

# 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<br>Short Term Rating: Prime-2<br>Subordinated Debt: Baa2 |
| Fitch Ratings              | 18 July 2005  | Long Term Rating: BBB+<br>Short Term Rating: F2<br>Subordinated Debt: BBB       |
| Standard & Poor's          | 22 July 2005  | Long Term Rating: BBB+<br>Short Term Rating: A-2                                |

## FINANCIAL RESULTS

|                                  | The Group<br>RM'000 | The Bank<br>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:

- 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").

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 ("HLM") 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 HLM 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<br>RM  | As at<br>1.7.2005 | Acquired  | Sold      | As at<br>30.6.2006 |
| <b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>                               |  |                   |           |           |                    |
| 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<br>(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            |
| <b>Interests of Mr Kwek Leng Hai in:</b>  |  |                   |           |           |                    |
| 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<br>(formerly known as Hong Leong Credit Berhad) | 1.00   | 2,156,000         | -         | -         | 2,156,000          |
| 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            |
| <b>Interest of Ms Yvonne Chia in:</b>   |  |                   |           |           |                    |
| Hong Leong Bank Berhad  | 1.00   | 20,000            | -         | -         | 20,000             |
| <b>Interests of Mr Kwek Leng Seng in:</b>   |  |                   |           |           |                    |
| 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<br>(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<br>RM  | As at<br>1.7.2005 | Acquired | Sold | As at<br>30.6.2006 |
| <b>Interest of Mr Chew Peng Cheng in:</b>          |  |                   |          |      |                    |
| Hong Leong Bank Berhad                             | 1.00   | 819,873           | -        | -    | <b>819,873</b>     |
| <b>Interest of Mr Tan Keok Yin in:</b>             |  |                   |          |      |                    |
| Carmelin Group Berhad                              | 1.00   | 10,000            | -        | -    | <b>10,000</b>      |
| <b>Interest of YBhg Datuk Dr Hussein Awang in:</b> |  |                   |          |      |                    |
| Hong Leong Industries Berhad                       | 0.50   | -                 | 6,000    | -    | <b>6,000</b>       |

|   | 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<br>RM  | As at<br>1.7.2005 | Acquired       | Sold | As at<br>30.6.2006 |
| <b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>                                   |  |                   |                |      |                    |
| Hong Leong Company (Malaysia) Berhad  | 1.00   | 7,487,100         | -              | -    | <b>7,487,100</b>   |
| Hong Leong Fund Management Sdn Bhd  | 1.00   | 1,400,000         | -              | -    | <b>1,400,000</b>   |
| MEHY Sdn Bhd (In members' voluntary liquidation)                                      | 1.00   | 650,000           | -              | -    | <b>650,000</b>     |
| Guoco Group Limited   | USD0.50  | 218,861,309       | 745,000        | -    | <b>219,606,309</b> |
| Citywide International Limited  | USD1.00  | 9                 | -              | 9Δ   | -                  |
| GuocoLand Limited   | ø  | 459,407,229       | 10,000,000     | -    | <b>469,407,229</b> |
| First Changi Development Pte Ltd  | ø  | 40,002,075        | -              | -    | <b>40,002,075</b>  |
| First Garden Development Pte Ltd  | ø  | 72,000,000        | -              | -    | <b>72,000,000</b>  |
| Melville Park Development Pte Ltd   | ø  | 57,840,000        | -              | -    | <b>57,840,000</b>  |
| Sanctuary Land Pte Ltd  | ø  | 54,000,000        | -              | -    | <b>54,000,000</b>  |
| Beijing Minghua Property Development Co., Ltd   | ^  | 150,000,000       | -              | -    | <b>150,000,000</b> |
| Beijing Xinhaoyi Property Development Co., Ltd<br>(In members' voluntary liquidation) | ^  | 138,000,000       | - 138,000,000/ | -    | -                  |
| Shanghai Xinhaozhong<br>Property Development Co., Ltd                                 | #  | 19,600,000        | -              | -    | <b>19,600,000</b>  |
| Shanghai Xinhaolong<br>Property Development Co., Ltd                                  | #  | -                 | 126,000,000    | -    | <b>126,000,000</b> |
| Beijing Jiang Sheng Property Development Co., Ltd                                     | ^  | 247,600,000       | -              | -    | <b>247,600,000</b> |
| Nanjing Xinhaoning Property Development Co., Ltd                                      | #  | -                 | 11,800,800     | -    | <b>11,800,800</b>  |
| Nanjing Xinhaoxuan Property Development Co., Ltd                                      | #  | -                 | 11,800,800     | -    | <b>11,800,800</b>  |
| Nanjing Mahui Property Development Co., Ltd   | ^  | -                 | 95,404,650     | -    | <b>95,404,650</b>  |
| Lam Soon (Hong Kong) Limited  | HKD1.00  | 140,008,659       | -              | -    | <b>140,008,659</b> |
| Kwok Wah Hong Flour Company Limited   | HKD100.00  | 9,800             | -              | -    | <b>9,800</b>       |
| LS Golden Oils & Fats Limited   | HKD1.00  | 185,000,000       | -              | -    | <b>185,000,000</b> |
| M.C. Packaging Offshore Limited   | HKD0.01  | 471,793           | -              | -    | <b>471,793</b>     |

# Directors' Report

for the financial year ended 30 June 2006 (continued)

## DIRECTORS' INTERESTS (continued)

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

# Directors' Report

for the financial year ended 30 June 2006 (continued)

## DIRECTORS' INTERESTS (continued)

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

### 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

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

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# Income Statements

for the financial year ended 30 June 2006

|  | Note | The Group          |                | The Bank           |                |
|--|------|--------------------|----------------|--------------------|----------------|
|  |      | 2006<br>RM'000     | 2005<br>RM'000 | 2006<br>RM'000     | 2005<br>RM'000 |
| Interest income  | 23   | <b>2,387,996</b>   | 2,135,614      | <b>2,411,860</b>   | 2,080,936      |
| Interest expense   | 24   | <b>(1,374,457)</b> | (1,162,244)    | <b>(1,399,487)</b> | (1,137,121)    |
| Net interest income  |      | <b>1,013,539</b>   | 973,370        | <b>1,012,373</b>   | 943,815        |
| Income from Islamic Banking Business                               | 25   | <b>166,711</b>     | 151,058        | -                  | 147,334        |
| Non-interest income  | 26   | <b>1,180,250</b>   | 1,124,428      | <b>1,012,373</b>   | 1,091,149      |
|  |      | <b>450,483</b>     | 330,808        | <b>450,059</b>     | 1,165,684      |
| Overhead expenses  | 27   | <b>1,630,733</b>   | 1,455,236      | <b>1,462,432</b>   | 2,256,833      |
|  |      | <b>(607,684)</b>   | (575,695)      | <b>(527,390)</b>   | (570,085)      |
| Operating profit before allowances                                 |      | <b>1,023,049</b>   | 879,541        | <b>935,042</b>     | 1,686,748      |
| Allowances for losses on loans,<br>advances and financing          | 28   | <b>(249,099)</b>   | (166,106)      | <b>(228,214)</b>   | (165,434)      |
| Impairment losses on<br>available-for-sale securities              |      | <b>(9,709)</b>     | -              | <b>(9,709)</b>     | -              |
| <b>Profit before taxation and zakat</b>                            |      | <b>764,241</b>     | 713,435        | <b>697,119</b>     | 1,521,314      |
| Taxation and zakat   | 31   | <b>(214,321)</b>   | (199,996)      | <b>(194,563)</b>   | (421,814)      |
| <b>Profit after taxation and zakat</b>                             |      | <b>549,920</b>     | 513,439        | <b>502,556</b>     | 1,099,500      |
| <b>Earnings per share (sen):</b>                                   |      |                    |                |                    |                |
| - basic/fully diluted  | 32   | <b>36.4</b>        | 32.8           | <b>33.2</b>        | 70.3           |
| <b>Dividend per share (net):</b>                                   |      |                    |                |                    |                |
| - interim dividend of 9.0 sen (2005: 8.5 sen) less tax             |      | <b>6.5</b>         | 6.1            | <b>6.5</b>         | 6.1            |
| - proposed final dividend of 15.0 sen<br>(2005: 15.5 sen) less tax |      | <b>10.8</b>        | 11.2           | <b>10.8</b>        | 11.2           |
|  |      | <b>17.3</b>        | 17.3           | <b>17.3</b>        | 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<br>RM'000 | Share premium<br>RM'000 | Statutory reserve<br>RM'000 | Fair value reserve<br>RM'000 | Exchange fluctuation<br>RM'000 | Treasury shares*<br>RM'000 | Retained profit<br>RM'000 | Total<br>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<br>RM'000 | Share premium<br>RM'000 | Statutory reserve<br>RM'000 | Fair value<br>reserve<br>RM'000 | Merger deficit<br>RM'000 | Exchange fluctuation<br>reserve<br>RM'000 | Treasury shares*<br>RM'000 | Retained profit<br>RM'000 | Total<br>RM'000 |
|---|------|-------------------------|-------------------------|-----------------------------|---------------------------------|--------------------------|---|----------------------------|---------------------------|-----------------|
| Balance as at<br>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<br>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  | Non-distributable          |                            |                                |                         |  |                               | Distributable                |                  | Total<br>RM'000 |
|---|----------------------------|----------------------------|--------------------------------|-------------------------|--|-------------------------------|------------------------------|------------------|-----------------|
|   | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Statutory<br>reserve<br>RM'000 | Fair<br>value<br>RM'000 | Exchange<br>fluctuation<br>reserve<br>RM'000 | Treasury<br>shares*<br>RM'000 | Retained<br>profit<br>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<br>recognised in the income<br>statement - currency<br>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<br>ended 30 June 2005   | 33                         | -                          | -                              | -                       | -  | -                             | -                            | (170,407)        | (170,407)       |
| - interim dividend for year<br>ended 30 June 2006   | 33                         | -                          | -                              | -                       | -  | -                             | -                            | (98,273)         | (98,273)        |
| Net fair value changes in<br>available-for-sale<br>securities, net of tax                               | -                          | -                          | -                              | (83,074)                | -  | -                             | -                            | -                | (83,074)        |
| Balance as at 30 June 2006  | <b>1,580,107</b>           | <b>539,664</b>             | <b>1,604,855</b>               | <b>(77,795)</b>         | <b>35,363</b>                                | <b>(491,025)</b>              | <b>1,144,159</b>             | <b>4,335,328</b> |                 |
| 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<br>recognised in the income<br>statement - currency<br>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<br>ended 30 June 2004   | 33                         | -                          | -                              | -                       | -  | -                             | (176,340)                    | (176,340)        |                 |
| - interim dividend for year<br>ended 30 June 2005   | 33                         | -                          | -                              | -                       | -  | -                             | (95,469)                     | (95,469)         |                 |
| Net fair value changes in<br>available-for-sale<br>securities, net of tax                               | -                          | -                          | -                              | 3,553                   | -  | -                             | -                            | -                | 3,553           |
| Balance as at 30 June 2005  | <b>1,580,107</b>           | <b>539,664</b>             | <b>1,479,216</b>               | <b>5,279</b>            | <b>36,153</b>                                | <b>(274,375)</b>              | <b>1,035,922</b>             | <b>4,401,966</b> |                 |

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

# Cash Flow Statements

for the financial year ended 30 June 2006 (continued)

| Note  | The Group          |                    | The Bank           |                   |
|---|--------------------|--------------------|--------------------|-------------------|
|   | 2006<br>RM'000     | 2005<br>RM'000     | 2006<br>RM'000     | 2005<br>RM'000    |
| <b>Cash flows from investing activities</b>   |                    |                    |                    |                   |
| 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)          |
| <b>Net cash used in investing activities</b>  | <b>(3,471,543)</b> | <b>1,310,225</b>   | <b>(3,072,070)</b> | <b>1,583,736</b>  |
| <b>Cash flows from financing activities</b>   |                    |                    |                    |                   |
| 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            | -                 |
| <b>Net cash generated from/(used in) financing activities</b>   | <b>184,847</b>     | <b>(546,184)</b>   | <b>184,847</b>     | <b>(546,184)</b>  |
| <b>Net increase/(decrease)</b>  |                    |                    |                    |                   |
| <b>in cash and cash equivalents</b>   | <b>2,442,583</b>   | <b>(2,812,563)</b> | <b>2,619,028</b>   | <b>785,364</b>    |
| <b>Effects of exchange rate changes</b>   | <b>(2,146)</b>     | <b>1,495</b>       | <b>(2,078)</b>     | <b>1,495</b>      |
| <b>Cash and cash equivalents.</b>   |                    |                    |                    |                   |
| <b>at the beginning of year</b>   | <b>11,124,578</b>  | <b>13,935,646</b>  | <b>11,125,551</b>  | <b>10,166,102</b> |
| <b>Effect of cash transferred from Gensource Berhad (formerly known as Hong Leong Finance Berhad)</b> | -                  | -                  | -                  | 172,590           |
| <b>Effect of cash transferred to Hong Leong Islamic Bank Berhad</b>                                   | -                  | -                  | (1,448,422)        | -                 |
| <b>Cash and cash equivalents at the end of year</b>   | <b>3</b>           | <b>13,565,015</b>  | <b>11,124,578</b>  | <b>12,294,079</b> |
|   |                    |                    |                    | <b>11,125,551</b> |

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. 122<sub>2004</sub> 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,<br>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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Cash and balances with banks<br>and other financial institutions  | 874,913        | 496,913        | 870,338        | 497,886        |
| Money at call and deposit placements maturing<br>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     |
|                              | <b>1,484,812</b> | 3,537,614 | <b>1,844,812</b> | 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    |
| <b>Held-for-trading</b>                         |                  |           |                  |           |
| <b>Money market instruments</b>                 |                  |           |                  |           |
| 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 |
| <b>Quoted securities</b>                        |                  |           |                  |           |
| Shares quoted in Malaysia                       | 38,802           | 9,078     | 38,802           | 9,078     |
| Foreign currency bonds                          | 53,098           | -         | 53,098           | -         |
|   | <b>3,782,933</b> | 2,549,243 | <b>3,653,906</b> | 2,549,243 |
| <b>Unquoted securities</b>                      |                  |           |                  |           |
| Private debt securities                         | 82,826           | 84,696    | 82,826           | 84,696    |
|   | <b>3,865,759</b> | 2,633,939 | <b>3,736,732</b> | 2,633,939 |
| <b>Designated at fair value</b>                 |                  |           |                  |           |
| Loan stocks quoted in Malaysia                  | 15,755           | 26,258    | 15,755           | 26,258    |
|   | <b>3,881,514</b> | 2,660,197 | <b>3,752,487</b> | 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<br>RM'000   | 2005<br>RM'000 | 2006<br>RM'000   | 2005<br>RM'000 |
| <b>Money market instruments</b>              |                  |                |                  |                |
| Malaysian Government securities              | <b>2,764,685</b> | 25,293         | <b>2,764,685</b> | 25,293         |
| Malaysian Government investment certificates | <b>24,615</b>    | -              | <b>-</b>         | -              |
| Other Government securities                  | <b>247,677</b>   | 229,432        | <b>247,677</b>   | 229,432        |
| Cagamas bonds                                | <b>1,422,395</b> | 1,181,961      | <b>1,324,036</b> | 1,181,961      |
|  | <b>4,459,372</b> | 1,436,686      | <b>4,336,398</b> | 1,436,686      |
| <b>Quoted securities</b>                     |                  |                |                  |                |
| Shares quoted in Malaysia                    | <b>97,800</b>    | 23,156         | <b>97,800</b>    | 23,156         |
| Loan stocks quoted in Malaysia               | <b>1,567</b>     | 3,177          | <b>1,567</b>     | 3,177          |
| Shares quoted outside Malaysia               | -                | 314            | -                | 314            |
| Foreign currency bonds                       | <b>1,003,278</b> | 826,974        | <b>1,003,278</b> | 826,974        |
|  | <b>5,562,017</b> | 2,290,307      | <b>5,439,043</b> | 2,290,307      |
| <b>Unquoted securities</b>                   |                  |                |                  |                |
| Private and Islamic debt securities          | <b>262,115</b>   | 58,193         | <b>206,565</b>   | 58,193         |
|  | <b>5,824,132</b> | 2,348,500      | <b>5,645,608</b> | 2,348,500      |

## 7 HELD-TO-MATURITY SECURITIES

|  | The Group        |                | The Bank        |                |
|--|------------------|----------------|-----------------|----------------|
|  | 2006<br>RM'000   | 2005<br>RM'000 | 2006<br>RM'000  | 2005<br>RM'000 |
| <b>Money market instruments</b>              |                  |                |                 |                |
| Malaysian Government securities              | <b>239,789</b>   | 247,191        | <b>239,789</b>  | 247,191        |
| Malaysian Government investment certificates | <b>155,866</b>   | 253,797        | <b>32,658</b>   | 253,797        |
| Cagamas bonds                                | <b>440,359</b>   | 165,323        | -               | 165,323        |
| Khazanah bonds                               | <b>4,875</b>     | 9,027          | -               | 9,027          |
| Negotiable instruments of deposit            | -                | 6,094          | -               | 6,094          |
|  | <b>840,889</b>   | 681,432        | <b>272,447</b>  | 681,432        |
| <b>Quoted securities</b>                     |                  |                |                 |                |
| Foreign currency bonds                       | <b>11,039</b>    | 11,486         | <b>11,039</b>   | 11,486         |
|  | <b>851,928</b>   | 692,918        | <b>283,486</b>  | 692,918        |
| <b>Unquoted securities</b>                   |                  |                |                 |                |
| Shares                                       | <b>37,813</b>    | 37,127         | <b>37,238</b>   | 37,127         |
| Loan stocks                                  | <b>36,321</b>    | 67,769         | <b>36,321</b>   | 67,769         |
| Private and Islamic debt securities          | <b>128,707</b>   | 237,612        | <b>108,387</b>  | 237,612        |
|  | <b>1,054,769</b> | 1,035,426      | <b>465,432</b>  | 1,035,426      |
| Accumulated impairment losses                | <b>(24,980)</b>  | (32,041)       | <b>(24,980)</b> | (32,041)       |
|  | <b>1,029,789</b> | 1,003,385      | <b>440,452</b>  | 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<br>RM'000     | 2005<br>RM'000 | 2006<br>RM'000    | 2005<br>RM'000 |
| Overdrafts  | <b>2,959,945</b>   | 3,107,337      | <b>2,952,054</b>  | 3,110,324      |
| Term loans/financing:                               |                    |                |                   |                |
| - Housing loans/financing                           | <b>13,687,545</b>  | 11,047,892     | <b>12,646,072</b> | 11,047,892     |
| - Syndicated term loans/financing                   | <b>1,270,824</b>   | 1,743,830      | <b>1,270,574</b>  | 1,742,530      |
| - Hire purchase receivables                         | <b>6,166,419</b>   | 6,423,928      | <b>2,823,033</b>  | 6,423,928      |
| - Lease receivables                                 | <b>19,450</b>      | 8,015          | -                 | -              |
| - Other term loans/financing                        | <b>1,601,129</b>   | 1,133,781      | <b>1,049,224</b>  | 1,133,781      |
| Credit/charge card receivables                      | <b>1,204,604</b>   | 943,832        | <b>1,204,604</b>  | 943,832        |
| Bills receivable                                    | <b>479,948</b>     | 354,378        | <b>479,948</b>    | 354,378        |
| Trust receipts                                      | <b>153,710</b>     | 192,550        | <b>153,710</b>    | 192,550        |
| Claims on customers under acceptance credits        | <b>2,478,691</b>   | 2,002,016      | <b>2,372,172</b>  | 1,998,018      |
| Block discounting                                   | <b>19,540</b>      | 37,137         | <b>16,640</b>     | 37,137         |
| Revolving credit                                    | <b>635,503</b>     | 580,792        | <b>635,503</b>    | 580,792        |
| Staff loans/financing                               | <b>117,073</b>     | 129,145        | <b>116,950</b>    | 129,145        |
| Other loans/financing                               | <b>61,966</b>      | 80,222         | <b>60,575</b>     | 80,222         |
|   | <b>30,856,347</b>  | 27,784,855     | <b>25,781,059</b> | 27,774,529     |
| Unearned interest and income                        | <b>(1,327,429)</b> | (1,323,989)    | <b>(289,477)</b>  | (1,323,989)    |
| Gross loans, advances and financing                 | <b>29,528,918</b>  | 26,460,866     | <b>25,491,582</b> | 26,450,540     |
| Allowance for bad and doubtful debts and financing: |                    |                |                   |                |
| - specific  | <b>(473,817)</b>   | (465,254)      | <b>(444,432)</b>  | (459,679)      |
| - general   | <b>(436,233)</b>   | (412,877)      | <b>(376,043)</b>  | (412,817)      |
|   | <b>(910,050)</b>   | (878,131)      | <b>(820,475)</b>  | (872,496)      |
| Total net loans, advances and financing             | <b>28,618,868</b>  | 25,582,735     | <b>24,671,107</b> | 25,578,044     |

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

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

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

|  | The Group         |                | The Bank          |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2006<br>RM'000    | 2005<br>RM'000 | 2006<br>RM'000    | 2005<br>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          |
| <b>Gross loans, advances and financing</b> | <b>29,528,918</b> | 26,460,866     | <b>25,491,582</b> | 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       | 2005       | 2006       | 2005       |
|   | RM'000     | RM'000     | RM'000     | 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      | 2005      | 2006      | 2005      |
|   | RM'000    | RM'000    | RM'000    | 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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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      |
| <b>Ratio of non-performing loans to total loans,<br/>both net of specific allowance</b> | <b>3.1%</b>    | <b>4.6%</b>    | <b>3.4%</b>    | <b>4.6%</b>    |

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

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Specific allowance</b>                      |                |                |                |                |
| 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        |
| <b>General allowance</b>                       |                |                |                |                |
| 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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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         |
|  | <b>388,481</b> | 322,563        | <b>363,844</b> | 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<br>RM'000 | 2005<br>RM'000 |
| Unquoted shares, at cost:                                |                |                |
| - in Malaysia  | <b>549,771</b> | 99,771         |
| - outside Malaysia                                       | 11             | 11             |
| Arising from translation of a foreign subsidiary company | 11             | 11             |
|  | <b>549,793</b> | 99,793         |
| Allowance for impairment in value                        | (27,752)       | (27,752)       |
|  | <b>522,041</b> | 72,041         |
| As at beginning of the year                              | <b>72,041</b>  | 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                 | <b>450,000</b> | -              |
| As at end of the year                                    | <b>522,041</b> | 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<br>equity held |      | Principal activities                       |
|---|------------------------------|------|--|
|   | 2006                         | 2005 |  |
| Gensource Berhad (formerly known as Hong Leong Finance Berhad) and its subsidiary companies: *# | <b>100</b>                   | 100  | Dormant                                    |
| - Pelita Terang Sdn Bhd*  | <b>100</b>                   | 100  | Dormant                                    |
| - HLF Credit (Perak) Bhd*   | <b>100</b>                   | 100  | Property investment holding                |
| Hong Leong Leasing Sdn Bhd*   | <b>100</b>                   | 100  | Money lending and leasing business         |
| HL Leasing Sdn Bhd  | <b>100</b>                   | 100  | Dormant                                    |
| HLB Realty Sdn Bhd  | <b>100</b>                   | 100  | Real property investment                   |
| HLB Nominees (Tempatan) Sdn Bhd   | <b>100</b>                   | 100  | Agent and nominee for Malaysian clients    |
| HLB Nominees (Asing) Sdn Bhd  | <b>100</b>                   | 100  | Agent and nominee for foreign clients      |
| HL Bank Nominees (Singapore) Pte Ltd+   | <b>100</b>                   | 100  | Agent and nominee for clients              |
| HLB Ventures Sdn Bhd  | <b>100</b>                   | 100  | In member's voluntary liquidation          |
| Credit Corporation (Malaysia) Sdn Bhd   | -                            | 100  | Dormant                                    |
| WTB Corporation Berhad ("WTB") and its subsidiary companies:#                                   | <b>100</b>                   | 100  | Dormant                                    |
| - Wah Tat Nominees (Tempatan) Sdn Bhd*  | <b>100</b>                   | 100  | Agent and nominee for Malaysian clients    |
| - Wah Tat Nominees (Asing) Sdn Bhd*   | <b>100</b>                   | 100  | Agent and nominee for foreign clients      |
| - Wah Tat Properties Sdn Bhd*   | <b>100</b>                   | 100  | In member's voluntary liquidation          |
| - Chew Geok Lin Finance Berhad  | <b>100</b>                   | 100  | Dormant                                    |
| - Chew Geok Lin Nominees (Tempatan) Sendirian Berhad*   | <b>100</b>                   | 100  | In member's voluntary liquidation          |
| - Chew Geok Lin Nominees (Asing) Sendirian Berhad*  | <b>100</b>                   | 100  | In member's voluntary liquidation          |
| HLB Trade Services (Hong Kong) Limited+   | <b>100</b>                   | 100  | Trade finance activities                   |
| Hong Leong Islamic Bank Berhad  | <b>100</b>                   | 100  | Islamic Banking business                   |
| Hong Leong Tokio Marine Takaful Berhad  | <b>55</b>                    | -    | 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<br>2006                            | Buildings on<br>freehold<br>land |  | Leasehold<br>land<br>less than<br>50 years | Leasehold<br>land<br>50 years<br>or more | Buildings on<br>leasehold<br>land<br>less than<br>50 years | Buildings on<br>leasehold<br>land<br>50 years<br>or more |
|--|----------------------------------|--|--|--|--|--|
|  | Freehold<br>land<br>RM'000       | Buildings on<br>freehold<br>land<br>RM'000 | RM'000                                     | RM'000                                   | RM'000   | RM'000   |
| <b>Cost</b>                                  |                                  |  |  |  |  |  |
| 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   |
| <b>Accumulated depreciation</b>              |                                  |  |  |  |  |  |
| 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  |
| <b>Net book value as at<br/>30 June 2006</b> | <b>37,021</b>                    | <b>27,613</b>                              | <b>3,270</b>                               | <b>3,655</b>                             | <b>2,052</b>   | <b>12,630</b>  |

| The Group<br>2006                            | Office<br>furniture,<br>fittings,<br>equipment<br>and<br>renovations | Computer<br>equipment<br>and<br>software | Motor<br>vehicles | Capital<br>work-in-<br>progress | Total          |
|--|--|--|-------------------|---------------------------------|----------------|
|  | RM'000   | RM'000                                   | RM'000            | RM'000                          | RM'000         |
| <b>Cost</b>                                  |  |  |                   |                                 |                |
| 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        |
| <b>Accumulated depreciation</b>              |  |  |                   |                                 |                |
| 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        |
| <b>Net book value as at<br/>30 June 2006</b> | <b>33,692</b>  | <b>93,379</b>                            | <b>5,267</b>      | <b>33,421</b>                   | <b>252,000</b> |

# Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

## 12 PROPERTY AND EQUIPMENT (continued)

| The Group<br>2005                            | Buildings on<br>freehold<br>land |                            | Leasehold<br>land<br>less than<br>50 years | Leasehold<br>land<br>50 years<br>or more | Buildings on<br>leasehold<br>land<br>less than<br>50 years | Buildings on<br>leasehold<br>land<br>50 years<br>or more |
|--|----------------------------------|----------------------------|--|--|--|--|
|  | Freehold<br>land<br>RM'000       | freehold<br>land<br>RM'000 | RM'000                                     | RM'000                                   | RM'000   | RM'000   |
| <b>Cost</b>                                  |                                  |                            |  |  |  |  |
| 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   |
| <b>Accumulated depreciation</b>              |                                  |                            |  |  |  |  |
| 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  |
| <b>Net book value as at<br/>30 June 2005</b> | <b>32,195</b>                    | <b>28,876</b>              | <b>3,312</b>                               | <b>3,816</b>                             | <b>2,086</b>   | <b>13,076</b>  |

| The Group<br>2005                            | Office<br>furniture,<br>fittings,<br>equipment<br>and<br>renovations | Computer<br>equipment<br>and<br>software | Motor<br>vehicles | Capital<br>work-in-<br>progress | Total<br>RM'000 |
|--|--|--|-------------------|---------------------------------|-----------------|
|  | RM'000   | RM'000                                   | RM'000            | RM'000                          |                 |
| <b>Cost</b>                                  |  |  |                   |                                 |                 |
| 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         |
| <b>Accumulated depreciation</b>              |  |  |                   |                                 |                 |
| 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         |
| <b>Net book value as at<br/>30 June 2005</b> | <b>34,978</b>  | <b>110,064</b>                           | <b>4,016</b>      | <b>11,973</b>                   | <b>244,392</b>  |

# Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

## 12 PROPERTY AND EQUIPMENT (continued)

| The Bank<br>2006                             | Buildings on<br>freehold<br>land |                            | Leasehold<br>land<br>less than<br>50 years | Leasehold<br>land<br>50 years<br>or more | Buildings on<br>leasehold<br>land<br>less than<br>50 years | Buildings on<br>leasehold<br>land<br>50 years<br>or more |
|--|----------------------------------|----------------------------|--|--|--|--|
|  | Freehold<br>land<br>RM'000       | freehold<br>land<br>RM'000 | RM'000                                     | RM'000                                   | RM'000   | RM'000   |
| <b>Cost</b>                                  |                                  |                            |  |  |  |  |
| 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   |
| <b>Accumulated depreciation</b>              |                                  |                            |  |  |  |  |
| 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  |
| <b>Net book value as at<br/>30 June 2006</b> |                                  |                            |  |  |  |  |
|  | <b>27,446</b>                    | <b>25,864</b>              | <b>3,269</b>                               | <b>2,755</b>                             | <b>2,042</b>   | <b>10,428</b>  |

# Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

## 12 PROPERTY AND EQUIPMENT (continued)

| The Bank<br>2006                             | Office<br>furniture,<br>fittings,<br>equipment<br>and<br>renovations<br>RM'000 | Computer<br>equipment<br>and<br>software<br>RM'000 | Motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|--|--|-----------------------------|---|-----------------|
| <b>Cost</b>                                  |  |  |                             |   |                 |
| 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         |
| <b>Accumulated depreciation</b>              |  |  |                             |   |                 |
| 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         |
| <b>Net book value as at<br/>30 June 2006</b> |  |  |                             |   |                 |
|  | <b>32,248</b>  | <b>93,100</b>                                      | <b>4,940</b>                | <b>33,421</b>                             | <b>235,513</b>  |

# Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

## 12 PROPERTY AND EQUIPMENT (continued)

| The Bank<br>2005                             | Buildings on<br>freehold<br>land |  | Leasehold<br>land<br>less than<br>50 years | Leasehold<br>land<br>50 years<br>or more | Buildings on<br>leasehold<br>land<br>less than<br>50 years | Buildings on<br>leasehold<br>land<br>50 years<br>or more |
|--|----------------------------------|--|--|--|--|--|
|  | Freehold<br>land<br>RM'000       | Buildings on<br>freehold<br>land<br>RM'000 | RM'000                                     | RM'000                                   | RM'000   | RM'000   |
| <b>Cost</b>                                  |                                  |  |  |  |  |  |
| 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   |
| <b>Accumulated depreciation</b>              |                                  |  |  |  |  |  |
| 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  |
| <b>Net book value as at<br/>30 June 2005</b> |                                  |  |  |  |  |  |
|  | 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<br>2005                             | Office<br>furniture,<br>fittings,<br>equipment<br>and<br>renovations<br>RM'000 | Computer<br>equipment<br>and<br>software<br>RM'000 | Motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|--|--|-----------------------------|---|-----------------|
| <b>Cost</b>                                  |  |  |                             |   |                 |
| 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         |
| <b>Accumulated depreciation</b>              |  |  |                             |   |                 |
| 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         |
| <b>Net book value as at<br/>30 June 2005</b> |  |  |                             |   |                 |
|  | <b>34,998</b>  | <b>110,052</b>                                     | <b>4,017</b>                | <b>11,973</b>                             | <b>229,835</b>  |

# 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<br>allowance<br>RM'000 | Interest-in<br>suspense/<br>income-in-<br>suspense<br>RM'000 | Excess of<br>capital<br>allowance<br>over<br>depreciation<br>RM'000 | Available-<br>for-sale<br>securities<br>RM'000 | Other<br>temporary<br>differences<br>RM'000 | Total<br>RM'000 |
|--|--------------------------------|--|---|--|---|-----------------|
| <b>Deferred tax assets/<br/>(liabilities)</b>          |                                |  |   |  |   |                 |
| <b>The Group</b>                                       |                                |  |   |  |   |                 |
| <b>2006</b>  |                                |  |   |  |   |                 |
| 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<br>income statement<br>(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         |
| <b>2005</b>  |                                |  |   |  |   |                 |
| 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<br>income statement<br>(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<br>RM'000 | Interest-in-suspense/<br>income-in-suspense<br>RM'000 | Excess of capital<br>allowance over<br>depreciation<br>RM'000 | Available-for-sale<br>securities<br>RM'000 | Other<br>temporary<br>differences<br>RM'000 | Total<br>RM'000 |
|--|-----------------------------|---|---|--|---|-----------------|
| <b>Deferred tax assets/ (liabilities)</b>              |                             |   |   |  |   |                 |
| <b>The Bank</b>  |                             |   |   |  |   |                 |
| <b>2006</b>  |                             |   |   |  |   |                 |
| As at beginning of the year                            | <b>115,589</b>              | -   | <b>(19,457)</b>   | -  | <b>19,072</b>                               | <b>115,204</b>  |
| - as previously reported                               | -                           | -   | -   | (2,052)                                    | 1,626                                       | (426)           |
| - prior year adjustments                               |                             |   |   |  |   |                 |
| - as restated  | <b>115,589</b>              | -   | <b>(19,457)</b>   | (2,052)                                    | <b>20,698</b>                               | <b>114,778</b>  |
| Amount transferred to HLIB                             | <b>(15,403)</b>             | -   | -   | -  | (3,492)                                     | (18,895)        |
| Credited/(charged) to<br>income statement<br>(Note 31) | <b>5,106</b>                | -   | <b>4,833</b>  | -  | <b>16,109</b>                               | <b>26,048</b>   |
| Transferred to/(from) equity                           | -                           | -   | -   | 32,307                                     | -   | <b>32,307</b>   |
| As at end of the year                                  | <b>105,292</b>              | -   | <b>(14,624)</b>   | <b>30,255</b>                              | <b>33,315</b>                               | <b>154,238</b>  |
| <b>2005</b>  |                             |   |   |  |   |                 |
| As at beginning of the year                            | 69,485                      | 23,248  | (9,984)   | -  | 11,051                                      | 93,800          |
| - as previously reported                               | -                           | (23,248)  | -   | (671)                                      | (822)                                       | (24,741)        |
| - prior year adjustments                               |                             |   |   |  |   |                 |
| - as restated  | 69,485                      | -   | (9,984)   | (671)                                      | 10,229                                      | 69,059          |
| Amount transferred from<br>Gensource Berhad            | 32,795                      | -   | (5,333)   | -  | 7,106                                       | 34,568          |
| Credited/(charged) to<br>income statement<br>(Note 31) | 13,309                      | -   | (4,140)   | -  | 3,363                                       | 12,532          |
| Transferred to/(from) equity                           | -                           | -   | -   | (1,381)                                    | -   | (1,381)         |
| As at end of the year                                  | <b>115,589</b>              | -   | <b>(19,457)</b>   | (2,052)                                    | <b>20,698</b>                               | <b>114,778</b>  |

# Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

## 14 DEPOSITS FROM CUSTOMERS

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

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

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

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

|                                 | The Group         |                | The Bank          |                |
|---------------------------------|-------------------|----------------|-------------------|----------------|
|                                 | 2006<br>RM'000    | 2005<br>RM'000 | 2006<br>RM'000    | 2005<br>RM'000 |
| Government and statutory bodies | <b>650,612</b>    | 318,002        | <b>215,657</b>    | 318,002        |
| Business enterprises            | <b>14,670,010</b> | 13,134,041     | <b>11,582,262</b> | 13,208,241     |
| Individuals                     | <b>27,055,017</b> | 25,241,952     | <b>26,129,670</b> | 25,241,952     |
| Others                          | <b>1,900,483</b>  | 1,222,495      | <b>1,131,359</b>  | 1,222,495      |
|                                 | <b>44,276,122</b> | 39,916,490     | <b>39,058,948</b> | 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             | 2005      | 2006             | 2005      |
|                              | RM'000           | RM'000    | RM'000           | 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          | -         |
|                              | <b>2,796,260</b> | 2,066,162 | <b>2,661,259</b> | 2,066,162 |

## 16 DERIVATIVE FINANCIAL INSTRUMENTS

|  | The Group       |          | The Bank        |          |
|--|-----------------|----------|-----------------|----------|
|  | 2006            | 2005     | 2006            | 2005     |
|  | RM'000          | RM'000   | RM'000          | 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      | <b>132,478</b>  | 69,822   | <b>132,478</b>  | 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 | <b>(90,326)</b> | (84,960) | <b>(90,326)</b> | (84,960) |

## 17 FLOATING RATE CERTIFICATES OF DEPOSIT

|  | The Group and The Bank |         |
|--|------------------------|---------|
|  | 2006                   | 2005    |
|  | RM'000                 | 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

|  | (a) | The Group      |                | The Bank       |                |
|--|-----|----------------|----------------|----------------|----------------|
|  |     | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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        |
|  |     | <b>934,706</b> | <b>780,138</b> | <b>935,051</b> | <b>797,906</b> |

### (a) Profit equalisation reserve

|  | The Group      |                | The Bank       |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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                    | <b>2,438</b>   | <b>12,473</b>  | <b>-</b>       | <b>12,473</b>  |

## 19 SUBORDINATED OBLIGATIONS

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

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<br>RM'000         | 2005<br>RM'000 |
| <b>Authorised:</b><br>3,000,000,000 shares of RM1.00 each   | <b>3,000,000</b>       | 3,000,000      |
| <b>Issued and fully paid:</b><br><b>Ordinary shares of RM1.00 each</b><br>As at beginning and end of the year | <b>1,580,107</b>       | 1,580,107      |

## 21 RESERVES

|                              | The Group        |                | The Bank         |                |
|------------------------------|------------------|----------------|------------------|----------------|
|                              | 2006<br>RM'000   | 2005<br>RM'000 | 2006<br>RM'000   | 2005<br>RM'000 |
| Retained profit              | <b>1,170,005</b> | 1,035,952      | <b>1,144,159</b> | 1,035,922      |
| Share premium                | <b>539,664</b>   | 539,664        | <b>539,664</b>   | 539,664        |
| Statutory reserve            | <b>1,626,403</b> | 1,479,216      | <b>1,604,855</b> | 1,479,216      |
| Fair value reserve           | <b>(79,608)</b>  | 5,279          | <b>(77,795)</b>  | 5,279          |
| Exchange fluctuation reserve | <b>35,363</b>    | 36,153         | <b>35,363</b>    | 36,153         |
|                              | <b>2,121,822</b> | 2,060,312      | <b>2,102,087</b> | 2,060,312      |
|                              | <b>3,291,827</b> | 3,096,264      | <b>3,246,246</b> | 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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Purchase of own shares pursuant to<br>Section 67A, Companies Act 1965 | <b>335,609</b> | 274,375        | <b>335,609</b> | 274,375        |
| Treasury shares for new ESOS scheme                                   | <b>155,416</b> | -              | <b>155,416</b> | -              |
|   | <b>491,025</b> | 274,375        | <b>491,025</b> | 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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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    |
| <b>Fee income</b>   |                |          |                |           |
| Commissions   | <b>78,966</b>  | 78,837   | <b>78,966</b>  | 78,660    |
| Service charges and fees  | <b>42,450</b>  | 29,822   | <b>42,450</b>  | 28,937    |
| Guarantee fees  | <b>5,656</b>   | 5,796    | <b>5,656</b>   | 5,796     |
| Credit card related fees  | <b>67,794</b>  | 63,126   | <b>67,794</b>  | 63,126    |
| Corporate advisory fees   | <b>44,070</b>  | 25,339   | <b>44,070</b>  | 25,339    |
| Commitment fees   | <b>11,876</b>  | 11,712   | <b>11,928</b>  | 11,685    |
| Other fee income  | <b>36,419</b>  | 31,276   | <b>36,419</b>  | 31,273    |
|   | <b>287,231</b> | 245,908  | <b>287,283</b> | 244,816   |
| <b>Net income from securities</b>   |                |          |                |           |
| Net gain/(loss) from sale/redemption of securities portfolio:   |                |          |                |           |
| - securities held at fair value through profit or loss  | <b>11,307</b>  | 8,392    | <b>11,307</b>  | 8,392     |
| - available-for-sale securities   | <b>11,154</b>  | 50,205   | <b>11,154</b>  | 48,617    |
| - held-to-maturity securities   | <b>4,277</b>   | 2,263    | <b>4,277</b>   | 1,278     |
| Dividend income from:   |                |          |                |           |
| - securities held at fair value through profit or loss  | <b>813</b>     | 920      | <b>813</b>     | 920       |
| - available-for-sale securities   | <b>2,506</b>   | 953      | <b>2,506</b>   | 953       |
| - held-to-maturity securities   | <b>1,834</b>   | 1,695    | <b>1,834</b>   | 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 | <b>59,188</b>  | (24,103) | <b>59,188</b>  | (24,103)  |
| Net loss on fair value changes between subordinated debts and interest rate swaps designated as fair value hedge            | <b>(1,733)</b> | -        | <b>(1,733)</b> | -         |
| Net gain from return of capital due to capital reduction exercise in Gensource Berhad *                                     | -              | -        | -              | 26,200    |
|   | <b>89,346</b>  | 40,325   | <b>89,346</b>  | 877,367   |
| <b>Other income</b>   |                |          |                |           |
| Foreign exchange gain/(loss):   |                |          |                |           |
| - realised  | <b>50,697</b>  | 17,384   | <b>50,697</b>  | 17,384    |
| - unrealised  | <b>11,747</b>  | 17,763   | <b>11,747</b>  | 17,763    |
| Rental income   | <b>343</b>     | 103      | <b>343</b>     | 100       |
| Gain on disposal of property and equipment  | <b>634</b>     | 2,361    | <b>634</b>     | 2,361     |
| Other non-operating income  | <b>10,485</b>  | 6,964    | <b>10,009</b>  | 5,893     |
|   | <b>73,906</b>  | 44,575   | <b>73,430</b>  | 43,501    |
|   | <b>450,483</b> | 330,808  | <b>450,059</b> | 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                     | <b>289,792</b> | 291,623 | <b>251,704</b> | 288,883 |
| Establishment costs                 | <b>157,303</b> | 138,615 | <b>139,275</b> | 138,412 |
| Marketing expenses                  | <b>57,897</b>  | 63,342  | <b>44,131</b>  | 61,922  |
| Administration and general expenses | <b>102,692</b> | 82,115  | <b>92,280</b>  | 80,868  |
|                                     | <b>607,684</b> | 575,695 | <b>527,390</b> | 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 | <b>266,447</b> | 268,502 | <b>231,662</b> | 265,762 |
| Other employees benefits       | <b>23,345</b>  | 23,121  | <b>20,042</b>  | 23,121  |
|                                | <b>289,792</b> | 291,623 | <b>251,704</b> | 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 | <b>55,576</b>  | 51,582  | <b>55,051</b>  | 50,588  |
| Rental of premises                     | <b>35,305</b>  | 35,938  | <b>31,455</b>  | 35,730  |
| Information technology expenses        | <b>34,717</b>  | 24,724  | <b>30,872</b>  | 24,429  |
| Others                                 | <b>31,705</b>  | 26,371  | <b>21,897</b>  | 27,665  |
|  | <b>157,303</b> | 138,615 | <b>139,275</b> | 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 | <b>16,067</b> | 28,910 | <b>13,632</b> | 28,910 |
| Handling fees               | <b>16,549</b> | 14,089 | <b>6,081</b>  | 12,756 |
| Others                      | <b>25,281</b> | 20,343 | <b>24,418</b> | 20,256 |
|                             | <b>57,897</b> | 63,342 | <b>44,131</b> | 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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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         |
|                                  | <b>102,692</b> | 82,115         | <b>92,280</b>  | 80,868         |

The above expenditure includes the following statutory disclosures:

|   | The Group            |                | The Bank             |                |
|---|----------------------|----------------|----------------------|----------------|
|   | 2006<br>RM'000       | 2005<br>RM'000 | 2006<br>RM'000       | 2005<br>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         |
| Number of employees at year end                   | <b>No.<br/>5,378</b> | No.<br>5,272   | <b>No.<br/>5,334</b> | No.<br>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<br>RM'000  | 2005<br>RM'000 | 2006<br>RM'000  | 2005<br>RM'000 |
| Allowance for bad and doubtful debts<br>on loans and financing: |                 |                |                 |                |
| (a) Specific allowance  |                 |                |                 |                |
| - made during the financial year                                | <b>386,511</b>  | 304,207        | <b>359,349</b>  | 292,367        |
| - written back  | <b>(89,250)</b> | (101,309)      | <b>(81,767)</b> | (89,323)       |
| (b) General allowance   |                 |                |                 |                |
| - made during the financial year                                | <b>23,057</b>   | 45,697         | <b>17,936</b>   | 47,311         |
|   | <b>320,318</b>  | 248,595        | <b>295,518</b>  | 250,355        |
| Bad debts on loans and financing:                               |                 |                |                 |                |
| - written off   | <b>7,640</b>    | 9,008          | <b>6,980</b>    | 5,618          |
| - recovered   | <b>(78,859)</b> | (91,497)       | <b>(74,284)</b> | (90,539)       |
|   | <b>(71,219)</b> | (82,489)       | <b>(67,304)</b> | (84,921)       |
|   | <b>249,099</b>  | 166,106        | <b>228,214</b>  | 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<br>(formerly known as Hong Leong Credit Berhad)  | Holding company   |
| Subsidiary companies of Hong Leong Financial Group Berhad<br>(formerly known as Hong Leong Credit Berhad)<br>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<br>Mr Chew Peng Cheng,<br>Non-Executive Director                                 |
| BIB Insurance Brokers Sdn Bhd  | Connected person to<br>Tan Sri Dato' Zaki bin Tun Azmi,<br>a director of certain<br>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<br>RM'000 | Subsidiary companies<br>RM'000 | Other related companies<br>RM'000 |
|--|--------------------------|--------------------------------|-----------------------------------|
| <b>Income</b>                              |                          |                                |                                   |
| 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                            |
| <b>Expenditure</b>                         |                          |                                |                                   |
| 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                            |
| <b>Amounts due from:</b>                   |                          |                                |                                   |
| Overdraft                                  | -                        | 2,306                          | -                                 |
| Interbank placement                        | -                        | 460,000                        | -                                 |
| Private debt securities                    | -                        | -                              | 45,434                            |
| Others                                     | -                        | 300                            | 801                               |
|  | -                        | 462,606                        | 46,235                            |
| <b>Amounts due to:</b>                     |                          |                                |                                   |
| Current account and fixed deposits         | 2,040                    | 24,369                         | 165,461                           |
| Repurchase agreements                      | -                        | -                              | 277,604                           |
| Others                                     | -                        | 49,725                         | -                                 |
|  | 2,040                    | 74,094                         | 443,065                           |
| <b>Sundry deposits</b>                     |                          |                                |                                   |
|  | -                        | -                              | 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<br>RM'000 | Subsidiary companies<br>RM'000 | Other related companies<br>RM'000 |
|--|--------------------------|--------------------------------|-----------------------------------|
| <b>Income</b>                              |                          |                                |                                   |
| 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                            |
| <b>Expenditure</b>                         |                          |                                |                                   |
| 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                            |
| <b>Amounts due from:</b>                   |                          |                                |                                   |
| Overdraft                                  | -                        | 2,987                          | -                                 |
| Private debt securities                    | -                        | -                              | 53,398                            |
| Loan stocks and shares                     | -                        | -                              | 3,805                             |
| Others                                     | -                        | 446                            | 67                                |
|  | -                        | 3,433                          | 57,270                            |
| <b>Amounts due to:</b>                     |                          |                                |                                   |
| 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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>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<br>RM'000 | 2005<br>RM'000 | 2006<br>RM'000 | 2005<br>RM'000 |
| Profit before taxation and zakat                     | <b>764,241</b> | 713,435        | <b>697,119</b> | 1,521,314      |
| Tax calculated at a rate of 28%                      | <b>213,987</b> | 199,762        | <b>195,193</b> | 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   | <b>214,272</b> | 199,951        | <b>194,563</b> | 421,769        |

|  | The Group      |                |
|--|----------------|----------------|
|  | 2006<br>RM'000 | 2005<br>RM'000 |
| <b>Tax losses</b>  |                |                |
| Unutilised tax losses for which the related tax credit has not been recognised in the financial statements         | <b>28,706</b>  | 29,406         |
| <b>Capital allowances</b>  |                |                |
| 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<br>RM'000   | 2005<br>RM'000 | 2006<br>RM'000   | 2005<br>RM'000 |
| Profit after taxation and zakat                            | <b>549,920</b>   | 513,439        | <b>502,556</b>   | 1,099,500      |
| Weighted average number of ordinary shares in issue ('000) | <b>1,512,137</b> | 1,563,729      | <b>1,512,137</b> | 1,563,729      |
| Basic/fully diluted earnings per share (sen)               | <b>36.4</b>      | 32.8           | <b>33.2</b>      | 70.3           |

# Notes to the Financial Statements

for the financial year ended 30 June 2006 (continued)

## 33 DIVIDENDS

|   | The Group and The Bank |                |
|---|------------------------|----------------|
|   | 2006<br>RM'000         | 2005<br>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         |
|   | <b>268,680</b>         | 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<br>RM'000 | 2005<br>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         |                          |                             | 2005             |                          |                             |
|--|-------------------|--------------------------|-----------------------------|------------------|--------------------------|-----------------------------|
|  | 2006              |                          | Risk weighted amount RM'000 | 2005             |                          | Risk weighted amount RM'000 |
|  | Principal RM'000  | Credit equivalent RM'000 |                             | Principal RM'000 | Credit equivalent RM'000 |                             |
| Direct credit substitutes  | <b>190,074</b>    | <b>190,074</b>           | <b>190,074</b>              | 161,538          | 161,538                  | 161,538                     |
| Certain transaction related contingent items                         | <b>242,907</b>    | <b>121,454</b>           | <b>121,454</b>              | 308,963          | 154,482                  | 154,482                     |
| Short-term self-liquidating trade-related contingencies              | <b>633,426</b>    | <b>126,685</b>           | <b>126,685</b>              | 469,936          | 93,987                   | 93,188                      |
| Other assets sold with recourse and commitment with certain drawdown | <b>31,987</b>     | <b>31,987</b>            | <b>31,987</b>               | -                | -                        | -                           |
| Irrevocable commitment to extend credit:                             |                   |                          |                             |                  |                          |                             |
| - maturity more than one year  | <b>4,257,875</b>  | <b>2,128,938</b>         | <b>2,128,938</b>            | 4,122,753        | 2,061,377                | 2,061,377                   |
| - maturity less than one year  | <b>10,943,047</b> | -                        | -                           | 9,181,257        | -                        | -                           |
| Foreign exchange related contracts:                                  |                   |                          |                             |                  |                          |                             |
| - less than one year   | <b>7,706,074</b>  | <b>173,509</b>           | <b>86,755</b>               | 7,639,221        | 158,934                  | 79,467                      |
| - one year to less than five years                                   | <b>960,500</b>    | <b>86,445</b>            | <b>43,223</b>               | -                | -                        | -                           |
| Interest rate related contracts:                                     |                   |                          |                             |                  |                          |                             |
| - less than one year   | <b>14,766,472</b> | <b>6,921</b>             | <b>3,461</b>                | 5,442,895        | 1,735                    | 868                         |
| - one year to less than five years                                   | <b>7,951,577</b>  | <b>229,949</b>           | <b>114,975</b>              | 10,946,152       | 72,559                   | 36,280                      |
| - five years and above   | <b>391,290</b>    | <b>40,409</b>            | <b>20,205</b>               | -                | -                        | -                           |
| Equity related contracts:  |                   |                          |                             |                  |                          |                             |
| - less than one year   | <b>8,288</b>      | <b>415</b>               | <b>208</b>                  | 106,922          | 1,604                    | 802                         |
| Miscellaneous  | <b>419</b>        | -                        | -                           | 694              | -                        | -                           |
|  | <b>48,083,936</b> | <b>3,136,786</b>         | <b>2,867,965</b>            | 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<br>RM'000 | Credit<br>equivalent<br>RM'000 | Risk<br>weighted<br>amount<br>RM'000 | Principal<br>RM'000 | Credit<br>equivalent<br>RM'000 | Risk<br>weighted<br>amount<br>RM'000 |
| Direct credit substitutes                               | <b>190,074</b>      | <b>190,074</b>                 | <b>190,074</b>                       | 161,538             | 161,538                        | 161,538                              |
| Certain transaction related contingent items            | <b>242,669</b>      | <b>121,335</b>                 | <b>121,335</b>                       | 308,963             | 154,482                        | 154,482                              |
| Short-term self-liquidating trade-related contingencies | <b>627,656</b>      | <b>125,531</b>                 | <b>125,531</b>                       | 465,938             | 93,188                         | 93,188                               |
| Irrevocable commitment to extend credit:                |                     |                                |                                      |                     |                                |                                      |
| - maturity more than one year                           | <b>3,883,289</b>    | <b>1,941,645</b>               | <b>1,941,645</b>                     | 4,122,753           | 2,061,377                      | 2,061,377                            |
| - maturity less than one year                           | <b>10,929,166</b>   | -                              | -                                    | 9,181,257           | -                              | -                                    |
| Foreign exchange related contracts:                     |                     |                                |                                      |                     |                                |                                      |
| - less than one year                                    | <b>7,705,167</b>    | <b>173,509</b>                 | <b>86,755</b>                        | 7,639,221           | 158,934                        | 79,467                               |
| - one year to less than five years                      | <b>960,500</b>      | <b>86,445</b>                  | <b>43,223</b>                        | -                   | -                              | -                                    |
| Interest rate related contracts:                        |                     |                                |                                      |                     |                                |                                      |
| - less than one year                                    | <b>14,766,472</b>   | <b>6,921</b>                   | <b>3,461</b>                         | 5,442,895           | 1,735                          | 868                                  |
| - one year to less than five years                      | <b>7,951,577</b>    | <b>229,949</b>                 | <b>114,975</b>                       | 10,946,152          | 72,559                         | 36,280                               |
| - five years and above                                  | <b>391,290</b>      | <b>40,409</b>                  | <b>20,205</b>                        | -                   | -                              | -                                    |
| Equity related contracts:                               |                     |                                |                                      |                     |                                |                                      |
| - less than one year                                    | <b>8,288</b>        | <b>415</b>                     | <b>208</b>                           | 106,922             | 1,604                          | 802                                  |
| Miscellaneous   | <b>419</b>          | -                              | -                                    | 694                 | -                              | -                                    |
|   | <b>47,656,567</b>   | <b>2,916,233</b>               | <b>2,647,412</b>                     | 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       | 2005       | 2006       | 2005       |
|                                     | RM'000     | RM'000     | RM'000     | 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      | 2005   | 2006     | 2005   |
|                                   | RM'000    | RM'000 | RM'000   | 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   | 2005   |
|---|--------|--------|
|   | RM'000 | 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<br>RM'000   | 2005<br>RM'000 | 2006<br>RM'000   | 2005<br>RM'000 |
| Tier-1 capital   | <b>4,287,216</b> | 4,281,939      | <b>4,258,885</b> | 4,281,909      |
| Tier-2 capital   | <b>1,171,133</b> | 412,877        | <b>1,110,943</b> | 412,817        |
| Total capital  | <b>5,458,349</b> | 4,694,816      | <b>5,369,828</b> | 4,694,726      |
| Less: Investment in subsidiary companies                   | -                | -              | (522,041)        | (72,041)       |
| Capital base   | <b>5,458,349</b> | 4,694,816      | <b>4,847,787</b> | 4,622,685      |
| <b>Capital ratios</b>                                      |                  |                |                  |                |
| Core capital ratio   | <b>13.76%</b>    | 15.84%         | <b>15.78%</b>    | 15.85%         |
| Risk-weighted capital ratio                                | <b>17.52%</b>    | 17.37%         | <b>17.96%</b>    | 17.11%         |
| Core capital ratio (net of proposed dividends)             | <b>13.24%</b>    | 15.21%         | <b>15.18%</b>    | 15.22%         |
| Risk-weighted capital ratio<br>(net of proposed dividends) | <b>17.00%</b>    | 16.74%         | <b>17.37%</b>    | 16.48%         |

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

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

\* Fair value reserve has been excluded from the Bank's capital base in accordance with Revised BNM/GP8.

# 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:

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

|                             | The Bank            |                            |                     |                            |
|-----------------------------|---------------------|----------------------------|---------------------|----------------------------|
|                             | 2006                |                            | 2005                |                            |
|                             | Principal<br>RM'000 | Risk<br>weighted<br>RM'000 | Principal<br>RM'000 | Risk<br>weighted<br>RM'000 |
| 0%                          | <b>20,028,530</b>   | -                          | 25,139,986          | -                          |
| 10%                         | <b>851,106</b>      | <b>85,111</b>              | 1,396,730           | 139,673                    |
| 20%                         | <b>3,072,313</b>    | <b>614,463</b>             | 3,485,877           | 697,175                    |
| 50%                         | <b>9,936,618</b>    | <b>4,968,309</b>           | 8,386,694           | 4,193,347                  |
| 100%                        | <b>19,753,750</b>   | <b>19,753,750</b>          | 21,783,955          | 21,783,955                 |
|                             | <b>53,642,317</b>   | <b>25,421,633</b>          | 60,193,242          | 26,814,150                 |
| Total risk-weighted assets: |                     |                            |                     |                            |
| - Credit Risk               |                     | <b>25,421,633</b>          |                     | 26,814,150                 |
| - Market Risk #             |                     | <b>1,570,155</b>           |                     | 196,242                    |
| Total risk-weighted assets  |                     | <b>26,991,788</b>          |                     | 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<br>2006                                | Personal<br>Financial<br>Services<br>RM'000 | Business<br>Banking<br>RM'000 | Treasury<br>RM'000 | Total<br>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         |
| <b>Total assets</b>                              |   |                               |                    | <b>60,596,250</b> |
| Segment liabilities                              | 36,302,719                                  | 2,696,177                     | 16,886,106         | 55,885,002        |
| Unallocated liabilities                          |   |                               |                    | 330,339           |
| <b>Total liabilities</b>                         |   |                               |                    | <b>56,215,341</b> |
| <b>Other significant segment items</b>           |   |                               |                    |                   |
| 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<br>2005                                | Personal<br>Financial<br>Services<br>RM'000 | Business<br>Banking<br>RM'000 | Treasury<br>RM'000 | Total<br>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         |
| <b>Total assets</b>                              |   |                               |                    | <b>57,709,713</b> |
| Segment liabilities                              | 36,726,322                                  | 3,070,823                     | 13,289,614         | 53,086,759        |
| Unallocated liabilities                          |   |                               |                    | 220,958           |
| <b>Total liabilities</b>                         |   |                               |                    | <b>53,307,717</b> |
| <b>Other significant segment items</b>           |   |                               |                    |                   |
| 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<br>RM'000 | Total assets<br>RM'000 |
|---------------------|-------------------|------------------------|
| <b>2006</b>         |                   |                        |
| Malaysia            | 1,507,774         | 57,201,590             |
| Overseas operations | 122,959           | 3,394,660              |
|                     | <b>1,630,733</b>  | <b>60,596,250</b>      |
| <b>2005</b>         |                   |                        |
| Malaysia            | 1,369,168         | 55,809,179             |
| Overseas operations | 86,068            | 1,900,534              |
|                     | <b>1,455,236</b>  | <b>57,709,713</b>      |

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

# 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<br>2006  | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Assets</b>  |   |                           |                   |                                    |
| 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<br>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<br>- 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           | -                                  |
| <b>Total assets</b>  | <b>3,197,995</b>                        | <b>3,881,514</b>          | <b>60,596,250</b> |                                    |

\* 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<br>2006  | Up to<br>1 month<br>RM'000 | 1 - 3<br>months<br>RM'000 | 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |
|--|----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| <b>Liabilities</b>   |                            |                           |                            |                          |                           |
| Deposits from customers  | 20,824,731                 | 7,579,329                 | 11,191,947                 | 636,102                  | -                         |
| Deposits and placements of banks<br>and other financial institutions | 2,304,100                  | 455,175                   | 36,768                     | -                        | -                         |
| Obligations on securities<br>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   | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities</b>   | <b>29,984,275</b>          | <b>8,078,279</b>          | <b>11,236,500</b>          | <b>636,147</b>           | <b>704,049</b>            |
| Shareholder's funds  | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities and<br/>shareholder's funds</b>                 | <b>29,984,275</b>          | <b>8,078,279</b>          | <b>11,236,500</b>          | <b>636,147</b>           | <b>704,049</b>            |
| On-balance sheet<br>interest sensitivity gap                         | 1,645,967                  | (3,739,788)               | (9,060,601)                | 8,726,213                | 5,305,700                 |
| Off-balance sheet<br>interest sensitivity gap                        | (665,000)                  | (2,925,193)               | (4,289,000)                | (4,364,107)              | (340,700)                 |
| <b>Total interest sensitivity gap</b>                                | <b>980,967</b>             | <b>(6,664,981)</b>        | <b>(13,349,601)</b>        | <b>4,362,106</b>         | <b>4,965,000</b>          |

# 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<br>2006   | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000            | Effective<br>interest<br>rate<br>% |                           |
|---|---|---------------------------|----------------------------|------------------------------------|---------------------------|
| <b>Liabilities</b>  |   |                           |                            |                                    |                           |
| Deposits from customers   | 4,044,013                               | -                         | 44,276,122                 | 2.8                                |                           |
| Deposits and placements of banks<br>and other financial institutions      | 217                                     | -                         | 2,796,260                  | 4.1                                |                           |
| Obligations on securities<br>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                     | -                                  |                           |
| <b>Total liabilities</b>  | <b>5,576,091</b>                        | -                         | <b>56,215,341</b>          |                                    |                           |
| Shareholder's funds   | 4,380,909                               | -                         | 4,380,909                  |                                    |                           |
| <b>Total liabilities and shareholder's funds</b>                          | <b>9,957,000</b>                        | -                         | <b>60,596,250</b>          |                                    |                           |
|   |   |                           |                            |                                    |                           |
| The Group<br>2005   | Up to<br>1 month<br>RM'000              | 1 - 3<br>months<br>RM'000 | 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000           | Over 5<br>years<br>RM'000 |
| <b>Assets</b>   |   |                           |                            |                                    |                           |
| Cash and short-term funds   | 10,627,664                              | -                         | -                          | -                                  | -                         |
| Securities purchased<br>under resale agreements                           | 3,015,891                               | 4,381,237                 | 2,531,364                  | -                                  | -                         |
| Deposits and placements<br>with banks and other<br>financial institutions | -                                       | 3,510,327                 | 27,287                     | -                                  | -                         |
| Securities held at fair value<br>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<br>- performing                             | 13,307,687                              | 1,474,095                 | 2,223,817                  | 4,817,626                          | 2,979,958                 |
| - non-performing  | -                                       | -                         | -                          | -                                  | -                         |
| Other assets  | -                                       | -                         | -                          | -                                  | -                         |
| Statutory deposits with<br>Bank Negara Malaysia                           | -                                       | -                         | -                          | -                                  | -                         |
| Tax recoverable   | -                                       | -                         | -                          | -                                  | -                         |
| Property and equipment  | -                                       | -                         | -                          | -                                  | -                         |
| Deferred tax assets   | -                                       | -                         | -                          | -                                  | -                         |
| <b>Total assets</b>   | <b>27,028,726</b>                       | <b>9,618,784</b>          | <b>5,045,408</b>           | <b>7,548,005</b>                   | <b>2,994,652</b>          |

# 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<br>2005  | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Assets</b>  |   |                           |                   |                                    |
| 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<br>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<br>- 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           | -                                  |
| <b>Total assets</b>  | <b>2,813,941</b>                        | <b>2,660,197</b>          | <b>57,709,713</b> |                                    |

\* 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<br>2005  | Up to<br>1 month<br>RM'000 | 1 - 3<br>months<br>RM'000 | 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |
|--|----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| <b>Liabilities</b>   |                            |                           |                            |                          |                           |
| Deposits from customers  | 17,494,050                 | 6,478,737                 | 11,628,514                 | 73,853                   | -                         |
| Deposits and placements of banks<br>and other financial institutions | 1,788,789                  | 100,000                   | 177,000                    | -                        | -                         |
| Obligations on securities<br>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   | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities</b>   | <b>28,312,103</b>          | <b>7,226,329</b>          | <b>12,311,829</b>          | <b>73,853</b>            | <b>-</b>                  |
| Shareholder's funds  | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities and<br/>shareholder's funds</b>                 | <b>28,312,103</b>          | <b>7,226,329</b>          | <b>12,311,829</b>          | <b>73,853</b>            | <b>-</b>                  |
| On-balance sheet<br>interest sensitivity gap                         | (1,283,377)                | 2,392,455                 | (7,266,421)                | 7,474,152                | 2,994,652                 |
| Off-balance sheet<br>interest sensitivity gap                        | 240,000                    | (1,920,645)               | (3,476,507)                | (7,551,250)              | 17,402                    |
| <b>Total interest sensitivity gap</b>                                | <b>(1,043,377)</b>         | <b>471,810</b>            | <b>(10,742,928)</b>        | <b>(77,098)</b>          | <b>3,012,054</b>          |

| The Group<br>2005  | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Liabilities</b>   |   |                           |                   |                                    |
| Deposits from customers  | 4,241,336                               | -                         | 39,916,490        | 2.7                                |
| Deposits and placements of banks<br>and other financial institutions | 373                                     | -                         | 2,066,162         | 2.6                                |
| Obligations on securities<br>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            | -                                  |
| <b>Total liabilities</b>   | <b>5,383,603</b>                        | <b>-</b>                  | <b>53,307,717</b> |                                    |
| Shareholder's funds  | 4,401,996                               | -                         | 4,401,996         |                                    |
| <b>Total liabilities and shareholder's funds</b>                     | <b>9,785,599</b>                        | <b>-</b>                  | <b>57,709,713</b> |                                    |

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

# 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<br>2006   | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Assets</b>  |   |                           |                   |                                    |
| 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<br>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<br>- 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           | -                                  |
| <b>Total assets</b>  | <b>3,502,830</b>                        | <b>3,752,487</b>          | <b>55,139,095</b> |                                    |

\* 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<br>2006   | Up to<br>1 month<br>RM'000 | 1 - 3<br>months<br>RM'000 | 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |
|--|----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| <b>Liabilities</b>   |                            |                           |                            |                          |                           |
| Deposits from customers  | 18,232,211                 | 5,469,574                 | 10,698,920                 | 603,745                  | -                         |
| Deposits and placements of banks<br>and other financial institutions | 2,229,099                  | 395,175                   | 36,768                     | -                        | -                         |
| Obligations on securities<br>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   | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities</b>   | <b>27,313,303</b>          | <b>5,907,795</b>          | <b>10,743,393</b>          | <b>603,790</b>           | <b>704,049</b>            |
| Shareholder's funds  | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities and<br/>shareholder's funds</b>                 | <b>27,313,303</b>          | <b>5,907,795</b>          | <b>10,743,393</b>          | <b>603,790</b>           | <b>704,049</b>            |
| On-balance sheet<br>profit sensitivity gap                           | 3,017,225                  | (1,377,720)               | (8,868,624)                | 5,973,147                | 3,867,420                 |
| Off-balance sheet<br>profit sensitivity gap                          | (665,000)                  | (2,925,193)               | (4,289,000)                | (4,364,107)              | (340,700)                 |
| <b>Total interest sensitivity gap</b>                                | <b>2,352,225</b>           | <b>(4,302,913)</b>        | <b>(13,157,624)</b>        | <b>1,609,040</b>         | <b>3,526,720</b>          |

# 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<br>2006   | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Liabilities</b>   |   |                           |                   |                                    |
| Deposits from customers  | 4,054,498                               | -                         | 39,058,948        | 2.8                                |
| Deposits and placements of banks<br>and other financial institutions | 217                                     | -                         | 2,661,259         | 4.2                                |
| Obligations on securities<br>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            | -                                  |
| <b>Total liabilities</b>   | <b>5,531,437</b>                        | -                         | <b>50,803,767</b> |                                    |
| Shareholder's funds  | 4,335,328                               | -                         | 4,335,328         |                                    |
| <b>Total liabilities and shareholder's funds</b>                     | <b>9,866,765</b>                        | -                         | <b>55,139,095</b> |                                    |

| The Bank<br>2005  | Up to<br>1 month<br>RM'000 | 1 - 3<br>months<br>RM'000 | 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |
|---|----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| <b>Assets</b>   |                            |                           |                            |                          |                           |
| Cash and short-term funds   | 10,627,664                 | -                         | -                          | -                        | -                         |
| Securities purchased<br>under resale agreements                           | 3,015,891                  | 4,381,237                 | 2,531,364                  | -                        | -                         |
| Deposits and placements<br>with banks and other<br>financial institutions | -                          | 3,510,327                 | 27,287                     | -                        | -                         |
| Securities held at fair value<br>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<br>- performing                             | 13,297,659                 | 1,473,723                 | 2,225,146                  | 4,820,504                | 2,981,738                 |
| - non-performing  | -                          | -                         | -                          | -                        | -                         |
| Other assets  | -                          | -                         | -                          | -                        | -                         |
| Statutory deposits with<br>Bank Negara Malaysia                           | -                          | -                         | -                          | -                        | -                         |
| Tax recoverable   | -                          | -                         | -                          | -                        | -                         |
| Investment in subsidiary companies  | -                          | -                         | -                          | -                        | -                         |
| Property and equipment  | -                          | -                         | -                          | -                        | -                         |
| Deferred tax assets   | -                          | -                         | -                          | -                        | -                         |
| <b>Total assets</b>   | <b>27,018,698</b>          | <b>9,618,412</b>          | <b>5,046,737</b>           | <b>7,550,883</b>         | <b>2,996,432</b>          |

# 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<br>2005   | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Assets</b>  |   |                           |                   |                                    |
| 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<br>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<br>- 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           | -                                  |
| <b>Total assets</b>  | <b>2,869,774</b>                        | <b>2,660,197</b>          | <b>57,761,133</b> |                                    |

\* 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<br>2005   | Up to<br>1 month<br>RM'000 | 1 - 3<br>months<br>RM'000 | 3 - 12<br>months<br>RM'000 | 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |
|--|----------------------------|---------------------------|----------------------------|--------------------------|---------------------------|
| <b>Liabilities</b>   |                            |                           |                            |                          |                           |
| Deposits from customers  | 17,556,443                 | 6,478,737                 | 11,628,514                 | 73,853                   | -                         |
| Deposits and placements of banks<br>and other financial institutions | 1,788,789                  | 100,000                   | 177,000                    | -                        | -                         |
| Obligations on securities<br>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  | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities</b>   | <b>28,370,498</b>          | <b>7,226,329</b>          | <b>12,311,829</b>          | <b>73,853</b>            | <b>-</b>                  |
| Shareholder's funds  | -                          | -                         | -                          | -                        | -                         |
| <b>Total liabilities and<br/>shareholder's funds</b>                 | <b>28,370,498</b>          | <b>7,226,329</b>          | <b>12,311,829</b>          | <b>73,853</b>            | <b>-</b>                  |
| On-balance sheet<br>profit sensitivity gap                           | (1,351,800)                | 2,392,083                 | (7,265,092)                | 7,477,030                | 2,996,432                 |
| Off-balance sheet<br>profit sensitivity gap                          | 240,000                    | (1,920,645)               | (3,476,507)                | (7,551,250)              | 17,402                    |
| <b>Total interest sensitivity gap</b>                                | <b>(1,111,800)</b>         | <b>471,438</b>            | <b>(10,741,599)</b>        | <b>(74,220)</b>          | <b>3,013,834</b>          |

| The Bank<br>2005   | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate<br>% |
|--|---|---------------------------|-------------------|------------------------------------|
| <b>Liabilities</b>   |   |                           |                   |                                    |
| Deposits from customers  | 4,253,143                               | -                         | 39,990,690        | 2.7                                |
| Deposits and placements of banks<br>and other financial institutions | 373                                     | -                         | 2,066,162         | 2.6                                |
| Obligations on securities<br>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           | -                                  |
| <b>Total liabilities</b>   | <b>5,376,658</b>                        | <b>-</b>                  | <b>53,359,167</b> |                                    |
| Shareholder's funds  | 4,401,966                               | -                         | 4,401,966         |                                    |
| <b>Total liabilities and shareholder's funds</b>                     | <b>9,778,624</b>                        | <b>-</b>                  | <b>57,761,133</b> |                                    |

# 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

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

| The Group<br>2006                        | Short term<br>funds and<br>placements<br>with financial<br>institutions<br>RM'000 | Securities<br>held at<br>fair value<br>through<br>profit/loss<br>RM'000 | Available-<br>for-sale<br>securities<br>RM'000 | Held-to-<br>maturity<br>securities<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>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                                       |

# 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<br>2006                        | Other<br>assets<br>RM'000 | Statutory<br>deposits with<br>Bank Negara<br>Malaysia<br>RM'000 | On-<br>balance<br>sheet<br>total<br>RM'000 | Treasury<br>related<br>commitments<br>and<br>contingencies<br>RM'000 | Credit<br>related<br>commitments<br>and<br>contingencies<br>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   |

# 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<br>2005                        | Short term<br>funds and<br>placements<br>with financial<br>institutions<br>RM'000 | Securities<br>held at<br>fair value<br>through<br>profit/loss<br>RM'000 | Available-<br>for-sale<br>securities<br>RM'000 | Held-to-<br>maturity<br>securities<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>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<br>2005                        | Other<br>assets<br>RM'000 | Statutory<br>deposits with        | On-<br>balance<br>sheet<br>total<br>RM'000 | Treasury<br>related<br>commitments<br>and<br>contingencies<br>RM'000 | Credit<br>related<br>commitments<br>and<br>contingencies<br>RM'000 |
|--|---------------------------|-----------------------------------|--|--|--|
|  |                           | Bank Negara<br>Malaysia<br>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<br>2006                         | Short term<br>funds and<br>placements<br>with financial<br>institutions | Securities<br>held at<br>fair value<br>through<br>profit/loss | Available-<br>for-sale<br>securities | Held-to-<br>maturity<br>securities | Loans,<br>advances<br>and<br>financing |
|--|---|---|--------------------------------------|------------------------------------|--|
|  | RM'000  | RM'000  | RM'000                               | RM'000                             | 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<br>2006                         | Other<br>assets<br>RM'000 | Statutory<br>deposits with<br>Bank Negara<br>Malaysia<br>RM'000 | On-<br>balance<br>sheet<br>total<br>RM'000 | Treasury<br>related<br>commitments<br>and<br>contingencies<br>RM'000 | Credit<br>related<br>commitments<br>and<br>contingencies<br>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<br>2005                         | Short term<br>funds and<br>placements<br>with financial<br>institutions<br>RM'000 | Securities<br>held at<br>fair value<br>through<br>profit/loss<br>RM'000 | Available-<br>for-sale<br>securities<br>RM'000 | Held-to-<br>maturity<br>securities<br>RM'000 | Loans,<br>advances<br>and<br>financing<br>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<br>2005                         | Other<br>assets<br>RM'000 | Statutory<br>deposits with        | On-<br>balance<br>sheet<br>total<br>RM'000 | Treasury<br>related<br>commitments<br>and<br>contingencies<br>RM'000 | Credit<br>related<br>commitments<br>and<br>contingencies<br>RM'000 |
|--|---------------------------|-----------------------------------|--|--|--|
|  |                           | Bank Negara<br>Malaysia<br>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 132<sub>2004</sub> 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<br>2006            |                         | The Group<br>2005            |                         |
|--------------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
|                                | Carrying<br>amount<br>RM'000 | Fair<br>value<br>RM'000 | Carrying<br>amount<br>RM'000 | Fair<br>value<br>RM'000 |
| <b>Financial assets:</b>       |                              |                         |                              |                         |
| 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<br>2006             |                         | The Bank<br>2005             |                         |
|--------------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
|                                | Carrying<br>amount<br>RM'000 | Fair<br>value<br>RM'000 | Carrying<br>amount<br>RM'000 | Fair<br>value<br>RM'000 |
| <b>Financial assets:</b>       |                              |                         |                              |                         |
| 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<br>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<br>trust shares<br>held<br>'000 | Market<br>value<br>RM'000 | Number of<br>trust shares<br>held<br>'000 | Market<br>value<br>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<br>RM'000 |
|---|-------------------------------|
| <b>Assets</b>   |                               |
| 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                        |
|   | <hr/> 5,557,144               |
| <b>Liabilities</b>  |                               |
| 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                       |
|   | <hr/> 5,107,144               |
| Net assets transferred from Islamic banking business to HLIB        | <hr/> 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<br>RM'000 | Effects from changes in accounting policies<br>RM'000 | As restated<br>RM'000 | As previously reported<br>RM'000 | Effects from changes in accounting policies<br>RM'000 | As restated<br>RM'000 |
| <b>As at 30 June 2005</b>                            |                                  |   |                       |                                  |   |                       |
| <b>Balance sheets</b>                                |                                  |   |                       |                                  |   |                       |
| 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)             |
| <b>Income statements</b>                             |                                  |   |                       |                                  |   |                       |
| 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             |
| <b>As at 30 June 2005</b>                            |                                  |   |                       |                                  |   |                       |
| <b>Statement of changes in equity</b>                |                                  |   |                       |                                  |   |                       |
| 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                 |
| <b>As at 30 June 2004</b>                            |                                  |   |                       |                                  |   |                       |
| 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<br>- 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<br>- Exempted ESOS (HLBB)   | 40,000,000    | 2.65  |
| 5. HSBC Nominees (Asing) Sdn Bhd<br>- Exempt AN for JPMorgan Chase Bank,<br>National Association (U.S.A.)           | 26,114,800    | 1.73  |
| 6. Malaysia Nominees (Tempatan) Sendirian Berhad<br>- Great Eastern Life Assurance (Malaysia) Berhad                | 24,244,200    | 1.60  |
| 7. Amanah Raya Nominees (Tempatan) Sdn Bhd<br>- Skim Amanah Saham Bumiputera  | 23,983,500    | 1.59  |
| 8. HSBC Nominees (Asing) Sdn Bhd<br>- Silchester International Investors<br>International Value Equity Trust        | 18,143,600    | 1.20  |
| 9. HSBC Nominees (Asing) Sdn Bhd<br>- 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<br>- Employees Provident Fund  | 8,173,500     | 0.54  |
| 12. HSBC Nominees (Asing) Sdn Bhd<br>- Silchester International Investors<br>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<br>- Amanah Saham Malaysia  | 5,173,500     | 0.34  |
| 16. Citigroup Nominees (Asing) Sdn Bhd<br>- PSP Foreign Equity Fund   | 4,810,400     | 0.32  |
| 17. HLG Nominee (Tempatan) Sdn Bhd<br>- 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<br>- Exempt AN for Prudential Assurance Malaysia Berhad               | 4,133,300     | 0.27  |
| 19. RHB Nominees (Asing) Sdn Bhd<br>- Cheng Fu Zay  | 3,963,600     | 0.26  |
| 20. HSBC Nominees (Asing) Sdn Bhd<br>- Kwek Leng Hai  | 3,935,000     | 0.26  |
| 21. Cartaban Nominees (Asing) Sdn Bhd<br>- California State Teachers Retirement System                          | 3,886,800     | 0.26  |
| 22. Citigroup Nominees (Asing) Sdn Bhd<br>- Florida Retirement System   | 3,725,200     | 0.25  |
| 23. Amanah Raya Nominees (Tempatan) Sdn Bhd<br>- Amanah Saham Wawasan 2020                                      | 3,700,000     | 0.24  |
| 24. Amanah Raya Nominees (Tempatan) Sdn Bhd<br>- Kumpulan Wang Bersama  | 3,441,300     | 0.23  |
| 25. Cartaban Nominees (Asing) Sdn Bhd<br>- Ishares, Inc.  | 3,432,000     | 0.23  |
| 26. Low Poh Weng  | 3,410,000     | 0.23  |
| 27. HSBC Nominees (Asing) Sdn Bhd<br>- Exempt AN for J.P. Morgan Bank Luxembourg S.A.                           | 3,380,500     | 0.22  |
| 28. Citigroup Nominees (Asing) Sdn Bhd<br>- Oversea-Chinese Banking Corporation Limited                         | 2,858,500     | 0.19  |
| 29. Citigroup Nominees (Asing) Sdn Bhd<br>- Kodak Retirement Income Plan Trust                                  | 2,785,800     | 0.18  |
| 30. HSBC Nominees (Asing) Sdn Bhd<br>- Exempt AN for JPMorgan Chase Bank,<br>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<br>(formerly known as<br>Hong Leong Credit Berhad) | 951,573,500   | 63.00 | 1,912,100#     | 0.12  |
| Hong Leong Company<br>(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<br>Pte Ltd  | -             | -     | 953,485,600*** | 63.12 |
| Davos Investment Holdings<br>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<br>No. of shares  | %      |
| <b>YBhg Tan Sri Quek Leng Chan</b>          |   |        |
| Hong Leong Bank Berhad                      | 953,525,600   | 63.13# |
| GuocoLand (Malaysia) Berhad                 | 457,287,216   | 55.28  |
| 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 - 99 years (31/12/2779) | Branch premises              | 4,425              | 24                  | 2,360                   | 27/12/1983          |
| 4. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu, 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 Negeri 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 Negeri 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<br>Seksyen 15, 40000 Shah Alam<br>Selangor Darul Ehsan       | Leasehold<br>- 99 years<br>(29/6/2086) | Branch premises              | 2,625              | 19                  | 1,338                   | 26/6/1997           |
| 17. Lots 3594 & 3595<br>Jalan Baru Pak Sabah<br>23000 Dungun<br>Terengganu Darul Iman | Leasehold<br>- 84 years<br>(2/2/2079)  | Branch premises              | 3,199              | 12                  | 240                     | 26/6/1997           |
| 18. Sublot 1 & 2 on parent lot 2633<br>Bintulu Siwa District<br>Bintulu, Sarawak      | Leasehold<br>- 60 years<br>(12/2/2056) | Branch premises              | 2,582              | 9                   | 1,364                   | 26/6/1997           |
| 19. Lot 34, Industrial Land<br>47000 Sungai Buloh<br>Selangor Darul Ehsan             | Freehold                               | Warehouse                    | 96,219             | 10                  | 2,745                   | 26/1/1995           |
| 20. 1540, Jalan Sultan Badlishah<br>05000 Alor Setar<br>Kedah Darul Aman              | Leasehold<br>- 55 years<br>(28/2/2028) | Branch premises              | 10,619             | 31                  | 60                      | 30/6/1977           |
| 21. 9A & 9B, Jalan Kampong Baru<br>08000 Sungai Petani<br>Kedah Darul Aman            | Freehold                               | Branch premises              | 9,320              | 13                  | 961                     | 1/1/1994            |
| 22. 31, Jalan Ibrahim<br>08000 Sungai Petani<br>Kedah Darul Aman                      | Freehold                               | Vacant                       | 2,448              | 22                  | 697                     | 1/7/1988            |
| 23. 45, Jalan Burma<br>10500 Pulau Pinang   | Freehold                               | Branch premises              | 14,277             | 28                  | 2,306                   | 24/11/1978          |
| 24. 33A-C, Lintang Angsana<br>Bandar Baru Air Hitam<br>11500 Pulau Pinang             | Leasehold<br>- 83 years<br>(8/4/2082)  | Branch premises              | 4,394              | 11                  | 536                     | 26/12/1995          |
| 25. 452, Jalan Pinang<br>10000 Pulau Pinang   | Freehold                               | Vacant                       | 2,874              | 10                  | 1,222                   | 1/12/1996           |
| 26. 55-57, Jalan Yang Kalsom<br>30250 Ipoh, Perak Darul Ridzuan                       | Freehold                               | Branch premises              | 11,720             | 27                  | 1,220                   | 1/10/1984           |
| 27. 27, Jalan Dewangsa<br>31000 Batu Gajah<br>Perak Darul Ridzuan                     | Leasehold<br>- 79 years<br>(26/2/2078) | Branch premises              | 4,694              | 11                  | 309                     | 24/11/1995          |
| 28. 75, Jalan Sultan Idris Shah<br>30000 Ipoh, Perak Darul Ridzuan                    | Freehold                               | Branch premises              | 1,900              | 9                   | 662                     | 15/6/1998           |
| 29. 80 & 82, Jalan Othman 1/14<br>46000 Petaling Jaya<br>Selangor Darul Ehsan         | Leasehold<br>- 90 years<br>(15/6/2089) | Branch premises              | 9,062              | 16                  | 1,308                   | 1/6/1994            |
| 30. 36, Jalan Midah 1<br>Taman Midah, Cheras<br>56000 Kuala Lumpur                    | Freehold                               | Branch premises              | 2,700              | 19                  | 222                     | 30/11/1984          |
| 31. 19, Jalan 54, Desa Jaya<br>52100 Kepong<br>Selangor Darul Ehsan                   | Leasehold<br>- 99 years<br>(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<br>Jalan Bagan Luar<br>12000 Butterworth, Pulau Pinang                | Freehold                                 | Branch premises              | 12,173             | 7                   | 3,619                   | 18/12/1999          |
| 47. Lots 568-G-17 & 568-1-17<br>Kompleks Mutiara<br>3 1/2 Mile Jalan Ipoh<br>51200 Kuala Lumpur | Freehold                                 | Branch premises              | 4,945              | 7                   | 3,331                   | 23/11/1999          |
| 48. Plot No 20, Jalan Bidor Raya<br>35500 Bidor, Perak Darul Ridzuan                            | Freehold                                 | Branch premises              | 3,243              | 7                   | 556                     | 23/11/1999          |
| 49. 1, Persiaran Greentown 2<br>Greentown Business Centre<br>30450 Ipoh<br>Perak Darul Ridzuan  | Leasehold<br>- 99 years<br>(21/11/2094)  | Branch premises              | 7,870              | 6                   | 2,112                   | 23/11/1999          |
| 50. Lots 39 & 40<br>Kompleks Munshi Abdullah<br>75100 Melaka                                    | Leasehold<br>- 99 years<br>(24/2/2084)   | Branch premises              | 5,988              | 7                   | 1,533                   | 31/5/1991           |
| 51. Lots 17 & 18, Mukim Serdang<br>Daerah Bandar Baharu<br>Kedah Darul Aman                     | Freehold                                 | Branch premises              | 5,840              | 5                   | 423                     | 20/9/2000           |
| 52. 133 & 135, Jalan Gopeng<br>31900 Kampar<br>Perak Darul Ridzuan                              | Freehold                                 | Branch premises              | 4,700              | 5                   | 361                     | 13/12/2000          |
| 53. 65-67, Jalan Tun HS Lee<br>50000 Kuala Lumpur   | Freehold                                 | Vacant                       | 2,223              | 10                  | 5,041                   | 14/10/1996          |
| 54. 34, Jalan Yong Shook Lin<br>46200 Petaling Jaya<br>Selangor Darul Ehsan                     | Leasehold<br>- 99 years<br>(09/09/2059)  | Branch premises              | 1,875              | 13                  | 606                     | 26/11/1993          |
| 55. 8, Jalan Carpenter Street<br>93000 Kuching<br>Sarawak                                       | Leasehold<br>- 999 years<br>(31/12/2775) | Branch premises              | 1,860              | 37                  | 147                     | 25/8/1969           |
| 56. 64, Jalan Tun Mustapha<br>87007 Labuan  | Leasehold<br>- 999 years<br>(31/12/2775) | Branch premises              | 1,370              | 15                  | 643                     | 30/5/1991           |
| 57. 486, Jalan Pudu<br>55100 Kuala Lumpur   | Freehold                                 | Vacant premises              | 2,396              | 9                   | 1,394                   | 22/8/1997           |
| 58. Lot 3088, Lanang Road<br>Sibu Town District<br>Sarawak                                      | Leasehold<br>- 60 years<br>(31/12/2028)  | Godown                       | 3,210              | 38                  | 32                      | 25/11/1968          |
| 59. Island Road Sibu<br>Lot 454, Block 5<br>Sibu Town District, Sarawak                         | Leasehold<br>- 60 years<br>(30/11/2055)  | Vacant premises              | 10,587             | 10                  | 1,279                   | 26/2/1996           |
| 60. 159, Jalan Imbi<br>55100 Kuala Lumpur   | Freehold                                 | Vacant                       | 1,688              | 1                   | 2,620                   | 25/11/2005          |
| 61. 163, Jalan Imbi<br>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 Sungai 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

27. 26, Lorong Rahim Kajai 14  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : 03-7729 3719  
Fax : 03-7728 6312

28. No. 266 & 267, Jalan Bandar 12  
Taman Melawati  
53100 Kuala Lumpur  
Tel : 03-4106 9391  
Fax : 03-4107 0152

29. No. 110 Jalan Tun Sambanthan  
50470 Kuala Lumpur  
Tel : 03-2274 1081  
Fax : 03-2273 6995

30. No. 3, Jalan 45/26  
Taman Sri Rampai  
53300 Kuala Lumpur  
Tel : 03-4025 1378  
Fax : 03-4025 4231

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

32. No. 2, Jalan 22A/70A  
Desa Sri Hartamas  
50480 Kuala Lumpur  
Tel : 03-6201 3749  
Fax : 03-6201 4034

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

34. No. 50, Jalan Manis 1  
Taman Segar, Cheras  
56100 Kuala Lumpur  
Tel : 03-9133 2924  
Fax : 03-9132 1370

**SELANGOR DARUL EHSAN**

35. No. 91, Lorong Memanda 1  
Ampang Point  
68000 Ampang  
Tel : 03-4252 3411  
Fax : 03-4253 2505

36. 1G-3G  
Jalan Wawasan 2/10  
Bandar Baru Ampang  
68000 Ampang  
Tel : 03-4291 0437  
Fax : 03-4292 8006

37. No. 7 & 9  
Jalan Bunga Tanjong 6A  
Taman Putra  
68000 Ampang  
Tel : 03-4292 9867  
Fax : 03-4293 9898

38. No. 68  
Lorong Batu Nilam 4A  
Bandar Bukit Tinggi  
41200 Klang  
Tel : 03-3324 2832  
Fax : 03-3324 1339

39. Wisma Keringat 2  
No. 17, Lorong Batu Caves 2  
68100 Batu Caves  
Tel : 03-6187 7464  
Fax : 03-6187 8042

40. No. 24, Medan Taming 2  
Taman Taming Jaya  
43300 Balakong  
Tel : 03-8961 5949  
Fax : 03-8961 5951

41. No. 119 & 121  
Jalan Sultan Abdul Samad  
42700 Banting  
Tel : 03-3187 6758  
Fax : 03-3187 6652

42. No. 64 Jalan BRP 1/2  
Bukit Rahman Putra  
47000 Sungai Buloh  
Tel : 03-6156 0195  
Fax : 03-6157 5610

43. 19 Jalan 54, Desa Jaya  
52100 Kepong  
Tel : 03-6276 3701  
Fax : 03-6272 2012

44. Lot G-18 & G-19  
Perdana The Palace  
Damansara Perdana  
47820 Petaling Jaya  
Tel : 03-7724 2459  
Fax : 03-7724 2167

45. No. 25-29G  
Jalan SS 21/60  
47400 Damansara Utama  
Petaling Jaya  
Tel : 03-7726 3967  
Fax : 03-7726 4037

46. No. 8, Jalan SG 1/2  
Taman Seri Gombak  
68100 Batu Caves  
Tel : 03-6184 2492  
Fax : 03-6185 2689

47. 30, Persiaran Tun Abdul Aziz  
43000 Kajang  
Tel : 03-8736 5277  
Fax : 03-8736 8133

48. 20 Jalan Goh Hock Huat  
41400 Klang  
Tel : 03-3342 8036  
Fax : 03-3344 8872

49. No. 11 & 13, Jalan M/J 1  
Taman Majlis Jaya  
Jalan Sungai Chua  
43000 Kajang  
Tel : 03-8737 6090  
Fax : 03-8737 6517

50. No. 23 & 24, Jalan KIP 1  
Taman Perindustrian KIP  
52200 Selangor  
Tel : 03-6277 4614  
Fax : 03-6272 2687

51. Wisma Amsteel Securities  
No. 1, Lintang Pekan Baru  
Off Jalan Meru  
41050 Kelang  
Tel : 03-3343 7635  
Fax : 03-3343 7621

52. No. 29  
Jalan Anggerik Vanilla N 31/N  
Kota Kemuning  
40460 Shah Alam  
Tel : 03-5123 1335  
Fax : 03-5123 1635

# Network Of Branches (continued)

53. No. 64, Jalan Stesen  
45000 Kuala Selangor  
Tel : 03-3289 5958  
Fax : 03-3289 5955

54. No. 18 & 20, Jalan 20/16A  
Taman Paramount  
46300 Petaling Jaya  
Tel : 03-7876 5131  
Fax : 03-7876 4836

55. No. 48 Jalan Bandar Tiga  
Pusat Bandar Puchong  
47100 Puchong  
Tel : 03-5882 1297  
Fax : 03-5882 2869

56. No. 2, Jalan Kinrara  
Taman Kinrara, Jalan Puchong  
47100 Puchong  
Tel : 03-8075 1486  
Fax : 03-8070 1635

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

58. No. 14 & 15, Jalan Kenari 1  
Bandar Puchong Jaya  
47100 Puchong  
Tel : 03-8076 6697  
Fax : 03-8076 6610

59. 80 & 82 Jalan Othman (1/14)  
46000 Petaling Jaya  
Tel : 03-7781 4261  
Fax : 03-7781 0133

60. Lot 9, Jalan 227C  
46100 Petaling Jaya  
Tel : 03-7954 1896  
Fax : 03-7960 0706

61. 34 & 36  
Jalan Yong Shook Lin  
46200 Petaling Jaya  
Tel : 03-7958 1269  
Fax : 03-7958 1032

62. Ground & Mezz Floor  
39, Jalan SS2/67  
47300 Petaling Jaya  
Tel : 03-7876 9372  
Fax : 03-7876 9846

63. No. 59A, Jalan Welman  
48000 Rawang  
Tel : 03-6091 0460  
Fax : 03-6093 4482

64. 63 & 65, SS23/15  
Taman SEA  
47400 Petaling Jaya  
Tel : 03-7804 9053  
Fax : 03-7804 4049

65. No. 1 & 3  
Jalan Sri Sarawak 17  
Taman Sri Andalas  
41200 Klang  
Tel : 03-3324 2546  
Fax : 03-3324 2553

66. No. 3, Jalan Takal 15/21  
Seksyen 15  
40000 Shah Alam  
Tel : 03-5510 9023  
Fax : 03-5510 5307

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

68. 30 Jalan Public  
Sungai Buloh New Village  
47000 Sungai Buloh  
Tel : 03-6157 4286  
Fax : 03-6156 9796

69. No. 15 & 16  
Jalan Menteri Besar 2  
New Sekinchan Business centre  
45400 Sekinchan  
Tel : 03-3241 6352  
Fax : 03-3241 6303

70. No. 39 & 41, Jalan SJ 17  
Taman Selayang Jaya  
68100 Batu Caves  
Tel : 03-6120 6813  
Fax : 03-6120 6797

71. No. 26  
Jalan Tengku Ampuan  
Zabedah D9/D, Seksyen 9  
40100 Shah Alam  
Tel : 03-5880 8047  
Fax : 03-5880 8726

72. 29-1, Jalan SP 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan  
Tel : 03-8943 0795  
Fax : 03-8943 0867

73. Grd & 1st Floor  
No. 1505B, Jalan Besar  
43300 Seri Kembangan  
Tel : 03-8948 3341  
Fax : 03-8948 5031

74. No. 7 & 9  
Jalan Pasar Baru 2  
Seksyen 3  
Bandar Semenyih  
43500 Semenyih  
Tel : 03-8724 9424  
Fax : 03-8724 7743

75. 12 & 14, Jalan PJS 11/28A  
Metro Bandar Sunway  
Bandar Sunway  
46150 Petaling Jaya  
Tel : 03-5637 5396  
Fax : 03-5637 5397

76. 18, Ground Floor  
Jalan 14/14  
46100 Petaling Jaya  
Tel : 03-7956 8101  
Fax : 03-7955 0425

77. No. 174 & 174A, Jalan Besar  
42800 Tanjung Sepat  
Kuala Langat  
Tel : 03-3197 2149  
Fax : 03-3197 2257

78. 1 & 3  
Jalan Seri Tanming 1 F  
Taman Seri Tanming, Batu 9  
43200 Cheras  
Tel : 03-9100 4559  
Fax : 03-9100 3760

79. Ground Floor  
No. 22, Jalan USJ 10/1  
47620 Subang Jaya  
Tel : 03-5636 7225  
Fax : 03-5636 7230

80. 169, Jalan Teluk Pulai  
41100 Klang  
Tel : 03-3372 7333  
Fax : 03-3372 7111

# 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, Lebuh 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, Lebuh 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 Bahru  
Tel : 07-3335 909  
Fax : 07-3315 559

141. 12 - 16  
Jalan Wong Ah Fook  
80000 Johor Bahru  
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  
Humprey 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 Theatrette, 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:-

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.