

Condensed Financial Statements
Hong Leong Bank Berhad
Unaudited Balance Sheet As At 31 March 2006

	The Group		The Bank	
	Financial Period Ended 31/03/2006	Financial Year Ended 30/06/2005	Financial Period Ended 31/03/2006	Financial Year Ended 30/06/2005
Note	RM'000	RM'000	RM'000	RM'000
<u>ASSETS</u>				
Cash and short-term funds	9,329,945	11,124,578	8,180,474	11,125,551
Deposits and placements with financial institutions	8,491,539	3,537,614	8,826,283	3,537,614
Securities purchased under resale agreements	6,452,634	9,928,492	6,452,634	9,928,492
Securities held-for-trading	8 3,398,396	2,633,939	3,114,212	2,633,939
Securities available-for-sale	9 5,319,514	2,368,564	5,164,634	2,368,564
Securities held-to-maturity	10 1,076,798	1,003,385	463,847	1,003,385
Loans, advances and financing	11 27,218,483	25,582,735	23,360,036	25,578,044
Other assets	12 462,503	242,109	394,306	239,763
Statutory deposits with Bank Negara Malaysia	838,174	839,600	666,700	839,600
Investment in subsidiary companies	-	-	522,042	72,041
Property, plant and equipment	257,359	244,392	240,739	229,835
Deferred tax assets	114,030	114,886	95,632	114,886
Total Assets	62,959,375	57,620,294	57,481,539	57,671,714
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	13 43,712,965	39,916,490	39,128,750	39,990,690
Deposits and placements of banks and other financial institutions	14 2,452,366	2,066,162	2,227,110	2,066,162
Obligations on securities sold under repurchase agreements	10,336,381	9,521,596	9,757,219	9,521,596
Bills and acceptance payable	388,421	568,895	383,627	564,897
Floating rate certificate of deposits	-	417,916	-	417,916
Other liabilities	15 864,112	695,178	872,004	712,946
Subordinated Bonds	736,650	-	736,650	-
Provision for taxation	56,342	36,520	-	-
Total Liabilities	58,547,237	53,222,757	53,105,360	53,274,207
Share Capital	1,580,107	1,580,107	1,580,107	1,580,107
Reserves	3,167,640	3,091,805	3,131,681	3,091,775
Less: Treasury Shares	(335,609)	(274,375)	(335,609)	(274,375)
Total Shareholders' Funds	4,412,138	4,397,537	4,376,179	4,397,507
Total Liabilities and Shareholders' Funds	62,959,375	57,620,294	57,481,539	57,671,714
<u>COMMITMENTS AND CONTINGENCIES</u>				
	26 47,164,443	38,380,331	46,784,820	38,376,333
<u>CAPITAL ADEQUACY</u>				
<u>Before deducting proposed dividends</u>				
Core capital ratio	21 13.62%	15.84%	15.66%	15.85%
Risk-weighted capital ratio	21 17.36%	17.37%	17.80%	17.11%
<u>After deducting proposed dividends</u>				
Core capital ratio	21 13.62%	15.21%	15.66%	15.22%
Risk-weighted capital ratio	21 17.36%	16.74%	17.80%	16.48%
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.91	2.88	2.89	2.88

Hong Leong Bank Berhad

Condensed Financial Statements
Unaudited Income Statement
For The Financial Quarter Ended 31 March 2006

The Group

	Note	Current Quarter Ended 31/03/2006 RM'000	Corresponding Quarter Ended 31/03/2005 RM'000	Current Period Ended 31/03/2006 RM'000	Corresponding Period Ended 31/03/2005 RM'000
Interest income	16	615,803	525,843	1,747,879	1,578,271
Interest expense	17	(351,268)	(286,977)	(1,013,755)	(845,321)
Net interest income		264,535	238,866	734,124	732,950
Net income from Islamic Banking business		41,040	39,838	124,342	97,924
Other operating income	18	133,484	92,336	321,627	266,970
Net Income		439,059	371,040	1,180,093	1,097,844
Other operating expenses	19	(157,185)	(143,340)	(458,990)	(423,774)
Operating profit before provision Loan(<i>and financing</i>) loss and provision	20	281,874	227,700	721,103	674,070
Impairment loss - securities		-	-	(3,039)	-
Profit before taxation (and zakat)		229,423	185,873	562,978	558,285
Taxation		(64,818)	(50,359)	(157,943)	(157,174)
Zakat		(10)	(15)	(40)	(30)
Profit after taxation		164,595	135,499	404,995	401,081
Profit attributable to shareholders		164,595	135,499	404,995	401,081
Earnings per share - basic (sen)		10.8	8.6	26.6	25.6
Earnings per share - fully diluted (sen)		10.8	8.6	26.6	25.6

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Income Statement
For The Financial Quarter Ended 31 March 2006

	Note	The Bank			
		Current Quarter Ended 31/03/2006 RM'000	Corresponding Quarter Ended 31/03/2005 RM'000	Current Period Ended 31/03/2006 RM'000	Corresponding Period Ended 31/03/2005 RM'000
Interest income	16	623,093	524,234	1,767,740	1,523,965
Interest expense	17	(359,097)	(287,060)	(1,034,540)	(819,871)
Net interest income		263,996	237,174	733,200	704,094
Net income from Islamic Banking business		-	33,642	-	94,200
Other operating income	18	133,299	91,979	320,983	1,073,892
Net Income		397,295	362,795	1,054,183	1,872,186
Other operating expenses	19	(136,955)	(143,522)	(397,435)	(418,062)
Operating profit before provision Allowances for losses on loans and financing	20	260,340	219,273	656,748	1,454,124
Impairment loss - securities		-	-	(3,039)	-
Profit before taxation (and zakat)		213,693	172,500	512,468	1,336,935
Taxation		(60,767)	(50,205)	(144,675)	(378,030)
Zakat		-	(15)	-	(30)
Profit after taxation		152,926	122,280	367,793	958,875
Profit attributable to shareholders		152,926	122,280	367,793	958,875
Earnings per share - basic (sen)		10.0	7.8	24.1	61.1
Earnings per share - fully diluted (sen)		10.0	7.8	24.1	61.1

Condensed Financial Statements
Hong Leong Bank Berhad
Statement of Changes in Equity For The Period Ended 31 March 2006

	← Non-distributable →					Distributable			
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Vale Reserve RM'000	Exchange Fluctuation Reserve RM'000	Merger Deficit RM'000	Retained Profit RM'000	Treasury Shares RM'000	Total RM'000
The Group									
As at 1 July 2005									
As previously stated	1,580,107	539,664	1,479,216		36,153	-	1,040,133	(274,375)	4,400,898
Prior Year Adjustment	-	-	-	819	-	-	(4,180)	-	(3,361)
As at 1 July 2005, as restated	1,580,107	539,664	1,479,216	819	36,153	-	1,035,953	(274,375)	4,397,537
Currency translation differences									
	-	-	-	-	256	-	-	-	256
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	256	-	-	-	256
Net profit for the period	-	-	-	-	-	-	404,995	-	404,995
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(56,020)	-	-	-	-	(56,020)
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(2,996)	-	-	-	-	(2,996)
Deferred Tax	-	-	-	(1,720)	-	-	-	-	(1,720)
Transfer to statutory reserve	-	-	108,782	-	-	-	(108,782)	-	-
Dividend paid	-	-	-	-	-	-	(268,680)	-	(268,680)
less: Treasury shares	-	-	-	-	-	-	-	(61,234)	(61,234)
Closing Balance @ 31 March 2006	1,580,107	539,664	1,587,998	(59,917)	36,409	-	1,063,486	(335,609)	4,412,138
As at 1 July 2004									
As previously stated	1,580,107	539,664	1,716,919		34,303	(73,800)	628,305	-	4,425,498
Prior Year Adjustment	-	-	-	(2,410)	-	-	2,113	-	(297)
As at 1 July 2004, as restated	1,580,107	539,664	1,716,919	(2,410)	34,303	(73,800)	630,418	-	4,425,201
Currency translation differences									
	-	-	-	-	1,125	-	-	-	1,125
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	1,125	-	-	-	1,125
Net profit for the period	-	-	-	-	-	-	401,081	-	401,081
Unrealised profit of revaluation of securities available for sale	-	-	-	(3,125)	-	-	-	-	(3,125)
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(1,061)	-	-	-	-	(1,061)
Deferred Tax	-	-	-	297	-	-	-	-	297
Transfer to statutory reserve	-	-	(273,253)	-	-	-	273,253	-	-
Dividend paid	-	-	-	-	-	-	(271,808)	-	(271,808)
less: Treasury shares	-	-	-	-	-	-	-	(229,171)	(229,171)
Closing Balance @ 31 March 2005	1,580,107	539,664	1,443,666	(6,299)	35,428	(73,800)	1,032,944	(229,171)	4,322,539

Condensed Financial Statements
Hong Leong Bank Berhad
Statement of Changes in Equity For The Period Ended 31 March 2006

	← Non-distributable →					Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value reserve RM'000	Exchange Fluctuation Reserve RM'000	Retained Profit RM'000	Treasury Shares RM'000	
The Bank								
As at 1 July 2005								
As previously stated	1,580,107	539,664	1,479,216	-	36,153	1,040,103	(274,375)	4,400,868
Prior Year Adjustment	-	-	-	819	-	(4,180)	-	(3,361)
As at 1 July 2005, as restated	1,580,107	539,664	1,479,216	819	36,153	1,035,923	(274,375)	4,397,507
<i>Currency translation differences</i>	-	-	-	-	256	-	-	256
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	256	-	-	256
Net profit for the period	-	-	-	-	-	367,793	-	367,793
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(36,050)	-	-	-	(36,050)
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	(21,693)	-	-	-	(21,693)
Deferred Tax	-	-	-	(1,720)	-	-	-	(1,720)
Transfer to statutory reserve	-	-	91,949	-	-	(91,949)	-	-
Dividend paid	-	-	-	-	-	(268,680)	-	(268,680)
less: Purchase of Treasury Shares	-	-	-	-	-	-	(61,234)	(61,234)
Closing Balance @ 31 March 2006	1,580,107	539,664	1,571,165	(58,644)	36,409	1,043,087	(335,609)	4,376,179
As at 1 July 2004								
As previously stated	1,580,107	539,664	1,202,767	-	34,303	482,566	-	3,839,407
Prior Year Adjustment	-	-	-	(2,410)	-	2,113	-	(297)
As at 1 July 2004, as restated	1,580,107	539,664	1,202,767	(2,410)	34,303	484,688	-	3,839,119
<i>Currency translation differences</i>	-	-	-	-	1,125	-	-	1,125
Net gain/(loss) not recognised in the profit and loss accounts	-	-	-	-	1,125	-	-	1,125
Net profit for the period	-	-	-	-	-	958,875	-	958,875
Unrealised loss arising from the change in fair value of available-of-sales securities	-	-	-	(1,237)	-	-	-	(1,237)
Fair value reserve realised on disposal of available-for-sale securities	-	-	-	-	-	-	-	-
Deferred Tax	-	-	-	297	-	-	-	297
Transfer to statutory reserve	-	-	273,253	-	-	(273,253)	-	-
Dividend paid	-	-	-	-	-	(268,680)	-	(268,680)
less Purchase of Treasury Shares	-	-	-	-	-	-	(229,171)	(229,171)
Closing Balance @ 31 March 2005	1,580,107	539,664	1,476,020	(3,350)	35,428	901,630	(229,171)	4,300,328

Hong Leong Bank Berhad
Condensed Financial Statements
Unaudited Condensed Cash Flow Statement
For The Financial Period Ended 31 March 2006

	The Group		The Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Period Ended 31/03/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Period Ended 31/03/2005 RM'000
Operating activities				
Profit before taxation	562,978	558,285	512,468	1,336,935
Adjustments for non-cash items	303,907	241,527	385,225	597,792
Operating profit before working capital changes	866,885	799,812	897,693	1,934,727
Income taxes and zakat paid	(175,282)	(127,950)	(115,210)	(115,210)
Net changes in working capital	(2,372,007)	(2,373,354)	(3,152,705)	429,634
Net cash flow from operating activities	(1,680,404)	(1,701,492)	(2,370,222)	2,249,151
Net cash flow from investing activities	(59,689)	978,560	(520,315)	(269,805)
Net cash flow from financing activities	(61,234)	(500,979)	(61,234)	(201,996)
Changes in cash and cash equivalents	(1,801,327)	(1,223,911)	(2,951,771)	1,777,350
Currency translation differences	6,694	1,158	6,694	1,158
Cash and cash equivalents at the beginning of year	11,124,578	13,935,646	11,125,551	10,166,102
Cash and cash equivalents at the end of period	9,329,945	12,712,893	8,180,474	11,944,610

HONG LEONG BANK BERHAD ("HLB" or "Bank")

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR FINANCIAL QUARTER ENDED 31 MARCH 2006

1 Basis of preparation

The condensed financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standard ("FRS") 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board ("MASB") and Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 June 2005.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became effective for the current financial year. The adoption of the revised BNM/GP8 have resulted in changes in the accounting policies of the Group and the Bank which have been applied retrospectively in this condensed interim financial statements and the details are disclosed in Note 30.

However, the group has been given indulgence by BNM from complying with the requirements on impairment of loans under the revised BNM/GP8 until 1 July 2006. Therefore, the allowance for losses on loans and financing are computed based on the requirements of BNM/GP3 which is consistent with the adoption made in the previous audited annual financial statements.

The adoption of the revised BNM/GP8 has resulted in changes in the accounting policies of the group, which have been applied retrospectively in this unaudited financial statements.

2 Status of matters giving rise to the auditor's qualified report in the preceding annual financial statements for the year ended 30 June 2005.

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2005.

3 Seasonality or cyclicity of operations

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

4 Exceptional items or unusual events affecting financial statements

There were no exceptional items or unusual events that materially affected the financial statements.

5 Variation from financial estimates reported in preceding financial period/year

There were no changes in estimates of amounts reported in the prior financial year that may have a material effect in the current period

6 Issuance and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 March 2006 other than as mentioned below:-

a) Share Buy-back

During the financial period ended 31 March 2006, the Bank purchased a total of 11,999,800 of its issued share capital from the open market. The shares purchased are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

Details of the shares bought back for the financial period ended 31 March 2006 are as follows:

Month	No of shares bought back	Lowest price paid RM	Highest price paid RM	Average Price Paid RM	Total Consideration (including transaction cost) RM
July-05	610,000	5.20	5.20	5.20	3,179,862
Aug-05	-	-	-	-	-
Sep-05	-	-	-	-	-
Oct-05	30,000	5.20	5.30	5.25	158,075
Nov-05	2,825,600	4.94	5.15	5.02	14,228,489
Dec-05	3,212,700	4.98	5.10	5.03	16,209,413
Jan-06	-	-	-	-	-
Feb-06	2,502,400	5.10	5.20	5.17	12,966,039
Mar-06	2,819,100	5.10	5.15	5.13	14,492,855
For the Period	11,999,800	4.94	5.30	5.09	61,234,733

The total number of shares bought back, all of which were held as treasury shares as at 31 March 2006 amounted to 63,542,500 shares, at an average price per share of RM5.28. None of the treasury shares were resold or canceled to date.

b) Subordinated Bonds

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 in 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

b) Subordinated Bonds (continued)

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.

7 Dividends Paid

An interim dividend of 9.0 sen per share less income tax at 28% in respect of half-year ended 31 December 2005 amounting to RM98.3 million was paid on 28 March 2006.

8 Securities Held-for-trading

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
At Fair Value				
Malaysian Government Treasury Bills	17,590	107,763	9,698	107,763
Malaysian Government Securities	59,005	15,692	59,006	15,692
Other Government Securities				
Bank Negara Malaysia (BNM) bills	1,498	1,427	-	1,427
Cagamas bonds	165,449	206,652	165,449	206,652
Bankers' acceptance and Islamic accepted bills	297,985	538,530	194,276	538,530
Negotiable instruments of deposit	2,687,925	1,670,101	2,516,839	1,670,101
Foreign currency bonds	72,740	-	72,740	-
	<u>3,302,192</u>	<u>2,540,165</u>	<u>3,018,009</u>	<u>2,540,165</u>
Quoted securities :				
Shares in Malaysia	39,136	9,078	39,136	9,078
Unquoted securities :				
Private debt securities	57,068	84,696	57,068	84,696
Total securities held-for-trading	<u>3,398,396</u>	<u>2,633,939</u>	<u>3,114,212</u>	<u>2,633,939</u>

9 Securities Available-for-sale

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
At Fair Value				
HK Government Exchange Fund	23,720	23,917	23,720	23,917
Government Treasury Bills	226,339	205,515	226,339	205,515
Malaysian Government Securities	2,179,282	25,293	2,179,282	25,293
Cagamas bonds	1,410,955	1,181,961	1,312,308	1,181,961
Foreign currency bonds	1,105,576	826,974	1,105,576	826,974
	<u>4,945,871</u>	<u>2,263,660</u>	<u>4,847,225</u>	<u>2,263,660</u>
Quoted Securities:				
Shares and convertible loan stocks	121,846	46,397	121,846	46,397
Shares outside Malaysia	-	314	-	314
Unquoted securities :				
Private debt securities	251,797	58,193	195,563	58,193
Total securities available-for-sale	<u>5,319,514</u>	<u>2,368,564</u>	<u>5,164,634</u>	<u>2,368,564</u>

10 Securities Held-to-maturity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
At Amortised Cost				
Money market instruments :				
Malaysian Government securities	241,630	247,191	241,630	247,191
Malaysian Government investment certificates	154,486	253,797	32,324	253,797
Cagamas bonds	440,520	165,323		165,323
Foreign currency bonds	11,071	11,486	11,071	11,486
Foreign currency NCD	-	6,094	-	6,094
Khazanah bonds	4,417	9,027	-	9,027
	<u>852,124</u>	<u>692,918</u>	<u>285,025</u>	<u>692,918</u>
Unquoted securities :				
Shares	27,160	27,161	26,585	27,161
Private debt securities	174,914	235,774	129,637	235,774
Loan stocks	22,600	47,532	22,600	47,532
	<u>224,674</u>	<u>310,467</u>	<u>178,822</u>	<u>310,467</u>
Total securities held-to-maturity	<u><u>1,076,798</u></u>	<u><u>1,003,385</u></u>	<u><u>463,847</u></u>	<u><u>1,003,385</u></u>

11 Loans, Advances and Financing

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Overdrafts	2,898,641	3,107,337	2,892,958	3,110,324
Term loans :				
- Housing loans/financing	12,977,047	11,047,892	12,042,198	11,047,892
- Syndicated term loan/financing	1,609,885	1,743,830	1,215,405	1,742,530
- Hire purchase receivables	6,536,557	6,423,928	3,132,296	6,423,928
- Lease receivables	22,491	8,015	-	-
- Other term loans/financing	1,125,817	1,133,780	985,584	1,133,780
Credit/charge card receivables	1,057,838	943,832	1,057,838	943,832
Bills receivables	303,428	354,378	303,371	354,378
Trust receipts	140,786	192,550	140,734	192,550
Claims on customers under acceptance credits	2,087,183	2,002,016	2,055,139	1,998,018
Block discounting	16,432	37,137	13,524	37,137
Revolving credits	603,075	580,792	603,075	580,792
Staff loans :				
Directors	-	-	-	-
Staffs other than Directors	120,167	129,145	120,036	129,145
Other loans/financing	60,252	80,223	58,801	80,223
	<u>29,559,599</u>	<u>27,784,855</u>	<u>24,620,959</u>	<u>27,774,529</u>
Unearned interest and income	<u>(1,312,368)</u>	<u>(1,323,989)</u>	<u>(322,648)</u>	<u>(1,323,989)</u>
Gross loans, advances and financing	28,247,231	26,460,866	24,298,311	26,450,540
Allowance for bad and doubtful debts and financing :				
- general	(414,646)	(412,877)	(355,907)	(412,817)
- specific	(614,102)	(465,254)	(582,368)	(459,679)
Net loans, advances and financing	<u>27,218,483</u>	<u>25,582,735</u>	<u>23,360,036</u>	<u>25,578,044</u>

11 Loans, Advances and Financing (continued)**11a By type of customer**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Domestic banking institutions	149	153	149	153
Domestic non-bank financial institutions	101,446	65,748	103,889	68,732
Domestic business enterprises				
- Small and medium enterprises	3,867,195	4,577,643	3,529,128	4,569,628
- Others	5,036,159	4,429,596	4,532,964	4,429,596
Government and statutory bodies	116,986	116,132	116,986	116,132
Individuals	18,174,572	16,257,935	15,085,763	16,257,936
Other domestic entities	39,476	49,385	38,598	48,086
Foreign entities	911,248	964,274	890,834	960,277
Gross loans, advances and financing	<u>28,247,231</u>	<u>26,460,866</u>	<u>24,298,311</u>	<u>26,450,540</u>

11 Loans, Advances and Financing (continued)

11b By interest/profit rate sensitivity

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Fixed rate				
- Housing loans/financing	2,682,692	2,641,038	2,394,467	2,640,007
- Hire purchase receivables	5,799,845	5,722,477	2,816,242	5,720,244
- Other fixed rate loan/financing	3,504,058	3,173,222	2,877,595	3,171,983
Variable rate				
- Base lending rate plus	13,140,723	11,615,037	13,125,456	11,610,504
- Cost plus	722,376	685,760	719,153	685,493
- Other variables rates	<u>2,397,537</u>	<u>2,623,332</u>	<u>2,365,398</u>	<u>2,622,309</u>
Gross loans, advances and financing	<u>28,247,231</u>	<u>26,460,866</u>	<u>24,298,311</u>	<u>26,450,540</u>

11 Loans, Advances and Financing (continued)

11c By economic sector

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Agriculture	260,155	245,910	182,683	245,349
Mining and quarrying	35,951	36,513	32,216	36,480
Manufacturing	2,232,147	2,326,718	2,053,495	2,318,586
Electricity, gas and water	24,628	33,408	16,316	33,408
Construction	584,648	826,888	505,077	826,222
Real Estate	361,814	298,259	319,534	298,259
Purchase of landed properties (of which : - residential	9,828,733	8,445,304	9,361,158	8,445,304
- non-residential)	3,009,483	2,460,381	2,916,981	2,460,381
General commerce	1,992,977	1,862,706	1,816,307	1,862,310
Transport, storage and communication	287,594	273,484	226,426	273,484
Finance, insurance and business services	513,266	559,196	432,270	560,554
Purchase of securities	714,432	838,974	710,215	837,674
Purchase of transport vehicles	4,952,922	4,861,113	2,346,643	4,861,113
Consumption credit	2,311,891	2,119,050	2,301,353	2,119,050
Others	1,136,590	1,272,962	1,077,637	1,272,366
Gross loans, advances and financing	<u>28,247,231</u>	<u>26,460,866</u>	<u>24,298,311</u>	<u>26,450,540</u>

11 Loans, Advances and Financing (continued)**11d Non-performing loans by sector**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Agriculture	5,702	4,253	5,241	3,880
Mining and quarrying	3,212	2,965	3,212	2,965
Manufacturing	280,823	279,311	278,293	276,940
Electricity, gas and water	582	685	498	685
Construction	136,265	265,392	135,140	264,969
Real estate	90,618	34,291	89,957	34,290
Purchase of landed properties (of which :- residential	366,213	352,820	341,599	352,820
- non-residential)	175,368	126,539	162,714	126,539
General commerce	108,999	121,484	108,156	121,391
Transport, storage and communication	41,648	48,071	41,199	47,904
Finance, insurance and business services	130,651	140,662	128,921	139,610
Purchase of securities	40,896	29,163	38,108	27,863
Purchase of transport vehicles	136,525	132,400	103,343	132,400
Consumption credit	81,139	77,785	80,503	77,785
Others	39,131	41,862	38,445	41,729
	<u>1,637,772</u>	<u>1,657,683</u>	<u>1,555,329</u>	<u>1,651,770</u>

11 Loans, Advances and Financing (continued)

11e Movements in non-performing loans, advances and financing (“NPL”) are as follows :

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
At beginning	1,657,683	2,148,297	1,651,770	1,143,538
Non-performing during the period/year	2,439,494	2,634,676	2,263,038	2,594,192
Reclassified as performing	(2,026,707)	(1,971,777)	(1,880,867)	(1,939,560)
Amount written back in respect of recoveries	(377,159)	(549,807)	(352,636)	(541,864)
Amount written off	(55,697)	(605,478)	(55,697)	(547,204)
Amount vested (to)/from HLIB/ HLF*	-	-	(70,437)	940,896
Exchange differences	158	1,772	158	1,772
Closing balance	1,637,772	1,657,683	1,555,329	1,651,770
Specific allowance	(614,102)	(465,254)	(582,368)	(459,679)
Net non-performing loans, advances and financing	<u>1,023,670</u>	<u>1,192,429</u>	<u>972,961</u>	<u>1,192,091</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>3.7%</u>	<u>4.6%</u>	<u>4.1%</u>	<u>4.6%</u>

* Note : HLIB - Hong Leong Islamic Bank Berhad
HLF - Gensource Berhad (formerly known as Hong Leong Finance Berhad)

11 Loans, Advances and Financing (continued)

11f Movements in allowance for bad and doubtful debts (and financing) accounts are as follows :

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>General Allowance</u>				
At beginning	412,877	366,955	412,817	248,162
Net provisions made during the year	1,667	45,697	(2,003)	47,311
Amount vested (to)/from HLIB/HLF*	-	-	(55,009)	117,119
Exchange differences	102	225	102	225
Closing balance	<u>414,646</u>	<u>412,877</u>	<u>355,907</u>	<u>412,817</u>
As % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.6%</u>	<u>1.5%</u>	<u>1.6%</u>
<u>Specific Allowance</u>				
At beginning	465,254	868,043	459,679	516,854
Allowance made during the period/year	271,247	304,207	253,013	292,367
Amount written back in respect of recoveries	(66,873)	(101,309)	(61,668)	(89,323)
Amount written off	(55,879)	(605,675)	(55,946)	(547,204)
Amount transferred to provision for diminution in value	-	(904)	-	(904)
Amount vested (to)/from HLIB/HLF*	-	-	(13,063)	286,997
Exchange differences	353	892	353	892
Closing balance	<u>614,102</u>	<u>465,254</u>	<u>582,368</u>	<u>459,679</u>

* Note : HLIB - Hong Leong Islamic Bank Berhad
HLF - Gensource Berhad (formerly known as Hong Leong Finance Berhad)

12 Other Assets

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Interest/Income receivable	161,999	149,079	151,650	149,079
Other debtors, deposits and prepayments	255,995	86,996	69,342	84,650
Amount due from subsidiary company	-	-	128,805	-
Foreclosed properties	3,009	3,159	3,009	3,159
Tax Recoverable	41,500	2,875	41,500	2,875
	<u>462,503</u>	<u>242,109</u>	<u>394,306</u>	<u>239,763</u>

13 Deposits from Customers

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>By type of customer</u>				
Government and statutory bodies	1,175,337	318,002	597,480	318,002
Business enterprises	14,638,939	13,134,041	11,896,461	13,208,241
Individuals	25,560,518	25,241,952	25,578,475	25,241,952
Others	2,338,171	1,222,495	1,056,334	1,222,495
	<u>43,712,965</u>	<u>39,916,490</u>	<u>39,128,750</u>	<u>39,990,690</u>

14 Deposits and Placements of Banks and Other Financial Institutions

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Licensed banks	2,387,510	2,066,162	2,172,510	2,066,162
Other financial institutions	64,856	-	54,600	-
	<u>2,452,366</u>	<u>2,066,162</u>	<u>2,227,110</u>	<u>2,066,162</u>

15 Other Liabilities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Interest/Profit payable	311,467	301,060	277,707	301,060
Zakat	67	27	-	27
Post employment benefits obligation				
- defined contribution plan	3,450	3,609	3,450	3,609
Loan advance payment	164,830	88,763	162,472	88,763
Amount due to subsidiary companies	-	-	6,458	34,347
Others	384,298	301,719	421,917	285,140
	<u>864,112</u>	<u>695,178</u>	<u>872,004</u>	<u>712,946</u>

16 Interest Income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
Group				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	301,726	274,442	886,208	866,334
- Recoveries from NPLs	52,787	61,141	136,645	164,036
Money at call and deposit placements with financial institutions	126,755	59,944	315,759	256,306
Securities purchased under resale agreement	44,155	55,191	171,121	63,619
Securities held-for-trading	38,875	29,721	95,400	93,242
Securities available-for-sale	54,695	35,588	144,787	129,328
Securities held-to-maturity	7,435	-	22,187	789
Others	1,805	10,471	7,969	21,374
	<u>628,233</u>	<u>526,498</u>	<u>1,780,076</u>	<u>1,595,028</u>
Amortisation of premium less accretion of discount	(8,025)	1,133	(18,482)	(11,642)
Interest suspended	(4,405)	(1,788)	(13,715)	(5,115)
	<u>615,803</u>	<u>525,843</u>	<u>1,747,879</u>	<u>1,578,271</u>

16 Interest Income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loan, advances and financing				
- Interest income other than recoveries from NPLs	301,305	263,490	885,649	822,868
- Recoveries from NPLs	52,751	70,484	136,609	162,412
Money at call and deposit placements with financial institutions	134,502	59,944	336,215	247,978
Securities purchased under resale agreements	44,155	55,191	171,121	63,619
Securities held-for-trading	38,875	29,721	95,400	93,242
Securities available-for-sale	54,695	35,588	144,787	129,328
Securities held-to-maturity	7,435	-	22,187	-
Others	1,805	10,471	7,969	21,245
	<u>635,523</u>	<u>524,889</u>	<u>1,799,937</u>	<u>1,540,692</u>
Amortisation of premium less accretion of discount	(8,025)	1,133	(18,482)	(11,612)
Interest suspended	<u>(4,405)</u>	<u>(1,788)</u>	<u>(13,715)</u>	<u>(5,115)</u>
	<u>623,093</u>	<u>524,234</u>	<u>1,767,740</u>	<u>1,523,965</u>

17 Interest Expense

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	84,089	55,493	230,744	148,916
Deposits from customers	257,683	231,093	756,612	695,568
Subordinated bonds	9,180	-	25,581	-
Others	316	391	818	837
	<u>351,268</u>	<u>286,977</u>	<u>1,013,755</u>	<u>845,321</u>

	3 rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	91,836	55,493	251,281	147,368
Deposits from customers	257,765	231,176	756,860	671,666
Subordinated bonds	9,180	-	25,581	-
Others	316	391	818	837
	<u>359,097</u>	<u>287,060</u>	<u>1,034,540</u>	<u>819,871</u>

18 Other Operating Income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
Group				
(a) <u>Fee income</u> :				
Commissions	17,197	21,045	53,853	57,322
Service charges and fees	13,050	7,241	27,046	22,025
Guarantee fees	1,139	1,087	4,225	4,288
Other fee income	41,666	31,138	114,052	101,027
	<u>73,052</u>	<u>60,511</u>	<u>199,176</u>	<u>184,662</u>
(b) <u>Gain/loss arising from sale of securities</u> :				
Net gain from sale of securities held-for-trading	3,455	1,803	11,881	12,199
Net gain from sale of securities available-for-sale	23,642	18,311	31,814	49,118
Net gain from redemption of securities held-to-maturity	235	-	4,277	985
	<u>27,332</u>	<u>20,114</u>	<u>47,972</u>	<u>62,302</u>
(c) <u>Gross dividend income from:</u>				
Subsidiary companies	-	-	-	-
Securities held-for-trading	274	64	564	555
Securities available-for-sale	497	367	1,242	821
Securities held to maturity	-	-	741	325
	<u>771</u>	<u>431</u>	<u>2,547</u>	<u>1,701</u>

18 Other Operating Income (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	6,444	(4,384)	8,488	(15,960)
(e) <u>Other income :</u>				
Foreign exchange gain	22,912	13,188	54,547	26,961
Rental income	138	564	286	620
Gain on disposal of property and equipment (net)	274	346	539	1,707
Others	2,561	1,566	8,072	4,977
	25,885	15,664	63,444	34,265
Total other operating income	133,484	92,336	321,627	266,970

18 Other Operating Income

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
Bank				
(a) Fee income :				
Commissions	17,197	21,045	53,853	57,145
Service charges and fees	13,050	7,241	27,046	21,994
Guarantee fees	1,139	1,087	4,225	4,288
Other fee income	41,680	31,148	114,091	100,092
	<u>73,066</u>	<u>60,521</u>	<u>199,215</u>	<u>183,519</u>
(b) Gain/loss arising from sale of securities :				
Net gain from sale of securities held-for-trading	3,455	1,803	11,881	12,199
Net gain from sale of securities available-for-sale	23,642	18,311	31,814	47,530
Net gain from redemption of securities held-to-maturity	235	-	4,277	-
	<u>27,332</u>	<u>20,114</u>	<u>47,972</u>	<u>59,729</u>
(c) Gross dividend income from:				
Subsidiary companies	-	-	-	811,200
Securities held-for-trading	274	64	564	555
Securities available-for-sale	497	367	1,242	821
Securities held-to-maturity	-	-	741	325
	<u>771</u>	<u>431</u>	<u>2,547</u>	<u>812,901</u>

18 Other Operating Income (continued)

	3 rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
(d) <u>Unrealised losses on revaluation of securities held-for-trading and derivatives</u>	6,444	(4,384)	8,488	(15,960)
(e) <u>Other income :</u>				
Foreign exchange gain	22,912	13,188	54,547	26,961
Rental income	139	564	287	618
Gain on disposal of property and equipment (net)	274	346	539	1,700
Others	2,361	1,199	7,388	4,424
	<u>25,686</u>	<u>15,297</u>	<u>62,761</u>	<u>33,703</u>
Total other operating income	<u>133,299</u>	<u>91,979</u>	<u>320,983</u>	<u>1,073,892</u>

19 Other Operating Expenses

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	69,714	67,813	205,852	202,274
- Others	5,319	5,814	14,840	17,560
<u>Establishment costs</u>				
- Depreciation	14,078	13,448	41,782	37,427
- Rental	8,959	8,113	26,172	23,762
- Information technology expenses	8,252	5,663	23,439	17,209
- Others	8,172	8,108	23,675	21,549
<u>Marketing expenses</u>				
- Advertisement and publicity	6,269	7,215	23,928	20,267
- Handling fees	3,798	3,710	14,113	9,768
- Others	6,500	5,216	17,186	15,200
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,387	1,284	6,225	4,117
- Stationery & printing	4,004	5,048	11,868	14,195
- Others	19,733	11,908	49,910	40,446
	<u>157,185</u>	<u>143,340</u>	<u>458,990</u>	<u>423,774</u>

19 Other Operating Expenses (continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	68,814	67,813	203,132	199,534
- Others	5,067	5,814	14,274	17,560
<u>Establishment costs</u>				
- Depreciation	13,962	13,444	41,571	36,563
- Rental	9,053	8,400	26,425	24,451
- Information technology expenses	8,185	5,663	23,293	16,914
- Others	8,104	8,092	23,510	21,533
<u>Marketing expenses</u>				
- Advertisement and publicity	6,071	7,215	21,933	20,267
- Handling fees	1,231	3,710	5,393	8,442
- Others	6,453	5,216	16,990	15,106
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,173	1,284	6,194	3,946
- Stationery & printing	3,991	5,246	11,818	14,151
- Shared service cost (recoveries)	(15,618)	-	(46,056)	-
- Others	19,469	11,625	48,958	39,595
	<u>136,955</u>	<u>143,522</u>	<u>397,435</u>	<u>418,062</u>

20 Allowance for Losses on Loans, Advances and Financing

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	3,980	10,253	1,667	33,677
- specific allowance	91,156	66,302	271,247	204,090
- specific allowance written back	(25,840)	(20,735)	(66,873)	(53,685)
Bad debts and financing written off	1,631	1,954	5,826	4,396
Bad debts and financing recovered	(18,476)	(15,947)	(56,781)	(72,693)
	<u>52,451</u>	<u>41,827</u>	<u>155,086</u>	<u>115,785</u>

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for bad and doubtful debts and financing :				
- general allowance (net)	2,328	10,252	(2,003)	35,339
- specific allowance	83,844	71,002	253,013	198,799
- specific allowance written back	(23,918)	(20,735)	(61,668)	(48,682)
Bad debts and financing written off	1,261	2,201	5,169	3,468
Bad debts and financing recovered	(16,868)	(15,947)	(53,270)	(71,735)
	<u>46,647</u>	<u>46,773</u>	<u>141,241</u>	<u>117,189</u>

21 Capital Adequacy

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>Components of Tier - 1 and Tier - 2 Capital</u>				
Tier -1 capital				
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107
Share premium	539,664	539,664	539,664	539,664
Retained profit, as restated	942,359	1,035,953	928,393	1,035,923
As previously stated	-	1,040,133	-	1,040,103
Prior year adjustments	-	(4,180)	-	(4,180)
Other Reserves	1,580,813	1,515,369	1,569,216	1,515,369
Less :Treasury Shares	(335,609)	(274,375)	(335,609)	(274,375)
Less : Deferred Tax	(114,263)	(114,886)	(94,975)	(114,886)
As previously stated	-	(115,204)	-	(115,204)
Prior year adjustments	-	318	-	318
Total tier 1 capital	4,193,071	4,281,832	4,186,796	4,281,802
Tier - 2 capital				
General provision	414,646	412,817	355,907	412,817
Subordinated bonds	736,650	-	736,650	-
Total tier 2 capital	1,151,296	412,817	1,092,557	412,817
Total capital	5,344,367	4,694,649	5,279,353	4,694,619
Less: Investment in subsidiary Companies	-	-	(522,042)	(72,041)
Total capital base	5,344,367	4,694,649	4,757,311	4,622,578
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	13.62	15.84	15.66	15.85
Risk-weighted Capital Ratio	17.36	17.37	17.80	17.11
<u>After deducting proposed dividends</u>				
Core Capital Ratio	13.62	15.21	15.66	15.22
Risk-weighted Capital Ratio	17.36	16.74	17.80	16.48

21 Capital Adequacy (Continued)

The profit after tax of the Group and the Bank for the half year ended 31 December 2006, had been subjected to a limited review by our external auditors. As such the Group's and the Bank's profit after tax for the half year ended 31 December 2006 have been included in the capital base used in the computation of the Group's and the Bank's Capital Adequacy Ratios respectively

22 Group segmental reporting on revenue, profit and assets

Current Quarter ended 31/03/2006

<u>By Business Segment</u>	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	140,320	115,451	183,288	439,059
Inter-segment revenue	131,136	(12,353)	(118,783)	-
Segment revenue	<u>271,456</u>	<u>103,098</u>	<u>64,505</u>	<u>439,059</u>
Segment profit before taxation	111,823	70,716	46,884	229,423
Taxation and zakat				(64,828)
Profit after taxation				<u>164,595</u>

Financial Period Ended 31/03/2006

<u>By Business Segment</u>	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	343,997	296,403	539,693	1,180,093
Inter-segment revenue	417,073	(49,445)	(367,628)	-
Segment revenue	<u>761,070</u>	<u>246,958</u>	<u>172,065</u>	<u>1,180,093</u>
Segment profit before taxation	298,445	136,948	127,585	562,978
Taxation and zakat				(157,983)
Profit after taxation				<u>404,995</u>
Segment assets	20,630,624	6,777,511	33,597,470	61,005,605
Unallocated assets				1,953,770
Total assets				<u>62,959,375</u>

23 **Group segmental reporting on revenue, profit and assets**

Current Quarter ended 31/03/2005

<u>By Business Segment</u>	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	115,323	84,758	170,959	371,040
Inter-segment revenue	143,080	(22,816)	(120,264)	-
Segment revenue	<u>258,403</u>	<u>61,942</u>	<u>50,695</u>	<u>371,040</u>
Segment profit before taxation	114,218	36,407	35,248	185,873
Taxation and zakat				<u>(50,374)</u>
Profit after taxation				<u>135,499</u>

Financial Period Ended 31/03/2005

<u>By Business Segment</u>	Personal Financial Services RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
External revenue	326,794	269,172	501,878	1,097,844
Inter-segment revenue	417,709	(66,362)	(351,347)	-
Segment revenue	<u>744,503</u>	<u>202,810</u>	<u>150,531</u>	<u>1,097,844</u>
Segment profit before taxation	308,566	149,277	100,442	558,285
Taxation and zakat				<u>(157,204)</u>
Profit after taxation				<u>401,081</u>
Segment assets	17,506,523	7,944,016	27,476,880	52,927,419
Unallocated assets				<u>2,155,744</u>
Total assets				<u>55,083,163</u>

24 Property, plant and equipment

The valuations of land and building had been brought forward without amendment from the previous audited annual financial statements.

25(a) Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the financial period ended 31 March 2006 to be disclosed.

(b) Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 March 2006 except for the following:-

- 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 banking business of HLB to HLIB. Effective 1 July 2005, the Bank has conducted its Islamic Banking business through HLIB.
- 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 RM5,000.00 (“Proposed Disposal”). The approval of the Foreign Investment Committee for the Proposed Disposal has been obtained and the Proposed Disposal was completed on 25 August 2005.

26 Commitments and contingencies

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

The commitments and contingencies constitute the following:

	Financial Period Ended 31/03/2006			Financial Year Ended 30/06/2005		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
The Group						
Direct credit substitutes	178,426	178,426	178,426	161,538	161,538	161,538
Transaction-related contingent items	232,276	116,138	116,138	308,963	154,482	154,481
Short-term self liquidating trade-related contingencies	619,545	123,909	123,909	469,936	93,987	93,188
Other assets sold with recourse and commitment	1,810	1,810	1,810	-	-	-
Irrevocable commitments to extend credit :						
-maturity more than 1 year	4,161,410	2,080,705	2,080,705	4,122,753	2,061,377	2,061,377
-maturity less than 1 year	10,765,269	-	-	9,181,257	-	-
Foreign exchange related contracts	8,013,077	196,950	98,475	7,639,221	158,934	80,269
Interest rate related contracts	23,120,937	188,998	94,499	16,389,047	74,294	37,147
Equity related contracts	71,194	1,068	-	106,922	1,604	-
Miscellaneous	499	-	-	694	-	-
Total	47,164,443	2,888,004	2,693,962	38,380,331	2,706,216	2,588,000

26 Commitments and contingencies (continued)

	Financial Period Ended 31/03/2006			Financial Year Ended 30/06/2005		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
The Bank						
Direct credit substitutes	178,426	178,426	178,426	161,538	161,538	161,538
Transaction-related contingent items	231,993	115,997	115,997	308,963	154,482	154,481
Short-term self liquidating trade-related contingencies	608,521	121,704	121,704	465,938	93,188	93,188
Irrevocable commitments to extend credit :						
-maturity more than 1 year	3,830,164	1,915,082	1,915,082	4,122,753	2,061,377	2,061,377
-maturity less than 1 year	10,730,934	-	-	9,181,257	-	-
Foreign exchange related contracts	8,012,152	196,950	98,475	7,639,221	158,934	80,269
Interest rate related contracts	23,120,937	188,998	94,499	16,389,047	74,294	37,147
Equity related contracts	71,194	1,068	-	106,922	1,604	-
Miscellaneous	499	-	-	694	-	-
Total	46,784,820	2,718,225	2,524,183	38,376,333	2,705,417	2,588,000

27 Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

28 a) Interest/Profit Rate Risk

Group As at 31 March 2006	Non-trading Book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
Assets									
Cash and short term funds	8,681,121	-	-	-	-	648,824	-	9,329,945	3.3
Deposits & placement with banks & other financial institutions	-	7,973,819	517,720	-	-	-	-	8,491,539	3.3
Securities purchased resale agreements	3,397,077	3,005,637	49,920	-	-	-	-	6,452,634	3.3
Securities held-for-trading	-	-	-	-	-	-	3,398,396	3,398,396	3.4
Securities available-for-sale	46,363	203,601	306,656	4,058,220	653,729	50,945	-	5,319,514	4.4
Securities held-to-maturity	31,743	58,780	244,982	624,618	17,940	98,735	-	1,076,798	5.5
Loans, advances and financing									
- performing	14,262,436	1,415,902	2,289,306	4,620,797	4,021,018	-	-	26,609,459	6.4
- non-performing	-	-	-	-	-	609,024	-	609,024	
Other assets	-	-	-	-	-	462,503	-	462,503	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	838,174	-	838,174	
Investment in subsidiary companies	-	-	-	-	-	-	-	-	
Property, plant and equipment	-	-	-	-	-	257,359	-	257,359	
Deferred tax assets	-	-	-	-	-	114,030	-	114,030	
Total assets	26,418,740	12,657,739	3,408,584	9,303,635	4,692,687	3,079,594	3,398,396	62,959,375	
Liabilities									
Deposits from customers	1,879,873	19,666,598	7,526,857	10,317,571	107,837	4,214,229	-	43,712,965	2.7
Deposits & placement of banks & other financial institutions	1,232,510	720,555	499,090	-	-	211	-	2,452,366	3.2
Obligations on securities sold under repurchase agreements	9,056,917	1,279,464	-	-	-	-	-	10,336,381	3.1
Bills and acceptance payable	15,954	10,787	5,230	17	-	356,433	-	388,421	3.1
Floating rate certificate of deposits	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	920,454	-	920,454	-
Subordinated Bonds	-	-	-	-	736,650	-	-	736,650	5.2
Total liabilities	12,185,254	21,677,404	8,031,177	10,317,588	844,487	5,491,327	-	58,547,237	
Shareholders' funds						4,412,138		4,412,138	
Total liabilities and shareholders' funds	12,185,254	21,677,404	8,031,177	10,317,588	844,487	9,903,465	-	62,959,375	
On-balance sheet profit sensitivity gap	14,233,486	(9,019,665)	(4,622,593)	(1,013,953)	3,848,200	(6,823,871)	3,398,396	-	
Off-balance sheet profit sensitivity gap	(815,000)	(1,562,063)	(91,400)	2,809,163	(340,700)	-	-	-	
Total profit sensitivity gap	13,418,486	(10,581,728)	(4,713,993)	1,795,210	3,507,500	(6,823,871)	3,398,396	-	

28 b) Interest/Profit Rate Risk

Group As at 30 June 2005	← Non-trading Book →						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000					
Assets										
Cash and short term funds	10,627,664	-	-	-	-	496,914	-	11,124,578	2.8	
Deposits & placement with banks & other financial institutions	-	3,510,327	27,287	-	-	-	-	3,537,614	2.8	
Securities purchased resale agreements	3,015,891	4,381,237	2,531,364	-	-	-	-	9,928,492	2.8	
Securities held-for-trading	-	-	-	-	-	-	2,633,939	2,633,939	3.1	
Securities available-for-sale	70,182	212,181	171,798	1,888,376	2,804	4,777	-	2,350,118	4.3	
Securities held-to-maturity	7,302	40,944	91,142	868,261	11,890	2,292	-	1,021,831	6.1	
Loans, advances and financing										
- performing	13,315,639	1,474,976	2,225,146	4,820,504	2,981,738	-	-	24,818,003	6.5	
- non-performing	-	-	-	-	-	764,732	-	764,732	-	
Other assets	-	-	-	-	-	242,109	-	242,109	-	
Statutory deposits with Bank Negara	-	-	-	-	-	839,600	-	839,600	-	
Property, plant and equipment	-	-	-	-	-	244,392	-	244,392	-	
Deferred tax assets	-	-	-	-	-	114,886	-	114,886	-	
Total assets	27,036,678	9,619,665	5,046,737	7,577,141	2,996,432	2,709,702	2,633,939	57,620,294		
Liabilities										
Deposits from customers	17,494,050	6,478,737	11,628,514	73,853	-	4,241,336	-	39,916,490	2.7	
Deposits & placement of banks & other financial institutions	1,788,789	100,000	177,000	-	-	373	-	2,066,162	2.6	
Obligations on securities sold under repurchase agreements	8,961,131	560,465	-	-	-	-	-	9,521,596	2.6	
Bills and acceptance payable	68,133	87,127	88,399	-	-	325,236	-	568,895	3.1	
Floating rate certificate of deposits	-	-	417,916	-	-	-	-	417,916	3.5	
Other liabilities	-	-	-	-	-	695,178	-	695,178	-	
Provision for tax	-	-	-	-	-	36,520	-	36,520	-	
Total liabilities	28,312,103	7,226,329	12,311,829	73,853	-	5,298,643	-	53,222,757		
Shareholders' funds						4,397,537		4,397,537		
Total liabilities and shareholders' funds	28,312,103	7,226,329	12,311,829	73,853	-	9,696,180	-	57,620,294		
On-balance sheet profit sensitivity gap	(1,275,425)	2,393,336	(7,265,092)	7,503,288	2,996,432	(6,986,478)	2,633,939	-		
Off-balance sheet profit sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402	-	-	-		
Total profit sensitivity gap	(1,035,425)	472,691	(10,741,599)	(47,962)	3,013,834	(6,986,478)	2,633,939	-		

28 c) Interest/Profit Rate Risk

Bank As at 31 March 2006	←————— Non-trading Book —————→						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
Assets									
Cash and short term funds	7,532,475	-	-	-	-	647,999	-	8,180,474	3.3
Deposits & placement with banks & other financial institutions	-	7,848,563	977,720	-	-	-	-	8,826,283	3.3
Securities purchased resale agreements	3,397,077	3,005,637	49,920	-	-	-	-	6,452,634	3.3
Securities held-for-trading	-	-	-	-	-	-	3,114,212	3,114,212	3.4
Securities available-for-sale	46,363	203,601	296,528	3,947,212	618,729	52,202	-	5,164,635	4.4
Securities held-to-maturity	31,743	34,512	75,037	214,308	17,940	90,307	-	463,847	5.7
Loans, advances and financing									
- performing	14,297,037	1,402,637	2,023,753	2,448,489	2,571,065	-	-	22,742,981	6.4
- non-performing	-	-	-	-	-	617,054	-	617,054	-
Other assets	-	-	-	-	-	394,306	-	394,306	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	666,700	-	666,700	-
Investment in subsidiary companies	-	-	-	-	-	522,042	-	522,042	-
Property, plant and equipment	-	-	-	-	-	240,739	-	240,739	-
Deferred tax assets	-	-	-	-	-	95,632	-	95,632	-
Total assets	25,304,695	12,494,950	3,422,958	6,610,009	3,207,734	3,326,981	3,114,212	57,481,539	
Liabilities									
Deposits from customers	18,108,406	6,505,553	10,192,725	107,837	-	4,214,229	-	39,128,750	2.7
Deposits & placement of banks & other financial institutions	1,232,510	530,299	464,090	-	-	211	-	2,227,110	3.2
Obligations on securities sold under repurchase agreements	8,477,755	1,279,464	-	-	-	-	-	9,757,219	3.2
Bills and acceptance payable	11,881	10,698	5,110	16	-	355,922	-	383,627	3.1
Floating rate certificate of deposits	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	872,004	-	872,004	-
Subordinated Bonds	-	-	-	-	736,650	-	-	736,650	5.2
Total liabilities	27,830,552	8,326,014	10,661,925	107,853	736,650	5,442,366	-	53,105,360	
Shareholders' funds						4,376,179		4,376,179	
Total liabilities and shareholders' funds	27,830,552	8,326,014	10,661,925	107,853	736,650	9,818,545	-	57,481,539	
On-balance sheet profit sensitivity gap	(2,525,857)	4,168,936	(7,238,967)	6,502,156	2,471,084	(6,491,564)	3,114,212	-	
Off-balance sheet profit sensitivity gap	(815,000)	(1,562,063)	(91,400)	2,809,163	(340,700)	-	-	-	
Total profit sensitivity gap	(3,340,857)	2,606,873	(7,330,367)	9,311,319	2,130,384	(6,491,564)	3,114,212	-	

28 d) Interest/Profit Rate Risk

Bank As at 30 June 2005	← Non-trading Book →						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
Assets									
Cash and short term funds	10,627,664					497,887		11,125,551	2.8
Deposits & placement with banks & other financial institutions	-	3,510,327	27,287	-	-	-		3,537,614	2.8
Securities purchased resale agreements	3,015,891	4,381,237	2,531,364	-	-	-		9,928,492	2.8
Securities held-for-trading							2,633,939	2,633,939	3.1
Securities available-for-sale	70,182	212,181	171,798	1,888,376	2,804	4,777		2,350,118	4.3
Securities held-to-maturity	7,302	40,944	91,142	868,261	11,890	2,292		1,021,831	6.1
Loans, advances and financing									
- performing	13,297,659	1,473,723	2,225,146	4,820,504	2,981,738			24,798,770	6.5
- non-performing						779,274		779,274	-
Other assets	-	-	-	-	-	239,763		239,763	-
Statutory deposits with Bank Negara	-	-	-	-	-	839,600		839,600	-
Investment in subsidiary companies	-	-	-	-	-	72,041		72,041	-
Property, plant and equipment	-	-	-	-	-	229,835		229,835	-
Deferred tax assets	-	-	-	-	-	114,886		114,886	-
Total assets	27,018,698	9,618,412	5,046,737	7,577,141	2,996,432	2,780,355	2,633,939	57,671,714	
Liabilities									
Deposits from customers	17,556,443	6,478,737	11,628,514	73,853	-	4,253,143		39,990,690	2.7
Deposits & placement of banks & other financial institutions	1,788,789	100,000	177,000	-	-	373		2,066,162	2.6
Obligations on securities sold under repurchase agreements	8,961,131	560,465	-	-	-	-		9,521,596	2.6
Bills and acceptance payable	64,135	87,127	88,399	-	-	325,236		564,897	3.1
Floating rate certificate of deposits	-	-	417,916	-	-	-		417,916	3.5
Other liabilities	-	-	-	-	-	712,946		712,946	-
Total liabilities	28,370,498	7,226,329	12,311,829	73,853	-	5,291,698	-	53,274,207	
Shareholders' funds						4,397,507		4,397,507	
Total liabilities and shareholders' funds	28,370,498	7,226,329	12,311,829	73,853	-	9,689,205	-	57,671,714	
On-balance sheet profit sensitivity gap	(1,351,800)	2,392,083	(7,265,092)	7,503,288	2,996,432	(6,908,850)	2,633,939	-	
Off-balance sheet profit sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402	-	-	-	
Total profit sensitivity gap	(1,111,800)	471,438	(10,741,599)	(47,962)	3,013,834	(6,908,850)	2,633,939	-	

29 Operations of Islamic Banking

29a Unaudited Balance Sheets as at 31 March 2006

	Group		Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
<u>ASSETS</u>				
Cash and short-term funds	210,000	1,461,250	-	1,461,250
Deposits and placements with banks and other financial institutions	1,464,710	191,396	-	191,396
Securities - Held for trading	284,184	300,339	-	300,339
Securities - Available for sale	154,880	373,406	-	373,406
Securities - Held to maturity	612,951	-	-	-
Financing, advances and other financing	3,854,589	3,402,467	-	3,402,467
Other assets	193,941	17,563	-	17,563
Statutory deposits with Bank Negara Malaysia	171,474	51,150	-	51,150
Property, plant and equipment	2,162	105	-	105
Deferred tax assets	18,398	18,723	-	18,723
Total Assets	6,967,289	5,816,399	-	5,816,399
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	5,468,041	4,889,360	-	4,889,360
Deposits and placements of banks and other financial institutions	225,256	91,750	-	91,750
Obligations on securities sold under repurchase agreements	579,162	246,600	-	246,600
Bills and acceptance payable	796	562	-	562
Other liabilities	160,363	125,472	-	125,472
Provision for taxation	1,266	38,373	-	38,373
Total Liabilities	6,434,884	5,392,117	-	5,392,117
Islamic banking capital fund	500,000	310,127	-	310,127
Reserves	32,405	114,155	-	114,155
Islamic Banking Funds	532,405	424,282	-	424,282
Total Liabilities and Islamic Banking Funds	6,967,289	5,816,399	-	5,816,399
<u>COMMITMENTS AND CONTINGENCIES</u>	379,623	344,662	-	344,662

29 **Operations of Islamic Banking** (continued)

29b Unaudited Income Statements for the 3rd Quarter and Cumulative 9 Months Ended 31 March 2006

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
Group				
Income derived from investment of deposits' funds and others	76,270	61,699	216,760	172,124
Income derived from investment of shareholders' funds	7,669	4,927	21,062	13,757
Allowance for losses on financing	(6,215)	(8,882)	(15,369)	(17,853)
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	1,500	3,355	5,475	(2,218)
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
Total distributable income	79,224	61,099	227,928	165,810
Income attributable to deposits	(44,398)	(30,144)	(118,710)	(85,740)
Total net income	34,826	30,955	109,218	80,070
Other operating expenses	(20,372)	(4,327)	(62,409)	(8,694)
Profit before taxation and zakat	14,454	26,628	46,809	71,376
Zakat	(10)	(15)	(40)	(30)
Taxation	(3,960)	(14,249)	(13,091)	(19,986)
Profit after taxation and zakat	10,484	12,364	33,678	51,360
Profit attributable to shareholders	10,484	12,364	33,678	51,360
Earnings per share - basic (sen)	2.10	3.99	6.74	16.56
Earnings per share - fully diluted (sen)	2.10	3.99	6.74	16.56

29 **Operations of Islamic Banking** (continued)

29b Unaudited Income Statements for the 3rd Quarter and Cumulative 9 Months Ended 31 March 2006
(continued)

	3rd Quarter Ended		Cumulative Nine Months Ended	
	31/03/2006 RM'000	31/03/2005 RM'000	31/03/2006 RM'000	31/03/2005 RM'000
Bank				
Income derived from investment of deposits' funds and others	-	61,699	-	160,521
Income derived from investment of shareholders' funds	-	4,927	-	12,764
Allowance for losses on financing	-	(8,882)	-	(16,779)
Provision for commitments and contingencies	-	-	-	-
Impairment loss	-	-	-	-
Profit equalisation reserve	-	3,355	-	1,332
Other expenses directly attributable to the investment of the deposits and shareholders' funds	-	-	-	-
Total distributable income	-	61,099	-	157,838
Income attributable to deposits	-	(30,144)	-	(80,418)
Total net income	-	30,955	-	77,420
Other operating expenses	-	(4,327)	-	(7,927)
Profit before taxation and zakat	-	26,628	-	69,493
Zakat	-	(15)	-	(30)
Taxation	-	(14,249)	-	(19,459)
Profit after taxation and zakat	-	12,364	-	50,004
Profit attributable to shareholders	-	12,364	-	50,004
Earnings per share - basic (sen)	-	3.99	-	16.12
Earnings per share - fully diluted (sen)	-	3.99	-	16.12

29 Operations of Islamic Banking (continued)

29c Financing, advances and other financing

(i) By type

	Group		Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Cash line	8,147	10,056	-	10,056
Term financing		-		-
- House financing	918,125	939,212	-	939,212
- Hire purchase receivable	3,404,261	2,898,064	-	2,898,064
- Lease receivable	15,694	-	-	-
- Other term financing	550,735	548,741	-	548,741
Bills receivable		-	-	-
Trust receipts	52	-	-	-
Claims on customers under acceptance credits	28,046	17,347	-	17,347
Staff financing	131	126	-	126
Revolving credit	2,908	3,050	-	3,050
Others	1,508	56	-	56
	<u>4,929,607</u>	<u>4,416,652</u>	<u>-</u>	<u>4,416,652</u>
Less: Unearned income	(989,708)	(946,113)	-	(946,113)
	<u>3,939,899</u>	<u>3,470,539</u>	<u>-</u>	<u>3,470,539</u>
Less: Allowance for bad and doubtful financing				
- General	(58,707)	(55,009)	-	(55,009)
- Specific	(26,603)	(13,063)	-	(13,063)
Total net financing, advances and other financing	<u>3,854,589</u>	<u>3,402,467</u>	<u>-</u>	<u>3,402,467</u>

(ii) By contract

	Group		Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Bai' Bithaman Ajil (deferred payment sale)	948,710	930,530	-	930,530
Ijarah (lease)	14	-	-	-
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,983,369	2,518,694	-	2,518,694
Murabahah (cost-plus)	7,806	21,315	-	21,315
	<u>3,939,899</u>	<u>3,470,539</u>	<u>-</u>	<u>3,470,539</u>

29 Operations of Islamic Banking (continued)

29c Financing, advances and other financing (continued)

Non-performing financing

(i) Movements in non-performing financing, advances and other financing

	Group		Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
At beginning	70,437	97,701	70,437	8,798
Amount transferred from HLF		-	-	86,553
Amount transferred to HLIB		-	(70,437)	-
Classified as non-performing during the period	176,033	207,494	-	207,494
Reclassified as performing	(145,405)	(178,589)	-	(178,589)
Amount recovered	(23,730)	(31,759)	-	(31,759)
Amount written off		(24,410)	-	(22,060)
At end	<u>77,335</u>	<u>70,437</u>	<u>-</u>	<u>70,437</u>
Net non-performing financing, advances and other financing	<u>50,732</u>	<u>57,374</u>	<u>-</u>	<u>57,374</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.3%</u>	<u>1.7%</u>	<u>-</u>	<u>1.7%</u>

29 Operations of Islamic Banking (continued)

29c Financing, advances and other financing (continued)

(ii) **Movements in allowance for bad and doubtful financing**

	Group		Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
General allowance				
At beginning	55,009	38,801	55,009	9,861
Amount transferred from HLF	-	-	-	29,023
Amount transferred to HLIB	-	-	(55,009)	-
Allowance made / (written back)	3,698	16,208	-	16,125
At end	58,707	55,009	-	55,009
As % of gross financing, advances and other financing less specific allowance	1.5%	1.6%	-	1.6%
Specific allowance				
At beginning	13,063	30,125	13,063	597
Amount transferred from HLF	-	-	-	30,512
Amount transferred to HLIB	-	-	(13,063)	-
Allowance made	17,894	15,805	-	14,349
Amount recovered	(4,288)	(6,160)	-	(5,689)
Amount written off	(66)	(26,707)	-	(26,706)
At end	26,603	13,063	-	13,063

29 Operations of Islamic Banking (continued)

29d Deposits from customer

By type of deposit

	Group		Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 30/09/2005 RM'000	Financial Year Ended 30/06/2005 RM'000
Non-Mudharabah				
Demand deposits	113,055	117,778	-	117,778
Savings deposits	390,408	529,808	-	529,808
Negotiable instruments of deposit	1,591,320	-	-	-
Others	1,484	233	-	233
	<u>2,096,267</u>	<u>647,819</u>	<u>-</u>	<u>647,819</u>
Mudharabah				
Demand deposits	51,578	-	-	-
Saving deposits	212,611	-	-	-
General investment deposits	3,107,585	4,241,541	-	4,241,541
	<u>3,371,774</u>	<u>4,241,541</u>	<u>-</u>	<u>4,241,541</u>
	<u>5,468,041</u>	<u>4,889,360</u>	<u>-</u>	<u>4,889,360</u>

30 Change in Accounting Policies and Prior Year Adjustments

a) Change in Accounting Policies

Effective 1st July 2005, the Group and the Bank have adopted the revised BNM/GP8 which have resulted in the following new accounting policies:

- 1) The holdings of the securities portfolio of the Group and the Bank are segregated based on the following categories and valuation methods :

- i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statements.

- ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and Bank have the positive intent and ability to hold to maturity. The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statements.

- iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statements.

- 2) Derivatives financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

- 3) Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

b) Prior Year Adjustments

The following comparative figures have been restated for the effects of adopting the above change in accounting policies :

	<u>The Group</u>		<u>The Bank</u>	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
(i) Balance sheet as at 30 June 2005				
Dealing securities	-	2,632,694	-	2,632,694
Investment securities	-	3,362,726	-	3,362,726
Securities held-for-trading	2,633,939	-	2,633,939	-
Securities available-for-sale	2,368,564	-	2,368,564	-
Securities held-to-maturity	1,003,385	-	1,003,385	-
Deferred tax assets	114,886	115,204	114,886	115,204
Other assets	242,109	252,741	239,763	250,395
Reserves	<u>3,091,805</u>	<u>3,095,166</u>	<u>3,091,775</u>	<u>3,095,136</u>
(ii) Income statement for the 3rd quarter ended 31 March 2005				
Other operating income	92,336	94,521	91,979	94,164
Net income	371,040	373,225	362,795	371,176
Operating profit	227,700	229,885	219,273	227,654
Allowance for losses on loans, advances and financing	(41,827)	(41,827)	(46,773)	(46,773)
Profit before tax expense and Zakat	185,873	188,058	172,500	180,881
Tax expense and zakat	(50,374)	(50,985)	(50,220)	(50,831)
Profit after tax expense	<u>135,499</u>	<u>137,073</u>	<u>122,280</u>	<u>130,050</u>
Earnings per share				
Basic (sen)	8.6	8.8	7.8	8.3
Fully diluted (sen)	8.6	8.8	7.8	8.3

b) **Prior Year Adjustments (continued)**

	<u>The Group</u>		<u>The Bank</u>	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
(iii) Income statement for the Cumulative Nine months ended 31 March 2005				
Other operating income	266,970	273,525	1,073,892	1,080,447
Net income	1,097,844	1,104,399	1,872,186	1,878,741
Operating profit	674,070	680,625	1,454,124	1,460,679
Allowance for losses on loans, Advances and financing	(115,785)	(115,785)	(117,189)	(117,189)
Profit before tax expense and Zakat	558,285	564,840	1,336,935	1,343,490
Tax expense and zakat	(157,204)	(159,039)	(378,060)	(379,895)
Profit after tax expense	<u>401,081</u>	<u>405,801</u>	<u>958,875</u>	<u>963,595</u>
Earnings per share				
Basic (sen)	25.6	25.9	61.1	61.4
Fully diluted (sen)	25.6	25.9	61.1	61.4

**HONG LEONG BANK BERHAD ("HLB" or "Bank")
ADDITIONAL INFORMATION REQUIRED BY THE LISTING
REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD**

1 Review of performance

Current quarter against previous corresponding quarter

The Group recorded a pre-tax profit of RM229.4 million for the current financial quarter ended 31 March 2006, an increase of RM43.5 million as compared to previous corresponding quarter. Net Income increased by RM68.0 million which was spurred by the growth in business volume with net interest income increased by 11% or RM25.7 million as well as non interest income increased by 45% or RM41.1 million.

Financial year-to-date against previous financial year-to-date

The Group's pre-tax profit for the nine months ended 31 March 2006 stood at RM563.0 million, an increase of RM4.7 million as compared to RM558.3 million in the previous corresponding period. Net interest income managed to grow from healthy asset growth by RM1.2 million despite margin compression. In tandem with the business growth, non interest income increased by RM54.7 million while net income from Islamic Banking increased by RM26.4 million

2. Review of performance of current quarter against preceding quarter

For the current financial quarter, the Group recorded a pre-tax profit of RM229.4 million as compared to RM136.1 million in the preceding quarter, an increase of RM93.3 million. Net income increased by RM77.7 million while loan loss provision is relatively lower by RM20.2 million mainly from lower specific and general provision charged.

3 Current year prospect

Barring unforeseen circumstances, the Group are optimistic of delivering satisfactorily results in the financial year while continue to be sensitive to changes in market conditions and outlook with the appropriate risk management mindset.

4 Variance in profit forecast and shortfall in profit guarantee

This note is not applicable to the Group.

5 Taxation

	Current Quarter Ended 31/03/2006 RM'000	Corresponding Quarter Ended 31/03/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Period Ended 31/03/2005 RM'000
The Group				
Malaysian income tax	65,715	52,359	157,087	166,726
Overseas tax	-	-	-	-
	<u>65,715</u>	<u>52,359</u>	<u>157,087</u>	<u>166,726</u>
Transfer from/ (to) deferred taxation	<u>(897)</u>	<u>(2,000)</u>	<u>856</u>	<u>(9,552)</u>
	<u><u>64,818</u></u>	<u><u>50,359</u></u>	<u><u>157,943</u></u>	<u><u>157,174</u></u>
The Bank				
Malaysian income tax	61,424	52,733	144,144	387,582
Overseas tax	-	-	-	-
	<u>61,424</u>	<u>52,733</u>	<u>144,144</u>	<u>387,582</u>
Transfer from/(to) deferred taxation	<u>(657)</u>	<u>(2,528)</u>	<u>531</u>	<u>(9,552)</u>
	<u><u>60,767</u></u>	<u><u>50,205</u></u>	<u><u>144,675</u></u>	<u><u>378,030</u></u>

The Group's and the Bank's effective tax rate for the financial year approximates the statutory tax rate.

6 Profit on sale of unquoted investments/properties

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial period under review.

7 Purchase and disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period under review other than those purchased or disposed in the ordinary course of business.

8 Status of corporate proposals

- i) There were no corporate proposals announced but not completed as at the date of this report other than as mentioned below: -

The Company had, on 15 March 2006, announced the proposed acquisition by HLB of one (1) block of six (6) storey purpose built commercial office building located at Petaling Jaya, State of Selangor from PJ City Development Sdn Bhd (formerly known as HLMC Management Co Sdn Bhd) for a cash consideration of RM86,294,200 (“Proposed Acquisition”).

The Proposed Acquisition had been approved by Bank Negara Malaysia vide its letter dated 20 January 2006. The Proposed Acquisition is now conditional upon the following approvals:-

- a. Foreign Investment Committee;
 - b. the shareholders of the Bank; and
 - c. the shareholders of Hong Leong Credit Berhad, the holding company of HLB, pursuant to Section 132E of the Companies Act, 1965
- ii) Hong Leong Bank Berhad (“HLB”) 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 to operate as a registered takaful operator (“JV”). The equity participation in the JV company is HLB (55%), HLA (10%) and Tokio Marine (35%). The JV is not subject to the approval of the shareholders of the Bank.

Bank Negara Malaysia 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

9 Group Borrowings

This note is not applicable to the Group.

10 Deposits and debt securities

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Deposits from customers				
Fixed deposits	26,503,753	28,855,935	24,268,542	28,918,328
Negotiable instruments of Deposit	6,266,512	1,095,999	4,675,192	1,095,999
Demand deposits	4,232,249	3,717,928	4,130,645	3,729,735
Savings deposits	6,426,504	6,100,599	5,771,908	6,100,599
Other	283,947	146,029	282,463	146,029
	<u>43,712,965</u>	<u>39,916,490</u>	<u>39,128,750</u>	<u>39,990,690</u>
The maturity structure of fixed deposits and negotiable instruments :				
One year or less (short term)	32,622,364	29,878,080	28,795,833	29,940,473
More than one year (medium/long term)	147,901	73,854	147,901	73,854
	<u>32,770,265</u>	<u>29,951,934</u>	<u>28,943,734</u>	<u>30,014,327</u>

10 **Deposits and debt securities (continued)**

	<u>The Group</u>		<u>The Bank</u>	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Deposits and placements of banks and other financial institutions				
Licensed banks	2,387,510	2,066,162	2,172,510	2,066,162
Other financial institutions	64,856	-	54,600	-
	<u>2,452,366</u>	<u>2,066,162</u>	<u>2,227,110</u>	<u>2,066,162</u>
The maturity structure of deposits and placements of banks and other financial institutions :				
One year or less (short term)	2,452,366	2,066,162	2,227,110	2,066,162
More than one year (medium/long term)	-	-	-	-
	<u>2,452,366</u>	<u>2,066,162</u>	<u>2,227,110</u>	<u>2,066,162</u>

11 **Floating Rate Certificate of Deposits**

	The Group and The Bank	
	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Floating rate certificate of deposits - USD110 million	-	417,916

The floating rate certificate of deposits carries a floating interest rate at a spread above London Interbank Offered Rate ("LIBOR") and it has matured on 20 March 2006.

12 Subordinated Bonds

The Group and The Bank

	Financial Period Ended 31/03/2006 RM'000	Financial Year Ended 30/06/2005 RM'000
Subordinated Bonds		
- USD200 million	<u>736,650</u>	<u>-</u>

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 in 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.

13 Off-Balance Sheet Financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2006:

The Group

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	3,111,744	1,872,484	486,672	697,094	55,494	-	
- swaps	3,606,135	2,027,372	578,745	629,468	-	-	370,550
- options	1,295,198	582,039	584,807	80,878	47,474	-	
Interest rate related contracts							
- forwards							
- futures	14,997,944	-	1,762,795	1,447,000	3,331,228	8,456,921	-
- swaps	8,122,993	10,000	300,000	360,000	500,000	6,561,673	391,320
Total	31,134,014	4,491,895	3,713,019	3,214,440	3,934,196	15,018,594	761,870

The Bank

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	3,110,819	1,871,559	486,672	697,094	55,494	-	
- swaps	3,606,135	2,027,372	578,745	629,468	-	-	370,550
- options	1,295,198	582,039	584,807	80,878	47,474	-	
Interest rate related contracts							
- forwards							
- futures	14,997,944	-	1,762,795	1,447,000	3,331,228	8,456,921	-
- swaps	8,122,993	10,000	300,000	360,000	500,000	6,561,673	391,320
Total	31,133,089	4,490,970	3,713,019	3,214,440	3,934,196	15,018,594	761,870

13 Off-Balance Sheet Financial instruments (continued)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM447,821,000 (FYE June 2005: RM552,922,000) and RM20,230,193,910 (FYE June 2005: RM16,389,047,000) respectively.

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM61,399,932 (FYE June 2005: RM69,528,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

Derivatives financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

14 Material litigation

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

15 Dividend

No dividend has been proposed for the current quarter.

16 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of ordinary shares (excluding treasury shares) in issue during the period.

	Current Quarter Ended 31/03/2006 RM'000	Corresponding Quarter Ended 31/03/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Period Ended 31/03/2005 RM'000
<u>The Group</u>				
Profit after taxation	164,595	135,499	404,995	401,081
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(56,854)	(13,481)	(55,495)	(11,352)
	<u>1,523,253</u>	<u>1,566,626</u>	<u>1,524,612</u>	<u>1,568,755</u>
Basic earnings per share (sen)	10.8	8.6	26.6	25.6
<u>The Bank</u>				
Profit after taxation	152,926	122,280	367,793	958,875
Weighted average number of ordinary shares in issue ('000)	1,580,107	1,580,107	1,580,107	1,580,107
Less: Treasury shares held	(56,854)	(13,481)	(55,495)	(11,352)
	<u>1,523,253</u>	<u>1,566,626</u>	<u>1,524,612</u>	<u>1,568,755</u>
Basic earnings per share (sen)	10.0	7.8	24.1	61.1

16 **Earnings per share (continued)**

b) Fully diluted earnings per share

For the fully diluted earnings per share, the weighted average number of ordinary shares in issue (excluding treasury shares) is adjusted to assume conversion of all ESOS options into ordinary shares.

	Current Quarter Ended 31/03/2006 RM'000	Corresponding Quarter Ended 31/03/2005 RM'000	Financial Period Ended 31/03/2006 RM'000	Financial Period Ended 31/03/2005 RM'000
<u>The Group</u>				
Profit after taxation	164,595	135,499	404,995	401,081
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,523,253	1,566,626	1,524,612	1,568,755
- adjustment for ESOS	-	-	-	-
	<u>1,523,253</u>	<u>1,566,626</u>	<u>1,524,612</u>	<u>1,568,755</u>
Fully diluted earnings per share (sen)	10.8	8.6	26.6	25.6
<u>The Bank</u>				
Profit after taxation	152,926	122,280	367,793	958,875
Weighted average number of ordinary shares in issue (diluted) ('000):				
- during the year	1,523,253	1,566,626	1,524,612	1,568,755
- adjustment for ESOS	-	-	-	-
	<u>1,523,253</u>	<u>1,566,626</u>	<u>1,524,612</u>	<u>1,568,755</u>
Fully diluted earnings per share (sen)	10.0	7.8	24.1	61.1