 June 2006 is 15.0 sen per share less income tax at 28% amounting to RM163,788,970.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- The Bank had, on 28 June 2005, announced that Minister of Finance had granted an Islamic banking licence to Hong Leong Islamic Bank Berhad ("HLIB") and a Vesting Order had also been obtained from the High Court of Malaya for the transfer and vesting of the Islamic business of the Bank to HLIB. Effective 1 July 2005, the Bank has conducted its Islamic Banking business through HLIB.
- On 3 August 2005, the Bank issued USD200 million in aggregate principal amount of Subordinated Bonds ("the Bonds") due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

Directors' Report

for the financial year ended 30 June 2006 (continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

The Bonds constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

- (c) On 8 November 2005, the Bank announced that the shareholders of the Bank had, at its Extraordinary General Meeting held on 8 November 2005, approved:-
- the proposed termination of the existing executive share option scheme ("ESOS") of the Bank which was established in year 2000 and would expire in year 2010 ("Existing ESOS"); and
 - the proposed establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank ("New ESOS").

The New ESOS was established on 23 January 2006 and shall be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the New ESOS at any time during the existence of the ESOS.

- (d) On 16 June 2005, the Bank announced that it had entered into a Sale and Purchase Agreement with HLCM Capital Sdn Bhd ("HLCM Capital") to dispose of its 100% equity interest in Credit Corporation (Malaysia) Sdn Bhd comprising two (2) ordinary shares of RM1.00 each to HLCM Capital for cash consideration of RM5,000 ("Proposed Disposal"). The approval of the Foreign Investment Committee for the Proposed Disposal had been obtained and the Proposed Disposal was completed on 25 August 2005.
- (e) The Bank had, on 15 March 2006, announced the proposed acquisition by the Bank of one (1) block of six (6)-storey purpose-built commercial office building together with two (2) levels of basement car parks to be erected on part of a piece of leasehold land held under P.T. 241, Jalan 219 in the District of Petaling Jaya, State of Selangor from PJ City Development Sdn Bhd (formerly known as HLMC Management Co Sdn Bhd) for a cash consideration of RM86,294,220 ("Acquisition").

The Acquisition had been approved by the Bank Negara Malaysia vide its letter dated 20 January 2006 and FIC vide its letter dated 25 April 2006. The approvals of the shareholders of the Bank and Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad), the holding company of the Bank, pursuant to Section 132E of the Companies Act, 1965 were obtained on 19 July 2006.

- (f) The Bank had, on 28 March 2006, announced that it had entered into a joint venture agreement with Hong Leong Assurance Berhad ("HLA") and Tokio Marine & Nichido Fire Insurance Co., Ltd ("Tokio Marine") to form a joint venture company to be known as Hong Leong Tokio Marine Takaful Berhad ("HLTMT") to operate as a registered takaful operator ("JV"). The equity participation of the JV company is the Bank (55%), HLA (10%) and Tokio Marine (35%). On 20 June 2006, the Bank announced that HLTMT was incorporated on 19 June 2006.

BNM had, vide its letter dated 2 March 2006, approved an application by the JV parties for a takaful licence under the Takaful Act 1984. The JV represented a strategic alliance between the parties to undertake Takaful business in Malaysia and a vehicle for future overseas expansion in the Takaful business.

- (g) On 29 June 2006, the Bank announced that HLB Ventures Sdn Bhd, Chew Geok Lin Nominees (Tempatan) Sdn Bhd, Chew Geok Lin Nominees (Asing) Sdn Bhd and Wah Tat Properties Sdn Bhd were placed under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965.



Directors' Report

for the financial year ended 30 June 2006 (continued)

SHARE CAPITAL

During the financial year, there were no issuance of new ordinary shares. As at 30 June 2006, the issued and paid-up share capital of the Bank is RM1,580,107,034 comprising 1,580,107,034 ordinary shares of RM1.00 each.

The shareholders of the Bank, via an ordinary resolution passed at the Extraordinary General Meeting held on 8 November 2005, had approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 11,999,800 of its issued share capital, as stated in Note 22 (a) to the financial statements at an average price of RM5.09 per share from the open market. The share buyback transactions were financed by internally generated funds. As at 30 June 2006, the total number of shares bought was 63,542,500 and were held as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965. Accordingly, the adjusted issued and paid-up share capital of the Bank (excluding these 63,542,500 treasury shares) as at 30 June 2006 was 1,516,564,534 shares.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

The Directors who served since the date of the last report are as follows:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Independent)
Ms Yvonne Chia	(Group Managing Director/Chief Executive, Non-Independent)
En Zulkiflee Hashim	(Executive Director, Non-Independent)
Mr Kwek Leng Hai	(Non-Independent Non-Executive Director)
Mr Kwek Leng Seng	(Non-Independent Non-Executive Director)
YBhg Datuk Dr Hussein Awang	(Independent Non-Executive Director)
Mr Tan Keok Yin	(Independent Non-Executive Director)
Mr Chew Peng Cheng	(Independent Non-Executive Director)
YBhg Datuk Mohamed Nazim bin Abdul Razak	(Independent Non-Executive Director)
Mr Choong Yee How (Appointed on 9 March 2006)	(Non-Independent Non-Executive Director)
Mr Quek Kon Sean (Appointed on 10 July 2006)	(Non-Independent Non-Executive Director)
Mr Tsui King Chung, David (Resigned on 1 December 2005)	(Non-Independent Non-Executive Director)

In accordance with Article 113 of the Bank's Articles of Association, Ms Yvonne Chia, Mr Chew Peng Cheng and YBhg Datuk Mohamed Nazim bin Abdul Razak retire by rotation from the Board and being eligible, offer themselves for re-election.

In accordance with Article 92 of the Bank's Articles of Association, Mr Choong Yee How and Mr Quek Kon Sean retire from the Board and being eligible, offer themselves for re-election.



Directors' Report

for the financial year ended 30 June 2006 (continued)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares/warrants/options/convertible unsecured loan stocks in the Bank and/or related corporations during the financial year ended 30 June 2006, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

Shareholdings in which Directors have direct interests Number of ordinary shares/*new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks					
	Nominal value per share RM	As at 1.7.2005	Acquired	Sold	As at 30.6.2006
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Guoco Group Limited	USD0.50	1,656,325	-	-	1,656,325
GuocoLand Limited	ø	14,047,224	1,000,000	-	15,047,224
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	11,046,600	-	6,057,000	4,989,600
Hong Leong Industries Berhad	0.50	2,512,000	-	2,512,000	-
		40,000*	-	40,000*	-
Malaysian Pacific Industries Berhad	0.50	53,500	-	53,500	-
Hong Leong Bank Berhad	1.00	40,000	-	40,000	-
Hume Industries (Malaysia) Berhad	1.00	4,034,000	-	2,034,000	2,000,000
Narra Industries Berhad	1.00	8,170,200	-	-	8,170,200
GuocoLand (Malaysia) Berhad	0.50	3,266,280•	-	-	3,266,280
BIL International Limited	US\$0.20	150,000-	-	-	150,000
Interests of Mr Kwek Leng Hai in:					
Hong Leong Company (Malaysia) Berhad	1.00	400,500	20,000	-	420,500
Guoco Group Limited	USD0.50	2,820,775	850,000	-	3,670,775
GuocoLand Limited	ø	18,851,140	1,000,000	-	19,851,140
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	2,156,000	-	-	2,156,000
		160,800*	-	-	160,800*
Hong Leong Industries Berhad	0.50	163,200	-	-	163,200
		52,112*	-	-	52,112*
HLG Capital Berhad	1.00	500,000	-	-	500,000
Hong Leong Bank Berhad	1.00	3,955,700	-	-	3,955,700
Lam Soon (Hong Kong) Limited	HKD1.00	2,300,000	-	-	2,300,000
GuocoLand (Malaysia) Berhad	0.50	226,800•	-	-	226,800
Interest of Ms Yvonne Chia in:					
Hong Leong Bank Berhad	1.00	20,000	-	-	20,000
Interests of Mr Kwek Leng Seng in:					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	20,000	-	117,500
Hong Leong Bank Berhad	1.00	42,490	-	-	42,490
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	410,600	-	-	410,600
GuocoLand (Malaysia) Berhad	0.50	123,180•	-	-	123,180

Directors' Report

for the financial year ended 30 June 2006 (continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have direct interests Number of ordinary shares/*new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks					
	Nominal value per share RM	As at 1.7.2005	Acquired	Sold	As at 30.6.2006
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	819,873	-	-	819,873
Interest of Mr Tan Keok Yin in:					
Carmelin Group Berhad	1.00	10,000	-	-	10,000
Interest of YBhg Datuk Dr Hussein Awang in:					
Hong Leong Industries Berhad	0.50	-	6,000	-	6,000

Shareholdings in which Directors have indirect interests Number of ordinary shares/*new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks					
	Nominal value per share RM	As at 1.7.2005	Acquired	Sold	As at 30.6.2006
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
MEHY Sdn Bhd (In members' voluntary liquidation)	1.00	650,000	-	-	650,000
Guoco Group Limited	USD0.50	218,861,309	745,000	-	219,606,309
Citywide International Limited	USD1.00	9	-	9Δ	-
GuocoLand Limited	Ø	459,407,229	10,000,000	-	469,407,229
First Changi Development Pte Ltd	Ø	40,002,075	-	-	40,002,075
First Garden Development Pte Ltd	Ø	72,000,000	-	-	72,000,000
Melville Park Development Pte Ltd	Ø	57,840,000	-	-	57,840,000
Sanctuary Land Pte Ltd	Ø	54,000,000	-	-	54,000,000
Beijing Minghua Property Development Co., Ltd	^	150,000,000	-	-	150,000,000
Beijing Xinhaoyi Property Development Co., Ltd (In members' voluntary liquidation)	^	138,000,000	-	138,000,000/	-
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
Shanghai Xinhaolong Property Development Co., Ltd	#	-	126,000,000	-	126,000,000
Beijing Jiang Sheng Property Development Co., Ltd	^	247,600,000	-	-	247,600,000
Nanjing Xinhaoning Property Development Co., Ltd	#	-	11,800,800	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd	#	-	11,800,800	-	11,800,800
Nanjing Mahui Property Development Co., Ltd	^	-	95,404,650	-	95,404,650
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
LS Golden Oils & Fats Limited	HKD1.00	185,000,000	-	-	185,000,000
M.C. Packaging Offshore Limited	HKD0.01	471,793	-	-	471,793

Directors' Report

for the financial year ended 30 June 2006 (continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/*new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks					
	Nominal value per share RM	As at 1.7.2005	Acquired	Sold	As at 30.6.2006
Interests of YBhg Tan Sri Quek Leng Chan in:					
Lam Soon Ball Yamamura Inc	NTD10.00	15,221,823¥	-	-	15,221,823
GuocoLand (Malaysia) Berhad	0.50	352,465,353•	104,355,363**	-	456,820,716
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000•	-	-	277,000,000
HLL - Guoco Vietnam Co. Limited	#	5,000,592•	-	-	5,000,592
JB Parade Sdn Bhd	1.00	18,000,000•	-	-	18,000,000
	0.01	68,594,000•	-	-	68,594,000
	(Redeemable Preference Shares)				(Redeemable Preference Shares)
BIL International Limited	US\$0.20	403,808,449-	293,083,594<	-	696,892,043
Oil Basins Limited	US\$0.10	80,000-	-	-	80,000
	Class A Shares				Class A Shares
	US\$0.10	40,000-	-	-	40,000
	Class B Shares				Class B Shares
	US\$0.10	1,000-	-	-	1,000
	Class D Shares				Class D Shares
Bondway Properties Limited	GBP1	1,134,215-	-	-	1,134,215
	Ordinary- Voting Shares				Ordinary- Voting Shares
	GBP1	10,332-	-	-	10,332
	Ordinary-Non Voting Shares				Ordinary-Non Voting Shares
Denarau Corporation Limited	FJ\$1	1-	-	-	1
	Ordinary A Share				Ordinary A Share
	FJ\$1	30,000-	-	-	30,000
	Ordinary C Shares				Ordinary C Shares
	FJ\$1	5,000-	-	-	5,000
	Ordinary D Shares				Ordinary D Shares
	FJ\$1	14,632-	-	-	14,632
	Ordinary E Shares				Ordinary E Shares
	FJ\$1	5,000-	-	-	5,000
	Ordinary F Shares				Ordinary F Shares
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
Shekou Lam Soon Silo Company Limited	#	8,464,500	-	-	8,464,500
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	813,767,298	6,057,000	-	819,824,298
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	953,685,600	40,000	200,000	953,525,600
Hong Leong Tokio Marine Takafu Berhad	1.00	-	65	-	65

Directors' Report

for the financial year ended 30 June 2006 (continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/*new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks					
	Nominal value per share RM	As at 1.7.2005	Acquired	Sold	As at 30.6.2006
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Industries Berhad	0.50	131,299,900	3,624,700	-	134,924,600
		38,546,335*	22,444,698*	14,379,200*	46,611,833*
Maxider Sdn Bhd (formerly known as Hong Leong Yamaha Distributors Sdn Bhd)	1.00	10,360,000	3,640,000	-	14,000,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	7,815,980	-	-	7,815,980
Global Roaming Communications Sdn Bhd	1.00	-	2,610,000	-	2,610,000
Malaysian Pacific Industries Berhad	0.50	113,896,809	1,256,400	-	115,153,209
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400	-	-	22,400
		(Redeemable Preference Shares)			(Redeemable Preference Shares)
Guolene Packaging Industries Berhad (In members' voluntary liquidation)	1.00	69,924,134	-	-	69,924,134
Hume Industries (Malaysia) Berhad	1.00	118,536,428	2,034,000	425,600	120,144,828
Narra Industries Berhad	1.00	38,304,000	-	-	38,304,000
Camerlin Group Berhad	1.00	239,738,779	31,876,538	-	271,615,317
		3,888,925*	3,292,639*	-	7,181,564*
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	4,674,666

Legend:

- ^ Capital contribution in RMB
- # Capital contribution in USD
- Δ Struck off from Register
- ∅ Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act 2005.
- Ω Capital contribution in HKD
- ~ Shareholding as at 21 October 2005 as the corporation became a related corporation
- Shareholding as at 28 April 2006 as the corporation became a related corporation
- ** Inclusive of acceptances received for 70,760,863 shares in respect of the unconditional mandatory offer made by GLL (Malaysia) Pte Ltd, a related corporation.
- < Inclusive of acceptances received for 55,978,102 shares in respect of the mandatory conditional cash offer by High Glory Investments Limited, a related corporation
- / Dissolved by members' voluntary liquidation
- ¥ After capital reduction

Directors' Report

for the financial year ended 30 June 2006 (continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

- (a) YBhg Tan Sri Quek Leng Chan who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Bank or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest; and
- (b) Mr Chew Peng Cheng who may be deemed to derive a benefit by virtue of the tenancies/leases between the Bank and its related corporations with companies in which Mr Chew Peng Cheng has interests.

There were no arrangement during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the share options granted pursuant to the ESOS.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The shareholders of the Bank had, at its Extraordinary General Meeting held on 8 November 2005, approved:-

- i. the proposed termination of the existing executive share option scheme of the Bank which was established in year 2000 and would expire in year 2010 ("Existing ESOS"); and
- ii. the proposed establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank ("New ESOS").

The New ESOS was established on 23 January 2006 and shall be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the New ESOS at any time during the existence of the ESOS.

The New ESOS would enable the Bank to have a fresh duration of ten (10) years to implement the Scheme and provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Bank.

The main features of the New ESOS are, inter alia, as follows:-

- 1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Bank and its subsidiaries. The maximum allowable allotments for the full time executive directors had been approved by the shareholders of the Bank in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
- 2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Bank for the time being.



Directors' Report

for the financial year ended 30 June 2006 (continued)

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (continued)

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the date of offer and shall in no event be less than the par value of the shares of the Bank.
5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the HLB Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Bank, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

There were no options granted during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK

(I) As at the end of the financial year

- (a) Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
 - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.
- (b) In the opinion of the Directors:
 - (i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2006 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.





Directors' Report

for the financial year ended 30 June 2006 (continued)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE BANK (continued)

(III) As at the date of this report

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad) and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

On behalf of the Board

Yvonne Chia

Zulkiflee Hashim

Kuala Lumpur
24 August 2006



Balance Sheets

as at 30 June 2006

		The Group		The Bank	
	Note	2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3	13,565,015	11,124,578	12,294,079	11,125,551
Securities purchased under resale agreements		4,496,814	9,928,492	4,496,814	9,928,492
Deposits and placements with banks and other financial institutions	4	1,484,812	3,537,614	1,844,812	3,537,614
Securities held at fair value through profit or loss	5	3,881,514	2,660,197	3,752,487	2,660,197
Available-for-sale securities	6	5,824,132	2,348,500	5,645,608	2,348,500
Held-to-maturity securities	7	1,029,789	1,003,385	440,452	1,003,385
Loans, advances and financing	8	28,618,868	25,582,735	24,671,107	25,578,044
Other assets	9	388,481	322,563	363,844	320,217
Statutory deposits with Bank Negara Malaysia	10	881,524	839,600	718,100	839,600
Tax recoverable		-	2,879	-	2,879
Investment in subsidiary companies	11	-	-	522,041	72,041
Property and equipment	12	252,000	244,392	235,513	229,835
Deferred tax assets	13	173,301	114,778	154,238	114,778
Total assets		60,596,250	57,709,713	55,139,095	57,761,133
Liabilities					
Deposits from customers	14	44,276,122	39,916,490	39,058,948	39,990,690
Deposits and placements of banks and other financial institutions	15	2,796,260	2,066,162	2,661,259	2,066,162
Obligations on securities sold under repurchase agreements		6,872,399	9,521,596	6,872,399	9,521,596
Floating rate certificates of deposit	17	-	417,916	-	417,916
Bills and acceptances payable		546,209	568,895	541,557	564,897
Other liabilities	18	934,706	780,138	935,051	797,906
Subordinated obligations	19	704,049	-	704,049	-
Provision for taxation		85,596	36,520	30,504	-
Total liabilities		56,215,341	53,307,717	50,803,767	53,359,167
Share capital	20	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	21	3,291,827	3,096,264	3,246,246	3,096,234
Less: Treasury shares	22	(491,025)	(274,375)	(491,025)	(274,375)
Shareholders' funds		4,380,909	4,401,996	4,335,328	4,401,966
Total liabilities and shareholders' funds		60,596,250	57,709,713	55,139,095	57,761,133
Commitments and contingencies	35	48,083,936	38,380,331	47,656,567	38,376,333

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 60 to 138.

Auditors' report - pages 140.

Income Statements

for the financial year ended 30 June 2006

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest income	23	2,387,996	2,135,614	2,411,860	2,080,936
Interest expense	24	(1,374,457)	(1,162,244)	(1,399,487)	(1,137,121)
Net interest income		1,013,539	973,370	1,012,373	943,815
Income from Islamic Banking Business	25	166,711	151,058	-	147,334
Non-interest income	26	1,180,250 450,483	1,124,428 330,808	1,012,373 450,059	1,091,149 1,165,684
Overhead expenses	27	1,630,733 (607,684)	1,455,236 (575,695)	1,462,432 (527,390)	2,256,833 (570,085)
Operating profit before allowances		1,023,049	879,541	935,042	1,686,748
Allowances for losses on loans, advances and financing	28	(249,099)	(166,106)	(228,214)	(165,434)
Impairment losses on available-for-sale securities		(9,709)	-	(9,709)	-
Profit before taxation and zakat		764,241	713,435	697,119	1,521,314
Taxation and zakat	31	(214,321)	(199,996)	(194,563)	(421,814)
Profit after taxation and zakat		549,920	513,439	502,556	1,099,500
Earnings per share (sen):					
- basic/fully diluted	32	36.4	32.8	33.2	70.3
Dividend per share (net):					
- interim dividend of 9.0 sen (2005: 8.5 sen) less tax		6.5	6.1	6.5	6.1
- proposed final dividend of 15.0 sen (2005: 15.5 sen) less tax		10.8	11.2	10.8	11.2
		17.3	17.3	17.3	17.3

The above income statements are to be read in conjunction with the notes to the financial statements on pages 60 to 138.

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Statements of Changes in Equity

for the financial year ended 30 June 2006

The Group

	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Exchange fluctuation reserve RM'000	Treasury shares* RM'000	Retained profit RM'000	Total RM'000
Balance as at 1 July 2005									
- As previously reported		1,580,107	539,664	1,479,216	-	36,153	(274,375)	1,040,133	4,400,898
- Prior year adjustments	48	-	-	-	5,279	-	-	(4,181)	1,098
- As restated		1,580,107	539,664	1,479,216	5,279	36,153	(274,375)	1,035,952	4,401,996
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	(790)	-	-	(790)
Profit after taxation and zakat		-	-	-	-	-	-	549,920	549,920
Transfer to statutory reserve		-	-	147,187	-	-	-	(147,187)	-
Purchase of treasury shares	22	-	-	-	-	-	(216,650)	-	(216,650)
Dividends paid:									
- final dividend for year ended 30 June 2005	33	-	-	-	-	-	-	(170,407)	(170,407)
- interim dividend for year ended 30 June 2006	33	-	-	-	-	-	-	(98,273)	(98,273)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	(84,887)	-	-	-	(84,887)
Balance as at 30 June 2006		1,580,107	539,664	1,626,403	(79,608)	35,363	(491,025)	1,170,005	4,380,909

* Treasury shares consist of two categories which are detailed in Note 22.

Statements of Changes in Equity

for the financial year ended 30 June 2006 (continued)

The Group

	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Merger deficit RM'000	Exchange fluctuation reserve RM'000	Treasury shares* RM'000	Retained profit RM'000	Total RM'000
Balance as at 1 July 2004										
- As previously reported		1,580,107	539,664	1,716,919	-	(73,800)	34,303	-	628,305	4,425,498
- Prior year adjustments	48	-	-	-	1,726	-	-	-	2,114	3,840
- As restated		1,580,107	539,664	1,716,919	1,726	(73,800)	34,303	-	630,419	4,429,338
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	-	1,850	-	-	1,850
Profit after taxation and zakat		-	-	-	-	-	-	-	513,439	513,439
Transfer to statutory reserve		-	-	(237,703)	-	-	-	-	237,703	-
Realisation of merger reserve due to capital reduction exercise of Gensource Berhad (formerly known as Hong Leong Finance Berhad)		-	-	-	-	73,800	-	-	(73,800)	-
Purchase of treasury shares	22	-	-	-	-	-	-	(274,375)	-	(274,375)
Dividends paid:										
- final dividend for year ended 30 June 2004	33	-	-	-	-	-	-	-	(176,340)	(176,340)
- interim dividend for year ended 30 June 2005	33	-	-	-	-	-	-	-	(95,469)	(95,469)
Net fair value changes in available -for-sale securities, net of tax		-	-	-	3,553	-	-	-	-	3,553
Balance as at 30 June 2005		1,580,107	539,664	1,479,216	5,279	-	36,153	(274,375)	1,035,952	4,401,996

* Treasury shares consist of two categories which are detailed in Note 22.

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 60 to 138.

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Statements of Changes in Equity

for the financial year ended 30 June 2006 (continued)

The Bank

	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Non-distributable		Treasury shares* RM'000	Distri- butable	Total RM'000
					Fair value reserve RM'000	Exchange fluctuation reserve RM'000		Retained profit RM'000	
Balance as at 1 July 2005									
- As previously reported		1,580,107	539,664	1,479,216	-	36,153	(274,375)	1,040,103	4,400,868
- Prior year adjustments	48	-	-	-	5,279	-	-	(4,181)	1,098
- As restated		1,580,107	539,664	1,479,216	5,279	36,153	(274,375)	1,035,922	4,401,966
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	(790)	-	-	(790)
Profit after taxation and zakat		-	-	-	-	-	-	502,556	502,556
Transfer to statutory reserve		-	-	125,639	-	-	-	(125,639)	-
Purchase of treasury shares	22	-	-	-	-	-	(216,650)	-	(216,650)
Dividends paid:									
- final dividend for year ended 30 June 2005	33	-	-	-	-	-	-	(170,407)	(170,407)
- interim dividend for year ended 30 June 2006	33	-	-	-	-	-	-	(98,273)	(98,273)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	(83,074)	-	-	-	(83,074)
Balance as at 30 June 2006		1,580,107	539,664	1,604,855	(77,795)	35,363	(491,025)	1,144,159	4,335,328
Balance as at 1 July 2004									
- As previously reported		1,580,107	539,664	1,202,767	-	34,303	-	482,566	3,839,407
- Prior year adjustments	48	-	-	-	1,726	-	-	2,114	3,840
- As restated		1,580,107	539,664	1,202,767	1,726	34,303	-	484,680	3,843,247
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	-	1,850	-	-	1,850
Profit after taxation and zakat		-	-	-	-	-	-	1,099,500	1,099,500
Transfer to statutory reserve		-	-	276,449	-	-	-	(276,449)	-
Purchase of treasury shares	22	-	-	-	-	-	(274,375)	-	(274,375)
Dividends paid:									
- final dividend for year ended 30 June 2004	33	-	-	-	-	-	-	(176,340)	(176,340)
- interim dividend for year ended 30 June 2005	33	-	-	-	-	-	-	(95,469)	(95,469)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	3,553	-	-	-	3,553
Balance as at 30 June 2005		1,580,107	539,664	1,479,216	5,279	36,153	(274,375)	1,035,922	4,401,966

* Treasury shares consist of two categories which are detailed in Note 22.

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 60 to 138.

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Cash Flow Statements

for the financial year ended 30 June 2006

Note	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	764,241	713,435	697,119	1,521,314
Adjustment for:				
Depreciation	55,576	51,582	55,051	50,588
Net gain on disposal of fixed assets	(19)	(1,411)	(19)	(1,411)
Property and equipment written off	31	102	31	102
Gain from redemption of held-to-maturity securities	(4,277)	(2,263)	(4,277)	(1,278)
Gain from disposal of available-for-sale securities	(11,154)	(50,205)	(11,154)	(48,617)
Gain from disposal of securities held at fair value through profit or loss	(11,307)	(8,392)	(11,307)	(8,392)
Allowances for losses on loans, advances and financing	327,958	257,603	302,498	255,973
Net unrealised gain/(loss) on revaluation of securities held at fair value through profit or loss and derivative financial instruments	(59,188)	24,103	(54,631)	24,103
Impairment losses on securities	9,709	-	9,709	-
Accretion of discount less amortisation of premium	31,737	14,566	31,738	14,536
Interest expense on subordinated obligations	35,089	-	35,089	-
Interest/profit income from available-for-sale securities	(205,827)	(111,990)	(205,827)	(111,990)
Interest/profit income from held-to-maturity securities	(28,589)	(49,123)	(28,589)	(48,334)
Net gain from capital reduction exercise in a subsidiary company	-	-	-	(26,200)
Dividend income from subsidiary companies	-	-	-	(813,415)
Dividend income from available-for-sale and held-to-maturity securities	(4,340)	(2,648)	(4,340)	(2,648)
Operating profit before working capital changes	899,640	835,359	811,091	804,331
(Increase)/decrease in operating assets				
Deposits and placements with banks and other financial institutions	2,052,802	(540,582)	1,501,406	2,842,918
Securities purchased under resale agreements	5,431,678	(9,928,492)	5,431,678	(9,928,492)
Securities held at fair value through profit or loss	(1,210,010)	(297,059)	(1,134,722)	(297,059)
Loans, advances and financing	(3,362,744)	(2,852,878)	(2,796,681)	(2,911,088)
Other assets	(7,947)	834,247	(7,776)	834,458
Statutory deposits with Bank Negara Malaysia	(41,924)	(147,612)	70,350	(206,412)
Increase/(decrease) in operating liabilities				
Deposits from customers	4,359,632	2,081,992	3,957,618	3,118,104
Deposits and placements of banks and other financial institutions	730,098	610,001	686,847	279,651
Obligations on securities sold under repurchase agreements	(2,649,197)	5,926,703	(2,649,197)	5,926,703
Floating rate certificates of deposit	(417,916)	417,916	(417,916)	417,916
Bills and acceptances payable	(22,686)	(679,462)	(22,778)	(677,831)
Other liabilities	154,568	346,289	262,445	(285,191)
Cash generated from/(used in) operations	5,915,994	(3,393,578)	5,692,365	(81,992)
Income taxes and zakat paid	(186,715)	(183,026)	(186,114)	(170,196)
Net cash generated from/(used in) operating activities	5,729,279	(3,576,604)	5,506,251	(252,188)

Cash Flow Statements

for the financial year ended 30 June 2006 (continued)

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash flows from investing activities					
Net (purchases)/proceeds of available-for-sale securities		(3,387,421)	1,796,504	(3,206,159)	1,468,751
Net (purchases)/proceeds of held-to-maturity securities		(23,441)	(441,292)	192,489	(375,995)
Purchase of property and equipment		(66,228)	(65,937)	(63,880)	(65,937)
Proceeds from sale of property and equipment		3,041	18,302	2,974	18,302
Dividend received on available-for-sale and held-to-maturity securities		2,506	2,648	2,506	2,648
Dividend received from subsidiary companies		-	-	-	585,967
Investment in subsidiary company		-	-	-	(50,000)
Net cash used in investing activities		(3,471,543)	1,310,225	(3,072,070)	1,583,736
Cash flows from financing activities					
Dividend paid		(268,680)	(271,809)	(268,680)	(271,809)
Purchase of treasury shares		(215,433)	(274,375)	(215,433)	(274,375)
Interest paid on subordinated obligations		(16,535)	-	(16,535)	-
Proceeds from issuance of subordinated obligations		685,495	-	685,495	-
Net cash generated from/(used in) financing activities		184,847	(546,184)	184,847	(546,184)
Net increase/(decrease) in cash and cash equivalents		2,442,583	(2,812,563)	2,619,028	785,364
Effects of exchange rate changes		(2,146)	1,495	(2,078)	1,495
Cash and cash equivalents at the beginning of year		11,124,578	13,935,646	11,125,551	10,166,102
Effect of cash transferred from Gensource Berhad (formerly known as Hong Leong Finance Berhad)		-	-	-	172,590
Effect of cash transferred to Hong Leong Islamic Bank Berhad		-	-	(1,448,422)	-
Cash and cash equivalents at the end of year	3	13,565,015	11,124,578	12,294,079	11,125,551

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 60 to 138.

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Notes to the Financial Statements

for the financial year ended 30 June 2006

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia, Bank Negara Malaysia ("BNM") Guidelines and comply with provisions of the Companies Act, 1965. The financial statements incorporate the activities relating to Islamic Banking business which have been undertaken by the Bank's wholly owned subsidiary, Hong Leong Islamic Bank Berhad ("HLIB"). Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

During the current financial year, the Group and the Bank adopted the revised guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia. The adoption of the revised BNM/GP8 has resulted in changes in accounting policies of the Group and the Bank which have been applied retrospectively and an analysis of the impact to the financial results and position of the Group and the Bank are disclosed in Note 48 to the financial statements.

Bank Negara Malaysia has granted indulgence to the Group and the Bank from complying with the requirement on the impairment of loans and advances under the revised BNM/GP8. The Group and the Bank will be deemed to be in compliance with the requirement on the impairment of loans, advances and financing under the revised BNM/GP8 if the allowances for non-performing loans, advances and financing are computed based on BNM's guideline on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3") requirements, which is consistent with the accounting policy adopted in the previous financial year.

2 SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Accounting convention

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with MASB approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

(b) Consolidation

The consolidated financial statements include the financial statements of the Bank and all its subsidiary companies made up to the end of the financial year. Inter-company transactions, balances, unrealised gains and losses are eliminated upon consolidation and the consolidated financial statements reflect external transactions only. The Bank adopts both the acquisition and merger methods of consolidation.

When the acquisition method is adopted, the excess of the cost of investment over the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill on consolidation. For subsidiary companies acquired or disposed during the financial year, the results are included from the date of acquisition up to the date of disposal.

Acquisitions of subsidiary companies which have previously met the criteria for merger accounting under the Malaysian Accounting Standard 2, Accounting for Acquisitions and Mergers, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Bank's books is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserve/deficit in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965.

The current applicable approved accounting standard for business combinations is Financial Reporting Standard ("FRS") No. 122₂₀₀₄ Business Combinations. As allowed under the standard, the provisions of the standard is applied prospectively, and no changes have been made to the comparatives. A listing of the Bank's subsidiary companies is set out in Note 11.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Recognition of interest and Islamic financing income

Recognition of interest income from loans and advances

Interest income is recognised on an accrual basis. Interest income on housing and term loan is recognised by reference to rest periods which are either daily, monthly or yearly. The "rule of 78" method is applied in respect of income earned on hire purchase, block discounting and leasing.

Where an account is classified as non-performing, interest earned is reversed out from interest income as "interest suspended" and reduced against the loan interest receivable accounts. Subsequently, interest earned on non-performing loan is recognised as interest income on cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for 3 months or more for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers' acceptances and trust receipts.

The policy on suspension of interest income is in general more stringent than that laid down in BNM's "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3". This is also applicable to Islamic financing income.

Recognition of Islamic financing income

Islamic financing income is recognised on an accrual basis in accordance with the Shariah principles and BNM/GP8-i. Al-Ijarah Thumma Al-Bai ("AITAB") financing income is recognised using the "sum-of-digits" method over the lease terms, whilst Al-Bai Bithaman Ajil ("BBA"), Al-Murabahah, Al-Istisna and Bai Al-Inah financing income is recognised on a monthly basis over the period of the financing contracts, based on an agreed profit sharing rate at the inception of such contracts.

Where an Islamic financing account becomes non-performing, income earned is not reversed out from the income from financing as "income suspended" and reduced against the loan interest receivable accounts. Subsequently, income earned on non-performing loan is recognised as income on a cash basis.

(d) Recognition of fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Services charges and other fee income are recognised as income when the services are rendered.

Dividends from securities held at fair value through profit or loss, available-for-sale securities, held-to-maturity securities and subsidiary companies are recognised when the rights to receive payment is established. Dividend income from Malaysian Government investment certificates invested by HLIB is recognised on a basis consistent with the principles of Shariah.

Net profit from securities held at fair value through profit or loss and available-for-sale securities are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

(e) Goodwill on consolidation

Goodwill arising on consolidation represents the excess of the cost of investment over the fair value of the net assets of subsidiary companies at the date of acquisition. Goodwill is stated at cost except where it is written off if, in the opinion of the Directors, it is impaired. As at 30 June 2006, there is no goodwill on consolidation.

(f) Allowances for losses on loans, advances and financing

Specific allowances are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Allowances for losses on loans, advances and financing (continued)

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

The policy on allowances for losses on loans, advances and financing is in general more stringent than that laid down in BNM/GP3.

(g) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities are reflected as a liability on the balance sheet, except for those transacted under Islamic principles.

Under the Islamic convention, the commitment on securities sold under Sell and Buy Back Agreement ("SBBA") is the promise to repurchase securities which the Group has sold from its portfolio at a future date. Such transactions and the commitment to repurchase the securities are treated as a contingent liability of the Group.

(h) Securities portfolio

The Group and the Bank classify their securities portfolio into the following categories: securities held at fair value through profit or loss, available-for-sale and held-to-maturity securities. Management determines the classifications of its securities up-front at the point when transactions are entered into.

Purchase and sales of securities are recognised and derecognised on settlement date. For initial recognition, all securities are measured at fair value, which corresponds to the transaction price or purchase consideration given (in the case of acquisition of securities) or received (in the case for securities sold). All securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group and the Bank have transferred substantially all risks and rewards of ownership.

The Group and the Bank assess at each balance sheet whether there is objective evidence that the available-for-sale and held-to-maturity securities portfolio held by the Group and the Bank are impaired. The securities are impaired if their carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to these securities.

(i) Securities held at fair value through profit or loss

Securities held at fair value through profit or loss comprise of securities held-for-trading ("HFT") and securities other than those held-for-trading but valued at fair value through profit or loss.

Held-for-trading securities

Held-for-trading securities ("HFT") are securities that are acquired and held principally for the purpose of selling in the short term to generate a profit from short-term fluctuations in price or from dealer's margin, and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised directly in the current year's income statements.

The realised gains or losses on derecognition of HFT securities, which are derived on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current year's income statements.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Securities portfolio (continued)

(i) Securities held at fair value through profit or loss (continued)

Securities other than held-for-trading designated at fair value

Securities other than those held-for-trading are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised directly in the current year's income statements.

Securities are classified as such if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The realised gains or losses on derecognition of these securities, which are derived on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current year's income statements.

(ii) Held-to-maturity securities

Held-to-maturity securities ("HTM") are securities with fixed or determinable payments and fixed maturities that the Group and the Bank have the positive intent and ability to hold to maturity, and are subsequently measured at amortised cost using the effective interest method.

In accordance with revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8), the Group and the Bank also classify equity holdings held in organisations which are set up for specific socio-economic reasons as HTM securities. These securities are measured at cost as prescribed under the same guideline.

The amortisation of premium and accretion of discount on HTM securities is recognised as interest income using the effective interest method.

The realised gains or losses on derecognition of HTM securities, which are derived based on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current year's income statements.

When impairment is determined to have occurred on HTM securities carried at amortised cost, the amount of impairment loss is measured as the difference between the carrying value and the present value of expected future cash flows discounted at the security's original effective interest rate. For HTM securities carried at cost, the amount of impairment loss is measured as the difference between the carrying value and the present value of expected future cash flows discounted at the current market rate of return for similar security. The carrying amount of the securities is reduced through use of an allowance account and the amount of impairment loss is recognised in the current year's income statements.

If, in subsequent periods, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in the income statements, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the current period's income statements. For HTM securities stated at cost, no reversal of impairment loss is allowed when the amount of impairment loss decreases.

(iii) Available-for-sale securities

Available-for-sale securities ("AFS") are securities not classified as held at fair value through profit or loss or HTM securities and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised in shareholder's funds, net of income tax, until such securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Securities portfolio (continued)

(iii) Available-for-sale securities (continued)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, less impairment losses by the Group and the Bank.

The amortisation of premium and accretion of discount on AFS securities is recognised as interest/profit income using the effective interest method.

The realised gains or losses on derecognition of AFS securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains and losses arising from changes in fair value previously recognised in shareholder's funds, are credited or charged to the current period's income statements.

When a decline in fair value of AFS securities has been recognised directly in shareholder's funds ("Fair value reserve") and there is objective evidence that the security is impaired, the cumulative loss that has been recognised directly in shareholder's funds is removed from equity and recognised in the current year's income statements even though the security has not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on that security previously recognised in the income statements.

If, in subsequent periods, the fair value of a debts instrument classified as AFS increase and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, that portion of impairment loss is reversed through the income statements. For equity instruments, no reversal of impairment loss through the income statements is allowed when there is an increase in fair value of the equity instrument in subsequent period.

(i) Investment in subsidiary companies

A subsidiary company is a company in which the Bank controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investment in subsidiary companies is stated at cost and is written down when the Directors consider that there is impairment in the value of such investments.

(j) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment loss (if any). Freehold land is not depreciated. Depreciation of other property and equipment is calculated to write off the cost of the property and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are:

	%
Buildings on freehold land	2
Short-term leasehold land - less than 50 years	Over the lease period
Long-term leasehold land - 50 years or more	Over the lease period
Leasehold buildings	Over the remaining period of the lease or 2% whichever is shorter
Office furniture, fittings, equipment and renovations, computer equipment and software	20
Motor vehicles	25

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases

Where the Bank/Group is the lessee

Lease of property and equipment where the Bank/Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the lease assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge by applying the "rule of 78". The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period. Property and equipment acquired under finance lease are depreciated over the estimated useful life of the assets.

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to income statement over the lease period.

Where the Bank/Group is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivables and net present value of the receivables is recognised as unearned income. Lease income is recognised over the term of the lease using the "rule of 78".

Assets leased out under operating leases are included in property and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on straight line basis over the lease term.

(l) Impairment of assets

The carrying amounts of the assets are assessed at each balance sheet date whether there is any indication that the assets may be impaired. If any such indications exist, the recoverable amounts of the assets are estimated.

For assets other than loans, advances and financing, the recoverable amount is the higher of the asset's net selling price and its value in use. In assessing the value in use, estimated cash flows are discounted to their present values using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. An impairment loss is recognised in the income statement immediately when the carrying amount of the asset exceeds its recoverable amount.

(m) Taxation and deferred taxation

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences are disclosed in Note 13 to the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(n) Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Derivative financial instruments and hedging (continued)

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which variables include only data from observable markets. When such evidence exists, the Group and Bank recognises profits on initial recognition.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the forecast sale is hedged takes place).

When hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Currency translations

Transaction in foreign currencies are translated at rates prevailing on transaction dates. Individual foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. All exchange gains and losses are recognised in the income statement in the year they arise other than transactions entered into for hedging purposes, if any.

The results of foreign branch and foreign subsidiary for the year are translated into Ringgit Malaysia at average exchange rates for the year and the balance sheets are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on translation into Ringgit Malaysia are taken to an exchange fluctuation reserve.

(p) Employee benefits

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Bank pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group and Bank contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

Equity compensation benefits

A trust has been set up for the Executive Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

In accordance with FRS 132, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares" in Shareholders' Funds on the Balance Sheet. The cost of operating the ESOS scheme would be charged to the income statement when incurred in accordance with accounting standards.

(q) Foreclosed properties

Foreclosed properties are stated at the lower of cost and net realisable value.

(r) Dealers' handling fees

Dealers' handling fees represent those amounts paid to dealers at the inception of the deals. Such expenditure are expensed off in the period they are incurred in accordance with Revised BNM/GP8.

(s) Bills and acceptances payable

Bills and acceptances payable represent the Group and the Bank's own bills and acceptances rediscounted and outstanding in the market.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made.

(u) Cash and cash equivalents

Cash and cash equivalents are cash and short term funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

(v) Zakat

In respect of the Islamic Banking operations, the Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The amount is payable by the Group in compliance with Shariah principles.

(w) Profit equalisation reserve ("PER")

In relation to Islamic Banking, PER is a mechanism to reduce the fluctuations in the profit rates payable to the depositors. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. The PER is shared by both the depositors and the Group and is reflected under other liabilities of the Group.

(x) Treasury shares

The Bank has repurchased its shares and designated as treasury shares in accordance with FRS 132 - Financial Statements: Presentation and Disclosure. Treasury shares consists of those own shares pursuant to Section 67A Companies Act, 1965 and those purchased pursuant to ESOS scheme. Details of treasury shares are as detailed in Note 22 of the financial statements.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	874,913	496,913	870,338	497,886
Money at call and deposit placements maturing within one month	12,690,102	10,627,665	11,423,741	10,627,665
	13,565,015	11,124,578	12,294,079	11,125,551

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Bank Negara Malaysia ("BNM")	809,500	3,378,987	809,500	3,378,987
Licensed banks	675,312	153,627	1,035,312	153,627
Licensed merchant banks	-	5,000	-	5,000
	1,484,812	3,537,614	1,844,812	3,537,614

5 SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Held-for-trading				
Money market instruments				
BNM bills	69,158	1,427	49,263	1,427
Malaysian Government treasury bills	24,652	9,745	16,702	9,745
Malaysian Government securities	246,604	15,570	246,604	15,570
Other Government securities	-	98,140	-	98,140
Cagamas bonds	742,369	206,653	742,369	206,653
Bankers' acceptances and Islamic accepted bills	15,312	538,530	15,312	538,530
Negotiable instruments of deposit	2,592,938	1,670,100	2,491,756	1,670,100
Quoted securities				
Shares quoted in Malaysia	38,802	9,078	38,802	9,078
Foreign currency bonds	53,098	-	53,098	-
	3,782,933	2,549,243	3,653,906	2,549,243
Unquoted securities				
Private debt securities	82,826	84,696	82,826	84,696
	3,865,759	2,633,939	3,736,732	2,633,939
Designated at fair value				
Loan stocks quoted in Malaysia	15,755	26,258	15,755	26,258
	3,881,514	2,660,197	3,752,487	2,660,197

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

6 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government securities	2,764,685	25,293	2,764,685	25,293
Malaysian Government investment certificates	24,615	-	-	-
Other Government securities	247,677	229,432	247,677	229,432
Cagamas bonds	1,422,395	1,181,961	1,324,036	1,181,961
	4,459,372	1,436,686	4,336,398	1,436,686
Quoted securities				
Shares quoted in Malaysia	97,800	23,156	97,800	23,156
Loan stocks quoted in Malaysia	1,567	3,177	1,567	3,177
Shares quoted outside Malaysia	-	314	-	314
Foreign currency bonds	1,003,278	826,974	1,003,278	826,974
	5,562,017	2,290,307	5,439,043	2,290,307
Unquoted securities				
Private and Islamic debt securities	262,115	58,193	206,565	58,193
	5,824,132	2,348,500	5,645,608	2,348,500

7 HELD-TO-MATURITY SECURITIES

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government securities	239,789	247,191	239,789	247,191
Malaysian Government investment certificates	155,866	253,797	32,658	253,797
Cagamas bonds	440,359	165,323	-	165,323
Khazanah bonds	4,875	9,027	-	9,027
Negotiable instruments of deposit	-	6,094	-	6,094
	840,889	681,432	272,447	681,432
Quoted securities				
Foreign currency bonds	11,039	11,486	11,039	11,486
	851,928	692,918	283,486	692,918
Unquoted securities				
Shares	37,813	37,127	37,238	37,127
Loan stocks	36,321	67,769	36,321	67,769
Private and Islamic debt securities	128,707	237,612	108,387	237,612
	1,054,769	1,035,426	465,432	1,035,426
Accumulated impairment losses	(24,980)	(32,041)	(24,980)	(32,041)
	1,029,789	1,003,385	440,452	1,003,385

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

8 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Overdrafts	2,959,945	3,107,337	2,952,054	3,110,324
Term loans/financing:				
- Housing loans/financing	13,687,545	11,047,892	12,646,072	11,047,892
- Syndicated term loans/financing	1,270,824	1,743,830	1,270,574	1,742,530
- Hire purchase receivables	6,166,419	6,423,928	2,823,033	6,423,928
- Lease receivables	19,450	8,015	-	-
- Other term loans/financing	1,601,129	1,133,781	1,049,224	1,133,781
Credit/charge card receivables	1,204,604	943,832	1,204,604	943,832
Bills receivable	479,948	354,378	479,948	354,378
Trust receipts	153,710	192,550	153,710	192,550
Claims on customers under acceptance credits	2,478,691	2,002,016	2,372,172	1,998,018
Block discounting	19,540	37,137	16,640	37,137
Revolving credit	635,503	580,792	635,503	580,792
Staff loans/financing	117,073	129,145	116,950	129,145
Other loans/financing	61,966	80,222	60,575	80,222
	30,856,347	27,784,855	25,781,059	27,774,529
Unearned interest and income	(1,327,429)	(1,323,989)	(289,477)	(1,323,989)
Gross loans, advances and financing	29,528,918	26,460,866	25,491,582	26,450,540
Allowance for bad and doubtful debts and financing:				
- specific	(473,817)	(465,254)	(444,432)	(459,679)
- general	(436,233)	(412,877)	(376,043)	(412,817)
	(910,050)	(878,131)	(820,475)	(872,496)
Total net loans, advances and financing	28,618,868	25,582,735	24,671,107	25,578,044

(i) The maturity structure of loans, advances and financing is as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturing within:				
- one year	9,509,577	8,708,070	9,136,280	8,697,744
- one year to three years	2,638,673	2,143,408	1,687,337	2,143,408
- three years to five years	2,970,383	2,960,456	1,670,891	2,960,456
- over five years	14,410,285	12,648,932	12,997,074	12,648,932
	29,528,918	26,460,866	25,491,582	26,450,540

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(ii) The loans, advances and financing are disbursed to the following types of customers:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Domestic banking institutions	148	153	148	153
Domestic non-bank financial institutions other than stockbroking companies	123,561	65,748	78,340	68,732
Domestic business enterprises				
- small medium enterprises	3,746,882	4,577,643	3,437,602	4,569,628
- others	5,776,117	4,429,596	5,100,581	4,429,596
Government and statutory bodies	114,638	116,132	114,638	116,132
Individuals	18,809,221	16,257,935	15,823,765	16,257,935
Other domestic entities	29,113	49,385	28,060	48,085
Foreign entities	929,238	964,274	908,448	960,279
Gross loans, advances and financing	29,528,918	26,460,866	25,491,582	26,450,540

(iii) Loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed rate				
- Housing loans/financing	3,665,259	3,504,081	3,157,071	3,504,081
- Hire purchase receivables	5,476,042	5,721,525	2,541,057	5,721,525
- Other fixed rate loan/financing	1,871,034	1,449,153	1,489,868	1,439,838
Variable rate				
- Base lending rate plus	15,195,330	14,741,708	15,092,088	14,744,695
- Cost plus	3,223,618	1,037,721	3,117,091	1,037,721
- Other variables rates	97,635	6,678	94,407	2,680
Gross loans, advances and financing	29,528,918	26,460,866	25,491,582	26,450,540

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(iv) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture	310,643	245,910	229,981	245,349
Mining and quarrying	37,146	36,513	33,565	36,480
Manufacturing	2,531,467	2,326,718	2,359,264	2,318,586
Electricity, gas and water	22,640	33,408	14,289	33,408
Construction	643,895	826,888	565,368	826,222
Real estate	387,432	298,259	347,096	298,259
Purchase of landed property:	13,802,960	10,905,685	13,217,916	10,905,685
- residential	10,448,532	8,445,304	9,965,150	8,445,304
- non-residential	3,354,428	2,460,381	3,252,766	2,460,381
Wholesale and retail trade and restaurants and hotels	2,108,620	1,862,706	1,935,744	1,862,310
Transport, storage and communication	307,911	273,484	234,414	273,484
Finance, insurance and business services	669,818	559,196	483,486	560,554
Purchase of securities	703,516	838,974	699,941	837,674
Purchase of transport vehicles	4,703,448	4,861,113	2,136,029	4,861,113
Consumption credit	2,548,124	2,119,050	2,530,734	2,119,050
Others	751,298	1,272,962	703,755	1,272,366
	29,528,918	26,460,866	25,491,582	26,450,540

(v) Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture	4,405	4,253	4,319	3,880
Mining and quarrying	4,294	2,965	4,294	2,965
Manufacturing	178,329	279,311	175,393	276,940
Electricity, gas and water	280	685	162	685
Construction	107,267	265,392	106,729	264,969
Real estate	93,646	34,291	92,961	34,290
Purchase of landed property:	497,688	479,359	459,919	479,359
- residential	337,276	352,820	312,551	352,820
- non-residential	160,412	126,539	147,368	126,539
Wholesale and retail trade and restaurants and hotels	96,046	121,484	94,206	121,391
Transport, storage and communication	26,788	48,071	26,507	47,904
Finance, insurance and business services	123,336	140,662	122,374	139,610
Purchase of securities	33,461	29,163	31,119	27,863
Purchase of transport vehicles	107,102	132,400	77,355	132,400
Consumption credit	71,278	77,785	70,717	77,785
Others	38,063	41,862	37,909	41,729
	1,381,983	1,657,683	1,303,964	1,651,770

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

8 LOANS, ADVANCES AND FINANCING (continued)

(vi) Movements in the non-performing loans and financing are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
As at beginning of the year	1,657,683	2,148,297	1,651,770	1,143,538
Amount transferred from Gensource Berhad	-	-	-	940,896
Amount transferred to HLIB	-	-	(70,437)	-
Non-performing during the year	3,251,908	2,634,676	3,011,306	2,594,192
Performing during the year	(2,757,428)	(1,971,777)	(2,561,509)	(1,939,560)
Amount written back in respect of recoveries	(481,955)	(549,610)	(447,873)	(541,864)
Amount written off	(289,746)	(605,675)	(280,814)	(547,204)
Exchange difference	1,521	1,772	1,521	1,772
As at end of the year	1,381,983	1,657,683	1,303,964	1,651,770
Specific allowance	(473,817)	(465,254)	(444,432)	(459,679)
Net non-performing loans, advances and financing	908,166	1,192,429	859,532	1,192,091
Ratio of non-performing loans to total loans, both net of specific allowance	3.1%	4.6%	3.4%	4.6%

(vii) Movements in the allowance for bad and doubtful debts and financing are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Specific allowance				
As at beginning of the year	465,254	868,043	459,679	516,854
Amount transferred from Gensource Berhad	-	-	-	286,997
Amount transferred to HLIB	-	-	(13,063)	-
Allowances made during the year	386,511	304,207	359,349	292,367
Amount written back in respect of recoveries	(89,250)	(101,309)	(81,767)	(89,323)
Amount transferred to allowance for impairment	-	(904)	-	(904)
Amount written off	(289,746)	(605,675)	(280,814)	(547,204)
Exchange difference	1,048	892	1,048	892
As at end of the year	473,817	465,254	444,432	459,679
General allowance				
As at beginning of the year	412,877	366,955	412,817	248,162
Amount transferred from Gensource Berhad	-	-	-	117,119
Amount transferred to HLIB	-	-	(55,009)	-
Net allowances made during the year	23,057	45,697	17,936	47,311
Exchange difference	299	225	299	225
As at end of the year	436,233	412,877	376,043	412,817
(as % of total loans less specific allowance)	1.5%	1.6%	1.5%	1.6%

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

9 OTHER ASSETS

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Foreclosed properties	3,009	3,159	3,009	3,159
Other debtors, deposits and prepayments	73,672	100,503	61,331	98,157
Interest receivable	179,322	149,079	167,026	149,079
Derivative financial instruments (Note 16)	132,478	69,822	132,478	69,822
	388,481	322,563	363,844	320,217

10 STATUTORY DEPOSITS WITH BNM

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amount of which is determined at set percentages of total eligible liabilities.

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost:		
- in Malaysia	549,771	99,771
- outside Malaysia	11	11
Arising from translation of a foreign subsidiary company	11	11
	549,793	99,793
Allowance for impairment in value	(27,752)	(27,752)
	522,041	72,041
As at beginning of the year	72,041	395,841
Less: Return of capital - Gensource Berhad	-	(373,800)
Add: Incorporation of new subsidiary - HLIB	-	50,000
Add: Subscription for new shares in HLIB	450,000	-
As at end of the year	522,041	72,041

In the prior financial year, via a capital reduction exercise, Gensource Berhad (formerly known as Hong Leong Finance Berhad) reduced its ordinary share capital to RM2 and returned the balance of capital to the Bank.

On 28 March 2005, the Bank had incorporated a wholly-owned subsidiary known as Hong Leong Islamic Bank Berhad ("HLIB") for the purpose of undertaking the Islamic Banking business pursuant to subsection 3(4) of the Islamic Banking Act, 1983.

On 1 July 2005, the Bank subscribed for 450,000,000 ordinary shares of RM1.00 each in Hong Leong Islamic Bank Berhad.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Bank are as follows:

Name	Percentage of equity held		Principal activities
	2006	2005	
Gensource Berhad (formerly known as Hong Leong Finance Berhad) and its subsidiary companies: *#	100	100	Dormant
- Pelita Terang Sdn Bhd*	100	100	Dormant
- HLF Credit (Perak) Bhd*	100	100	Property investment holding
Hong Leong Leasing Sdn Bhd*	100	100	Money lending and leasing business
HL Leasing Sdn Bhd	100	100	Dormant
HLB Realty Sdn Bhd	100	100	Real property investment
HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
HL Bank Nominees (Singapore) Pte Ltd+	100	100	Agent and nominee for clients
HLB Ventures Sdn Bhd	100	100	In member's voluntary liquidation
Credit Corporation (Malaysia) Sdn Bhd	-	100	Dormant
WTB Corporation Berhad ("WTB") and its subsidiary companies:#	100	100	Dormant
- Wah Tat Nominees (Tempatan) Sdn Bhd*	100	100	Agent and nominee for Malaysian clients
- Wah Tat Nominees (Asing) Sdn Bhd*	100	100	Agent and nominee for foreign clients
- Wah Tat Properties Sdn Bhd*	100	100	In member's voluntary liquidation
- Chew Geok Lin Finance Berhad	100	100	Dormant
- Chew Geok Lin Nominees (Tempatan) Sendirian Berhad*	100	100	In member's voluntary liquidation
- Chew Geok Lin Nominees (Asing) Sendirian Berhad*	100	100	In member's voluntary liquidation
HLB Trade Services (Hong Kong) Limited+	100	100	Trade finance activities
Hong Leong Islamic Bank Berhad	100	100	Islamic Banking business
Hong Leong Tokio Marine Takaful Berhad	55	-	Incorporated to undertake Takaful Business

* Not audited by PricewaterhouseCoopers.

+ Audited by member firms of PricewaterhouseCoopers International.

Subsidiary company consolidated under the merger method of accounting.

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd, which is incorporated in Singapore and HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

12 PROPERTY AND EQUIPMENT

The Group 2006	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	32,195	34,300	5,271	4,513	2,683	15,672
Additions	5,321	-	-	-	-	-
Disposals	(495)	(993)	-	(117)	-	(243)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	37,021	33,307	5,271	4,396	2,683	15,429
Accumulated depreciation						
As at beginning of the year	-	5,424	1,959	697	597	2,596
Charge for the year	-	392	42	62	34	236
Disposals	-	(122)	-	(18)	-	(33)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	5,694	2,001	741	631	2,799
Net book value as at 30 June 2006	37,021	27,613	3,270	3,655	2,052	12,630

The Group 2006	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	165,429	307,145	9,155	11,973	588,336
Additions	14,184	22,220	3,055	21,448	66,228
Disposals	(12,799)	(3,991)	(1,779)	-	(20,417)
Exchange fluctuation	146	179	13	-	338
As at end of the year	166,960	325,553	10,444	33,421	634,485
Accumulated depreciation					
As at beginning of the year	130,451	197,081	5,139	-	343,944
Charge for the year	14,594	38,534	1,682	-	55,576
Disposals	(11,922)	(3,616)	(1,653)	-	(17,364)
Exchange fluctuation	145	175	9	-	329
As at end of the year	133,268	232,174	5,177	-	382,485
Net book value as at 30 June 2006	33,692	93,379	5,267	33,421	252,000

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

12 PROPERTY AND EQUIPMENT (continued)

The Group 2005	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	32,632	35,870	5,271	6,246	2,683	16,852
Additions	359	-	-	-	-	-
Disposals	(796)	(1,570)	-	(1,733)	-	(1,180)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	32,195	34,300	5,271	4,513	2,683	15,672
Accumulated depreciation						
As at beginning of the year	-	5,338	1,916	734	561	2,555
Charge for the year	-	418	43	63	36	244
Disposals	-	(332)	-	(100)	-	(203)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	5,424	1,959	697	597	2,596
Net book value as at 30 June 2005	32,195	28,876	3,312	3,816	2,086	13,076

The Group 2005	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	171,289	271,064	7,982	22,594	572,483
Additions	8,437	54,107	3,034	-	65,937
Disposals	(14,418)	(18,188)	(1,871)	(10,621)	(50,377)
Exchange fluctuation	121	162	10	-	293
As at end of the year	165,429	307,145	9,155	11,973	588,336
Accumulated depreciation					
As at beginning of the year	128,296	180,392	5,727	-	325,519
Charge for the year	15,740	33,756	1,282	-	51,582
Disposals	(13,694)	(17,191)	(1,871)	-	(33,391)
Exchange fluctuation	109	124	1	-	234
As at end of the year	130,451	197,081	5,139	-	343,944
Net book value as at 30 June 2005	34,978	110,064	4,016	11,973	244,392

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

12 PROPERTY AND EQUIPMENT (continued)

The Bank 2006	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	22,620	31,843	4,011	3,462	2,674	11,828
Amount transferred to HLIB	-	-	-	-	-	-
Additions	5,321	-	-	-	-	-
Disposals	(495)	(993)	-	(117)	-	(243)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	27,446	30,850	4,011	3,345	2,674	11,585
Accumulated depreciation						
As at beginning of the year	-	4,760	699	555	598	1,031
Amount transferred to HLIB	-	-	-	-	-	-
Charge for the year	-	348	43	53	34	158
Disposals	-	(122)	-	(18)	-	(32)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	4,986	742	590	632	1,157
Net book value as at 30 June 2006	27,446	25,864	3,269	2,755	2,042	10,428

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

12 PROPERTY AND EQUIPMENT (continued)

The Bank 2006	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	163,993	306,947	9,154	11,973	568,505
Amount transferred to HLIB	(302)	(219)	(4)	-	(525)
Additions	12,591	21,876	2,644	21,448	63,880
Disposals	(12,799)	(3,991)	(1,779)	-	(20,417)
Exchange fluctuation	146	179	12	-	337
As at end of the year	163,629	324,792	10,027	33,421	611,780
Accumulated depreciation					
As at beginning of the year	128,995	196,895	5,137	-	338,670
Amount transferred to HLIB	(193)	(226)	-	-	(419)
Charge for the year	14,356	38,464	1,595	-	55,051
Disposals	(11,922)	(3,616)	(1,654)	-	(17,364)
Exchange fluctuation	145	175	9	-	329
As at end of the year	131,381	231,692	5,087	-	376,267
Net book value as at 30 June 2006	32,248	93,100	4,940	33,421	235,513

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

12 PROPERTY AND EQUIPMENT (continued)

The Bank 2005	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	14,599	18,550	3,300	2,973	1,245	7,847
Amount transferred from Gensource Berhad	8,458	14,863	711	2,222	1,429	5,161
Additions	359	-	-	-	-	-
Disposals	(796)	(1,570)	-	(1,733)	-	(1,180)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	22,620	31,843	4,011	3,462	2,674	11,828
Accumulated depreciation						
As at beginning of the year	-	1,466	556	329	303	249
Amount transferred from Gensource Berhad	-	3,275	100	273	261	825
Charge for the year	-	351	43	53	34	160
Disposals	-	(332)	-	(100)	-	(203)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	4,760	699	555	598	1,031
Net book value as at 30 June 2005	22,620	27,083	3,312	2,907	2,076	10,797

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

12 PROPERTY AND EQUIPMENT (continued)

The Bank 2005	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	120,570	195,317	6,142	22,594	393,137
Amount transferred from Gensource Berhad	49,283	75,549	1,839	-	159,515
Additions	8,437	54,107	3,034	-	65,937
Disposals	(14,418)	(18,188)	(1,871)	(10,621)	(50,377)
Exchange fluctuation	121	162	10	-	293
As at end of the year	163,993	306,947	9,154	11,973	568,505
Accumulated depreciation					
As at beginning of the year	89,112	124,221	4,027	-	220,263
Amount transferred from Gensource Berhad	38,018	56,514	1,710	-	100,976
Charge for the year	15,450	33,227	1,270	-	50,588
Disposals	(13,694)	(17,191)	(1,871)	-	(33,391)
Exchange fluctuation	109	124	1	-	234
As at end of the year	128,995	196,895	5,137	-	338,670
Net book value as at 30 June 2005	34,998	110,052	4,017	11,973	229,835

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

13 DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the year are as follows:

	General allowance RM'000	Interest-in suspense/ income-in- suspense RM'000	Excess of capital allowance over depreciation RM'000	Available- for-sale securities RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/ (liabilities)						
The Group						
2006						
As at beginning of the year						
- as previously reported	115,606	-	(19,457)	-	19,055	115,204
- prior year adjustments	-	-	-	(2,052)	1,626	(426)
- as restated	115,606	-	(19,457)	(2,052)	20,681	114,778
Credited/(charged) to income statement (Note 31)	6,539	-	4,833	-	14,140	25,512
Transferred to/(from) equity	-	-	-	33,011	-	33,011
As at end of the year	122,145	-	(14,624)	30,959	34,821	173,301
2005						
As at beginning of the year						
- as previously reported	102,745	39,021	(15,317)	-	16,197	142,646
- prior year adjustments	-	(39,021)	-	(671)	(822)	(40,514)
- as restated	102,745	-	(15,317)	(671)	15,375	102,132
Credited/(charged) to income statement (Note 31)	12,861	-	(4,140)	-	5,306	14,027
Transferred to/(from) equity	-	-	-	(1,381)	-	(1,381)
As at end of the year	115,606	-	(19,457)	(2,052)	20,681	114,778

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

13 DEFERRED TAXATION (continued)

	General allowance RM'000	Interest-in- suspense/ income-in- suspense RM'000	Excess of capital allowance over depreciation RM'000	Available- for-sale securities RM'000	Other temporary differences RM'000	Total RM'000
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Deferred tax assets/ (liabilities)

The Bank 2006

As at beginning of the year						
- as previously reported	115,589	-	(19,457)	-	19,072	115,204
- prior year adjustments	-	-	-	(2,052)	1,626	(426)
- as restated	115,589	-	(19,457)	(2,052)	20,698	114,778
Amount transferred to HLIB	(15,403)	-	-	-	(3,492)	(18,895)
Credited/(charged) to income statement (Note 31)	5,106	-	4,833	-	16,109	26,048
Transferred to/(from) equity	-	-	-	32,307	-	32,307
As at end of the year	105,292	-	(14,624)	30,255	33,315	154,238

2005

As at beginning of the year						
- as previously reported	69,485	23,248	(9,984)	-	11,051	93,800
- prior year adjustments	-	(23,248)	-	(671)	(822)	(24,741)
- as restated	69,485	-	(9,984)	(671)	10,229	69,059
Amount transferred from Gensource Berhad	32,795	-	(5,333)	-	7,106	34,568
Credited/(charged) to income statement (Note 31)	13,309	-	(4,140)	-	3,363	12,532
Transferred to/(from) equity	-	-	-	(1,381)	-	(1,381)
As at end of the year	115,589	-	(19,457)	(2,052)	20,698	114,778

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

14 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Fixed deposits	27,071,336	28,855,935	24,436,102	28,918,328
Negotiable instruments of deposit	6,229,198	1,095,999	4,489,968	1,095,999
	33,300,534	29,951,934	28,926,070	30,014,327
Demand deposits	4,328,335	3,717,928	4,213,037	3,729,735
Savings deposits	6,402,925	6,100,599	5,676,948	6,100,599
Others	244,328	146,029	242,893	146,029
	44,276,122	39,916,490	39,058,948	39,990,690

(i) The maturity structure of fixed deposits and negotiable instruments of deposit are as follows:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Due within:				
- six months	25,321,866	23,119,828	20,966,822	23,182,221
- six months to one year	7,374,924	6,758,252	7,355,504	6,758,252
- one year to three years	603,744	73,854	603,744	73,854
	33,300,534	29,951,934	28,926,070	30,014,327

(ii) The deposits are sourced from the following customers:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	650,612	318,002	215,657	318,002
Business enterprises	14,670,010	13,134,041	11,582,262	13,208,241
Individuals	27,055,017	25,241,952	26,129,670	25,241,952
Others	1,900,483	1,222,495	1,131,359	1,222,495
	44,276,122	39,916,490	39,058,948	39,990,690

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	2,494,760	2,064,412	2,359,759	2,064,412
Licensed merchant banks	-	1,750	-	1,750
Other financial institutions	301,500	-	301,500	-
	2,796,260	2,066,162	2,661,259	2,066,162

16 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Derivatives at fair value through profit or loss:				
- interest rate swaps	39,571	12,565	39,571	12,565
- foreign currency forwards	69,878	54,925	69,878	54,925
- foreign currency options	4,425	1,284	4,425	1,284
- futures	18,313	296	18,313	296
- equity options	291	752	291	752
Total derivative financial instruments assets	132,478	69,822	132,478	69,822
Derivatives at fair value through profit or loss:				
- interest rate swaps	(27)	(35,399)	(27)	(35,399)
- cross currency swaps	(12,471)	-	(12,471)	-
- foreign currency forwards	(40,849)	(37,729)	(40,849)	(37,729)
- foreign currency options	(4,122)	(1,312)	(4,122)	(1,312)
- futures	-	(9,768)	-	(9,768)
- equity options	(273)	(752)	(273)	(752)
Derivatives designated as fair value hedge				
- interest rate swaps	(32,584)	-	(32,584)	-
Total derivative financial instruments liabilities	(90,326)	(84,960)	(90,326)	(84,960)

17 FLOATING RATE CERTIFICATES OF DEPOSIT

	The Group and The Bank	
	2006 RM'000	2005 RM'000
Floating rate certificates of deposit - USD110 million	-	417,916

The USD110 million Floating Rate Certificates of Deposit previously issued by the Bank had carried floating interest rates calculated with a spread based on London Interbank Offered Rate ("LIBOR"). It had matured on 20 March 2006.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

18 OTHER LIABILITIES

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Zakat	44	27	-	27
Profit equalisation reserve (a)	2,438	12,473	-	12,473
Post employment benefits obligation				
- defined contribution plan	3,443	3,609	3,443	3,609
Interest payable	311,173	301,060	278,153	301,060
Loan advance payment	190,450	88,763	187,942	88,763
Amount due to subsidiary companies	-	-	49,725	34,347
Derivative financial instruments (Note 16)	90,326	84,960	90,326	84,960
Others	336,832	289,246	325,462	272,667
	934,706	780,138	935,051	797,906

(a) Profit equalisation reserve

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 July	12,473	11,255	12,473	2,800
Amount transferred from Gensource Berhad	-	-	-	12,005
Amount transferred to HLIB	-	-	(12,473)	-
Amount written back during the year	(10,035)	(2,332)	-	(2,332)
Provision made during the year	-	3,550	-	-
Balance as at 30 June	2,438	12,473	-	12,473

19 SUBORDINATED OBLIGATIONS

	The Group and The Bank	
	2006	2005
	RM'000	RM'000
Subordinated obligations, at par	749,250	-
Fair value changes arising from fair value hedges	(30,851)	-
Foreign exchange translations	(12,959)	-
	705,440	-
Less: Unamortised discounts	(1,391)	-
	704,049	-

Subordinated obligations are unsecured and are redeemable at par upon maturity on 3 August 2015, or at the option of the Bank subject to prior written approval of BNM on 3 August 2010 at the principal amount plus accrued interest (if applicable).

The bonds bear an interest of 5.25% per annum, payable semi-annually, with a callable step-up in 2010, at a rate per annum equal to the US Treasury Rate plus 2.717%.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

20 SHARE CAPITAL

	The Group and The Bank	
	2006	2005
	RM'000	RM'000
Authorised:		
3,000,000,000 shares of RM1.00 each	3,000,000	3,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
As at beginning and end of the year	1,580,107	1,580,107

21 RESERVES

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Retained profit	1,170,005	1,035,952	1,144,159	1,035,922
Share premium	539,664	539,664	539,664	539,664
Statutory reserve	1,626,403	1,479,216	1,604,855	1,479,216
Fair value reserve	(79,608)	5,279	(77,795)	5,279
Exchange fluctuation reserve	35,363	36,153	35,363	36,153
	2,121,822	2,060,312	2,102,087	2,060,312
	3,291,827	3,096,264	3,246,246	3,096,234

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.

The fair value reserve consists of the unrealised gains or losses arising from change in the fair values of investments classified as available-for-sale securities. The gains or losses are transferred to the income statement upon derecognition or impairment of the investment.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank the payment of dividends out of all its retained profit as at 30 June 2006.

22 TREASURY SHARES

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Purchase of own shares pursuant to Section 67A, Companies Act 1965	335,609	274,375	335,609	274,375
Treasury shares for new ESOS scheme	155,416	-	155,416	-
	491,025	274,375	491,025	274,375



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

22 TREASURY SHARES (continued)

(a) Purchase of own shares pursuant to Section 67A Companies Act, 1965

The shareholders of the Bank, via an ordinary resolution passed at the Extraordinary General Meeting held on 8 November 2005, had approved the Bank's plan to purchase its own shares up to 10% of existing total issued and paid-up share capital. The Directors of the Bank are committed to enhance the value of the Bank to its shareholders and believe that the share buyback plan can be applied in the best interests of the Bank and its shareholders.

During the financial year, the Bank bought back 11,999,800 of its issued share capital, at an average price of RM5.09 per share, from the open market. The total consideration paid for the share buyback of its own shares, including transaction costs, was RM61,234,733 and was financed by internally generated funds. As at 30 June 2006, the total number of shares bought was 63,542,500 and the shares held were accounted as treasury shares in accordance with the provisions of Section 67A of the Companies Act, 1965.

There was no resale or cancellation of treasury shares during the financial year. The adjusted number of issued and fully paid-up shares with voting rights as at 30 June 2006 after deducting treasury shares purchased is 1,516,564,534 shares. Treasury shares have no rights to vote, dividends and participation in other distribution.

(b) Treasury shares for new ESOS scheme

During the year, the Bank has entered into a new Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with an appointed Trustee in conjunction with the establishment of new Executive Share Option Scheme ("ESOS"). The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust.

FRS132 - Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments ("treasury shares") shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with FRS 132 - Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded in the Shareholders' Funds on the Balance Sheet. During the financial year, the Bank transferred its previously purchased shares of 307,400 at an average price of RM5.06 per share, to this ESOS scheme. During the financial year, the number of shares bought back by the appointed Trustee was 30,172,600 shares at an average price of RM5.11 per share. The total consideration paid, including transaction costs was RM154,198,582. As at 30 June 2006, the total number of shares bought was 30,480,000.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

23 INTEREST INCOME

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans and advances				
- interest income other than recoveries from NPLs	1,196,132	1,182,603	1,195,222	1,129,414
- recoveries from non-performing loans and advances	184,550	206,350	184,550	206,350
Money at call and deposit placements				
with financial institutions	455,495	343,587	480,116	335,259
Securities purchased under resale agreements	215,115	120,816	215,115	120,816
Securities held at fair value through profit or loss	136,338	122,976	136,338	122,976
Available-for-sale securities	205,827	111,990	205,827	111,990
Held-to-maturity securities	28,589	49,123	28,589	48,334
Others	5,573	33,363	5,573	33,234
	2,427,619	2,170,808	2,451,330	2,108,373
Accretion of discounts less amortisation of premium	(31,737)	(14,566)	(31,738)	(14,536)
Net interest suspended	(7,886)	(20,628)	(7,732)	(12,901)
	(39,623)	(35,194)	(39,470)	(27,437)
	2,387,996	2,135,614	2,411,860	2,080,936

24 INTEREST EXPENSE

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits and placements of banks and other financial institutions	316,963	225,554	341,663	225,203
Deposits from other customers	1,021,239	934,382	1,021,569	910,807
Subordinated obligations	35,089	-	35,089	-
Others	1,166	2,308	1,166	1,111
	1,374,457	1,162,244	1,399,487	1,137,121

25 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	293,568	249,913	-	238,310
Income derived from investment of shareholders' funds	27,339	21,291	-	20,298
Profit equalisation reserve	10,035	(1,218)	-	2,332
Income attributable to the depositors	(164,231)	(118,928)	-	(113,606)
	166,711	151,058	-	147,334

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

26 NON-INTEREST INCOME

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Fee income				
Commissions	78,966	78,837	78,966	78,660
Service charges and fees	42,450	29,822	42,450	28,937
Guarantee fees	5,656	5,796	5,656	5,796
Credit card related fees	67,794	63,126	67,794	63,126
Corporate advisory fees	44,070	25,339	44,070	25,339
Commitment fees	11,876	11,712	11,928	11,685
Other fee income	36,419	31,276	36,419	31,273
	287,231	245,908	287,283	244,816
Net income from securities				
Net gain/(loss) from sale/redemption of securities portfolio:				
- securities held at fair value through profit or loss	11,307	8,392	11,307	8,392
- available-for-sale securities	11,154	50,205	11,154	48,617
- held-to-maturity securities	4,277	2,263	4,277	1,278
Dividend income from:				
- securities held at fair value through profit or loss	813	920	813	920
- available-for-sale securities	2,506	953	2,506	953
- held-to-maturity securities	1,834	1,695	1,834	1,695
- subsidiary companies	-	-	-	813,415
Net gain/(loss) on revaluation of securities held at fair value through profit or loss and derivative financial instruments	59,188	(24,103)	59,188	(24,103)
Net loss on fair value changes between subordinated debts and interest rate swaps designated as fair value hedge	(1,733)	-	(1,733)	-
Net gain from return of capital due to capital reduction exercise in Gensource Berhad *	-	-	-	26,200
	89,346	40,325	89,346	877,367
Other income				
Foreign exchange gain/(loss):				
- realised	50,697	17,384	50,697	17,384
- unrealised	11,747	17,763	11,747	17,763
Rental income	343	103	343	100
Gain on disposal of property and equipment	634	2,361	634	2,361
Other non-operating income	10,485	6,964	10,009	5,893
	73,906	44,575	73,430	43,501
	450,483	330,808	450,059	1,165,684

* In the previous financial year, after the transfer of assets and liabilities of Gensource Berhad to the Bank on 1 August 2004, a capital reduction exercise had been performed at Gensource Berhad. The share capital was reduced to RM2 and the balance of capital was returned to the Bank. The gain had arisen due to the capital returned being in excess of the cost of investment as recorded in the Bank's financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

27 OVERHEAD EXPENSES

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Personnel costs	289,792	291,623	251,704	288,883
Establishment costs	157,303	138,615	139,275	138,412
Marketing expenses	57,897	63,342	44,131	61,922
Administration and general expenses	102,692	82,115	92,280	80,868
	607,684	575,695	527,390	570,085

The overhead expenses of the Bank are net of shared service costs charged to HLIB.

(i) Personnel costs comprise the following:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	266,447	268,502	231,662	265,762
Other employees benefits	23,345	23,121	20,042	23,121
	289,792	291,623	251,704	288,883

(ii) Establishment costs comprise the following:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	55,576	51,582	55,051	50,588
Rental of premises	35,305	35,938	31,455	35,730
Information technology expenses	34,717	24,724	30,872	24,429
Others	31,705	26,371	21,897	27,665
	157,303	138,615	139,275	138,412

(iii) Marketing expenses comprise the following:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Advertisement and publicity	16,067	28,910	13,632	28,910
Handling fees	16,549	14,089	6,081	12,756
Others	25,281	20,343	24,418	20,256
	57,897	63,342	44,131	61,922

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

27 OVERHEAD EXPENSES (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Teletransmission expenses	8,859	5,262	7,689	5,091
Stationery and printing expenses	17,734	19,978	16,215	19,934
Others	76,099	56,875	68,376	55,843
	102,692	82,115	92,280	80,868

The above expenditure includes the following statutory disclosures:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors' remuneration (Note 30)	3,372	2,931	3,071	2,872
Rental of premises	35,305	35,938	35,639	35,730
Hire of equipment	5,880	4,512	5,845	4,500
Interest on finance lease	-	-	-	17
Auditors' remuneration:				
- statutory audit (Malaysian firm)	376	318	343	310
- statutory audit (PwC overseas affiliated firms)	121	118	106	104
- other fees	973	601	954	600
- other audit firm's fees	14	22	-	-
Depreciation of property and equipment	55,576	51,582	55,051	50,588
Loss on disposal of property and equipment	615	950	615	950
Property and equipment written off	31	102	31	102
Dealers' handling fees	16,549	14,089	6,081	12,756
	No.	No.	No.	No.
Number of employees at year end	5,378	5,272	5,334	5,272

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

28 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing:				
(a) Specific allowance				
- made during the financial year	386,511	304,207	359,349	292,367
- written back	(89,250)	(101,309)	(81,767)	(89,323)
(b) General allowance				
- made during the financial year	23,057	45,697	17,936	47,311
	320,318	248,595	295,518	250,355
Bad debts on loans and financing:				
- written off	7,640	9,008	6,980	5,618
- recovered	(78,859)	(91,497)	(74,284)	(90,539)
	(71,219)	(82,489)	(67,304)	(84,921)
	249,099	166,106	228,214	165,434

The policy of the Group is in general more stringent than those laid down by BNM's revised guidelines on the default period and allowance requirements.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Management School Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HLCM Capital Sdn Bhd, Hong Leong Fund Management Sdn Bhd, HL Management Co Sdn Bhd and Hong Leong Consultancy Services Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	Holding company
Subsidiary companies of Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad) as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Hume Industries (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
O.Y.L. Industries Bhd and its subsidiary and associated companies as disclosed in its financial statements	Associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 11	Subsidiary companies of the Bank
Rajang Plaza Sdn Bhd, Zenith Mint Enterprise Sdn Bhd, Chew H Hua Realty Sdn Bhd, Geok Kheng Holdings Sdn Bhd and Zenith Mint Cinema Sdn Bhd	Connected persons to Mr Chew Peng Cheng, Non-Executive Director
BIB Insurance Brokers Sdn Bhd	Connected person to Tan Sri Dato' Zaki bin Tun Azmi, a director of certain related companies

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

2006	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest:			
- loans	-	182	-
- private debt securities	-	-	3,431
- interbank placement	-	24,619	-
Commitment fee and bank charges	-	53	-
Commission on Group products/services sold	-	-	11,199
	-	24,854	14,630
Expenditure			
Rental and maintenance	-	1,224	10,563
Insurance	-	-	5,210
Interest on deposits	-	324	1,056
Interest on repos	57	-	1,987
Management fees	1,992	-	6,562
Other miscellaneous expenses	113	-	11,328
Reimbursement of shared service cost	-	61,442	-
	2,162	62,990	36,706
Amounts due from:			
Overdraft	-	2,306	-
Interbank placement	-	460,000	-
Private debt securities	-	-	45,434
Others	-	300	801
	-	462,606	46,235
Amounts due to:			
Current account and fixed deposits	2,040	24,369	165,461
Repurchase agreements	-	-	277,604
Others	-	49,725	-
	2,040	74,094	443,065
Sundry deposits	-	-	8,629

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party transactions and balances (continued)

2005	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest:			
- loans	-	239	-
- private debt securities	-	-	4,361
- interbank placement	-	146	-
Commitment fee and rental income	-	65	-
Commission on Group products/services sold	-	-	8,682
	-	450	13,043
Expenditure			
Rental and maintenance	-	1,224	11,771
Insurance	-	-	5,668
Interest on deposits	671	576	723
Interest on repurchase agreement	-	-	6,830
Interest on interbank borrowing	-	611	-
Lease interest	-	17	-
Management fees	-	-	7,062
Other miscellaneous expenses	60	-	2,616
	731	2,428	34,670
Amounts due from:			
Overdraft	-	2,987	-
Private debt securities	-	-	53,398
Loan stocks and shares	-	-	3,805
Others	-	446	67
	-	3,433	57,270
Amounts due to:			
Current account and fixed deposits	878	74,196	365,594
Repurchase agreements	-	-	96,179
Merger of Gensource Berhad's business	-	30,493	-
Others	-	3,854	-
	878	108,543	461,773

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

30 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the year are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Executive Directors:				
- salary and other remuneration	1,535	1,383	1,485	1,383
- bonuses	745	659	745	659
- contribution to defined contribution plan	255	233	255	233
- benefits-in-kind	57	57	57	57
Non-Executive Directors:				
- fees	780	599	529	540
	3,372	2,931	3,071	2,872

The remuneration attributable to the Group Managing Director of the Group and Bank, including benefits-in-kind during the year amounted to RM1,902,000 (2005: RM1,660,000).

The movement and details of the Directors of the Bank in office, interests in shares and share options, and terms and conditions of the share options are reported in the Directors' Report.

31 TAXATION AND ZAKAT

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysian income tax	231,075	215,459	211,902	434,894
Under/(over) provision in prior years	8,709	(1,481)	8,709	(593)
Transfer to deferred taxation				
- current year	(16,803)	(13,205)	(17,339)	(11,710)
- over provision in prior years	(8,709)	(822)	(8,709)	(822)
	(25,512)	(14,027)	(26,048)	(12,532)
Taxation	214,272	199,951	194,563	421,769
Zakat	49	45	-	45
	214,321	199,996	194,563	421,814

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

31 TAXATION AND ZAKAT (continued)

The effective tax rate for the Group and Bank differed from the statutory rate of taxation due to:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation and zakat	764,241	713,435	697,119	1,521,314
Tax calculated at a rate of 28%	213,987	199,762	195,193	425,968
Tax effects of:				
- income not subject to tax	(2,020)	(540)	(1,962)	(8,135)
- expenses not deductible for tax purposes	3,153	568	1,332	515
- previously unrecognised tax losses	(848)	(2,018)	-	-
- previously unrecognised capital allowances	-	(331)	-	-
(Over)/under provision (net of deferred tax effects)	-	2,510	-	3,421
Taxation	214,272	199,951	194,563	421,769

	The Group	
	2006 RM'000	2005 RM'000
Tax losses		
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	28,706	29,406
Capital allowances		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	-	43,819

The unabsorbed tax losses of the Group have not been recognised as future realisation is uncertain. During the year, the Group has also disposed the entity with the unutilised capital allowances for which the related tax credit has not been recognised in the financial statements.

32 EARNINGS PER SHARE

Basic/fully diluted earnings per share

Basic/fully diluted earnings per share is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit after taxation and zakat	549,920	513,439	502,556	1,099,500
Weighted average number of ordinary shares in issue ('000)	1,512,137	1,563,729	1,512,137	1,563,729
Basic/fully diluted earnings per share (sen)	36.4	32.8	33.2	70.3

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

33 DIVIDENDS

	The Group and The Bank	
	2006	2005
	RM'000	RM'000
Final dividend paid of 15.5% (2004: 15.5%) less income tax at 28%	170,407	176,340
Interim dividend paid of 9.0% (2005: 8.5%) less income tax at 28%	98,273	95,469
	268,680	271,809

A final dividend in respect of the financial year ended 30 June 2006 of 15.0 sen per share less tax at 28% (2005: 15.5 sen per share less tax at 28%) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's adjusted issued and paid-up share capital (excluding 63,542,500 treasury shares pursuant to Section 67A of the Companies Act, 1965) of 1,516,564,534 as at 30 June 2006, the dividend would amount to RM163,788,970 (2005: RM170,406,988). The proposed dividend will be reflected in the financial statements of the next financial year ending 30 June 2006 when approved by shareholders.

34 CLOSING FOREIGN EXCHANGE RATES

Closing foreign exchange rates used by the Bank are as follows:

	The Bank	
	2006	2005
	RM'000	RM'000
Euro	4.6714	4.5870
Singapore Dollar ("SGD")	2.3133	2.2556
U.S. Dollar ("USD")	3.6745	3.8000
Hong Kong Dollar ("HKD")	0.4731	0.4889

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

35 COMMITMENTS AND CONTINGENCIES

In the normal course of business, 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. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies constitute the following:

	The Group					
	2006			2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
Direct credit substitutes	190,074	190,074	190,074	161,538	161,538	161,538
Certain transaction related contingent items	242,907	121,454	121,454	308,963	154,482	154,482
Short-term self-liquidating trade-related contingencies	633,426	126,685	126,685	469,936	93,987	93,188
Other assets sold with recourse and commitment with certain drawdown	31,987	31,987	31,987	-	-	-
Irrevocable commitment to extend credit:						
- maturity more than one year	4,257,875	2,128,938	2,128,938	4,122,753	2,061,377	2,061,377
- maturity less than one year	10,943,047	-	-	9,181,257	-	-
Foreign exchange related contracts:						
- less than one year	7,706,074	173,509	86,755	7,639,221	158,934	79,467
- one year to less than five years	960,500	86,445	43,223	-	-	-
Interest rate related contracts:						
- less than one year	14,766,472	6,921	3,461	5,442,895	1,735	868
- one year to less than five years	7,951,577	229,949	114,975	10,946,152	72,559	36,280
- five years and above	391,290	40,409	20,205			
Equity related contracts:						
- less than one year	8,288	415	208	106,922	1,604	802
Miscellaneous	419	-	-	694	-	-
	48,083,936	3,136,786	2,867,965	38,380,331	2,706,216	2,588,002

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

35 COMMITMENTS AND CONTINGENCIES (continued)

	The Bank					
	2006			2005		
	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted amount RM'000
Direct credit substitutes	190,074	190,074	190,074	161,538	161,538	161,538
Certain transaction related contingent items	242,669	121,335	121,335	308,963	154,482	154,482
Short-term self-liquidating trade-related contingencies	627,656	125,531	125,531	465,938	93,188	93,188
Irrevocable commitment to extend credit:						
- maturity more than one year	3,883,289	1,941,645	1,941,645	4,122,753	2,061,377	2,061,377
- maturity less than one year	10,929,166	-	-	9,181,257	-	-
Foreign exchange related contracts:						
- less than one year	7,705,167	173,509	86,755	7,639,221	158,934	79,467
- one year to less than five years	960,500	86,445	43,223	-	-	-
Interest rate related contracts:						
- less than one year	14,766,472	6,921	3,461	5,442,895	1,735	868
- one year to less than five years	7,951,577	229,949	114,975	10,946,152	72,559	36,280
- five years and above	391,290	40,409	20,205	-	-	-
Equity related contracts:						
- less than one year	8,288	415	208	106,922	1,604	802
Miscellaneous	419	-	-	694	-	-
	47,656,567	2,916,233	2,647,412	38,376,333	2,705,417	2,588,002

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

35 COMMITMENTS AND CONTINGENCIES (continued)

The foreign exchange and interest rate related contracts are made up as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Foreign exchange related contracts:				
- swaps and forward contracts	6,647,364	6,899,613	6,646,457	6,899,613
- options	1,058,710	739,608	1,058,710	739,608
- cross currency swaps	960,500	-	960,500	-
Interest rate related contracts:				
- futures contracts	12,646,473	12,867,000	12,646,473	12,867,000
- interest rate swaps	10,462,866	3,522,047	10,462,866	3,522,047
Equity related contracts:				
- options	8,288	106,922	8,288	106,922

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

36 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Authorised and contracted for	27,651	29,115	27,651	29,115
Authorised but not contracted for	16,152	15,859	16,152	15,859
	43,803	44,974	43,803	44,974

The capital commitments are attributed to property and equipment.

37 LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

	2006 RM'000	2005 RM'000
Not later than one year	3,705	3,800
Later than one year and not later than five years	5,326	8,152
Later than five years	-	22

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

38 HOLDING AND ULTIMATE HOLDING COMPANIES

The holding and ultimate holding companies are Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad) and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

39 CAPITAL ADEQUACY

(i) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Tier-1 capital	4,287,216	4,281,939	4,258,885	4,281,909
Tier-2 capital	1,171,133	412,877	1,110,943	412,817
Total capital	5,458,349	4,694,816	5,369,828	4,694,726
Less: Investment in subsidiary companies	-	-	(522,041)	(72,041)
Capital base	5,458,349	4,694,816	4,847,787	4,622,685
Capital ratios				
Core capital ratio	13.76%	15.84%	15.78%	15.85%
Risk-weighted capital ratio	17.52%	17.37%	17.96%	17.11%
Core capital ratio (net of proposed dividends)	13.24%	15.21%	15.18%	15.22%
Risk-weighted capital ratio (net of proposed dividends)	17.00%	16.74%	17.37%	16.48%

(ii) Components of Tier-1 and Tier-2 capital are as follows:

	The Group		The Bank	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Tier-1 capital				
Paid-up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Other reserves*	2,831,771	2,551,321	2,784,377	2,551,291
Treasury shares	(491,025)	(274,375)	(491,025)	(274,375)
Less: Deferred tax assets	(173,301)	(114,778)	(154,238)	(114,778)
Total tier-1 capital	4,287,216	4,281,939	4,258,885	4,281,909
Tier-2 capital				
Subordinated obligations	734,900	-	734,900	-
General allowance for bad and doubtful debts	436,233	412,877	376,043	412,817
Total tier-2 capital	1,171,133	412,877	1,110,943	412,817
Total capital	5,458,349	4,694,816	5,369,828	4,694,726
Less: Investment in subsidiary companies	-	-	(522,041)	(72,041)
Total capital base	5,458,349	4,694,816	4,847,787	4,622,685

* Fair value reserve has been excluded from the Bank's capital base in accordance with Revised BNM/GPB.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

39 CAPITAL ADEQUACY (continued)

(iii) Breakdown of risk-weighted assets in the various categories of risk-weights:

	2006		The Group 2005	
	Principal RM'000	Risk weighted RM'000	Principal RM'000	Risk weighted RM'000
0%	21,037,282	-	25,139,986	-
10%	1,341,465	134,147	1,396,730	139,673
20%	3,358,313	671,663	3,485,877	697,175
50%	10,423,668	5,211,834	8,386,694	4,193,347
100%	23,533,246	23,533,246	21,804,703	21,804,703
	59,693,974	29,550,890	60,213,990	26,834,898
Total risk-weighted assets:				
- Credit Risk		29,550,890		26,834,898
- Market Risk #		1,612,779		196,242
Total risk-weighted assets		31,163,669		27,031,140

	2006		The Bank 2005	
	Principal RM'000	Risk weighted RM'000	Principal RM'000	Risk weighted RM'000
0%	20,028,530	-	25,139,986	-
10%	851,106	85,111	1,396,730	139,673
20%	3,072,313	614,463	3,485,877	697,175
50%	9,936,618	4,968,309	8,386,694	4,193,347
100%	19,753,750	19,753,750	21,783,955	21,783,955
	53,642,317	25,421,633	60,193,242	26,814,150
Total risk-weighted assets:				
- Credit Risk		25,421,633		26,814,150
- Market Risk #		1,570,155		196,242
Total risk-weighted assets		26,991,788		27,010,392

In the last financial year, market risk-weighted assets were computed by excluding risk-weighted assets for which credit risk have been provided under computation of credit risk. Effective 30 September 2005, pursuant to BNM guidelines, market risk-weighted assets are computed by including computation of the credit risk, thus they are now excluded from credit risk-weighted assets. This has no impact on the total risk-weighted assets and does not affect core capital ratio and risk-weighted capital ratio. Accordingly, comparative disclosures for risk-weighted assets have not been adjusted.

The components of the capital base and risk-weighted assets of the Group as shown above comprise of the consolidated balances of the Bank and its subsidiary companies.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

40 SEGMENT REPORTING

(i) Primary reporting - business segments

The Group comprises of the following main business segments:

Personal Financial Services focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business Banking mainly focuses on corporate customers. Products offered include trade financing, working capital facilities, other term financing and corporate advisory services.

Treasury refers to the Group's treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

The Group 2006	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
Revenue				
- external	529,454	395,981	705,298	1,630,733
- inter-segment	536,913	(60,914)	(475,999)	-
	1,066,367	335,067	229,299	1,630,733
Segment profit before taxation and zakat	434,352	167,211	162,678	764,241
Taxation and zakat				(214,321)
Profit after taxation and zakat				549,920
Segment assets	21,364,429	7,439,191	29,737,227	58,540,847
Unallocated assets				2,055,403
Total assets				60,596,250
Segment liabilities	36,302,719	2,696,177	16,886,106	55,885,002
Unallocated liabilities				330,339
Total liabilities				56,215,341
Other significant segment items				
Capital expenditure	54,480	4,886	6,862	66,228
Depreciation	43,927	7,018	4,631	55,576
Loans, advances and financing loss and allowance	141,525	107,574	-	249,099

Inter segment transfer is based on internally computed cost of funds.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

40 SEGMENT REPORTING (continued)

(i) Primary reporting - business segments (continued)

The Group 2005	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
Revenue				
- external	478,683	330,465	646,088	1,455,236
- inter-segment	561,369	(93,014)	(468,355)	-
	1,040,052	237,451	177,733	1,455,236
Segment profit before taxation and zakat	444,781	150,352	118,302	713,435
Taxation and zakat				(199,996)
Profit after taxation and zakat				513,439
Segment assets	19,276,787	6,509,949	30,353,769	56,140,505
Unallocated assets				1,569,208
Total assets				57,709,713
Segment liabilities	36,726,322	3,070,823	13,289,614	53,086,759
Unallocated liabilities				220,958
Total liabilities				53,307,717
Other significant segment items				
Capital expenditure	46,235	11,147	8,555	65,937
Depreciation	38,349	7,587	5,646	51,582
Loans, advances and financing loss and allowance	141,687	24,419	-	166,106

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

40 SEGMENT REPORTING (continued)

(ii) Secondary reporting - geographic segments

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments
- Overseas operations, which includes branch and subsidiary operations in Singapore and Hong Kong. The overseas operations are mainly in commercial banking and treasury business. The overseas operations contributed less than 10% of the revenue and total assets of the Group.

The Group	Revenue RM'000	Total assets RM'000
2006		
Malaysia	1,507,774	57,201,590
Overseas operations	122,959	3,394,660
	1,630,733	60,596,250
2005		
Malaysia	1,369,168	55,809,179
Overseas operations	86,068	1,900,534
	1,455,236	57,709,713

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Bank had, on 28 June 2005, announced that Minister of Finance had granted an Islamic banking licence to Hong Leong Islamic Bank Berhad ("HLIB") and a Vesting Order had also been obtained from the High Court of Malaya for the transfer and vesting of the Islamic business of the Bank to HLIB. Effective 1 July 2005, the Bank has conducted its Islamic Banking business through HLIB.
- (b) On 3 August 2005, the Bank issued USD200 million in aggregate principal amount of Subordinated Bonds ("the Bonds") due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

The Bonds constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

- (c) On 8 November 2005, the Bank announced that the shareholders of the Bank had, at its Extraordinary General Meeting held on 8 November 2005, approved:-
 - i. the proposed termination of the existing executive share option scheme ("ESOS") of the Bank which was established in year 2000 and would expire in year 2010 ("Existing ESOS"); and
 - ii. the proposed establishment of a new ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank ("New ESOS").



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

The New ESOS was established on 23 January 2006 and shall be in force for a period of ten (10) years.

On 18 January 2006, the Bank announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Bank to be issued pursuant to the exercise of options under the New ESOS at any time during the existence of the ESOS.

- (d) On 16 June 2005, the Bank announced that it had entered into a Sale and Purchase Agreement with HLCM Capital Sdn Bhd ("HLCM Capital") to dispose of its 100% equity interest in Credit Corporation (Malaysia) Sdn Bhd comprising two (2) ordinary shares of RM1.00 each to HLCM Capital for cash consideration of RM5,000 ("Proposed Disposal"). The approval of the Foreign Investment Committee for the Proposed Disposal had been obtained and the Proposed Disposal was completed on 25 August 2005.
- (e) The Bank had, on 15 March 2006, announced the proposed acquisition by the Bank of one (1) block of six (6)-storey purpose-built commercial office building together with two (2) levels of basement car parks to be erected on part of a piece of leasehold land held under P.T. 241, Jalan 219 in the District of Petaling Jaya, State of Selangor from PJ City Development Sdn Bhd (formerly known as HLMC Management Co Sdn Bhd) for a cash consideration of RM86,294,220 ("Acquisition").

The Acquisition had been approved by the Bank Negara Malaysia vide its letter dated 20 January 2006 and FIC vide its letter dated 25 April 2006. The approvals of the shareholders of the Bank and Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad), the holding company of the Bank, pursuant to Section 132E of the Companies Act, 1965 were obtained on 19 July 2006.

- (f) The Bank had, on 28 March 2006, announced that it had entered into a joint venture agreement with Hong Leong Assurance Berhad ("HLA") and Tokio Marine & Nichido Fire Insurance Co., Ltd ("Tokio Marine") to form a joint venture company to be known as Hong Leong Tokio Marine Takaful Berhad ("HLTM") to operate as a registered takaful operator ("JV"). The equity participation of the JV company is the Bank (55%), HLA (10%) and Tokio Marine (35%). On 20 June 2006, the Bank announced that HLTM was incorporated on 19 June 2006.

BNM had, vide its letter dated 2 March 2006, approved an application by the JV parties for a takaful licence under the Takaful Act 1984. The JV represented a strategic alliance between the parties to undertake Takaful business in Malaysia and a vehicle for future overseas expansion in the Takaful business.

- (g) On 29 June 2006, the Bank announced that HLB Ventures Sdn Bhd, Chew Geok Lin Nominees (Tempatan) Sdn Bhd, Chew Geok Lin Nominees (Asing) Sdn Bhd and Wah Tat Properties Sdn Bhd were placed under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965.

42 RISK MANAGEMENT OBJECTIVES AND POLICIES

Integrated Risk Management ("IRM")

Managing risks is an integral part of the Bank's overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management ("IRM") framework.

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board of Directors set the risk appetite and tolerance level that is consistent with the Bank's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

42 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Integrated Risk Management ("IRM") (continued)

Giving due prominence to risk management, a Board Audit & Risk Management Committee ("BARMC") comprising three members of the Independent / Non-executive Directors has been set up to oversee and ensure that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Board of Directors. To assist the BARMC, the Integrated Risk Management Department ("IRM Department") has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The IRM Department has adopted a risk-based approach to consolidate principal risk areas across the Bank and provide a comprehensive profile of such risks so as to enable the Bank to minimise the risk through review and appropriate policies and control.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. Credit risk management forms a key component of the Bank's integrated risk management structure. The Bank's integrated risk management structure is founded upon a credit risk framework that is compliant with BNM's guidelines on "Best Practices for the Management of Credit Risk".

The Bank gives very strong priority to effective credit risk management. Credit evaluation is managed by experienced personnel, with high level review undertaken by the Management Credit Committee, under the supervision of the Board Credit Supervisory Committee. All credit policies are reviewed and approved by the Board Credit Supervisory Committee.

The key to credit risk management is to ensure that structures and processes are in place to maintain and continuously enhance the Bank's risk assessment capabilities in key areas of credit. These include sound credit policies and procedures, quality credit approvals, appropriate risk measurement and risk methodology, strong credit controls with independent reviews and effective recovery strategies. The Bank's credit risk management process is documented in the Credit Manual. The Credit Manual sets out the Bank's policies on lending guidelines, lending authorities, credit risk rating, credit reviews, collateral, credit administration and security documentation, and timely rehabilitation and restructuring of problematic and delinquent accounts.

The management of credit risk commences at the application stage whereby there is a stringent evaluation process, based on prudent lending policies. To enhance credit risk management, the Bank has in place a credit risk rating system for commercial borrowers. As for the retail segment, the Bank has implemented a credit scoring system in credit cards to improve the Bank's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Bank also conducts stress tests to ensure its asset quality is within acceptable levels even under stress scenarios.

Internal Audit also conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Bank's management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites:

- Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

42 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

- Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.
- Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates.

In addition, the Bank also conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

As a safeguard against liquidity risk, the Bank takes a multi-pronged approach towards managing this risk, beginning with a liquidity management system, adopting BNM's Liquidity Framework as the backbone. The Liquidity Framework ascertains the liquidity condition based on contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of liquefiable assets. The Bank has been in compliance with the New Liquidity Framework throughout the financial year.

This is supplemented by the Bank's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long-term and short-term marketable debt securities and diversification of funding base. The Bank has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

Operational Risk Management

The Bank adopts the Basel II's Operational Risk Management definition as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events" which also includes IT and legal risks. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks may result in breakdowns, errors and can potentially result in financial loss or other losses to the Bank. The primary responsibility of managing such risks rests with the respective operating department/unit.

The Bank takes a proactive stance on identifying and profiling principal potential operational risks and implementing relevant risk mitigation and contingency procedures.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balances, segregation of duties, independent checks and verification processes, segmented system access control and multi-tier internal transaction authorisation process. The controls are documented through a set of policies and procedures at the individual business unit level.

The Bank has also set up an Operational Risk Management Committee comprising members of the Bank's senior management to manage its operational risks. The Operational Risk Management Committee intends to minimise bank wide operational risk losses and increase shareholder value in accordance with Basel II standards. Another key role of the Operational Risk Council is to promote awareness of operational risk management within the Bank and its customers.

The Bank has published an Operational Risk Management Awareness Handbook and disseminated across the Bank so as to enhance operational risk awareness among all the staff as well as to inculcate sound risk management as an integral part of planning and management process.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES

A Interest/profit rate risk

The tables below summarise the Group's and the Bank's exposure to interest/profit rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time the Group and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group 2006	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Assets					
Cash and short-term funds	12,690,102	-	-	-	-
Securities purchased under resale agreements	2,860,972	1,635,842	-	-	-
Deposits and placements with banks and other financial institutions	-	1,045,823	365,454	73,535	-
Securities held at fair value through profit or loss	-	-	-	-	-
Available-for-sale securities	23,301	233,894	596,237	4,316,851	547,089
Held-to-maturity securities	10,001	174,958	149,313	631,090	15,344
Loans, advances and financing					
- performing	16,045,866	1,247,974	1,064,895	4,340,884	5,447,316
- non performing	-	-	-	-	-
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Property and equipment	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	31,630,242	4,338,491	2,175,899	9,362,360	6,009,749

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Group 2006	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets				
Cash and short-term funds	874,913	-	13,565,015	3.7
Securities purchased under resale agreements	-	-	4,496,814	3.8
Deposits and placements with banks and other financial institutions	-	-	1,484,812	3.9
Securities held at fair value through profit or loss	-	3,881,514	3,881,514	3.8
Available-for-sale securities	106,760*	-	5,824,132	4.3
Held-to-maturity securities	49,083	-	1,029,789	3.8
Loans, advances and financing				
- performing	(422,598)^	-	27,724,337	6.5
- non performing	894,531^	-	894,531	-
Other assets	388,481	-	388,481	-
Statutory deposits with Bank Negara Malaysia	881,524	-	881,524	-
Property and equipment	252,000	-	252,000	-
Deferred tax assets	173,301	-	173,301	-
Total assets	3,197,995	3,881,514	60,596,250	

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM910,050,000

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Group 2006	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Liabilities					
Deposits from customers	20,824,731	7,579,329	11,191,947	636,102	-
Deposits and placements of banks and other financial institutions	2,304,100	455,175	36,768	-	-
Obligations on securities sold under repurchase agreements	6,842,399	30,000	-	-	-
Floating rate certificates of deposit	-	-	-	-	-
Bills and acceptances payable	13,045	13,775	7,785	45	-
Other liabilities	-	-	-	-	-
Subordinated obligations	-	-	-	-	704,049
Provision for taxation	-	-	-	-	-
Total liabilities	29,984,275	8,078,279	11,236,500	636,147	704,049
Shareholder's funds	-	-	-	-	-
Total liabilities and shareholder's funds	29,984,275	8,078,279	11,236,500	636,147	704,049
On-balance sheet interest sensitivity gap	1,645,967	(3,739,788)	(9,060,601)	8,726,213	5,305,700
Off-balance sheet interest sensitivity gap	(665,000)	(2,925,193)	(4,289,000)	(4,364,107)	(340,700)
Total interest sensitivity gap	980,967	(6,664,981)	(13,349,601)	4,362,106	4,965,000

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Group 2006	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities				
Deposits from customers	4,044,013	-	44,276,122	2.8
Deposits and placements of banks and other financial institutions	217	-	2,796,260	4.1
Obligations on securities sold under repurchase agreements	-	-	6,872,399	3.3
Floating rate certificates of deposit	-	-	-	-
Bills and acceptances payable	511,559	-	546,209	3.8
Other liabilities	934,706	-	934,706	-
Subordinated obligations	-	-	704,049	5.3
Provision for taxation	85,596	-	85,596	-
Total liabilities	5,576,091	-	56,215,341	
Shareholder's funds	4,380,909	-	4,380,909	
Total liabilities and shareholder's funds	9,957,000	-	60,596,250	

The Group 2005	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Assets					
Cash and short-term funds	10,627,664	-	-	-	-
Securities purchased under resale agreements	3,015,891	4,381,237	2,531,364	-	-
Deposits and placements with banks and other financial institutions	-	3,510,327	27,287	-	-
Securities held at fair value through profit or loss	-	-	-	-	-
Available-for-sale securities	70,182	212,181	171,798	1,880,564	2,804
Held-to-maturity securities	7,302	40,944	91,142	849,815	11,890
Loans, advances and financing					
- performing	13,307,687	1,474,095	2,223,817	4,817,626	2,979,958
- non-performing	-	-	-	-	-
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Property and equipment	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	27,028,726	9,618,784	5,045,408	7,548,005	2,994,652

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Group 2005	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets				
Cash and short-term funds	496,914	-	11,124,578	2.8
Securities purchased under resale agreements	-	-	9,928,492	2.8
Deposits and placements with banks and other financial institutions	-	-	3,537,614	2.8
Securities held at fair value through profit or loss	-	2,660,197	2,660,197	3.1
Available-for-sale securities	10,971*	-	2,348,500	4.3
Held-to-maturity securities	2,292	-	1,003,385	6.1
Loans, advances and financing				
- performing	(393,938)^	-	24,409,245	6.5
- non-performing	1,173,490^	-	1,173,490	-
Other assets	322,563	-	322,563	-
Statutory deposits with Bank Negara Malaysia	839,600	-	839,600	-
Tax recoverable	2,879	-	2,879	-
Property and equipment	244,392	-	244,392	-
Deferred tax assets	114,778	-	114,778	-
Total assets	2,813,941	2,660,197	57,709,713	

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM878,131,000

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Group 2005	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Liabilities					
Deposits from customers	17,494,050	6,478,737	11,628,514	73,853	-
Deposits and placements of banks and other financial institutions	1,788,789	100,000	177,000	-	-
Obligations on securities sold under repurchase agreements	8,961,131	560,465	-	-	-
Floating rate certificates of deposit	-	-	417,916	-	-
Bills and acceptances payable	68,133	87,127	88,399	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
Total liabilities	28,312,103	7,226,329	12,311,829	73,853	-
Shareholder's funds	-	-	-	-	-
Total liabilities and shareholder's funds	28,312,103	7,226,329	12,311,829	73,853	-
On-balance sheet interest sensitivity gap	(1,283,377)	2,392,455	(7,266,421)	7,474,152	2,994,652
Off-balance sheet interest sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402
Total interest sensitivity gap	(1,043,377)	471,810	(10,742,928)	(77,098)	3,012,054

The Group 2005	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities				
Deposits from customers	4,241,336	-	39,916,490	2.7
Deposits and placements of banks and other financial institutions	373	-	2,066,162	2.6
Obligations on securities sold under repurchase agreements	-	-	9,521,596	2.6
Floating rate certificates of deposit	-	-	417,916	3.5
Bills and acceptances payable	325,236	-	568,895	3.1
Other liabilities	780,138	-	780,138	-
Provision for taxation	36,520	-	36,520	-
Total liabilities	5,383,603	-	53,307,717	
Shareholder's funds	4,401,996	-	4,401,996	
Total liabilities and shareholder's funds	9,785,599	-	57,709,713	

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2006	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Assets					
Cash and short-term funds	11,423,741	-	-	-	-
Securities purchased under resale agreements	2,860,972	1,635,842	-	-	-
Deposits and placements with banks and other financial institutions	-	1,405,823	365,454	73,535	-
Securities held at fair value through profit or loss	-	-	-	-	-
Available-for-sale securities	23,301	233,893	586,202	4,182,670	512,782
Held-to-maturity securities	10,001	9,917	144,438	212,244	15,344
Loans, advances and financing					
- performing	16,012,513	1,244,600	778,675	2,108,488	4,043,343
- non-performing	-	-	-	-	-
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Property and equipment	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	30,330,528	4,530,075	1,874,769	6,576,937	4,571,469

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2006	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets				
Cash and short-term funds	870,338	-	12,294,079	3.8
Securities purchased under resale agreements	-	-	4,496,814	3.8
Deposits and placements with banks and other financial institutions	-	-	1,844,812	3.7
Securities held at fair value through profit or loss	-	3,752,487	3,752,487	3.8
Available-for-sale securities	106,760*	-	5,645,608	4.3
Held-to-maturity securities	48,508	-	440,452	4.4
Loans, advances and financing				
- performing	(363,139)^	-	23,824,480	6.6
- non-performing	846,627^	-	846,627	-
Other assets	363,844	-	363,844	-
Statutory deposits with Bank Negara Malaysia	718,100	-	718,100	-
Investment in subsidiary companies	522,041	-	522,041	-
Property and equipment	235,513	-	235,513	-
Deferred tax assets	154,238	-	154,238	-
Total assets	3,502,830	3,752,487	55,139,095	

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM820,475,000

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2006	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Liabilities					
Deposits from customers	18,232,211	5,469,574	10,698,920	603,745	-
Deposits and placements of banks and other financial institutions	2,229,099	395,175	36,768	-	-
Obligations on securities sold under repurchase agreements	6,842,399	30,000	-	-	-
Floating rate certificates of deposit	-	-	-	-	-
Bills and acceptance payable	9,594	13,046	7,705	45	-
Other liabilities	-	-	-	-	-
Subordinated obligations	-	-	-	-	704,049
Provision for taxation	-	-	-	-	-
Total liabilities	27,313,303	5,907,795	10,743,393	603,790	704,049
Shareholder's funds	-	-	-	-	-
Total liabilities and shareholder's funds	27,313,303	5,907,795	10,743,393	603,790	704,049
On-balance sheet profit sensitivity gap	3,017,225	(1,377,720)	(8,868,624)	5,973,147	3,867,420
Off-balance sheet profit sensitivity gap	(665,000)	(2,925,193)	(4,289,000)	(4,364,107)	(340,700)
Total interest sensitivity gap	2,352,225	(4,302,913)	(13,157,624)	1,609,040	3,526,720

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2006	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities				
Deposits from customers	4,054,498	-	39,058,948	2.8
Deposits and placements of banks and other financial institutions	217	-	2,661,259	4.2
Obligations on securities sold under repurchase agreements	-	-	6,872,399	3.3
Floating rate certificates of deposit	-	-	-	-
Bills and acceptance payable	511,167	-	541,557	3.8
Other liabilities	935,051	-	935,051	-
Subordinated obligations	-	-	704,049	5.3
Provision for taxation	30,504	-	30,504	-
Total liabilities	5,531,437	-	50,803,767	
Shareholder's funds	4,335,328	-	4,335,328	
Total liabilities and shareholder's funds	9,866,765	-	55,139,095	

The Bank 2005	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Assets					
Cash and short-term funds	10,627,664	-	-	-	-
Securities purchased under resale agreements	3,015,891	4,381,237	2,531,364	-	-
Deposits and placements with banks and other financial institutions	-	3,510,327	27,287	-	-
Securities held at fair value through profit or loss	-	-	-	-	-
Available-for-sale securities	70,182	212,181	171,798	1,880,564	2,804
Held-to-maturity securities	7,302	40,944	91,142	849,815	11,890
Loans, advances and financing					
- performing	13,297,659	1,473,723	2,225,146	4,820,504	2,981,738
- non-performing	-	-	-	-	-
Other assets	-	-	-	-	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-
Tax recoverable	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Property and equipment	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	27,018,698	9,618,412	5,046,737	7,550,883	2,996,432

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2005	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets				
Cash and short-term funds	497,887	-	11,125,551	2.8
Securities purchased under resale agreements	-	-	9,928,492	2.8
Deposits and placements with banks and other financial institutions	-	-	3,537,614	2.8
Securities held at fair value through profit or loss	-	2,660,197	2,660,197	3.1
Available-for-sale securities	10,971*	-	2,348,500	4.3
Held-to-maturity securities	2,292	-	1,003,385	6.1
Loans, advances and financing				
- performing	(393,883)^	-	24,404,887	6.5
- non-performing	1,173,157^	-	1,173,157	-
Other assets	320,217	-	320,217	-
Statutory deposits with Bank Negara Malaysia	839,600	-	839,600	-
Tax recoverable	2,879	-	2,879	-
Investment in subsidiary companies	72,041	-	72,041	-
Property and equipment	229,835	-	229,835	-
Deferred tax assets	114,778	-	114,778	-
Total assets	2,869,774	2,660,197	57,761,133	

* Allowance for impairment on available-for-sale securities is included under non-interest sensitive component.

^ Includes specific allowances and general allowances amounting to RM872,496,000

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

A Interest/profit rate risk (continued)

The Bank 2005	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
Liabilities					
Deposits from customers	17,556,443	6,478,737	11,628,514	73,853	-
Deposits and placements of banks and other financial institutions	1,788,789	100,000	177,000	-	-
Obligations on securities sold under repurchase agreements	8,961,131	560,465	-	-	-
Floating rate certificates of deposit	-	-	417,916	-	-
Bills and acceptance payable	64,135	87,127	88,399	-	-
Other liabilities	-	-	-	-	-
Total liabilities	28,370,498	7,226,329	12,311,829	73,853	-
Shareholder's funds	-	-	-	-	-
Total liabilities and shareholder's funds	28,370,498	7,226,329	12,311,829	73,853	-
On-balance sheet profit sensitivity gap	(1,351,800)	2,392,083	(7,265,092)	7,477,030	2,996,432
Off-balance sheet profit sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402
Total interest sensitivity gap	(1,111,800)	471,438	(10,741,599)	(74,220)	3,013,834

The Bank 2005	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities				
Deposits from customers	4,253,143	-	39,990,690	2.7
Deposits and placements of banks and other financial institutions	373	-	2,066,162	2.6
Obligations on securities sold under repurchase agreements	-	-	9,521,596	2.6
Floating rate certificates of deposit	-	-	417,916	3.5
Bills and acceptance payable	325,236	-	564,897	3.1
Other liabilities	797,906	-	797,906	-
Total liabilities	5,376,658	-	53,359,167	
Shareholder's funds	4,401,966	-	4,401,966	
Total liabilities and shareholder's funds	9,778,624	-	57,761,133	

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for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk

The following table sets out the credit risk concentrations of the Group and the Bank by classes of financial assets:

The Group 2006	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit/loss RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Loans, advances and financing RM'000
Agriculture	-	-	-	-	309,458
Mining and quarrying	-	-	-	-	36,385
Manufacturing	-	-	56,762	1,402	2,430,651
Electricity, gas and water	-	-	76,113	73,507	22,640
Construction	-	15,754	29,968	15,585	619,969
Real estate	-	-	-	-	381,576
Purchase of landed property					
- Residential	-	-	-	10,366	10,361,256
- Non-residential	-	-	-	-	3,339,512
General commerce	-	-	11,593	25,172	2,085,639
Transport, storage and communications	-	45,453	248,721	24,536	304,210
Finance, insurance and business services	3,253,869	3,441,089	2,094,251	440,934	617,417
Government and government agencies	16,292,772	340,416	3,199,221	401,049	-
Purchase of securities	-	-	-	-	666,311
Purchase of transport vehicles	-	-	-	-	4,609,760
Consumption credit	-	-	9,703	-	2,522,091
Others	-	-	-	-	748,226
	19,546,641	3,842,712	5,726,332	992,551	29,055,101

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for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Group 2006	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On- balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	309,458	8,029	157,159
Mining and quarrying	-	-	36,385	14,147	9,735
Manufacturing	1,251	-	2,490,066	1,568,615	2,235,934
Electricity, gas and water	1,927	-	174,187	23,706	118,508
Construction	676	-	681,952	1,338	325,351
Real estate	-	-	381,576	-	248,079
Purchase of landed property					
- Residential	-	-	10,371,622	-	2,828,806
- Non-residential	-	-	3,339,512	-	1,161,183
General commerce	139	-	2,122,543	143,575	1,754,113
Transport, storage and communications	771	-	623,691	382	224,290
Finance, insurance and business services	65,476	-	9,913,036	30,007,010	297,479
Government and government agencies	107,275	881,524	21,222,257	-	-
Purchase of securities	1,808	-	668,119	-	34,943
Purchase of transport vehicles	-	-	4,609,760	956	119,730
Consumption credit	-	-	2,531,794	-	6,072,822
Others	-	-	748,226	16,443	711,184
	179,323	881,524	60,224,184	31,784,201	16,299,316

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for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Group 2005	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit/loss RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Loans, advances and financing RM'000
Agriculture	-	-	-	-	235,110
Mining and quarrying	-	-	53,128	-	35,436
Manufacturing	-	9,634	48,312	2,359	2,049,141
Electricity, gas and water	-	5,104	19,810	133,804	32,123
Construction	-	42,134	5,750	27,379	800,995
Real estate	-	-	-	-	267,807
Purchase of landed property					
- Residential	-	-	36,442	22,667	8,145,087
- Non-residential	-	-	-	-	2,357,690
General commerce	-	-	46,256	35,696	1,840,383
Transport, storage and communications	-	25,575	61,858	19,954	245,004
Finance, insurance and business services	1,669,361	2,443,925	1,637,990	46,966	597,311
Government and government agencies	22,921,323	124,747	415,484	687,399	806,177
Purchase of securities	-	-	-	-	5,035,576
Purchase of transport vehicles	-	-	-	-	2,035,907
Consumption credit	-	-	-	-	1,480,656
Others	-	-	-	-	31,209
	24,590,684	2,651,119	2,325,030	976,224	25,995,612

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Group 2005	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On- balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	354	-	235,464	3,665	171,782
Mining and quarrying	-	-	88,564	6,432	9,521
Manufacturing	2,196	-	2,111,642	710,434	1,949,621
Electricity, gas and water	1,770	-	192,611	10,720	119,678
Construction	166	-	876,424	621	454,057
Real estate	63	-	267,870	-	129,476
Purchase of landed property					
- Residential	-	-	8,204,196	-	2,481,631
- Non-residential	-	-	2,357,690	-	757,812
General commerce	33	-	1,922,368	65,014	1,444,175
Transport, storage and communications	2,859	-	355,250	195	148,539
Finance, insurance and business services	45,282	-	6,440,835	21,607,756	241,211
Government and government agencies	89,369	839,600	25,884,099	-	-
Purchase of securities	1,286	-	5,036,862	-	33,772
Purchase of transport vehicles	-	-	2,035,907	468	438,604
Consumption credit	-	-	1,480,656	1,971	4,765,537
Others	7,256	-	38,465	1,727,914	1,099,725
	150,634	839,600	57,528,903	24,135,190	14,245,141

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Bank 2006	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit/loss RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Loans, advances and financing RM'000
Agriculture	-	-	-	-	228,934
Mining and quarrying	-	-	-	-	32,812
Manufacturing	-	-	46,860	1,402	2,259,914
Electricity, gas and water	-	-	66,078	53,187	14,289
Construction	-	15,754	29,968	15,585	541,621
Real estate	-	-	-	-	341,240
Purchase of landed property					
- Residential	-	-	-	10,366	9,884,275
- Non-residential	-	-	-	-	3,238,376
General commerce	-	-	11,593	25,172	1,912,892
Transport, storage and communications	-	45,453	217,987	24,536	230,713
Finance, insurance and business services	3,477,073	3,339,909	1,991,013	-	429,355
Government and government agencies	15,158,632	312,569	3,174,606	272,966	-
Purchase of securities	-	-	-	-	663,107
Purchase of transport vehicles	-	-	-	-	2,061,542
Consumption credit	-	-	9,703	-	2,504,898
Others	-	-	-	-	703,182
	18,635,705	3,713,685	5,547,808	403,214	25,047,150

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Bank 2006	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On- balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	228,934	8,029	91,266
Mining and quarrying	-	-	32,812	14,147	9,735
Manufacturing	1,246	-	2,309,422	1,568,615	2,205,312
Electricity, gas and water	1,913	-	135,467	23,706	118,282
Construction	676	-	603,604	1,338	322,025
Real estate	-	-	341,240	-	247,775
Purchase of landed property					
- Residential	-	-	9,894,641	-	2,662,027
- Non-residential	-	-	3,238,376	-	1,134,264
General commerce	139	-	1,949,796	143,575	1,743,300
Transport, storage and communications	757	-	519,446	382	220,030
Finance, insurance and business services	54,182	-	9,291,532	30,006,103	297,267
Government and government agencies	106,305	718,100	19,743,178	-	-
Purchase of securities	1,808	-	664,915	-	34,943
Purchase of transport vehicles	-	-	2,061,542	956	36,439
Consumption credit	-	-	2,514,601	-	6,058,821
Others	-	-	703,182	16,443	691,368
	167,026	718,100	54,232,688	31,783,294	15,872,854

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Bank 2005	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit/loss RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Loans, advances and financing RM'000
Agriculture	-	-	-	-	234,914
Mining and quarrying	-	-	53,128	-	35,425
Manufacturing	-	9,634	48,312	2,359	2,043,237
Electricity, gas and water	-	5,104	19,810	133,804	32,123
Construction	-	42,134	5,750	27,379	800,742
Real estate	-	-	-	-	267,807
Purchase of landed property					
- Residential	-	-	36,442	22,667	8,145,087
- Non-residential	-	-	-	-	2,357,690
General commerce	-	-	46,256	35,696	1,840,222
Transport, storage and communications	-	25,575	61,858	19,954	245,004
Finance, insurance and business services	1,670,334	2,443,925	1,637,990	46,966	599,707
Government and government agencies	22,921,323	124,747	415,484	687,399	806,177
Purchase of securities	-	-	-	-	5,035,151
Purchase of transport vehicles	-	-	-	-	2,035,907
Consumption credit	-	-	-	-	1,480,656
Others	-	-	-	-	31,011
	24,591,657	2,651,119	2,325,030	976,224	25,990,860

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

43 INTEREST/PROFIT RATE RISK AND CREDIT RISK DISCLOSURES (continued)

B Credit risk (continued)

The Bank 2005	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On- balance sheet total RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	354	-	235,268	3,665	171,782
Mining and quarrying	-	-	88,553	6,432	9,521
Manufacturing	2,196	-	2,105,738	710,434	1,949,621
Electricity, gas and water	1,770	-	192,611	10,720	119,678
Construction	166	-	876,171	621	454,057
Real estate	63	-	267,870	-	129,476
Purchase of landed property					
- Residential	-	-	8,204,196	-	2,481,631
- Non-residential	-	-	2,357,690	-	757,812
General commerce	33	-	1,922,207	65,014	1,444,175
Transport, storage and communications	2,859	-	355,250	195	148,539
Finance, insurance and business services	45,282	-	6,444,204	21,607,756	241,211
Government and government agencies	89,369	839,600	25,884,099	-	-
Purchase of securities	1,286	-	5,036,437	-	33,772
Purchase of transport vehicles	-	-	2,035,907	468	438,604
Consumption credit	-	-	1,480,656	1,971	4,765,537
Others	7,256	-	38,267	1,727,914	1,095,727
	150,634	839,600	57,525,124	24,135,190	14,241,143

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Securities held at fair value through profit or loss, available-for-sale and held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields or net tangible asset backing of the investee.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of non-performing floating and fixed rate loans are represented by their carrying value, net of specific allowance, being the expected recoverable amount.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Floating rate certificates of deposit

The estimated fair value of floating rate certificates of deposit approximate the carrying value given that the floating rates are repriced within a period of six months.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Deposits and placements of banks and other financial institutions, obligations on securities held under repurchase agreements ("repos"), bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the balance sheet date.

Non-financial assets and liabilities

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132₂₀₀₄ which requires the fair value information to be disclosed. These include other assets, statutory deposits with BNM, tax recoverable, investment in subsidiary companies, property and equipment and deferred tax assets.

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value of each financial instrument approximates the total carrying value, except for the following:

On-balance sheet items	The Group 2006		The Group 2005	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Loans, advances and financing [#]	28,618,868	28,218,016	25,582,735	25,736,306

[#] The carrying amount of loans, advances and financing at the balance sheet date were not reduced to their estimated fair values which were a result of the increase in interest rates during the year, and the Board of Directors is of the view that there are no further impairment other than that already provided for. Loans, advances and financing have been assessed with impairment allowances being made in accordance with BNM/GP3.

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

44 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

On-balance sheet items	The Bank 2006		The Bank 2005	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:				
Loans, advances and financing#	24,671,107	24,466,271	25,578,044	25,731,614

The carrying amount of loans, advances and financing at the balance sheet date were not reduced to their estimated fair values which were a result of the increase in interest rates during the year, and the Board of Directors is of the view that there are no further impairment other than that already provided for. Loans, advances and financing have been assessed with impairment allowances being made in accordance with BNM/GP3.

45 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme ("ESOS" or "Scheme")

Eligible executives of the Bank and Group are entitled to the Executive Share Option Scheme ("ESOS" or "Scheme"). As resolved during the Extraordinary General Meeting held on 8 November 2005, the previous ESOS scheme has been terminated and Proposed New ESOS ("New ESOS") was established on 23 January 2006. Details of the share option scheme are disclosed in the Directors' Report.

No options pursuant to the New ESOS have been granted or exercised during the financial year. Options over the shares of the Bank that were exercised in the previous year in relation to the previous scheme (Existing ESOS) are as follows:

	2005	
	Number of options over ordinary shares RM3.70 per share	RM3.44 per share
At 1 July 2004	2,131,400	10,000
Lapsed on expiry date i.e. 11 April 2005	(194,000)	-
Exercised	(1,937,400)	(10,000)
At 30 June 2005	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

45 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

Pursuant to this, a trust has been set up for the New ESOS and it is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Bank upon such terms and conditions as the Bank and the trustee may agree to purchase the Bank's shares from the open market for the purposes of this trust. In accordance to FRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares" in the Shareholders' Funds on the Balance Sheet. The cost of operating the ESOS scheme is charged to the income statement.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Bank.

The number and market values of the ordinary shares held by the Trustee are as follows:

	2006		2005	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
At 1 July	307	1,598	2,255	10,913
Shares purchased	30,173	154,199	-	-
Shares transferred at exercise date	-	-	(1,948)	10,283
At 30 June	30,480	155,448	307	1,598

Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

46 THE EFFECTS OF THE TRANSFER OF ISLAMIC BANKING BUSINESS TO HLIB

The Islamic banking business previously undertaken by the Bank via an Islamic banking window has been vested to HLIB as detailed in Note 41 (a) and was effected via transfer of the assets and liabilities under the Islamic window to HLIB. The net assets transferred are settled via issuance of ordinary shares of RM450 million with the balance settled by cash consideration. The exercise has no effect on the Group's results and position. In respect of the Bank, the effects on the financial position are as follows:

	At date of transfer RM'000
Assets	
Cash and short-term funds	1,448,422
Deposits and placements with banks and other financial institutions	191,396
Securities held at fair value through profit or loss	53,739
Available-for-sale securities	-
Held-to-maturity securities	373,406
Financing, advances and other financing	3,402,467
Other assets	17,563
Statutory deposit with Bank Negara Malaysia	51,150
Property and equipment	106
Deferred tax assets	18,895
	5,557,144
Liabilities	
Deposits from customers	4,889,360
Deposits and placements of banks and other financial institutions	91,750
Bills and acceptances payable	562
Other liabilities	125,472
	5,107,144
Net assets transferred from Islamic banking business to HLIB	450,000

The cash and short-term funds transferred to the Bank was RM1,448,422,000.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

47 GENERAL INFORMATION

The Bank is a public limited liability company that is incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 July 2006.

48 PRIOR YEAR ADJUSTMENTS

On 5 October 2004, Bank Negara Malaysia issued revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) which provides guidance on recognition, measurement and classification of securities portfolio, which became operative for the Bank for the financial year ended on and after 30 June 2006. The adoption of the revised BNM/GP8 has resulted in the following changes in accounting policies.

(a) Recognition and measurement of securities portfolio

Previously, trading securities were measured at lower of cost and market value. Bank guaranteed and government guaranteed private debt securities were measured at amortised cost, while non-bank guaranteed and non-government guaranteed private debts securities were measured at lower of cost and market value. Other investment securities were measured at cost and allowance is made in the event of any permanent diminution in value. Accretion of discount and amortisation of premium on non-bank guaranteed and non-government guaranteed private debt securities is not allowed.

With the revision, all securities held at fair value through profit or loss are now measured at fair value. Investment securities are classified into available-for-sale ("AFS") and held-to-maturity ("HTM") securities. AFS securities are measured at fair value, with changes in fair value recognised directly in shareholder's funds. Equity securities, which have no quoted price in an active market and whose fair value cannot be reliably measured, are classified as AFS securities and stated at cost. HTM securities are measured at amortised cost, except for investment in equity holdings in socio-economic entities which is stated at cost. Impairment losses arising from AFS and HTM securities are recognised in the current period's income statements. Accretion of discount and amortisation of premium on securities portfolio is allowed and recognised in the current period's income statements as interest income.



Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

48 PRIOR YEAR ADJUSTMENTS (continued)

(a) Recognition and measurement of securities portfolio (continued)

The changes in accounting policies have been applied retrospectively and an analysis of the impact to the financial results and position of the Group and the Bank are summarised as follows:

	Group			Bank		
	As previously reported RM'000	Effects from changes in accounting policies RM'000	As restated RM'000	As previously reported RM'000	Effects from changes in accounting policies RM'000	As restated RM'000
As at 30 June 2005						
Balance sheets						
Securities held at fair value through profit or loss	-	2,660,197	2,660,197	-	2,660,197	2,660,197
Available-for-sale securities	-	2,348,500	2,348,500	-	2,348,500	2,348,500
Held-to-maturity securities	-	1,003,385	1,003,385	-	1,003,385	1,003,385
Other assets	252,741	69,822	322,563	250,395	69,822	320,217
Deferred tax assets	115,204	(426)	114,778	115,204	(426)	114,778
Other liabilities	(695,178)	(84,960)	(780,138)	(712,946)	(84,960)	(797,906)
Income statements						
Non-interest income	339,551	(8,743)	330,808	1,174,427	(8,743)	1,165,684
Taxation and zakat	(202,444)	2,448	(199,996)	(424,262)	2,448	(421,814)
Profit before taxation and zakat	722,178	(8,473)	713,435	1,530,057	(8,743)	1,521,314
Profit after taxation and zakat	519,734	(6,295)	513,439	1,105,795	(6,295)	1,099,500
As at 30 June 2005						
Statement of changes in equity						
Retained profit	1,040,133	(4,181)	1,035,952	1,040,103	(4,181)	1,035,922
Fair value reserve	-	5,279	5,279	-	5,279	5,279
As at 30 June 2004						
Retained profit	628,305	2,114	630,419	482,566	2,114	484,680
Fair value reserve	-	1,726	1,726	-	1,726	1,726



Statement by Directors

pursuant to Section 169 (15) of the Companies Act, 1965

We, Yvonne Chia and Zulkiflee Hashim, being two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 53 to 138 are drawn up so as to give a true and fair view of:

- (a) the state of affairs of the Group and the Bank as at 30 June 2006 and of the results of their operations for the year ended on that date; and
- (b) the cash flows of the Group and the Bank for the year then ended

in accordance with the provisions of the Companies Act, 1965, the MASB approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

On behalf of the Board

Yvonne Chia

Zulkiflee Hashim

Kuala Lumpur
24 August 2006



Statutory Declaration

pursuant to Section 169 (16) of the Companies Act, 1965

I, James Lim Tuang Ooi, being the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 138 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed James Lim Tuang Ooi)
at Kuala Lumpur in Wilayah Persekutuan)
on 24 August 2006) **James Lim Tuang Ooi**

Before me,

Commissioner for Oaths
24 August 2006





Report of the Auditors

to the members of Hong Leong Bank Berhad (Company no: 97141-X) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 53 to 138.

These financial statements are the responsibility of the Bank's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with the approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, the MASB approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Bank as at 30 June 2006 and of the results and cash flows of the Group and Bank for the financial year ended on that date; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of subsidiary companies of which we have not acted as auditors are indicated in Note 11 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Soo Hoo Khoon Yean
(No. 2682/10/07 (J))
Partner

Kuala Lumpur
24 August 2006



Other Information

1. MATERIAL CONTRACT

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of the Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2006

Authorised share capital : RM3,000,000,000

Issued & paid-up capital : RM1,580,107,034

Adjusted issued & paid-up capital : RM1,510,477,934
(after deducting treasury shares pursuant to Section 67A of the Companies Act, 1965)

Class of shares : Ordinary shares of RM1.00 each

Voting rights

- on show of hands : 1 vote
- on a poll : 1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2006 as per Record of Depositors

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	213	1.42	7,047	0.00
100 - 1,000	3,220	21.50	2,825,507	0.19
1,001 - 10,000	9,797	65.41	35,733,030	2.36
10,001 - 100,000	1,461	9.75	41,705,414	2.76
100,001 - less than 5% of issued shares	284	1.90	367,568,817	24.33
5% and above of issued shares	3	0.02	1,063,060,119	70.36
	14,978	100.00	1,510,899,934	100.00

Other Information (continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2006 (continued)

List of Thirty Largest Shareholders as at 30 August 2006 as per Record of Depositors

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	828,740,168	54.85
2.	Hong Leong Financial Group Berhad	122,833,332	8.13
3.	Employees Provident Fund Board	111,486,619	7.38
4.	AmTrustee Berhad - Exempted ESOS (HLBB)	40,000,000	2.65
5.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	26,114,800	1.73
6.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	24,244,200	1.60
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	23,983,500	1.59
8.	HSBC Nominees (Asing) Sdn Bhd - Silchester International Investors International Value Equity Trust	18,143,600	1.20
9.	HSBC Nominees (Asing) Sdn Bhd - Mondrian Emerging Markets Equity Fund L.P.	13,329,800	0.88
10.	Permodalan Nasional Berhad	12,460,000	0.82
11.	HSBC Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	8,173,500	0.54
12.	HSBC Nominees (Asing) Sdn Bhd - Silchester International Investors International Value Equity Group Trust	7,661,900	0.51
13.	Valuecap Sdn Bhd	7,397,200	0.49
14.	Pertubuhan Keselamatan Sosial	5,550,500	0.37
15.	Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	5,173,500	0.34
16.	Citigroup Nominees (Asing) Sdn Bhd - PSP Foreign Equity Fund	4,810,400	0.32
17.	HLG Nominee (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	4,659,385	0.31

Other Information (continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2006 (continued)

List of Thirty Largest Shareholders as at 30 August 2006 as per Record of Depositors (continued)

Name of Shareholders	No. of Shares	%
18. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Assurance Malaysia Berhad	4,133,300	0.27
19. RHB Nominees (Asing) Sdn Bhd - Cheng Fu Zay	3,963,600	0.26
20. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng Hai	3,935,000	0.26
21. Cartaban Nominees (Asing) Sdn Bhd - California State Teachers Retirement System	3,886,800	0.26
22. Citigroup Nominees (Asing) Sdn Bhd - Florida Retirement System	3,725,200	0.25
23. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Wawasan 2020	3,700,000	0.24
24. Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Bersama	3,441,300	0.23
25. Cartaban Nominees (Asing) Sdn Bhd - Ishares, Inc.	3,432,000	0.23
26. Low Poh Weng	3,410,000	0.23
27. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for J.P. Morgan Bank Luxembourg S.A.	3,380,500	0.22
28. Citigroup Nominees (Asing) Sdn Bhd - Oversea-Chinese Banking Corporation Limited	2,858,500	0.19
29. Citigroup Nominees (Asing) Sdn Bhd - Kodak Retirement Income Plan Trust	2,785,800	0.18
30. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges Bank)	2,645,000	0.18
	1,310,059,404	86.71

Other Information (continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2006 (continued)

Substantial shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Bank as at 30 August 2006 are as follows:-

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	951,573,500	63.00	1,912,100#	0.12
Hong Leong Company (Malaysia) Berhad	-	-	953,485,600*	63.12
Tan Sri Quek Leng Chan	-	-	953,525,600**	63.13
HL Holdings Sdn Bhd	-	-	953,485,600***	63.12
Kwek Holdings Pte Ltd	-	-	953,485,600***	63.12
Kwek Leng Beng	-	-	953,485,600***	63.12
Hong Realty (Private) Limited	-	-	953,485,600***	63.12
Hong Leong Investment Holdings Pte Ltd	-	-	953,485,600***	63.12
Davos Investment Holdings Private Limited	-	-	953,485,600***	63.12
Kwek Leng Kee	202,500	0.01	953,485,600***	63.12
Quek Leng Chye	-	-	953,485,600***	63.12
Guoco Assets Sdn Bhd	-	-	953,485,600*	63.12
GuoLine Overseas Limited	-	-	953,485,600*	63.12
Guoco Group Limited	-	-	953,485,600*	63.12
GuoLine Capital Assets Limited	-	-	953,485,600*	63.12
Employees Provident Fund Board	130,768,619	8.66	-	-

Notes:

* Deemed interest through Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)

** Deemed interest through Hong Leong Company (Malaysia) Berhad and a company in which Tan Sri Quek Leng Chan has interest.

*** Deemed interest through Hong Leong Company (Malaysia) Berhad

Deemed interest through a subsidiary

Other Information (continued)

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2006

Subsequent to the financial year end, there is no change as at 30 August 2006 to the Directors' interests in the ordinary shares/warrants/options/convertible unsecured loan stocks of the Bank and/or its related corporations, (other than wholly-owned subsidiaries) appearing in the Directors' Report on pages 46 to 49 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965 except for the changes set out below:

	No. of ordinary shares/*new shares to be issued arising from the exercise of warrant/options/convertible unsecured loan stocks	
	Indirect Interest No. of shares	%
YBhg Tan Sri Quek Leng Chan		
Hong Leong Bank Berhad	953,525,600	63.13#
GuocoLand (Malaysia) Berhad	457,287,216	65.28
Hong Leong Industries Berhad ("HLI")	134,924,600	61.99@
	46,622,445*	14.74^
Malaysian Pacific Industries Berhad	116,807,709	58.72
BIL International Limited	697,242,043	50.97
Camerlin Group Berhad	271,780,317	69.16
Nanjing Mahui Property Development Co., Ltd	271,499,800	94.93

Notes:

Change of percentage arising from share buy back

@ Change of percentage arising from the conversion of convertible unsecured loan stocks 2002/2007 ("ICULS")

^ Based on the enlarged share capital of HLI assuming full exercise of warrants, options and ICULS as at 30 August 2006

4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Month	No. of shares bought back	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration (RM)
July 2005	610,000	5.20	5.20	5.20	3,179,862
August 2005	-	-	-	-	-
September 2005	-	-	-	-	-
October 2005	30,000	5.20	5.30	5.25	158,075
November 2005	2,825,600	4.94	5.15	5.02	14,228,489
December 2005	3,212,700	4.98	5.10	5.03	16,209,413
January 2006	-	-	-	-	-
February 2006	2,502,400	5.10	5.20	5.17	12,966,039
March 2006	2,819,100	5.10	5.15	5.13	14,492,855
April 2006	-	-	-	-	-
May 2006	-	-	-	-	-
June 2006	-	-	-	-	-

Other Information (continued)

5. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
1. 1, Light Street, Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	72	7,517	30/12/1986
2. 15-G-1, 15-1-1 & 15-2-1 15, Medan Kampung Relau Bayan Point, 11900 Pulau Pinang	Freehold	Branch premises	9,968	7	2,527	26/6/1997
3. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	24	2,360	27/12/1983
4. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul, Sarawak	Freehold	Branch premises	4,871	14	3,232	28/12/1992
5. Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6. 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	15	1,542	29/6/1996
7. 69, 70 & 71 Jalan Dato' Bandar Tunggal 70000 Seremban Negri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,457	27/12/1994
8. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	20	569	30/12/1986
9. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	40	748	31/5/1990
10. 100, Jalan Gurney, 72100 Bahau Negri Sembilan Darul Khusus	Freehold	Branch premises	5,107	20	2,603	25/6/1992
11. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	15	3,939	25/6/1992
12. 6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	37	118	18/10/1969
13. Vacant land at Jalan Peace Kuching Lot 2081 Section 64 KTLD, Sarawak	Leasehold - 99 years (31/12/2037)	Vacant land	22,172	n/a	40	31/12/1967
14. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	11	3,825	28/4/1997
15. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	10	1,314	28/4/1997

Other Information (continued)

5. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
16. 1, Jalan Takal 15/21 Seksyen 15, 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	19	1,338	26/6/1997
17. Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	12	240	26/6/1997
18. Sublot 1 & 2 on parent lot 2633 Bintulu Siwa District Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	9	1,364	26/6/1997
19. Lot 34, Industrial Land 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	10	2,745	26/1/1995
20. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	31	60	30/6/1977
21. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	13	961	1/1/1994
22. 31, Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	Freehold	Vacant	2,448	22	697	1/7/1988
23. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	28	2,306	24/11/1978
24. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	11	536	26/12/1995
25. 452, Jalan Pinang 10000 Pulau Pinang	Freehold	Vacant	2,874	10	1,222	1/12/1996
26. 55-57, Jalan Yang Kalsom 30250 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	11,720	27	1,220	1/10/1984
27. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	11	309	24/11/1995
28. 75, Jalan Sultan Idris Shah 30000 Ipoh, Perak Darul Ridzuan	Freehold	Branch premises	1,900	9	662	15/6/1998
29. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	16	1,308	1/6/1994
30. 36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	19	222	30/11/1984
31. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	24	381	29/11/1985

Other Information (continued)

5. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
32. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	26	339	1/4/1980
33. Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	26	535	31/7/1988
34. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Branch premises	2,454	10	2,617	14/2/1996
35. 109, Jalan SS 21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	6,446	10	1,698	23/9/1996
36. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	13	514	22/10/1977
37. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	18	216	1/9/1988
38. 31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	14	547	5/3/1996
39. 103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	12,222	32	687	30/6/1977
40. 26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	7,040	22	1,433	22/5/1995
41. 21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	20	437	26/6/1986
42. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	38	42	30/6/1977
43. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	66	165	30/8/1982
44. 16A, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman	Freehold	Vacant	2,125	9	1,343	15/6/1998
45. W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	7	1,908	18/12/1999

Other Information (continued)

5. LIST OF PROPERTIES (continued)

Location	Tenure	Description of property held	Gross area (Sq-ft)	Approx. Age (years)	Net book value (RM'000)	Date of acquisition
46. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth, Pulau Pinang	Freehold	Branch premises	12,173	7	3,619	18/12/1999
47. Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Branch premises	4,945	7	3,331	23/11/1999
48. Plot No 20, Jalan Bidor Raya 35500 Bidor, Perak Darul Ridzuan	Freehold	Branch premises	3,243	7	556	23/11/1999
49. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	6	2,112	23/11/1999
50. Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	7	1,533	31/5/1991
51. Lots 17 & 18, Mukim Serdang Daerah Bandar Baharu Kedah Darul Aman	Freehold	Branch premises	5,840	5	423	20/9/2000
52. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	5	361	13/12/2000
53. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	10	5,041	14/10/1996
54. 34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	13	606	26/11/1993
55. 8, Jalan Carpenter Street 93000 Kuching Sarawak	Leasehold - 999 years (31/12/2775)	Branch premises	1,860	37	147	25/8/1969
56. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	15	643	30/5/1991
57. 486, Jalan Pudu 55100 Kuala Lumpur	Freehold	Vacant premises	2,396	9	1,394	22/8/1997
58. Lot 3088, Lanang Road Sibu Town District Sarawak	Leasehold - 60 years (31/12/2028)	Godown	3,210	38	32	25/11/1968
59. Island Road Sibu Lot 454, Block 5 Sibu Town District, Sarawak	Leasehold - 60 years (30/11/2055)	Vacant premises	10,587	10	1,279	26/2/1996
60. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	1	2,620	25/11/2005
61. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	1	2,700	25/10/2005

Network Of Branches

HEAD OFFICE

Level 2
Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2164 2828
Fax : 03-2164 1512

PENINSULAR MALAYSIA WILAYAH PERSEKUTUAN

1. Level 1
Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2525
Fax : 03-2164 1511
2. 147, Jalan Imbi
55100 Kuala Lumpur
Tel : 03-2141 1420
Fax : 03-2141 1429
3. No. 34, 36 & 38
Jalan Petaling
50000 Kuala Lumpur
Tel : 03-2072 3226
Fax : 03-2026 3048
4. Lot G-06
Wisma Bukit Bintang
No. 28 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03-2142 9943
Fax : 03-2144 4802
5. 26, Persiaran Ara Kiri
Lucky Garden, Bangsar
59100 Kuala Lumpur
Tel : 03-2093 8430
Fax : 03-2094 3745
6. Ground Floor
Bangunan Hong Leong
117 Jln Tun H S Lee
50000 Kuala Lumpur
Tel : 03-2070 0686
Fax : 03-2031 7784
7. No. 37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-2284 3709
Fax : 03-2284 3349
8. 36, Jalan Midah 1
Taman Midah, Cheras
56000 Kuala Lumpur
Tel : 03-9130 8906
Fax : 03-9131 0433
9. No. 114 & 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel : 03-9102 1501
Fax : 03-9102 1497
10. Lot 568-G-17 & Lot 568-1-17
Kompleks Mutiara
3 1/2 Mile, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-6258 3801
Fax : 03-6258 3804
11. No. 31 & 33, Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel : 03-7982 6462
Fax : 03-7980 9324
12. No. 6 Jalan Kenanga
55200 Kuala Lumpur
Tel : 03-9222 1499
Fax : 03-9222 1507
13. 471 & 473, Batu 3
Jalan Ipoh, 51200 Kuala Lumpur
Tel : 03-4044 4736
Fax : 03-4044 4606
14. 111, Jalan Mega Mendung
Kompleks Bandar
Off Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7981 4251
Fax : 03-7982 7811
15. Ground & 1st Floor
Bangunan PLC
No. 279 & 281
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : 03-2691 5588
Fax : 03-2691 3629
16. 1, Jalan Ambong Kiri Dua
Kepong Baru
52100 Kuala Lumpur
Tel : 03-6257 1022
Fax : 03-6251 9717
17. 180-0-7 & 180-0-8
Wisma Mahkota, Taman Maluri
Cheras, 55100 Kuala Lumpur
Tel : 03-9282 1507
Fax : 03-9282 1549
18. Lot G01A - G02A
Ground Floor, Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2143 0641
Fax : 03-2142 8671
19. 30-34, Jalan Awan Hijau
Oversea Union Garden
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 03-7983 6612
Fax : 03-7981 7324
20. No. 1-GM Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur
Tel : 03-9287 7369
Fax : 03-9287 7630
21. No. 23GM & 25GM
Jalan Pandan Indah 4/8
Pandan Indah
55100 Kuala Lumpur
Tel : 03-4280 0879
Fax : 03-4297 2258
22. 55 - 57 Jalan Pasar
55100 Kuala Lumpur
Tel : 03-9223 5249
Fax : 03-9223 0527
23. No. 47 & 48, Jalan Chow Kit
50350 Kuala Lumpur
Tel : 03-4043 8390
Fax : 03-4043 1914
24. No. 71 & 73
Jalan Radin Tengah, Zone J 4
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel : 03-9058 2349
Fax : 03-9057 8041
25. A54 Jalan Tuanku Empat
Salak South Garden
Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel : 03-7982 9157
Fax : 03-7982 9210

Network Of Branches (continued)

- | | | |
|--|--|---|
| 26. No. 8 & 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur
Tel : 03-4023 9048
Fax : 03-4023 9041 | SELANGOR DARUL EHSAN | 44. Lot G-18 & G-19
Perdana The Palace
Damansara Perdana
47820 Petaling Jaya
Tel : 03-7724 2459
Fax : 03-7724 2167 |
| 27. 26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7729 3719
Fax : 03-7728 6312 | 35. No. 91, Lorong Memanda 1
Ampang Point
68000 Ampang
Tel : 03-4252 3411
Fax : 03-4253 2505 | 45. No. 25-29G
Jalan SS 21/60
47400 Damansara Utama
Petaling Jaya
Tel : 03-7726 3967
Fax : 03-7726 4037 |
| 28. No. 266 & 267, Jalan Bandar 12
Taman Melawati
53100 Kuala Lumpur
Tel : 03-4106 9391
Fax : 03-4107 0152 | 36. 1G-3G
Jalan Wawasan 2/10
Bandar Baru Ampang
68000 Ampang
Tel : 03-4291 0437
Fax : 03-4292 8006 | 46. No. 8, Jalan SG 1/2
Taman Seri Gombak
68100 Batu Caves
Tel : 03-6184 2492
Fax : 03-6185 2689 |
| 29. No. 110 Jalan Tun Sambanthan
50470 Kuala Lumpur
Tel : 03-2274 1081
Fax : 03-2273 6995 | 37. No. 7 & 9
Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang
Tel : 03-4292 9867
Fax : 03-4293 9898 | 47. 30, Persiaran Tun Abdul Aziz
43000 Kajang
Tel : 03-8736 5277
Fax : 03-8736 8133 |
| 30. No. 3, Jalan 45/26
Taman Sri Rampai
53300 Kuala Lumpur
Tel : 03-4025 1378
Fax : 03-4025 4231 | 38. No. 68
Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Tel : 03-3324 2832
Fax : 03-3324 1339 | 48. 20 Jalan Goh Hock Huat
41400 Klang
Tel : 03-3342 8036
Fax : 03-3344 8872 |
| 31. No. 44 & 46, Block A
Plaza Sinar, Jalan 8/38D
Taman Sri Sinar, Segambut
51200 Kuala Lumpur
Tel : 03-6272 9637
Fax : 03-6272 9736 | 39. Wisma Keringat 2
No. 17, Lorong Batu Caves 2
68100 Batu Caves
Tel : 03-6187 7464
Fax : 03-6187 8042 | 49. No. 11 & 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang
Tel : 03-8737 6090
Fax : 03-8737 6517 |
| 32. No. 2, Jalan 22A/70A
Desa Sri Hartamas
50480 Kuala Lumpur
Tel : 03-6201 3749
Fax : 03-6201 4034 | 40. No. 24, Medan Taming 2
Taman Taming Jaya
43300 Balakong
Tel : 03-8961 5949
Fax : 03-8961 5951 | 50. No. 23 & 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor
Tel : 03-6277 4614
Fax : 03-6272 2687 |
| 33. No. 7 & 9, Jalan 2/109F
Plaza Danau 2
Taman Danau Desa
Off Jalan Klang Lama
58100 Kuala Lumpur
Tel : 03-7982 7478
Fax : 03-7987 7868 | 41. No. 119 & 121
Jalan Sultan Abdul Samad
42700 Banting
Tel : 03-3187 6758
Fax : 03-3187 6652 | 51. Wisma Amsteel Securities
No. 1, Lintang Pekan Baru
Off Jalan Meru
41050 Kelang
Tel : 03-3343 7635
Fax : 03-3343 7621 |
| 34. No. 50, Jalan Manis 1
Taman Segar, Cheras
56100 Kuala Lumpur
Tel : 03-9133 2924
Fax : 03-9132 1370 | 42. No. 64 Jalan BRP 1/2
Bukit Rahman Putra
47000 Sungai Buloh
Tel : 03-6156 0195
Fax : 03-6157 5610 | 52. No. 29
Jalan Anggerik Vanilla N 31/N
Kota Kemuning
40460 Shah Alam
Tel : 03-5123 1335
Fax : 03-5123 1635 |
| | 43. 19 Jalan 54, Desa Jaya
52100 Kepong
Tel : 03-6276 3701
Fax : 03-6272 2012 | |

Network Of Branches (continued)

- | | | |
|--|---|--|
| 53. No. 64, Jalan Stesen
45000 Kuala Selangor
Tel : 03-3289 5958
Fax : 03-3289 5955 | 63. No. 59A, Jalan Welman
48000 Rawang
Tel : 03-6091 0460
Fax : 03-6093 4482 | 72. 29-1, Jalan SP 2/1
Taman Serdang Perdana
43300 Seri Kembangan
Tel : 03-8943 0795
Fax : 03-8943 0867 |
| 54. No. 18 & 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya
Tel : 03-7876 5131
Fax : 03-7876 4836 | 64. 63 & 65, SS23/15
Taman SEA
47400 Petaling Jaya
Tel : 03-7804 9053
Fax : 03-7804 4049 | 73. Grd & 1st Floor
No. 1505B, Jalan Besar
43300 Seri Kembangan
Tel : 03-8948 3341
Fax : 03-8948 5031 |
| 55. No. 48 Jalan Bandar Tiga
Pusat Bandar Puchong
47100 Puchong
Tel : 03-5882 1297
Fax : 03-5882 2869 | 65. No. 1 & 3
Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang
Tel : 03-3324 2546
Fax : 03-3324 2553 | 74. No. 7 & 9
Jalan Pasar Baru 2
Seksyen 3
Bandar Semenyih
43500 Semenyih
Tel : 03-8724 9424
Fax : 03-8724 7743 |
| 56. No. 2, Jalan Kinrara
Taman Kinrara, Jalan Puchong
47100 Puchong
Tel : 03-8075 1486
Fax : 03-8070 1635 | 66. No. 3, Jalan Takal 15/21
Seksyen 15
40000 Shah Alam
Tel : 03-5510 9023
Fax : 03-5510 5307 | 75. 12 & 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya
Tel : 03-5637 5396
Fax : 03-5637 5397 |
| 57. No. E-01-07 & E-01-08
Jalan Puchong Prima 5/3
Puchong Prima, 47100 Puchong
Tel : 03-8068 3285
Fax : 03-8060 5427 | 67. W-1-0, W-2-0 & W-1-1
Subang Square Business Centre
Jalan SS15/4G
47500 Subang Jaya
Tel : 03-5632 9068
Fax : 03-5632 8764 | 76. 18, Ground Floor
Jalan 14/14
46100 Petaling Jaya
Tel : 03-7956 8101
Fax : 03-7955 0425 |
| 58. No. 14 & 15, Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong
Tel : 03-8076 6697
Fax : 03-8076 6610 | 68. 30 Jalan Public
Sungai Buloh New Village
47000 Sungai Buloh
Tel : 03-6157 4286
Fax : 03-6156 9796 | 77. No. 174 & 174A, Jalan Besar
42800 Tanjung Sepat
Kuala Langat
Tel : 03-3197 2149
Fax : 03-3197 2257 |
| 59. 80 & 82 Jalan Othman (1/14)
46000 Petaling Jaya
Tel : 03-7781 4261
Fax : 03-7781 0133 | 69. No. 15 & 16
Jalan Menteri Besar 2
New Sekinchan Business centre
45400 Sekinchan
Tel : 03-3241 6352
Fax : 03-3241 6303 | 78. 1 & 3
Jalan Seri Tanming 1 F
Taman Seri Tanming, Batu 9
43200 Cheras
Tel : 03-9100 4559
Fax : 03-9100 3760 |
| 60. Lot 9, Jalan 227C
46100 Petaling Jaya
Tel : 03-7954 1896
Fax : 03-7960 0706 | 70. No. 39 & 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves
Tel : 03-6120 6813
Fax : 03-6120 6797 | 79. Ground Floor
No. 22, Jalan USJ 10/1
47620 Subang Jaya
Tel : 03-5636 7225
Fax : 03-5636 7230 |
| 61. 34 & 36
Jalan Yong Shook Lin
46200 Petaling Jaya
Tel : 03-7958 1269
Fax : 03-7958 1032 | 71. No. 26
Jalan Tengku Ampuan
Zabedah D9/D, Seksyen 9
40100 Shah Alam
Tel : 03-5880 8047
Fax : 03-5880 8726 | 80. 169, Jalan Teluk Pulau
41100 Klang
Tel : 03-3372 7333
Fax : 03-3372 7111 |
| 62. Ground & Mezz Floor
39, Jalan SS2/67
47300 Petaling Jaya
Tel : 03-7876 9372
Fax : 03-7876 9846 | | |



Network Of Branches (continued)

81. No. 36
Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang
Tel : 03-5161 1679
Fax : 03-5161 1919

82. No. 16, Jalan SS19/6
47500 Subang Jaya
Selangor
Tel : 03-5636 8295
Fax : 03-5632 1313

PERLIS INDERA KAYANGAN

83. No. 40 & 42
Jalan Bukit Lagi
01000 Kangar
Tel : 04-9770 366
Fax : 04-9772 888

KEDAH DARUL AMAN

84. 1540 Jalan Sultan Badlishah
05000 Alor Setar
Tel : 04-7317 255
Fax : 04-7311 514

85. No. 24, 26 & 28
Jalan Teluk Wanjah
05200 Alor Setar
Tel : 04-7312 969
Fax : 04-7314 582

86. 62 & 63, Jalan Bayu Satu
09000 Kulim
Tel : 04-4913 612
Fax : 04-4913 604

87. Ground & 1st Floor
No. 64 & 65
Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani
Tel : 04-4236 118
Fax : 04-4236 121

88. No. 1 & 2, Jalan Raya
09800 Serdang
Tel : 04-4076 913
Fax : 04-4076 921

89. 9A & 9B
Jalan Kampung Baru
08000 Sungai Petani
Tel : 04-4205 225
Fax : 04-4226 012

PULAU PINANG

90. 33A, B & C
Lintang Angsana
Bandar Baru Ayer Itam
11500 Pulau Pinang
Tel : 04-8260 235
Fax : 04-8269 843

91. No. 4 & 6
Lorong Usahaniaga 1
Taman Usahaniaga
14000 Bukit Mertajam
Tel : 04-5370 453
Fax : 04-5370 454

92. 2828-G-02 & 2828-1-02
Jalan Bagan Luar
12000 Butterworth
Tel : 04-3315 660
Fax : 04-3312 145

93. No. 15-G-1 (Bayan Point)
Medan Kampung Relau
11900 Penang
Tel : 04-6428 644
Fax : 04-6428 640

94. No. 6963 & 6964
Jalan Ong Yi How
Kawasan Perusahaan Raja Uda
13400 Butterworth
Tel : 04-3328 735
Fax : 04-3322 277

95. 294 & 296
Jalan Jelutong
11600 Penang
Tel : 04-2812 435
Fax : 04-2812 148

96. 19 Jalan Bertam
13200 Kepala Batas
Seberang Prai
Tel : 04-5754 871
Fax : 04-5757 688

97. 1781, Jalan Nibong Tebal
Taman Panchor Indah
14300 Pulau Pinang
Tel : 04-5941 942
Fax : 04-5942 886

98. 45 Jalan Burma
10050 Pulau Pinang
Tel : 04-2103 505
Fax : 04-2262 779

99. 98-G-15, Prima Tanjung
Jalan Fettes, Tanjung Tokong
10470 Pulau Pinang
Tel : 04-8991 322
Fax : 04-8998 644

100. No. 1, Lebuhr Kurau 1
Taman Chai Leng
13700 Prai
Tel : 04-3977 961
Fax : 04-3977 851

101. No. 9 & 10
Jalan Todak 2, Pusat Bandar
Seberang Jaya, 13700 Prai
Tel : 04-3972 092
Fax : 04-3972 094

102. No. 441-G-1, 441-G-2, 441-G-3
Jalan Burmah
10350 Pulau Pinang
Tel : 04-2295 717
Fax : 04-2288 472

103. No. 723-G-G, 723-H-G & 723-I-G
Jalan Sungai Dua
11700 Pulau Pinang
Tel : 04-6586 699
Fax : 04-6586 969

104. No. 1
Light Street Georgetown
10200 Penang
Tel : 04-2615 154
Fax : 04-2626 360

105. No. 1-G-03, Tesco Penang
No. 1, Leboh Tengku Kudin 1
Bandar Jelutong
11700 Penang
Tel : 04-6561 420
Fax : 04-6561 840

PERAK DARUL RIDZUAN

106. No. 91 & 93
Jalan Dato Lau Pak Khuan
Ipoh Garden
31400 Ipoh
Tel : 05-546 5359
Fax : 05-549 5158

107. N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Tel : 05-434 1212
Fax : 05-434 4313

Network Of Branches (continued)

108. 27 Jalan Dewangsa
31000 Batu Gajah
Tel : 05-365 3192
Fax : 05-365 3190

109. 75, Jalan Sultan Idris Shah
30000 Ipoh
Tel : 05-2554 482
Fax : 05-2547 335

110. Lot-A-G-2 (Ground Floor)
No. 1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Tel : 05-2530 048
Fax : 05-2555 251

111. 579 & 579A
Jalan Pasir Puteh
31650 Ipoh
Tel : 05-3229 653
Fax : 05-3229 641

112. Ground Floor
55-57 Jalan Yang Kalsom
30250 Ipoh
Tel : 05-2491 539
Fax : 05-2542 323

113. 133 & 135 Jalan Gopeng
31900 Kampar
Tel : 05-4665 778
Fax : 05-4665 191

114. No. 17, Jalan Persiaran
Kledang Timur 21
Bandar Baru Menglembu
31450 Ipoh
Tel : 05-2829 367
Fax : 05-2829 372

115. 41, Jalan Taiping
34200 Parit Buntar
Tel : 05-7164 689
Fax : 05-7163 648

116. No. 28, Medan Silibin
30100 Ipoh
Tel : 05-5281 553
Fax : 05-5264 333

117. No. 16 & 17
Taman Sitiawan Maju
Jalan Lumut, 32000 Sitiawan
Tel : 05-6922 317
Fax : 05-6922 320

118. No. 53, 55 & 57
Jalan Stesyen, 34000 Taiping
Tel : 05-8065 446
Fax : 05-8065 631

119. No. 11 & 12
Kompleks Menara Condong
Jalan Ah Chong
36000 Teluk Intan
Tel : 05-6237 277
Fax : 05-6233 642

NEGERI SEMBILAN DARUL KHUSUS

120. 100, Jalan Gurney
72100 Bahau
Tel : 06-4542 980
Fax : 06-4545 358

121. 112 Jalan Yam Tuan Raden
72000 Kuala Pilah
Tel : 06-4816 928
Fax : 06-4813 284

122. 9267 Jalan TS 2/1 H
Taman Semarak 2, 71800 Nilai
Tel : 06-7991 752
Fax : 06-7991 755

123. No. 69, 70 & 71,
Jalan Dato Bandar Tunggal
70000 Seremban
Tel : 06-7628 781
Fax : 06-7638 288

124. 1278 Jalan Rasah
70300 Seremban
Tel : 06-7615 789
Fax : 06-7615 801

PAHANG DARUL MAKMUR

125. A125 & A127
Jalan Air Putih, 25300 Kuantan
Tel : 09-5683 277
Fax : 09-5684 359

126. 1 Bentong Heights
28700 Bentong
Tel : 09-2221 080
Fax : 09-2223 592

127. 36 Main Road, Tanah Rata
39000 Cameron Highlands
Tel : 05-4915 158
Fax : 05-4911 158

128. No. 25
Jalan Tun Ismail
25000 Kuantan
Tel : 09-5157 158
Fax : 09-5157 130

129. 59 & 60
Jalan Temerloh
Locked Bag No. 9
28409 Mentakab
Tel : 09-2772 954
Fax : 09-2772 995

130. 21 Jalan Tun Razak
27600 Raub
Tel : 09-3554 423
Fax : 09-3554 455

131. F107 Jalan Kuantan
28000 Temerloh
Tel : 09-2967 492
Fax : 09-2967 553

KELANTAN DARUL NAIM

132. PT 226 & 227
Jalan Kebun Sultan
15350 Kota Baru
Tel : 09-7470 934
Fax : 09-7473 799

TERENGGANU DARUL IMAN

133. Lot 3594 & 3595
Jalan Baru Pak Sabah
23000 Dungun
Tel : 09-8482 766
Fax : 09-8484 480

134. 116, Jalan Pejabat
20000 Kuala Terengganu
Tel : 09-6244 464
Fax : 09-6244 261

MELAKA

135. 150 & 152
Kompleks Munshi Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel : 06-2816 735
Fax : 06-2830 399

136. 345, Jalan Ong Kim Wee
75300 Melaka
Tel : 06-2842 310
Fax : 06-2830 153



Network Of Branches (continued)

137. No. 102 & 104
Jalan Suria 2
Taman Malim Jaya
75250 Melaka
Tel : 06-3343 170
Fax : 06-3343 067

JOHOR DARUL TAKZIM

138. 31 & 32 Jalan Kundang
Taman Bukit Pasir
83000 Batu Pahat
Tel : 07-4334 105
Fax : 07-4317 071

139. No. 49, Jalan Jenang
83000 Batu Pahat
Tel : 07-4314 436
Fax : 07-4311 681

140. 37, Jalan Harimau Tarum
Taman Century
80250 Johor Baharu
Tel : 07-3335 909
Fax : 07-3315 559

141. 12 - 16
Jalan Wong Ah Fook
80000 Johor Baharu
Tel : 07-2228 312
Fax : 07-2249 317

142. No. 8, Jalan Station
80000 Johor Bahru
Tel : 07-2228 462
Fax : 07-2763 085

143. 120 - 122, Jalan Mersing
86000 Kluang
Tel : 07-7732 234
Fax : 07-7724 170

144. 21, Jalan Ibrahim
81900 Kota Tinggi
Tel : 07-8832 021
Fax : 07-8835 989

145. No. 6 & 7, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai
Tel : 07-6635 282
Fax : 07-6632 336

146. No. 70, Jalan Segamat
85300 Labis
Tel : 07-9251 208
Fax : 07-9251 336

147. No. 17 & 18
Jalan Cempaka, 81750 Masai
Tel : 07-2526 500
Fax : 07-2526 378

148. No. 61-1, 61-2, 61-3
Jalan Arab, 84000 Muar
Tel : 06-9515 127
Fax : 06-9515 215

149. No. 2 Jalan Jati Satu
Taman Nusa Bestari Jaya
81300 Skudai, Johor
Tel : 07-5115 471
Fax : 07-5113 492

150. 2 & 2-01
Jalan Permas 10/7
Bandar Baru Permas Jaya
81750 Johor Bahru
Tel : 07-3867 074
Fax : 07-3880 762

151. No. 173 & 175
Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Tel : 07-3353 614
Fax : 07-3342 598

152. No. 685, Jalan Taib Pontian
82000 Johor
Tel : 07-6868 900
Fax : 07-6876 561

153. No. 32 & 33, Jalan Genuang
85000 Segamat
Tel : 07-9312 401
Fax : 07-9310 212

154. 6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai
Tel : 07-5547 690
Fax : 07-5566 682

155. No. LC 531, Jalan Payamas
84900 Tangkak
Tel : 06-9781 154
Fax : 06-9784 684

156. 80 Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru
Tel : 07-3546 320
Fax : 07-3552 311

157. No. 39 & 41
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai
Tel : 07-5217 817
Fax : 07-5217 726

158. Lot No. S122, KIP Mart
Taman Tampoi Indah
81200 Tampoi
Tel : 07-2419 832
Fax : 07-2418 061

159. 109 Main Road
83700 Yong Peng
Tel : 07-4672 351
Fax : 07-4674 185

SABAH

160. Block B, 7, 11.2 km, Jalan Tuaran
Hiong Tiong Industrial Centre
88815 Inanam
Tel : 088-437 026
Fax : 088-437 302

161. 19 Jalan Haji Saman
P.O. Box 11989
88821 Kota Kinabalu
Tel : 088-235 699
Fax : 088-218 386

162. Lot 119, Jalan Gaya
88000 Kota Kinabalu
Tel : 088-255 278
Fax : 088-223 261

163. No. 5 & 6 (Ground Floor)
Lorong Lintas Plaza 1
Lintas Plaza
88300 Kota Kinabalu
Tel : 088-318 753
Fax : 088-316 226

164. Lot 1, 2 & 3, Block 18
Mile 4, North Road
Bandar Indah
90722 Sandakan
Tel : 089-217 835
Fax : 089-212 731

165. Ground Floor
Wisma Sandaraya
Humphrey Street
90000 Sandakan
Tel : 089-226 911
Fax : 089-275 499

Network Of Branches (continued)

166. Ground & 1st Floor
Lot No. 1, Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau
Tel : 089-770 395
Fax : 089-770 403

SARAWAK

167. Sublot 6, Lot 538
Jalan Lee Kai Teng
P.O. Box 34
95700 Betong
Sarawak
Tel : 083-472 278
Fax : 083-472 326

168. 8-10, Lorong Maju
P.O. Box 279
96508 Bintangor
Sarawak
Tel : 084-693 431
Fax : 084-693 689

169. Lot 3073 & 3074
Jalan Abang Galau
97000 Bintulu
Sarawak
Tel : 086-332 293
Fax : 086-332 433

170. 8, Carpenter Street
P.O. Box 1672
93634 Kuching
Sarawak
Tel : 082-424 488
Fax : 082-427 916

171. 18, Chew Geok Lin Street
(formerly OST)
P.O. Box 1461
96000 Sibu, Sarawak
Tel : 084-336 653
Fax : 084-316 833

172. 42, Jalan Pending
93450 Kuching
Sarawak
Tel : 082-336 132
Fax : 082-336 912

173. Lot 14, Electra House
Power Street
93000 Kuching, Sarawak
Tel : 082-240 312
Fax : 082-415 466

174. Lots 561 & 562
Jalan Datuk Wee Kheng Chiang
Off Jalan Padungan
93100 Kuching, Sarawak
Tel : 082-235 660
Fax : 082-235 527

175. Ground Floor
43A, Jalan Buangsiol
98700 Limbang, Sarawak
Tel : 085-214 451
Fax : 085-214 452

176. Lot 1090 & 1091
Jalan Merpati
98007 Miri, Sarawak
Tel : 085-412 133
Fax : 085-419 095

177. No. 722, Jalan Masjid
P.O. Box 19
96400 Mukah, Sarawak
Tel : 084-871 726
Fax : 084-871 737

178. No. 155C, Jalan Satok
93400 Kuching, Sarawak
Tel : 082-257 654
Fax : 082-253 529

179. Lot 124, Saratok Bazaar
P.O. Box 71
95407 Saratok, Sarawak
Tel : 083-436 011
Fax : 083-436 012

180. No. 133, 135 & 137
Jalan Kampung Nyabor
96000 Sibu, Sarawak
Tel : 084-330 370
Fax : 084-312 081

181. Lot 13 & 14
Olive Garden
7th Mile Bazaar
Jalan Pensrissen
93250 Kuching, Sarawak
(P.O. Box 99, 93700, Kuching)
Tel : 082-611 587
Fax : 082-613 422

182. 5E, Sabu Road
P.O. Box 106
95007 Sri Aman, Sarawak
Tel : 083-320 459
Fax : 083-320 460

183. 6, Jalan Merdeka
96100 Sarikei, Sarawak
Tel : 084-651 115
Fax : 084-652 784

184. No. 175, Serian Bazaar
94700 Serian, Sarawak
Tel : 082-874 878
Fax : 082-874 828

185. 296-297, Central Park
Commercial Centre
3rd Mile, 93200 Rock Road
Kuching, Sarawak
Tel : 082-236 300
Fax : 082-230 120

LABUAN

186. No. 64, Jalan Tun Mustapha
87007 Labuan
Tel : 087-423 291
Fax : 087-423 289

SINGAPORE

187. 20, Collyer Quay
Unit #01-02 & 02-02
Tung Centre
Singapore 049319
Tel : 02-6349 8338
Fax : 02-6533 9340

HONG KONG

188. 12th Floor, The Center
99 Queen's Road Central
Hong Kong
Tel : 852-2283 8838
Fax : 852-2285 3138

BUREAU DE CHANGE

189. Senai Airport
Public Concourse
Sultan Ismail Airport
81250 Johor Bahru
Johor Bahru Takzim
Tel : 07-5984 467
Fax : 07-5987 379

190. KLIA, Sepang
Lot LCPC 05
Public Concourse Area
Passenger Level
Low Cost Airline Terminal
64000 KLIA, Sepang
Tel : 03-8787 3290
Fax : 03-8787 3414



Hong Leong Bank Berhad (97141-X)

A Member of the Hong Leong Group Malaysia
(Incorporated in Malaysia)

Form of Proxy

I/We
of
being a member/members of HONG LEONG BANK BERHAD, hereby appoint
of
or failing him/her
of
or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixty-fifth Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 19 October 2006 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To declare a final dividend of 15 sen per share less tax		
2. To approve the payment of Directors' fees		
3. To re-elect Mr Chew Peng Cheng as a Director		
4. To re-elect Ms Yvonne Chia as a Director		
5. To re-elect YBhg Datuk Mohamed Nazim bin Abdul Razak as a Director		
6. To re-elect Mr Choong Yee How as a Director		
7. To re-elect Mr Quek Kon Sean as a Director		
8. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
9. As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this day of 2006

.....
Number of shares held

.....
Signature of member

Notes:-

- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 6, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.